中鋁國際工程股份有限公司

CHALIECO

# 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

# ANNUAL REPORT 2015

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# CHAIRMAN'S AND PRESIDENT'S STATEMENT

**HE Zhihui**
*Chairman and President*

Dear Shareholders,

For 2015, the year just passed, was an extraordinary year in the development history of our Company. Facing a series of severe challenges including the increasing pressure from economy and weak recovery, all our staff insisted on the principal line of transformation development driven by innovations and followed the development trend of the industry, reacting to changes in the market in a timly and flexible manner. We brokethrough the barriers of traditional development mindset and no longer leaned on traditional development path while breaking chains of mechanism hindering the scientific development and practically transforming our development idea and methods to try and to explore in an active and causious way, which has brought the a new look to the Company in the business development, reform and innovations.

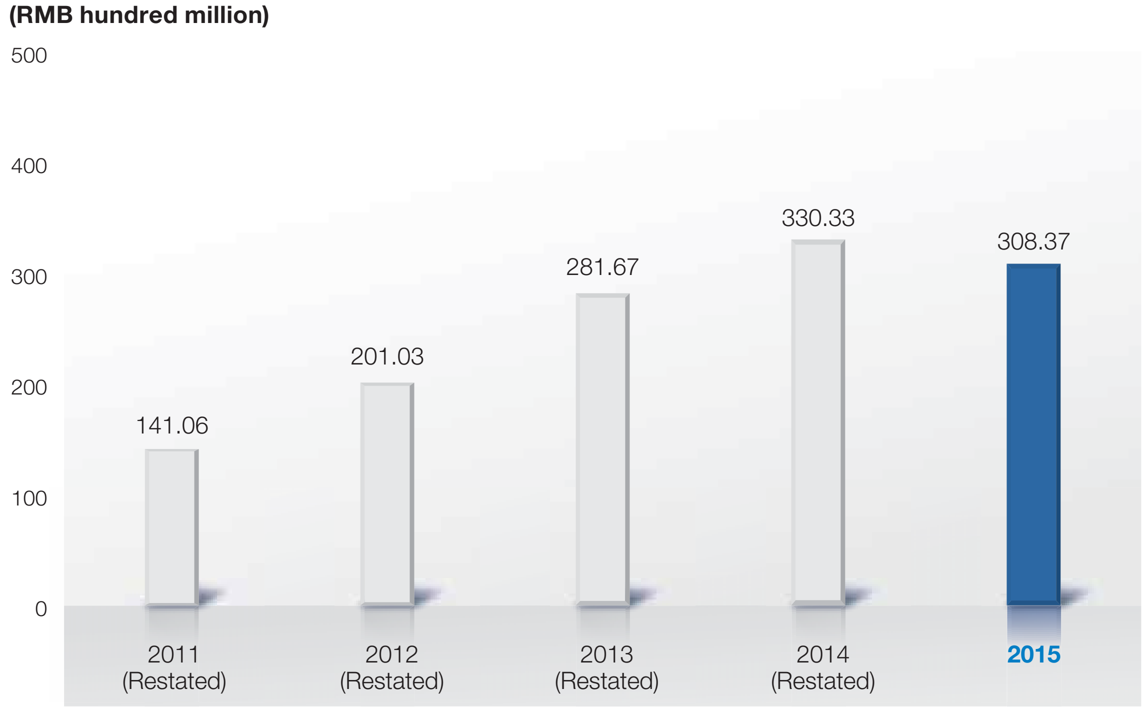
The Company adhered to our corporate missions: "serving the country, paying back the shareholders, striving for staff accomplishment and benefiting the society", and actively fulfilled our social responsibilities. As such, our Company has been gaining reputation in the industry. In 2015, Chalieco ranked the 213rd place, 54 places higher than that in 2014, on the list of the country's top 500 companies. In 2015, our Company was granted with honorable title such as the "Best Corporate Governance Listed Company Award" of the "China Securities Golden Bauhinia Awards and "Outstanding Strategic Enterprise of Overseas Resources Development in Nonferrous Metal Industry".

Conficius said, "Let the will be set on the path of duty. Wherever the will leads to, there is no distance to which it does not reach and there is nothing it can not defeat." Looking forward, in response to the fierce competition from various industry players, we will insist on customer-centered services and fighter-oriented principle, and go hand-in-hand with customers and business partners to pave the way for the PRC's nonferrous market, as well as turn to a new page with Chalieco and in other contemporary industries.

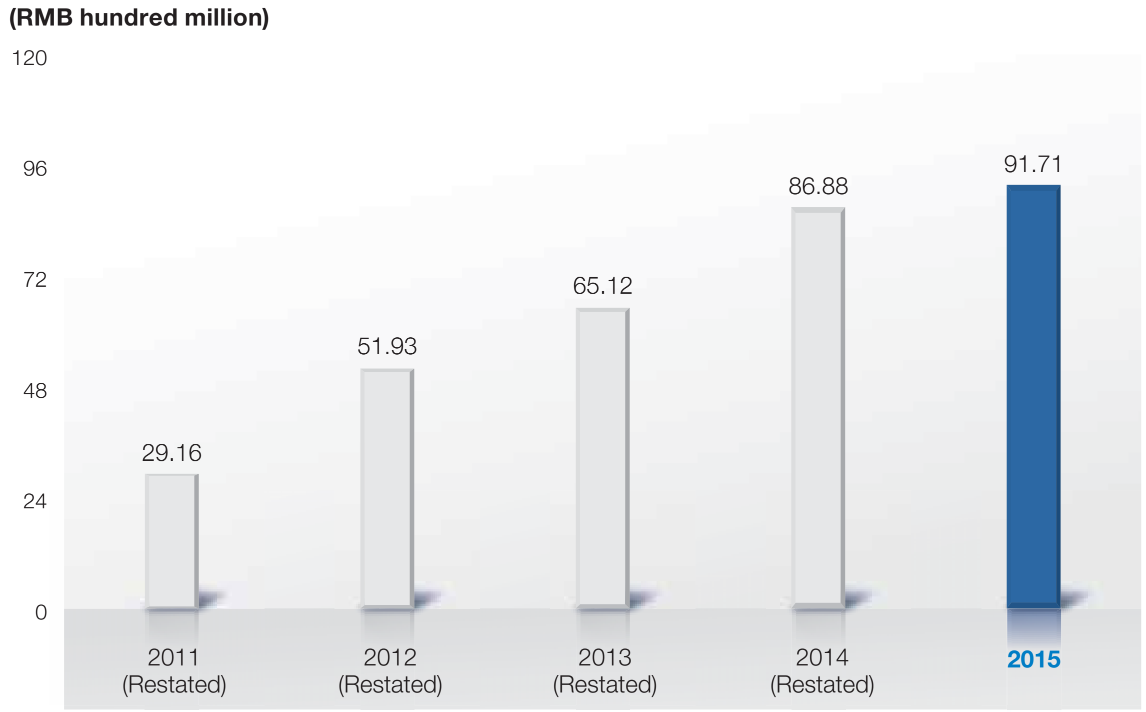
*Chairman and President*
**HE Zhihui**

# FINANCIAL INFORMATION SUMMARY

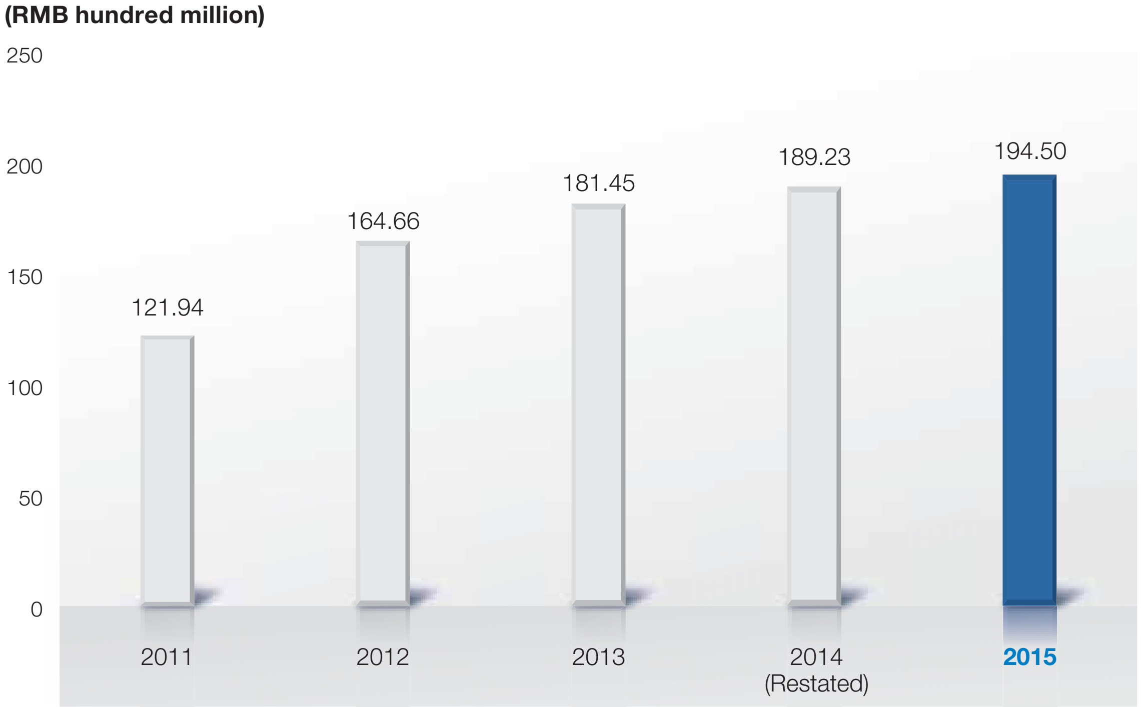
## TOTAL ASSETS



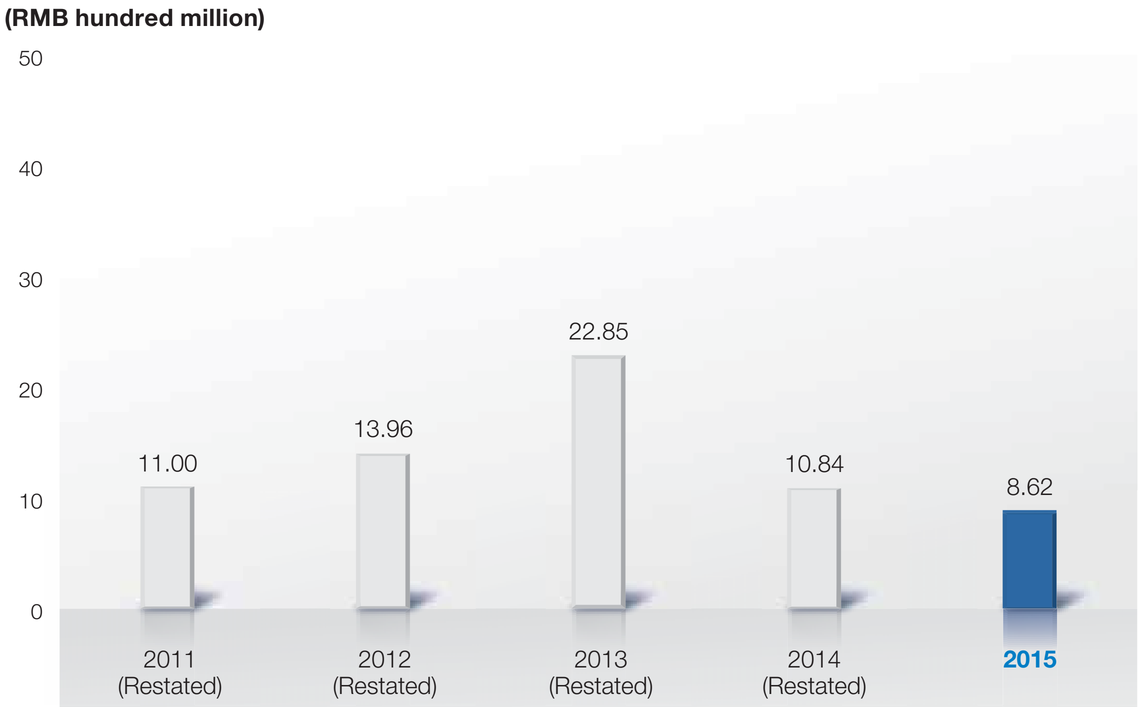

## TOTAL EQUITY



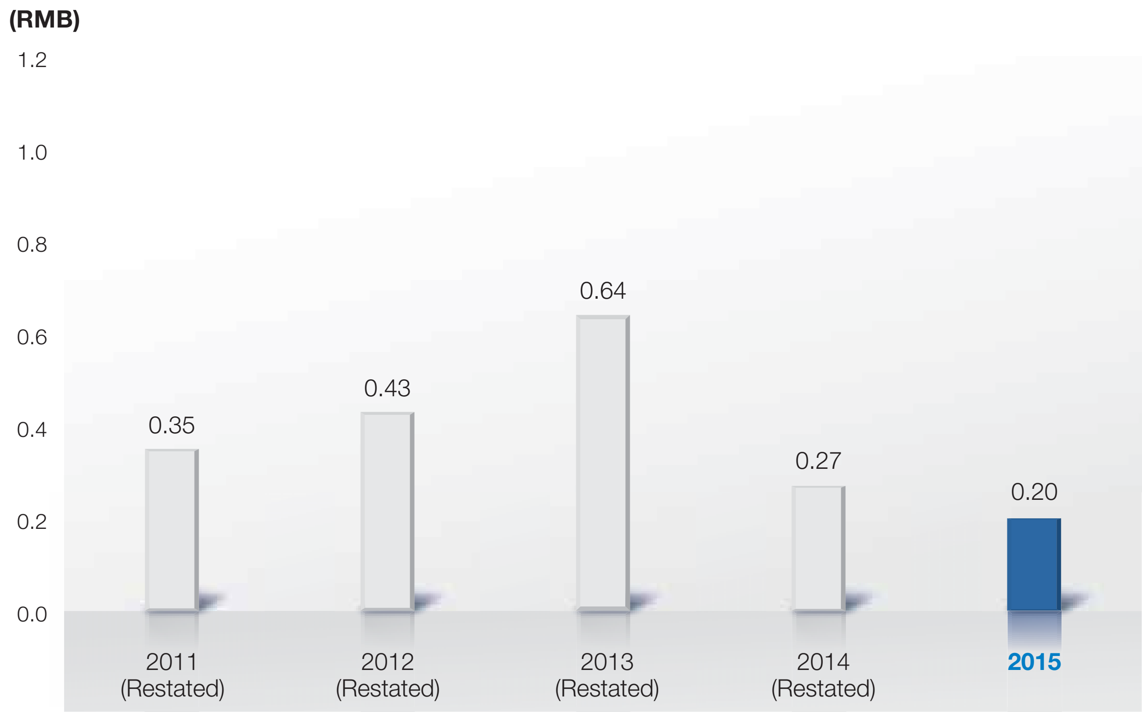
## REVENUE



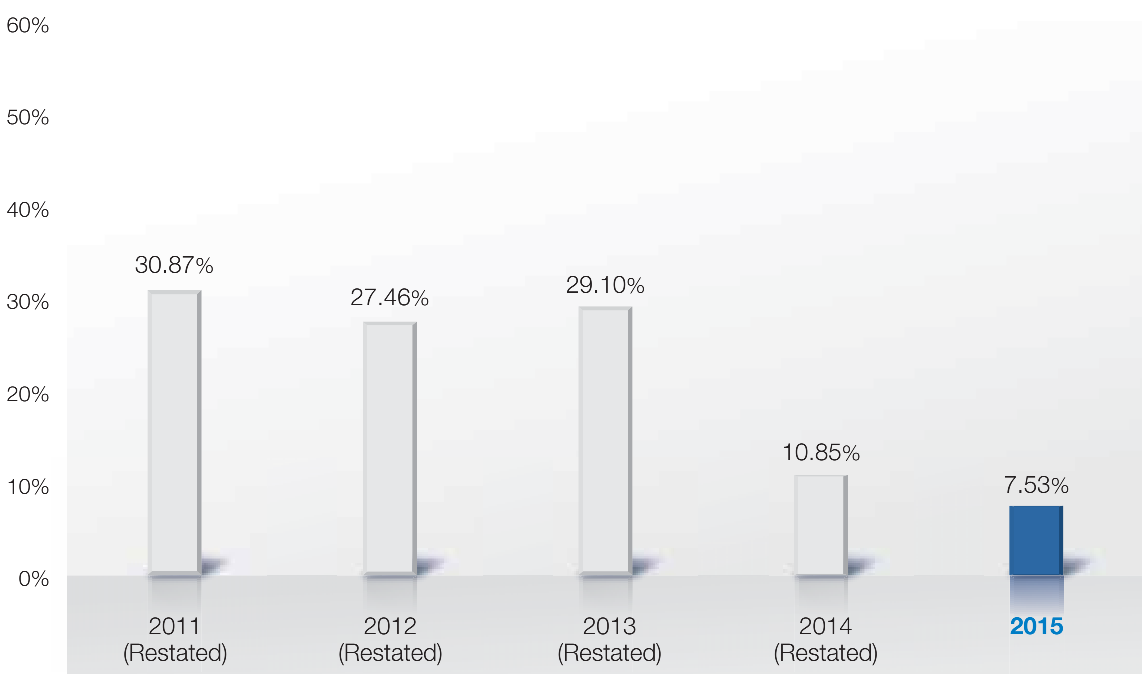

## PROFIT BEFORE TAXATION



## EARNINGS PER SHARE




## RETURN ON NET ASSETS



# CORPORATE PROFILE

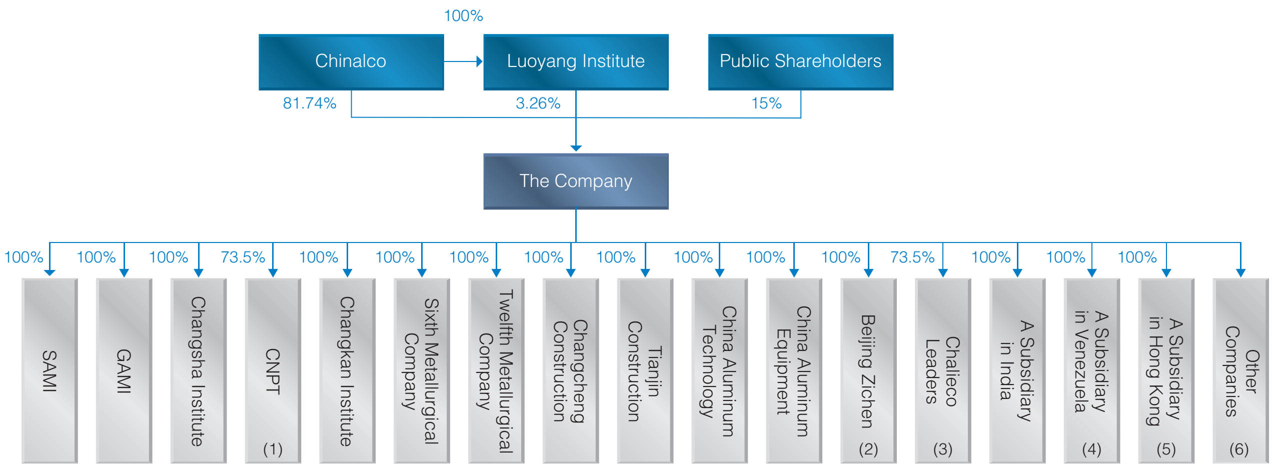
## THE ISSUANCE AND LISTING OF THE SHARES

The Company is a subsidiary of Chinalco and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2068) on 6 July 2012 with an offering price of HK$3.93 per share. As at 31 December 2015, the total number of shares in issuance of the Company is 2,663,160,000 shares, which is comprised of 399,476,000 H Shares, representing 15% of the issued share capital, and 2,263,684,000 Domestic Shares.

## BUSINESS OVERVIEW

The Group is a leading technology, engineering service and equipment provider in the nonferrous metals industry in China, capable of providing full business-chain integrated engineering solutions for various stages in nonferrous metals industry chain. Our businesses mainly include engineering design and consultancy, engineering and construction contracting, equipment manufacturing and trading.

## CORPORATE STRUCTURE




Notes:

(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) as to 17.5%, China Nonferrous Engineering Co., Ltd. (中國有色工程有限公司) as to 6%, Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院) as to 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) as to 1%, all of which are independent third parties.

(2) represents Beijing Zichen Investment Development Corporation Limited

(3) represents China Aluminum Leaders Engineering Limited

(4) represents Chalieco Venezuela C.A.

(5) represents Chalieco Hong Kong Corporation Limited (中鋁國際香港有限公司).

(6) represents Duyun Tongda, Wenzhou Tonggang, Wenzhou Tongrun etc.

## 1. INDUSTRY OVERVIEW AND SEGMENT BUSINESS

### Industry Overview in 2015

#### (I) Nonferrous Metal Industry

In 2015, the growth in China's economy saw a declining trend which caused a significant decrease in the demand of nonferrous metal, but the nonferrous metal production continued to grow. The production of 10 types of nonferrous metals was over 50 million tons, almost accounting for half of the global production. Among them, the production of primary aluminium was about 32 million tons, an increase of over 10% from last year; and the production of refined copper was about 8 million tons, an increase of about 6% from last year. The imbalance of supply and demand has resulted in situations in the industry like declining investment, slump in price, and decrease in profit.

**(II) Construction Industry**

The gross output of the construction industry in China amounted to RMB18,000 billion in 2015 as compared with that of 10.2% in 2014, representing a growth of 2.3%. The significant slowdown of growth is mainly attributable to the weakening macroeconomic slowdown, the gradual absence of demographic dividend, depressing real estate industry and the touch-ground price of construction materials. The low profit margin and low concentration have intensified the competition in the industry. The State initiated the reformation of 5.8 million shanty-towns and the construction of underground integrated pipeline and sponge city.

## Business Operation Overview for 2015

Under the unfavorable background of significant overcapacity and aggravated loss in the nonferrous metals industry, the Group implement effective measures and aggressive market expansion under the leading of innovative working vision and sticking to the business target for the year tightly, resulting in the smooth accomplishment of the "Twelfth Five-Year Plan".

**(I) Spotlights in Market Expansion**

The Group continued to develop the market of the nonferrous metals in 2015. Meanwhile, it also seized the opportunities from the national strategy of "One Belt, One Road" and "Beijing-Tianjin-Hebei Cooperative Development", and tracking the pilot projects which will gradually develop radiantly into a network, forming a new layout for nourishment and development for domestic and overseas business.

Engineering of power station for provision of air-conditioning, heating and electricity in Huanghua Airport, construction contracted by the Company

Sticking to serving nonferrous metal industry. The Group sticks to serving nonferrous metal industry in the new normal of the economy development. It takes consistent efforts to develop unique patent technologies in the nonferrous metal industry as well as continuing to nurture the ongoing innovation ability, so as to strengthen and enhance its leading position as a nonferrous metals serving industry group and practically take its national responsibility to lead Chinese aluminum industry to the highend level by taking advantage of those exclusive patent technologies and its industry chain. The design institutes of the Group undergo technology merge with the production enterprises in the industry to determine the technical upgrading and improving solution with the aim of building up a “digitalized aluminum producer”. Construction enterprises fully utilize the technological and management advantages to export industrial services actively and undertake the production repairment and inspection business as well as the use of residual heat projects for a number of enterprises.

Sticking to model innovation. During the development of the domestic business, the Group implements model innovation actively, practices “macro economy, large projects, big customers”, and makes extra efforts to strengthen the deep docking with local governments and renowned enterprises. It has entered into strategic cooperative agreements with local governments including Chengdu Tianfu New District, Luoyang, Tianjin Binhai New Area to pilot the PPP model in the aspects such as improving livelihood and infrastructure. The resettlement housing project of the shanty-town reformation in Pan County, Guizhou Province has been successfully contracted.

Sticking to tracking key projects. During the development of the international business, the Group proactively studies the national strategy of “One Belt, One Road”, aligns its business layout promptly, promotes the cooperation on international productivity, closely monitors the target markets with a key support from PRC government and the major regions revolved in the bilateral cooperation and the connectivity. It has focused on markets in southeast Asia, south Asia, west Asia and South America, and has indepth researches on those important target markets, which have quickly translated into our competitive advantages. In 2015, the Group successfully signed a contract at a sum of US$207 million for CVG-Bauxilum comprehensive capacity recovering construction project in Venezuela; successfully secured orders of projects in Mozambique and Indonesia, and undertook installation project of a cement plant in Ethiopia and power grid upgrade project in Equatorial Guinea. All of these have paved ways for “One Belt, One Road”.

Project Department of VENALUM, the Branch of Chalieco in Venezuela

Trading segment developing rapidly and healthily. In 2015, the Group further constructed its mind map of the operations of trading segment to significant expand the business areas and consistently innovate the operations model. On the basis of strictly monitoring trading risks and regulating financing business, the Group aims to determine the types of advantageous business and broaden the operating channels with the help of overseas organizations and domestic branch agencies.

### (II) Demonstration of Innovation-Driven Success

Accelerate the construction of scientific research platform. In 2015, the establishment of a post-doctoral scientific research center and the construction of Hunan Provincial Clean Smelting of Lead-Zinc Engineering Technical Research Center by Changsha Institute (長沙院), a wholly-owned subsidiary of the Group, have been approved by the Ministry of Human Resources and Social Security (MOHRSS) of the State and Hunan Provincial Science and Technology Department, respectively, and was granted financial support by the state. In order to solve the technological problems arising from the transformation and upgrade of the Group and explore ways of foreign technology cooperation, the Group actively pursued opportunities to cooperate with large-scale overseas scientific research institutes for research and development. GAMI, a wholly-owned subsidiary of the Group, has entered into a technological cooperation agreement with Commonwealth Scientific and Industrial Research Organisation in Australia to join hands in the research and application of primary aluminum smelting technology, in order to further improve the energy-saving, emission reduction, consumption decrease and efficiency improvement of China's primary aluminum smelting industry.

Actively occupy the highest level of technology. The Group has conducted a technological research relating to "Nonferrous Metals Industry 4.0" and defined the key direction in research and development for the next three years; launched the project of "The Expansion Application of Aluminum Project" with the theme of "Substituting Steel and Copper with Aluminum, Reducing Timber Consumption via Promoting the Application of Aluminum Materials", and developed a strict project schedule. The implementation of this project shall enable the Group to gain further advantages in the nonferrous metals industry.

### (III) Integration of Accumulated Competitive Advantages

The Group endeavored in market-orientation with strengthened integrated resources, optimized industrial layout, accelerated development speed and bettered development quality. On 1 December 2015, the Group signed an Equity Transfer Agreement with Jiuan Properties to acquire a 62.5% equity interest in No. 9 Metallurgical Construction Co., Ltd. (九冶建設有限公司) (hereinafter referred to as "Ninth Metallurgical Company").

Ninth Metallurgical Company, an engineering and construction company with significant influence in the metallurgical industry, has the premium qualification for general contracting of housing and buildings construction granted by the Ministry of Housing and Urban-Rural Development of the State. The acquisition of Ninth Metallurgical Company is consistent with the Group's development strategies. It is beneficial to the Group's goal of rapid expansion in the business areas of bridges, roads, steel and iron, and coking, etc. At the same time, it is beneficial to the Group's prompt layout in the markets alongside the Silk Route economic belt in central-western China, particularly the market in Xinjiang region, which can help enhance the Group's influence on the market, the competitive strengths and the capability to undertake projects.

**(IV) Improved Risk Control Capability**

To address the operational risks arising from construction projects, the Group has improved the system relating to risk management to specifically define the responsible subject for the project, the obligations of each parties, and assessment methods. Meanwhile, the risk control of BT projects and the projects required advances have been strengthened, including the establishment of a special Risk Assessment Committee which exercises to the fullest extent supervision on such projects and assumes independently the risk control obligation prior to the implementation of the projects.

**(V) Deepen Management and Improve Quality and Effectiveness**

E-Business platform came into operation. An electronic commerce purchase platform with industrial technological features developed and constructed by the Group has been put into trial operation. It has initially established a database of procurement costs, and classification and management of procurement varieties, established and improved the appraisal system, incentive system and elimination system for suppliers, realizing the effective supervision of suppliers. All purchases by the Group in the future will be completed on the platform to achieve the concept of "Sunshine Purchase".

Demonstration and lead of benchmarking projects. Learning from the domestic advanced and forerunning players in term of project management, the Group selects well-managed projects in various areas such as quality, safety, cost control and progress control as benchmarking projects, and promote the exchange of experience of various subsidiaries of the Group in aspects of project monitoring and control as well as project construction and management, through communication and interaction, and enhanced the overall management level of the projects. Henan Zhongfu Industrial 300,000 tons of high-performance specialty aluminum hot rolling plant workshop contracted by sixth Metallurgical Company, a wholly-owned subsidiary of the Group, were awarded with "2014-2015 State Construction Engineering Luban Award (National Quality Engineering)".

Successfully obtained a number of qualifications. In 2015, Ninth Metallurgical Company obtained the premier qualification for EPC in national housing construction, while Twelfth Metallurgical Company obtained the premium qualification for EPC in metallurgy and refining, laying the foundation for enterprises to further expand business areas and business scope, as well as enhancing its market competitive edges. CNPT obtained a certificate for fire technical services institution, while Shandong Construction and Changcheng Construction achieved a number of specialized qualification including electrical installation, repairing and testing, laying a foundation tapping into the high end market in the construction industry.

## Contract

The aggregated value of contracts newly signed in 2015 amounted to RMB36.7 billion, representing a decrease of 18.9% as compared with the corresponding period over last year. The contracts backlog of the Group as at 31 December 2015 amounted to RMB64.8 billion, representing a decrease of 9.3% over the end of 2014.

## Credit ratings

Standard & Poor's continued to assign the Company an issuer rating of BB+. The rating outlook is stable.

## Condition of Scientific Research

### Technological Innovation Platform

"Highway geological disaster warning spatial information technology of Hunan Province engineering laboratory" (公路地質災變預警空間信息技術湖南省工程實驗室) proposed to be established by a subsidiary of the Group has been approved for establishment by Development and Reform Commission of Hunan Province. "Hunan Provincial Clean Smelting of Lead-Zinc Engineering Technical Research Center" proposed to be established by a subsidiary of the Group has been approved for establishment by government related department. In addition, one more state postdoctoral research center was established. As of 31 December 2015, the Group possessed one national level engineering technical research center, 3 state postdoctoral research centers, 13 provincial technical centers, and one provincial level postdoctoral innovation and practice base. During the reporting period, the Group has two national survey and design masters in engineering field and 27 national survey and design masters in non-ferrous metals industry.

The largest sewage treatment plant in Hunan, construction contracted by the Company


Success of commissioning of the world's largest bridge erecting machine contracted by the Company

**Application for Patents and Authorisation**

In 2015, the Group had 251 domestic patents applications, 295 domestic authorized patents and one international authorized patent. Applications for 2 patents of national industrial methods were granted and applications for 23 patents of provincial industrial methods were granted. As of 31 December 2015, the Group has totally applied for 6,090 domestic patents and 4,518 were granted, while 134 were applied for international patents and 47 were granted. A total of 7 patents of national industrial methods were granted.

**Awards Attained**

Two achievements which the Company has its key participation including "Development and application of new structure of cathode of major energy-saving technologies for smelters" and "the pollution reduction and clean production of non-ferrous metal" received the second prize of the National S&T Awards. In 2015, the Group accomplished 10 scientific and technological achievement evaluations such as "Key technology and equipment development of marco heavy wide hot template (大單重寬幅鉬板熱溫紮關鍵技術及裝備研發)". 11 awards were granted the provincial scientific and technological prizes by the industry association. 10 First Prizes, 4 Second Prizes, 5 Third Prizes of the ministry-level excellent engineering consultancy results awards were awarded by the industry association. 4 First Prizes, one Second prize, one Third Prize of ministry-level engineering survey awards were awarded by the industry association. 5 First Prizes, 24 Second Prizes, 13 Third Prize of ministry-level excellent engineering design awards were awarded by the industry association.

**Progress of Major Scientific Research Projects and Results**

A batch of material research and development projects were progressing well and the technological results were remarkable. "Key technology and equipment development of marco heavy wide hot template" has a numbers of proprietary intellectual property rights. Key technology reached international advanced level, successfully resolved the difficulty in key heavy molybdenum plate processing and boosted the development of rare-refractory metals equipment processing. "On-line monitoring and smart supervision system of water environment" focused on present water environment of the country, provided a set of advanced solving proposals to online monitor and supervise the water environment, realized real-time, automatic and smart water monitoring approach. The achievements have been applied to the industry and highly commented by the users. "High altitude copper polymetallic ore mining and transportation technology" was the first to succeed in the copper polymetallic ore mining and transportation in high attitude and extreme cold regions in the country. The achievement remarkably reduced the infrastructural investment and mining cost. It effectively boosted the improvement in mining technology of nonferrous metal industry in the country. "Depth of furnaces flue gas waste heat recycling technology" can efficiently recycle alumina roasting high temperature flue gas waste heat and backwater and used them in production of alumina. The achievement brought beneficial economic benefit to the producers, saved resources for society and effectively enhanced the technological level in energy saving and emissions reduction of the company. "Large agitation tank high-performance mixing technology" based on large experimental data and multiphase flow simulation technology had developed new type of agitator blades and mixing composite system, remarkably boosted the mixing performance. There is a broad prospect of the application in technological industry.

**Investment in R&D of Technology**

In 2015, the Company continued to maintain its strong investment in technological research and development. The expenditure on technological research and development amounted to RMB605.4 million, representing 3.1% of the total revenue of the year, representing a decrease of 3.1% from RMB625.0 million in 2014.

Phase I of Mining of Jiama Copper-Gold Polymet Mine located in Tibet, contracted by the Company

## 2. OPERATING RESULTS ANALYSIS AND DISCUSSION

### Overview

Revenue in 2015 increased slightly than in 2014. Revenue amounted to RMB19,449.5 million, representing an increase of 2.8% from RMB18,923.1 million in 2014. Profit for the year amounted to RMB672.4 million, representing a decrease of 18.4% from RMB824.3 million in 2014. Profit attributable to equity owners of the Company decreased by 24.3% from RMB714.9 million in 2014 to RMB541.0 million. Earnings per share were RMB0.20, representing a decrease of 25.9% from RMB0.27 in 2014.

### Operating Revenue

Our revenue was mainly generated from engineering design and consultancy, engineering and construction contracting, equipment manufacturing, as well as trading.

Revenue in 2015 was RMB19,449.5 million, representing an increase of 2.8% from RMB18,923.1 million in 2014. In 2015, although the nonferrous metal industry continued to go down, the Company, while actively maintaining its traditional strengths coupled with the opportunities arising from "One Belt, One Road", actively promoted the urban construction projects and carried out trading business steadily. The overall revenue increased steadily on the basis in 2014.

| | **2015** | | 2014 | | |
|---|---|---|---|---|---|
| | **(RMB'000)** | **(% of total income before inter-segment elimination)** | (RMB'000) (Restated) | (% of total income before inter-segment elimination) | % of change over last year |
| Engineering design and consultancy | **1,861,150** | **9.4** | 1,803,378 | 9.2 | 3.2 |
| Engineering and construction contracting | **10,832,162** | **54.5** | 12,518,431 | 64.0 | (13.5) |
| Equipment manufacturing | **590,070** | **3.0** | 887,806 | 4.6 | (33.5) |
| Trading | **6,590,273** | **33.1** | 4,346,151 | 22.2 | 51.6 |
| **Subtotal** | **19,873,655** | **100.0** | 19,555,766 | 100.0 | 1.6 |
| Inter-segment elimination | **(424,126)** | | (632,649) | | |
| **Total revenue** | **19,449,529** | | 18,923,117 | | 2.8 |

**Cost of Sales**

In 2015, the cost of sales of the Group was RMB17,210.0 million, representing an increase of 4.4% from RMB16,478.3 million in 2014, which is mainly because the cost of sales increased as the operating scales of trading operation segment grew.

**Selling and marketing expenses, and business tax and surcharges**

In 2015, the selling and marketing expenses, and business tax and surcharges of the Group was RMB298.1 million, representing a decrease of 15.5% from RMB352.9 million in 2014, which is owing to taking the economical benefit of raw material on-spot procurement of overseas projects into consideration as well as a significant decrease in the transportation expense resulting from the decline of import trading business from overseas.

**Administrative Expenses**

In 2015, the administrative expenses of the Group was RMB1,048.9 million, representing a decrease of 2.7% from RMB1,077.9 million in 2014, which is due to the recovery of the receivables provided for bad debts accrued, the significant decrease of provision for bad debt as well as entertainment fee.

**Finance expense – net**

The Group recorded net finance expense of RMB127.8 million in 2015, representing a decrease of 36.3% from RMB200.5 million in 2014, primarily due to the decline in the interest rate and the decrease in the balance of interest bearing liability on average.

**Operating profit**

The Group recorded an operating profit of RMB969.3 million in 2015, representing a decrease of 23.7% from RMB1,269.9 million in 2014, mainly due to the change in revenue structure. A decrease of the overall gross profit margin was resulted from an increase in revenue of trading business which has a relatively lower gross profit margin.

**Income tax**

The Group recorded income tax expense of RMB189.2 million in 2015, representing a decrease of 27.3% from RMB260.1 million in 2014, and the effective tax bearing decreased to 21.96% in 2015 from 23.98% in 2014, primarily due to the decrease in the non-deductible costs before taxation lead by the decrease in fee and expenses.

**Profit for the year**

In 2015, the Group's profit for the year was RMB672.4 million, representing a decrease of 18.4% from RMB824.3 million in 2014. Profit attributable to equity owners of the Company was RMB541.0 million, representing a decrease of 24.3% from RMB714.9 million in 2014.

**Dividends**

In 2015, the Company proposed the payment of dividend of RMB0.6 for every 10 shares (tax inclusive) in cash, in aggregated amount of RMB159.8 million, on the basis of 2,663.16 million ordinary shares in issue as at 31 December 2015, and a dividend of RMB1.0 (tax inclusive) for every 10 shares in cash was paid in 2014.

**Prior year adjustment**

In preparing the consolidated financial statements for the year 2015, the management has identified the following changes:

(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 and held as to 17% of equity interests. Because the equity investment held is less than 20%, the Group had treated this investment as an available-for-sale financial asset upon initial 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 directors and non-executive directors and 3 independent directors. One of the 6 executive directors 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 5.24% as of 31 December 2015, the Group remained as the top three shareholder in terms of the percentage of equity interests held from 2007 up until 31 December 2015.

Even though IAS 28 "Investments in Associates" paragraph 6 refers to a 20% equity interest threshold, paragraph 7 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 2015, the Group noted that it has the significant influence on the investees because it has the power to participate in the investee's financial and operation decisions. Accordingly, the Group is of the view that it is more appropriate to account for this investment as an investment in associate rather than 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 the impact is presented in the table as set out in Note 4 to the consolidated financial statements.

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

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

During 2015, the Group has reassessed its revenue recognition 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.

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 restatement has been made retrospectively and as presented in the table as set out in Note 4 of the consolidated financial statements, 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 consolidated statements of comprehensive income, or to other primary statements at all for the reporting period.

## Segment Operating Results

The following table sets forth the gross profit and segment results of each of our business segments for the periods indicated:

| | 2015 | | 2014 | | Growth | |
|---|---|---|---|---|---|---|
| | Gross Profit (RMB'000) | Segment results (RMB'000) | Gross Profit (RMB'000) (Restated) | Segment results (RMB'000) (Restated) | Gross Profit (RMB'000) | Segment results (RMB'000) |
| Engineering design and consultancy | **483,588** | **125,149** | 547,119 | 169,771 | (63,531) | (44,622) |
| Engineering and construction contracting | **1,593,895** | **780,637** | 1,657,012 | 1,028,738 | (63,117) | (248,101) |
| Equipment manufacturing | **48,221** | **18,351** | 135,379 | 39,520 | (87,158) | (21,169) |
| Trading | **189,377** | **170,537** | 117,137 | 66,676 | 72,240 | 103,861 |
| **Subtotal** | **2,315,081** | **1,094,674** | 2,456,647 | 1,304,705 | (141,566) | (210,031) |
| Inter-segment elimination | **(75,559)** | **(125,370)** | (11,875) | (34,837) | (63,684) | (90,533) |
| **Total** | **2,239,522** | **969,304** | 2,444,772 | 1,269,868 | (205,250) | (300,564) |

### Engineering Design and Consultancy

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

| | 2015 | | 2014 | | |
|---|---|---|---|---|---|
| | (RMB'000) | (% of segment revenue) | (RMB'000) | (% of segment revenue) | % of change |
| Segment revenue | **1,861,150** | **100.00** | 1,803,378 | 100.0 | 3.2 |
| Cost of sales | **(1,377,562)** | **(74.0)** | (1,256,259) | (69.7) | 9.7 |
| Gross profit | **483,588** | **26.0** | 547,119 | 30.3 | (11.6) |
| Selling and marketing expenses, and business tax and surcharges | **(57,181)** | **(3.1)** | (55,231) | (3.1) | 3.5 |
| Administrative expenses | **(407,006)** | **(21.9)** | (401,419) | (22.3) | 1.4 |
| Other income and other gains or losses – net | **105,748** | **5.7** | 79,302 | 4.4 | 33.3 |
| Segment results | **125,149** | **6.7** | 169,771 | 9.4 | (26.3) |

*Segment revenue*. Revenue from the engineering design and consultancy business before intersegment elimination in 2015 amounted to RMB1,861.2 million, representing an increase of 3.2% compared with RMB1,803.4 million in 2014.

*Cost of sales*. Cost of sales of the engineering design and consultancy business in 2015 amounted to RMB1,377.6 million, representing an increase of 9.7% compared with RMB1,256.3 million in 2014, primarily due to the alteration in the business structure in which the civil works increased and industrial works decreased, a decrease in profit margin of newly contracted businesses, and a significant increase in fees such as labor costs and travel allowance.

*Gross profit*. Gross profit of the engineering design and consultancy business in 2015 amounted to RMB483.6 million, representing a decrease of 11.6% compared with RMB547.1 million in 2014. Gross profit margin decreased from 30.3% in 2014 to 26.0%, primarily due to a decrease in profit margin of newly contracted businesses, and a significant increase in fees such as labor costs and travel allowance.

*Selling and marketing expenses, and business tax and surcharges*. The selling and marketing expenses, and business tax and surcharges of the engineering design and consultancy business in 2015 amounted to RMB57.2 million, representing an increase of 3.5% compared with RMB55.2 million in 2014, primarily due to an increase in labor cost.

*Administrative expenses*. The administrative expenses of engineering design and consultancy business in 2015 amounted to RMB407.0 million, representing an increase of 1.4% from RMB401.4 million in 2014, primarily due to an increase in labor cost.

*Segment results*. As a result of the abovementioned, segment results for the year from engineering design and consultancy business were RMB125.1 million, representing a decrease of 26.3% from RMB169.8 million in 2014, which contributed 11.4% to the operating results of the Group.

**Engineering and Construction Contracting**

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

| | **2015** | | 2014 | | |
|---|---|---|---|---|---|
| | **(RMB'000)** | **(% of segment revenue)** | (RMB'000) (Restated) | (% of segment revenue) | % of change |
| Segment revenue | **10,832,162** | **100.0** | 12,518,431 | 100.0 | (13.5) |
| Cost of sales | **(9,238,267)** | **(85.3)** | (10,861,419) | (86.8) | (14.9) |
| Gross profit | **1,593,895** | **14.7** | 1,657,012 | 13.2 | (3.8) |
| Selling and marketing expenses, and business tax and surcharges | **(205,826)** | **(1.9)** | (225,962) | (1.8) | (8.9) |
| Administrative expenses | **(571,506)** | **(5.3)** | (574,503) | (4.6) | (0.5) |
| Other income and other gains or losses – net | **(35,926)** | **(0.3)** | 172,191 | 1.4 | (120.9) |
| Segment results | **780,637** | **7.2** | 1,028,738 | 8.2 | (24.1) |

*Segment revenue*. In 2015, revenue of engineering and construction contracting business before inter-segment elimination was RMB10,832.2 million, representing a decrease of 13.5% from RMB12,518.4 million in 2014, primarily due to the fact that the Company was affected by the general environment, which led to a decrease of revenue in traditional industry while the strengthen control on lending and BT business, as in the slowdown in lending since the ability of landlord to repay for projects in progress was required to be reassessed in accordance with "The measure of risk control management for funded construction projects" (《帶資建設類項目風險控制管理辦法》) which is newly stipulated by the Company. In addition, the progress of projects in certain businesses were relatively slow due to the financial pressure of landlords.

*Cost of sales*. In 2015, cost of sales of engineering and construction contracting business was RMB9,238.3 million, representing a decrease of 14.9% from RMB10,861.4 million in 2014, primarily due to the decrease in cost and expense corresponding to the decrease in revenue.

*Gross profit*. In 2015, gross profit of engineering and construction contracting business was RMB1,593.9 million, representing a decrease of 3.8% from RMB1,657.0 million in 2014. The gross profit margin was 14.7%, representing an increase of 1.5 percentage points from 13.2% in 2014, which is mainly due to the new resource of profit growth in 2015 from the prepaid BT projects with higher profit rates.

*Selling and marketing expenses, and business tax and surcharges*. In 2015, selling and marketing expenses, and business tax and surcharges of engineering and construction contracting business were RMB205.8 million, representing a decrease of 8.9% from RMB226.0 million in 2014, primarily due to the decrease in tax expenses corresponding to the decrease in revenue.

*Administrative expenses*. In 2015, administrative expenses of engineering and construction contracting business were RMB571.5 million, representing a decrease of 0.5% from RMB574.5 million in 2014, primarily due to the decrease in the provision for bad debts.

*Segment results*. As a result of the abovementioned, segment results of our engineering and construction contracting business were RMB780.6 million, representing a decrease of 24.1% from RMB1,028.7 million in 2014, which contributed 71.3% to the operating results of the Group.

**Equipment Manufacturing**

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

| | 2015 | | 2014 | | |
|---|---|---|---|---|---|
| | (RMB'000) | (% of segment revenue) | (RMB'000) | (% of segment revenue) | % of change |
| Segment revenue | 590,070 | 100.0 | 887,806 | 100.0 | (33.5) |
| Cost of sales | (541,849) | (91.8) | (752,427) | (84.8) | (28.0) |
| Gross profit | 48,221 | 8.2 | 135,379 | 15.2 | (64.4) |
| Selling and marketing expenses, and business tax and surcharges | (8,074) | (1.4) | (10,410) | (1.2) | (22.4) |
| Administrative expenses | (68,392) | (11.6) | (97,409) | (11.0) | (29.8) |
| Other revenue and other gains or losses – net | 46,596 | 7.9 | 11,960 | 1.3 | 289.6 |
| Segment results | 18,351 | 3.1 | 39,520 | 4.5 | (53.6) |

*Segment revenue*. In 2015, revenue of the equipment manufacturing business before intersegment elimination was RMB590.1 million, representing a decrease of 33.5% from RMB887.8 million in 2014, primarily due to the fact that nonferrous metal industry was under period of adjustment, resulting in a vast decrease in fixed assets investments, and the equipment manufacturing business was affected to a larger extent.

*Cost of sales*. In 2015, cost of sales of our equipment manufacturing business was RMB541.8 million, representing a decrease of 28.0% from RMB752.4 million in 2014, primarily due to the decrease of cost of raw materials and the cost of sub-contracting corresponding to the decrease of revenue.

*Gross profit*. In 2015, gross profit of our equipment manufacturing business was RMB48.2 million, representing a decrease of 64.4% from RMB135.4 million in 2014. The gross profit margin decreased from 15.2% in 2014 to 8.2%, primarily due to the unsaturated revenue that could not share the fixed costs effectively, thus the profit margin was affected.

*Selling and marketing expenses, and business tax and surcharges*. In 2015, selling and marketing expenses, and business tax and surcharges of equipment manufacturing business were RMB8.1 million, representing a decrease of 22.4% from RMB10.4 million in 2014, primarily due to the better control to decrease the costs and fees.

*Administrative Expenses*. In 2015, the administrative expenses of equipment manufacturing business was RMB68.4 million, representing a decrease of 29.8% from RMB97.4 million in 2014, which is due to the decrease in provision and the decrease in management fee such as business entertainment fee.

*Segment results*. As a result of the above mentioned, the segment results of equipment manufacturing business for the year was RMB18.4 million, representing a decrease of 53.6% from RMB39.5 million in 2014, which contributed 1.7% of operating results of the Group.

**Trading**

The principal segment results of trading business are as follows:

| | **2015** | | 2014 | | |
|---|---|---|---|---|---|
| | **(RMB'000)** | **(% of segment revenue)** | (RMB'000) (Restated) | (% of segment revenue) | % of change |
| Segment revenue | **6,590,273** | **100.0** | 4,346,151 | 100.0 | 51.6 |
| Cost of sales | **(6,400,896)** | **(97.1)** | (4,229,014) | (97.3) | 51.4 |
| Gross profit | **189,377** | **2.9** | 117,137 | 2.7 | 61.7 |
| Selling and marketing expenses, and business tax and surcharges | **(27,026)** | **(0.4)** | (61,288) | (1.4) | (55.9) |
| Administrative expenses | **(15,644)** | **(0.2)** | (14,987) | (0.3) | 4.4 |
| Other income and other gains or losses – net | **23,830** | **0.4** | 25,814 | 0.6 | (7.7) |
| Segment results | **170,537** | **2.6** | 66,676 | 1.5 | 155.8 |

*Segment revenue*. In 2015, revenue of trading segment before inter-segment elimination was RMB6,590.3 million, representing an increase of 51.6% from RMB4,346.2 million in 2014. The fast increase was due to the fact that our marketing personnel accumulated more experiences and a stronger capability in business development since our trading business had commenced in 2014.

*Cost of sales*. In 2015, cost of sales of trading segment was RMB6,400.9 million, representing an increase of 51.4% from RMB4,229.0 million in 2014, primarily due to the increase of purchasing cost corresponding to the increase of revenue.

*Gross profit*. In 2015, gross profit of trading segment was RMB189.4 million, representing an increase of 61.7% from RMB117.1 million in 2014. The gross profit margin increased from 2.7% in 2014 to 2.9%. The increase of gross profit was a demonstration of the enhancement of market position of the Company in our trading business.

*Selling and marketing expenses, and business tax and surcharges*. In 2015, selling and marketing expenses, and business tax and surcharges of trading business were RMB27.0 million, representing a decrease of 55.9% from RMB61.3 million in 2014, primarily due to the raw material on-spot procurement of overseas projects as well as a significant decrease in the transportation expense resulting from the decline of import trading business from overseas.

*Administrative expenses*. In 2015, administrative expenses of trading business were RMB15.6 million, representing an increase of 4.4% from RMB15.0 million in 2014, primarily due to the increase of labor cost resulting from the increase in staff employed to cope with the business expansion.

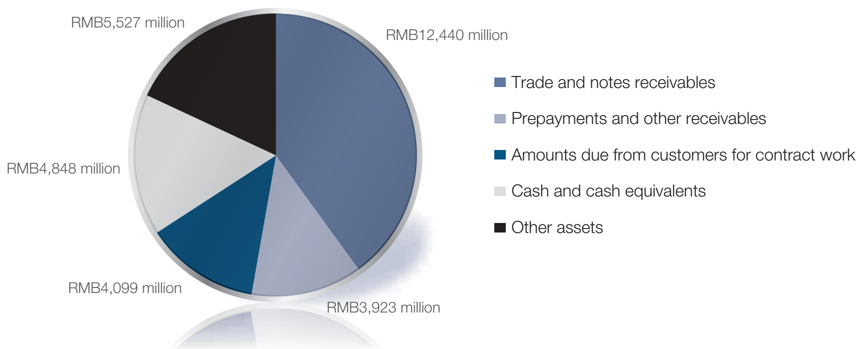
*Segment results*. As a result of the abovementioned, segment results of trading business for the year were RMB170.5 million, representing an increase of 155.8% from RMB66.7 million in 2014, contributing 15.6% to the operating results of the Group.

**Assets and Liabilities**

As at the end of 2015, the total assets of the Group were RMB30,837.1 million, and the total liabilities were RMB21,666.5 million.

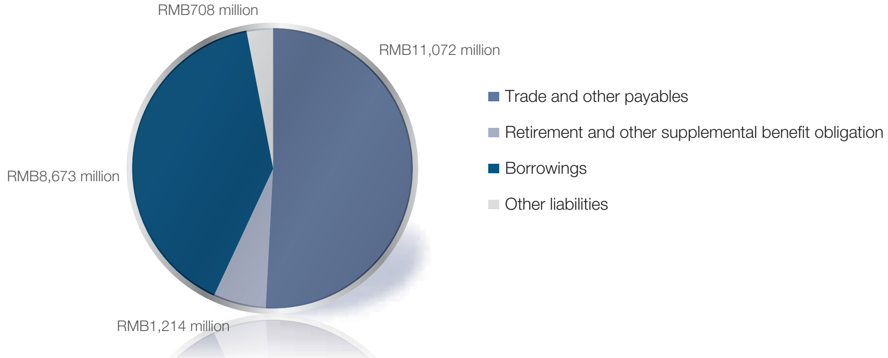
Composition of assets:

As at 31 December 2015, in the composition of assets, due to the characteristics of our business, trade and notes receivables was the largest item which amounted to RMB12,440.1 million, representing 40.3% of the total assets; the amount due from customers for contract work was RMB4,098.5 million, representing 13.3% of the total assets; cash and cash equivalents amounted to RMB4,847.8 million, representing 15.7% of the total assets, and an increase of RMB639.9 million from previous year; time deposit as at the end of the year was RMB28.9 million, representing a decrease of RMB732.6 million from RMB761.5 million as at the beginning of the year; the restricted cash amounted to RMB723.5 million, representing an increase of RMB510.1 million from RMB213.4 million as at the beginning of the year. The increase was mainly due to the additional funding of RMB204.8 million for specific projects and the property security deposits of RMB56.3 million as well as the increase in notes payable and pledged bank deposits.




Composition of liabilities:

In the composition of liabilities, trade and other payables was the largest item which amounted to RMB11,071.5 million as at the end of 2015, representing 51.1% of the total liabilities, followed by the long-term and short-term borrowings of RMB8,672.7 million, representing 40.0% of the total liabilities.



## 3. FINANCIAL REVIEW

### Liquidity and capital resources

As of 31 December 2015, the Group had cash and cash equivalents of RMB4,847.8 million, representing an increase of RMB639.9 million from RMB4,207.9 million as at 31 December 2014, primarily due to (i) net cash outflow in operating activities was RMB475.1 million, representing a decrease in outflow of RMB467.6 million from net outflow of RMB942.7 million in the previous year, (ii) net cash inflow in investment activities was RMB1,564.9 million, representing an increase in inflow of RMB4,323.5 million from net outflow of RMB2,758.6 million in the previous year, (iii) net cash outflow in financing activities of RMB468.9 million, representing an increase in outflow of RMB1,919.9 million from a net inflow of RMB1,451.0 million in the previous year, (iv) coupled with the impacts of the cash and cash equivalents, and the exchange gains in cash and cash equivalents as of the beginning of previous period.

As of 31 December 2015, current assets amounted to RMB24,724.0 million, representing a decrease of 12.0% from RMB28,080.4 million as of 31 December 2014, primarily due to the decrease of amounts due from customers for contract work. As of 31 December 2015, amounts due from customers for contract work amounted RMB4,098.5 million, representing a decrease of 41.3% from RMB6,978.0 million as at 31 December 2014.

As of 31 December 2015, the current liabilities amounted to RMB19,288.4 million, representing a decrease of 12.2% from RMB21,974.8 million, primarily due to the decrease of trade and other payables. As of 31 December 2015, trade and other payables amounted to RMB11,071.5 million, representing a decrease of 21.3% from RMB14,061.9 million as of 31 December 2014.

As of 31 December 2015, net current assets were RMB5,435.6 million, representing an decrease of RMB670.0 million from net current assets of RMB6,105.6 million as of 31 December 2014, which was primarily attributed to the decrease in the liquidity of the Company as a result of the advances and commencement of BT business, leading to the change of current assets into notes receivables and trade receivables with a term of over 1 year.

As of 31 December 2015, the current ratio was 1.28, which was at the same level compared to 1.28 as of 31 December 2014, and the ability of repayment for short-term borrowings maintained at a normal level. The Company maintained adequate liquidity.

## Borrowings

As of 31 December 2015, the Group had outstanding borrowings of RMB8,672.7 million, of which short-term borrowings amounted to RMB5,131.8 million, short-term corporate bonds amounted to RMB2,330.0 million, and long-term borrowings amounted to RMB1,210.9 million), representing an increase of RMB131.0 million from RMB8,541.7 million as of 31 December 2014. As at the end of 2015, net interest bearing liabilities (interest bearing liabilities less cash and cash equivalents) amounted to RMB3,824.9 million.

## Capital expenditure

The Group had capital expenditure of RMB245.8 million in 2015, representing a decrease of 8.8% from RMB269.6 million in 2014. The capital expenditure was primarily used for the acquisition of production facilities and equipment. Among which, RMB166.4 million was for the engineering design and consultancy business segment; RMB56.2 million was for the engineering and construction contracting segment; RMB23.0 million was for the equipment manufacturing segment; and RMB0.2 million was for the trading segment. Capital resources mainly included self-owned capital and borrowings from banks and other financial institutions.

## Pledge of assets of the Company

During the reporting period, the subsidiaries of the Group had pledged land use rights to secure the short-term borrowings amounting to RMB12.0 million.

## Financial guarantee

Details of financial guarantee are set out in note 42 to the consolidated financial statements.

## Contingent liabilities

As at 31 December 2015, the Group did not have any material contingent liabilities.

## Major Acquisitions and Disposals

On 1 December 2015, the Group entered into an Equity Transfer Agreement with Shaanxi Jiuan Properties Co., Ltd. (陝西久安房地產有限公司) to acquire 62.5% of the equity interest in No. 9 Metallurgical Construction Co., Ltd. (九冶建設有限公司). As of the date of this report, the Company has not obtained substantial control over No. 9 Metallurgical Construction Co., Ltd. and hence such acquisition has not been fully completed. Save for the issue, during 2015, the Company, its subsidiaries, associates and joint ventures did not have any other major acquisition and disposal.

## 4. RISK FACTORS

The activities of the Group are exposed to a variety of financial risks, including but not limited to operational risks (including the risks arising from cost overruns and project delay) and risks of foreign exchange rate fluctuation. The management monitored an array of risks to ensure the adoption of appropriate measures in a timely and effective manner.

### Risks relating to cost overruns

During the reporting period, the Group generated a substantial portion of revenue from contracts with a fixed price in our EPC contracting. The terms of these contracts required us to complete a project at a pre-agreed price and therefore exposed us to cost overruns. Our estimates of the costs for completing a project involved a multitude of assumptions, including economic outlook, cost and availability of labor and raw materials, subcontractors' performance, facility utilization rates, and construction and technical standards to be applied to the project. However, these assumptions may prove to be inaccurate. Depending on the terms agreed in specific contracts, inevitably, we are subject to a certain extent of raw material price fluctuation risks in some projects. In addition to that, delays caused by inclement weather, technical issues, inability to obtain the requisite permits and approvals, as well as other variations and risks embodied in the performance of contracts, may cause substantial difference between the actual overall risks and costs despite the buffers we have built into our bids for increase in labor, raw materials and other costs. Cost overruns could result in a profit lower than expected or a loss in a project.

### Risks relating to project delay

The Group may be unable to complete a project in accordance with the schedule set forth in the relevant contract. A project could be delayed for a number of reasons, including but not limited to those relating to market conditions; policies and regulations of the PRC and other relevant jurisdictions; availability of funding; disputes with business partners, technology and equipment suppliers and other contractors, employees, local governments and communities; natural disasters; power and other energy supplies; and availability of technical or human resources. Our overseas engineering and construction contracting projects may also be affected by factors such as deteriorations in relationships between China and relevant foreign governments; war or other significant adverse developments in international relations. In addition, we may need to execute extra work or "change initiated by owner" work in connection with our contracts from time to time. "Change initiated by owner" work is necessary when the project owner changes the design for non-technical reasons after the design plan is confirmed. This may result in disputes in defining work performed beyond the scope as stipulated in the original project specifications, or over the additional price that the customer should pay for the extra work. Even if the customer agrees to pay for the extra work or "change initiated by owner" work, prior to the approval of changes in the design by the owner and the receipt of funds, the Group may need to finance the cost for a prolonged period of time. In addition to that, any delay caused by the extra work may affect the progress of our projects and our ability to meet the established milestone dates of the specific contract. Costs may also incur due to design changes not approved by the project owner or any contractual disputes.

### Risks relating to foreign exchange rate fluctuation

A majority of the Group's operations are conducted in the PRC, with the use of Renminbi as the functional currency. A substantial portion of our revenues and cost of sales were denominated in Renminbi during the financial year ended 31 December 2015. However, we conduct part of our engineering and construction contracting business overseas, and may make significant equity and other investments in overseas projects. Our foreign currency denominated assets and liabilities are expected to increase significantly as we further expand our overseas business, particularly when undertaking more EPC projects. We are, therefore, exposed to risks associated with foreign exchange rate fluctuations.

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

The changes in the exchange rate of Renminbi may be subject to changes in China's governmental policies and international economic and political developments. There can be no assurance that the exchange rate of Renminbi will remain stable against the U.S. dollar or other foreign currencies in the market. Although the international community's generally welcomed the renminbi revaluation, it still put great pressure on the Chinese government in order to have a more flexible monetary policy, which may lead to a further large increase in RMB appreciating against US dollar or other foreign currencies. Fluctuations in exchange rates may adversely affect the value, converted into U.S. dollars or Hong Kong dollars, of our net assets, earnings and any declared dividends.

### Risks relating to price fluctuation

Our success is relying on whether we can acquire sufficient labor, raw materials, auxiliary materials, energy, water supply and other products with acceptable price and quality on time. We are in face with risks relating to certain raw material and other products, for example, steel, cement, aluminum, wood, sand, explosives, waterproofing material, geotechnical material and additives used in our engineering and construction contracting, and equipment manufacturing. The price and supply of such materials may have significant fluctuation according to customers' needs, manufacturer' production capacity, market condition and costs of materials in different times, especially for the influences of our main raw materials in need for operation, such as steel, cement and aluminum, from cyclical fluctuation of price level and periodic supply shortage in China. In addition to that, our relationship with the raw material suppliers will have severe adverse influence and may lead to negative effects on our business operation if we cannot meet the payment deadline to pay those suppliers according to the contract of raw material supply. Conditions of price increase of energy (including the prices of fuel and electricity) and water supply may also adversely influence our business, especially our equipment manufacturing business.

### Others

As we plan to focus on certain overseas markets selectively and strategically develop overseas business, we expect to continue to generate substantial income and profit from international projects and other overseas business in the foreseeable future. Therefore, we are exposed to various risks relating to business expansion in overseas countries and regions, including but not limited to political risks, economical, financial and market instability and credit risks, risks relating to appointing foreign agents in operating overseas business, the periodicity and demand of international engineering design and construction, competition, preferential measures or commercial bribe of other international and domestic companies, tax increase or unfavorable tax policies, foreign exchange control and fluctuation.

## 5. BUSINESS PROSPECTS IN 2016

### Industry Outlook in 2016

#### (1) Nonferrous Metals Industry

In 2016, the tension from declining price level of nonferrous metal will be eased, but the problem of severe overcapacity cannot be solved within a short period of time. The directions for nonferrous metal industry to get rid of the challenges and undergo transformation and upgrade are expansion in application, replacement of steel with aluminum, acceleration of structural adjustment by implementation of measures like eliminating or transferring backward capacity, and modifying resource allocation.

**(2) Construction industry**

In 2016, innovation and transformation will become the main keynote for construction industry. Opportunities will favor the enterprises with advantages in brand, capital and management. The enterprises with persistent efforts on aspects like green building, architectural industrialization, PPP and "Internet+" will grasp the opportunities.

## Business Outlook of the Company in 2016

**(A) Keep abreast with the national development strategy and extend the business chain**

For domestic business: Firstly, the subsidiaries of the Group shall establish a presence locally to focus on the government and study government policies in order to gradually build up and form a fixed and potential customers group, seeking for long-term development. Secondly, policies of the energy-saving and environmental-friendly industry shall be seriously studied, construct jointly with the local government a professional platform company in respect of energy-saving and environmental-friendliness, undertaking businesses in related to energy-saving and environmental-friendliness and sewage treatment, expanding the business chain to both upstream and downstream. Thirdly, actively providing industrial services such as emergency inspection and repairing, desulfurization and denitration improvement of power plants, handling of industrial sewage, use of residual heat to enlarge the pool, transforming from a construction contractor to an industrial service provider. Fourthly, seizing the national key investment area to participate proactively in the construction of underground integrated pipeline and sponge city. Fifthly, enhancing the studies on green construction during the course of new urbanization construction, and increasing input in a series of new technological application such as energy saving in green illumination, energy saving in ventilation and air-conditioning, energy saving in heat and cooling supply, use of new energy resources, etc. to actively cultivate potential market.

For international business: Firstly, a specialization shall be organized to address the "One Belt, One Road" national strategy, be actively consistent to relevant national ministries and commissions with an emphasis on an international layout focusing on resource-oriented country, creating conditions for overseas projects, of which close concern shall be given to countries and regions such as Laos, Indonesia, Kazakhstan, and Turkey, etc. Secondly, brand name and influence of Chalieco shall be fully utilized to seize the historical opportunity of entering into the era of a comprehensive strategic cooperation by central Africa to explore the African market, especially on the development projects of infrastructure facilities and minerals exploitation project of African countries so as to integrate the overall advantages for competition in African business.

Trading Segment will continue to control the risks effectively, as well as turn the primary business of cash flow improvement, expansion of business scale, serving EPC as the starting point for trading, and be ultimately developed into an international trading company primarily dealing with international trading with distinguished and advantageous types of products.

**(B) Speed up the application studies on aluminum to help relieve the aluminum industry in China**

The Group will fully utilize its self-owned comprehensive operations chain on research and development, design, construction and equipment manufacturing, from the development and promotion of aluminum products and relevant production equipment from the source to leading the market demand and the upgrade and change of generation of products structure. In 2016, the Group will speed up the formulation of application standard of aluminum siding to solve the problems encountered during the application and promotion of the aluminum sidings; aluminum template company will be established to commence the businesses of manufacturing, installation, recycling, leasing of aluminum templates, replacing the traditional templates to enhance the quality and efficiency of engineering; explore and promote the construction and use of aluminum alloy bridge proactively; construction of development and management center of “aluminum for industrial use” to study the application of aluminum in the engineering field and the commercial model in the market so as to expand the application scope of aluminum.

**(C) Enhance R&D efforts to create long-term competitive advantages**

In 2016, the Group will leverage on the existing technical platforms such as “National Engineering Research Centre” and “Post-doctoral Workstation”, which will focus on energy saving and emission reduction, cost reduction and efficiency enhancement. Intensive attention will be paid on the technical upgrade and improvement of stock market to seize the technological advance position in the industry. National policy on the industry shall be highly concerned to fight for support from national policy and specialized technology funding for the Group, especially to grasp the significant project development based on the theme of “PRC Manufacturing 2025” so as to enhance the technical innovative capacity of the Group and create long-term competitive advantages.

**(D) Reinforce capital operations to promote the business expansion of the Company**

In 2016, the Group will adhere on a parallel direction of production operations and capital operations, aiming at Leveraging on the social capital,maximizing the capital pool,capitalizing on industrial capital, and promoting the business expansion and structural optimization of the Group. The movement of the domestic capital market will be monitored so as to fight for the return of A shares. We shall utilize the advantage of the domestic bond market to promote the bond issuance of the Company in order to cut the capital cost and adjust bond structure.

# CORPORATE MILESTONES IN 2015

| | |
|---|---|
| **10 March 2015** | GAMI and Australia Commonwealth Scientific and Industrial Research Organisation signed the corporation agreement at the Company's headquarters. |
| **15 March 2015** | Shaanxi Non-ferrous Metals Holding Group, Chongqing Energy Group, PT Central Group, J&D Technologies Development Limited and China Aluminum International Engineering Corporation Limited held the signing ceremony of the joint development agreement initiated by the five units in respect of the "Four Parties One Side (四方一邊)" Indonesia aluminum industrial park project at the Chalieco's headquarters. |
| **2 June 2015** | Chalieco and Vedanta, an Indian company, held the contract signing ceremony in respect of the strategic cooperation framework agreement at the Beijing's headquarters. The Company president, He Zhihu, signed contracts related to technical cooperation memorandum and energy conservation transformation with 艾博年, the CEO of Vedanta, an Indian company. |
| **July 2015** | Fortune China announced the list of the country's top 500 companies in 2015, selecting 500 Chinese companies listed inside and outside China with largest scale of operation. Chalieco ranked the 213rd place on the list, increased by 54 places comparing to the last year. |
| **July 2015** | The America Engineering News-Record released the "Top 150 Global Engineering Design Firm Rankings" and "Top 225 International Engineering Design Firm Rankings" of 2014. "Top 150 Global Engineering Design Firm Rankings" ranks according to the total global business revenue of the design firms, focusing on the integrated capacity of the design firms. Chalieco made to the list for the first time and ranked the 119th place. "Top 225 International Engineering Design Firm Rankings" ranks according to the total revenue of overseas engineering business of the design firms, focusing on the business expansion capacity of the design firm. Chalieco ranked the 189th place, increased by 20 places comparing to 2013. |
| **6 August 2015** | The public selection result of "Strategic excellent enterprise and person of overseas resource development in China nonferrous metal industry" supported by China Nonferrous Metal Industrial Association and held by "China Nonferrous Metal" magazine was released in Beijing. There were fifteen enterprises and fifteen entrepreneurs being selected, and our company has received the honorable title of "Strategic excellent enterprise of overseas resource development in China nonferrous metal industry". |

| | |
|---|---|
| **13 November 2015** | The grand ceremonies of the "China Securities Golden Bauhinia Awards" and the Belt and Road Summit co-organized by Ta Kung Pao and Listed Companies Association of Beijing, Hong Kong Chinese Enterprises Association, Chinese Financial Association of Hong Kong, Chinese Securities Association of Hong Kong, Hong Kong Institute of Chartered Secretaries and Hong Kong Securities Institute were held in Hong Kong. China Aluminum International Engineering Corporation Limited honorably received the "Best Corporate Management Listed Company" award. |
| **25-27 November 2015** | The fourth annual meeting of IBAAS co-organized by Chaloeco and IBAAS was successfully held in Suzhou. |
| **1 December 2015** | The grand ceremony in respect of the acquisition of 62.5% shares of No.9 Metallurgical Construction Corporation was held in Xianyang City, Shaanxi Province. |
| **December 2015** | A contract signing ceremony in respect of the technology upgrading project of 500,000 tons electrolytic aluminum was held by the GAMI and Vedanta, an Indian company. The contract can effectively lower the production operation costs of Vedanta and the contract signing marked the new breakthrough of Chalieco in the export of energy saving integrated technologies. |
| **December 2015** | The establishment of the national enterprise post-doctoral technological research center of Changsha Institute was approved by Ministry of Human Resources and Social Security of the PRC and National Administrative Committee of Post-Doctoral Researchers. |

## PRINCIPLE BUSINESS

The Group is principally engaged in engineering design and consultancy, engineering and construction contracting, equipment manufacturing and trading. Details of major subsidiaries and associates of the Company are set out in note 43 and note 20 to the consolidated financial statements, respectively.

## EXPLANATION ON THE MAJOR RELATIONSHIP BETWEEN THE COMPANY AND ITS EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER SIGNIFICANT INFLUENCE ON THE SUBJECT

1. The Group and its employees. The Group advocated the corporate culture of "lifelong study and healthy life" and commenced study-oriented organization construction and actively launched various recreational and sports activities. The Group holds two off-job English training courses and one English competition every year, which not only helped cultivate the interest of our employees to learn and to use English, but also fostered talents for the implementation of "Going Out" policy. Along with table tennis room and badminton court as well as the fitness center, Tai-Chi and yoga practice are available for our employees. Also, we organized team-walking activities and calligraphy, painting and photography competitions in order to enrich employees' life after their work, strengthen their body as well as ignite their team spirit and sense of collective glory so as to create a bright, comfortable, sincere and friendly corporate environment. In addition, the Group paid visits to and greeted retired staff on New Year's Day and during Chinese New Year and helped staff and their families who suffer from difficulties in life due to illness.

2. The Group and its customers. The Group took the provision of satisfactory products and services to the customers and the creation of values for the customers as its corporate faith. As such, we have established a result-oriented executive team to establish an executive culture which takes customer value as its faith. We have been dedicated to continuously upgrading our product and services for maximizing our customer values, enabling the mutual benefits and mutual development between the Group and its customers.

3. The Group and its suppliers. The Group insisted on the principle of "selecting the best, retaining the excellence and elimating the inferiors, cooperating for mutual benefits and mutual development" when managing suppliers through e-commerce procurement platform, which has preliminarily established a database of procurement cost and catogarized management on varieties of procurement, established and improved the appraisal system, incentive mechanism and elimination mechanism of suppliers, and promoted the consistent improvement on the supplying capacity of suppliers so as to realize the mutual benefits and mutual development between the Group and suppliers.

4. The Group, the governments and its business partners. In respect of the development of the domestic business, the Group focuses on the reinforcement of a profound connection with local governments and well-known corporates. The Group successively entered into strategic cooperation agreements with local governments of Tianfu New Area of Chengdu, Luoyang, Binhai New Area of Tianjin, etc. for attempt of PPP models on areas such as livelihood improvement and construction of infrastructures. It has also signed a strategic cooperation agreement with a company in Changsha and established joint ventures.

5. The Group's donation. In 2015, a wholly-owned subsidiary of the Group, GAMI, grouped its employees to actively launch around 20 volunteer assistant activities in Wuxiong Village of Danzhai, municipal Children Welfare,community nursing house, schools for deaf and hoarse persons, No.2 middle school of Guiding, primary school in Dadi Village with total money and goods donated equivalent to over RMB50,000.

## ENVIRONMENTAL POLICIES AND PERFORMANCE OF THE COMPANY

During the year, the Company strived to enhance its environmental performance with strengthened environmental awareness and proactively responded to environmental issues. The Group made efforts in its business operations by adopting various kinds of energy saving and waste reduction measures to reduce the consumption of natural resource with the use of environmental-friendly products and certified materials.

The headquarters of the Company has set up an environmental management system, by which the promotion of environmental duties could be implemented through annual training and system operation. In the meantime, certified assessment has been conducted by third party certification authorities every year and certification will be issued to assessed systems.

Each of the design unit has continued to enhance the design optimization of technological proposal on energy saving and waste reduction, exploration of new technologies, research on new techniques and proactively initiate new technologies, research and development of new techniques so as to provide property owners with quality technology services, and comprehensively promote and facilitate the environmental protection duties.

Each of the construction unit, project department/project company has improved the management and control of noise, sewage, wastage, dust and polluted air during the construction process. The Company eliminated high energy consuming electrical (water) utilities, promoted the use of water saving devices, designated personnel for inspection of pipelines to eradicate the phenomemon of different levels of leakage for the pipes, and set up sedimentation and circulating pools for pre-mix concrete, so as to utilize the circulated water to the greatest extent. Through various forms of promotion of sophisticated construction technologies, reforming of outdated techniques and increasing the construction efficiency, technological advancement, technologies reformation, energy saving and wastes reduction was achieved.

## MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Mr. ZHANG Chengzhong resigned from the chairman of the second session of the Board, non-executive director, chairman of the Risk Management Committee and Nomination Committee due to job reassignment. Meanwhile, as the resolution on the establishment of strategic committee and the appointment of Mr. ZHANG Chengzhong as the chairman of the strategic committee after the completion of initial public offering of A Share has been approved on the ninth meeting of the second session of the Board, accordingly, Mr. ZHANG Chengzhong also resigned from the post of strategic committee. Upon resignation, Mr. ZHANG Chengzhong ceased to hold any office of the Company.

The Board elected Mr. He Zhihui as the chairman and the member of the Nomination Committee, and appointed him as the chairman of the Nomination Committee, as well as appointed Mr. He Zhihui as the chairman of the Risk Management Committee, with a term commencing from the date of approval by the Board until the date of the election results of composition for the forthcoming Board. The appointment of Mr. He Zhihui as the chairman of the will commence from the date of approval by the Board until the date of the election results of composition for the forthcoming Board.

## ISSUE OF SHARES

During the year, the Company did not issue any class of shares.

## ISSUE OF DEBENTURES

During the year, the Company did not issue any class of debentures or debt equity.

## RESULTS

The audited results for the year ended 31 December 2015 of the Group are set out in the consolidated statement of comprehensive income on pages 91 to 92. The financial position as at 31 December 2015 of the Group are set out in the consolidated balance sheet on pages 93 to 94. The consolidated cash flows for the year ended 31 December 2015 of the Group are set out in the statement of cash flows on pages 97 to 98. Results performance, discussion and analysis of important factors affecting results and financial position of the Group for the year are set out in the Management Discussion and Analysis on pages 9 to 34.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and its subsidiaries in the year are set out in note 16 to the consolidated financial statements.

## CAPITAL STRUCTURE

Our Group monitors our capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debts are calculated as the total borrowings and other liabilities (including borrowings, other non-current liabilities, trade and other payables, as shown in the consolidated balance sheets) minus restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity interests, as shown in the consolidated balance sheet, plus net debts minus non-controlling interest. We had a gearing ratio of approximately 67.1% as at 31 December 2015, representing a decrease of 5.6 percentage points from 72.7% as at 31 December 2014, which is mainly due to (i) a decrease of RMB2,990.3 million of net debt as a result of a decrease in trade and other payables; and (ii) an increase of RMB498.8 million of total equity attributed to equity owners of the Company as a result of factors such as the increase in the retained earnings of the Group for the year and the increase in other equity instruments. The substantial improvement in structure of capital and liabilities resulted from a decrease in net debt with an increase in total capital.

## SHARE CAPITAL

The total amount of share capital of the Company as at 31 December 2015 is RMB2,663,160,000, divided into 2,663,160,000 shares at par value of RMB1.00 per share.

## TAXATION

### Current and deferred income tax

The tax expense during the reporting period comprises current and deferred income tax. Income tax is recognized in the statement of consolidated comprehensive income, except for the conditions that it relates to items recognized in other comprehensive income or directly recognized in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions which are appropriate on the basis of tax amounts that are expected to be paid to the tax authorities.

Deferred income tax is determined using the liability method, and provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associate, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities are offset and shown on a net basis when meeting all the conditions below: the Group has the legally enforceable right to settle current income tax assets and current income tax liabilities; and the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### Value-added taxation ("VAT")

Sales of goods and provision of modern service industry such as design business of the Group are subject to VAT. VAT payable is determined by applying the applicable tax rates on the taxable revenue arising from sales of goods or provision of service after offsetting deductible input VAT of the period. The applicable tax rate for the sales of goods business of the Group is 17%, while the applicable tax rate for the modern service industry, including design, of the VAT is 6%.

### Business tax

After the deduction of sub-contracting income, revenue resulting from providing construction services is subject to business tax at 3% of gross service income.

## RESERVES

The movement details of reserves of the Group and the Company in the year are set out in note 30 and note 47(a) to the consolidated financial statements, respectively. Details of the portion of reserves of the Company available for distribution to shareholders are set out in note 47(a) to the consolidated financial statements.

## POST BALANCE SHEET EVENT

The details of post balance sheet event are set out in note 45 to the consolidated financial statements.

## DISTRIBUTION OF PROFIT AND PROPOSED DIVIDENDS

In accordance with the "Notice Regarding Profits Distribution of Pilot Enterprises under the System of Overseas Listed Share (Caihuizi 1995 No. 31) (《關於境外上市的股份制試點企業利潤分配問題的通知》(財會字[1995] 31號)), profit available for distribution is the lower of retained earnings of the financial statement prepared in accordance with Accounting Standard for Business Enterprises of the PRC and IFRS, respectively. The following profit available for distribution is determined based on the consolidated financial statements prepared in accordance with IFRS.

As shown in the consolidated financial statements, the profit available for distribution of the Group at the end of 2015 was RMB3,268.3 million.

The Company intended to distribute a total of RMB159.8 million cash dividend with RMB0.6 (tax inclusive) per 10 Shares based on the total number of share capital of 2,663.16 million Shares as at 31 December 2015. The proposed distribution of dividends is subject to the approval of the Shareholders at the annual general meeting to be convened and the dividends shall be paid to the Shareholders no later than 21 July 2016.

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of the shareholders entitled to the final dividends, the register of members will also be closed from Tuesday, 31 May 2016 to Sunday, 5 June 2016, both days inclusive, during which time no transfer of the Company's shares will be registered. Holders of H shares and domestic shares whose name appear on the register of members of the Company on Sunday, 5 June 2016 are entitled to receive the final dividends. In order to qualify to receive the final dividends, the holders of H Shares of the Company shall lodge relevant share transfer documents with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 30 May 2016.

In order to determine the shareholders entitled to attend and vote at the annual general meeting of the Company to be convened on Wednesday, 25 May 2016, the register of members will be closed from Monday, 25 April 2016 to Wednesday, 25 May 2016, both days inclusive, during which time no transfer of the Company's shares will be registered. Holders of H shares and domestic shares whose name appear on the register of members of the Company on Wednesday, 25 May 2016 are entitled to attend and vote at the annual general meeting. In order to qualify to attend and vote at the annual general meeting, the holders of H Shares of the Company shall lodge relevant share transfer documents together with the H share certificates with the aforesaid Company's H Share registrar no later than 4:30 p.m. on Friday, 22 April 2016. In order to qualify to attend and vote at the annual general meeting the holders of domestic Shares of the Company shall lodge relevant domestic share transfer documents together with the domestic share certificates with the Company no later than 4:30 p.m. on Friday, 22 April 2016.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

## USE OF PROCEEDS FROM FUND RAISING

The total amount of fund raised from the Listing of the Company was HK$1,318.0 million. As at 31 December 2014, our fund raised has been used. The fund was primarily used in items disclosed in the Prospectus, which are the industrialization of the company and overseas engineering projects.

## MAJOR CUSTOMERS AND SUPPLIERS

### Major customers

For the year ended 31 December 2015, the sales to the Group's five largest customers in aggregate constituted 17.0% of the Group's revenue for the year.

### Major suppliers

For the year ended 31 December 2015, the purchase from the Group's five largest suppliers in aggregate constituted 11.9% of the Group's cost of sales for the year.

During the year, to the knowledge of the Directors, none of the Directors, associates of Director or Shareholders of the Company (who to the knowledge of the Directors owes more than 5% of the Company's share capital) had any interest in the Group's five major suppliers or five major customers during the year.

## BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2015 are set out in Note 34 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2015, the Group did not enter into any equity-linked agreements that would or could result in the issue of shares by the Company.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Part of the information of Directors, Supervisors and senior management of the Company for the year ended of the Latest Practicable Date are set out in the table below.

| Name | Office in the Company | Appointment Date |
|---|---|---|
| **Directors** | | |
| ZHANG Chengzhong (1) | Former chairman and former non-executive Director | 23 May 2014 |
| ZHANG Zhankui (2) | Former non-executive Director | 23 May 2014 |
| WANG Qiang (3) | Former non-executive Director | 23 May 2014 |
| WANG Jun (4) | Non-executive Director and former executive Director | 22 May 2015 |
| HE Zhihui (1) | Chairman, executive Director and President | 23 May 2014 |
| ZHANG Jian | Executive Director | 9 June 2015 |
| SUN Chuanyao | Independent non-executive Director | 23 May 2014 |
| CHEUNG Hung Kwong | Independent non-executive Director | 23 May 2014 |
| JIANG Jianxiang (5) | Former independent non-executive Director | 23 May 2014 |
| FU Jun | Independent non-executive Director | 9 June 2015 |
| **Supervisors** | | |
| HE Bincong | Chairman of supervisory committee and employee representative of supervisory committee | 28 March 2014 |
| DONG Hai | Supervisor | 23 May 2014 |
| OU Xiaowu | Supervisor | 23 May 2014 |
| **Senior Management** | | |
| HE Zhihui | President | 23 May 2014 |
| QIN Qiwu | Vice President | 23 May 2014 |
| MA Ning | Vice President | 23 May 2014 |
| WANG Jun (4) | Former Chief Financial Officer | 23 May 2014 |
| ZHANG Jian | Chief Financial Officer | 22 May 2015 |
| ZHAI Feng | Assistant to President and Secretary of the Board | 12 March 2015 |

The Company received annual confirmation of independence from each independent non-executive Directors who presented the confirmation pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") and considered that each independent non-executive Director is independent from the Company.

Notes:

(1) Due to the job reassignment, Mr. ZHANG Chengzhong resigned from the post of chairman of the Company. Mr. HE Zhihui has been appointed in place of Mr. ZHANG Chengzhong as the chairman of the Company from 8 March 2016.

(2) Due to the job reassignment, Mr. ZHANG Zhankui ceased to be the non-executive Director of the Company from 23 December 2015.

(3) Due to the job reassignment, Mr. WANG Qiang ceased to be the non-executive Director of the Company from 20 May 2015.

(4) On 22 May 2015, Mr. WANG Jun ceased to be the Chief Financial Officer and was redesignated from executive Director of the Company to non-executive Directors of the Company.

(5) Mr. JIANG Jianxiang ceased to be the independent non-executive Directors from 9 June 2015.

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

The Company entered into service contracts with each Director. The details of such service contracts mainly consist of: (1) term of three years from 23 May 2014; and (2) termination subject to terms of each contract.

For compliance with relevant regulations and the Articles of Association of the Company and the relevant provisions of arbitration, the Company had entered into contracts with each Supervisor.

Save as disclosed above, none of the Directors entered into a service contract with the Company which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS', SUPERVISORS', AND SENIOR MANAGEMENT'S REMUNERATION

Details of Directors', Supervisors', and senior management's remuneration of the Company are set out in Note 44 to the consolidated financial statements.

## MATERIAL INTERESTS OF THE DIRECTORS AND SUPERVISORS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

During the reporting period, none of the Directors and Supervisors or other connected entities directly or indirectly had entered into significant contracts, transactions or arrangements in which they have material interests in with the Company.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, during 2015, there was no Director or their associate who had any competing interests in business which would directly or indirectly constitute competition or likely to constitute competition with the Group's business:

| Name of Director | Post in the Company | Other interests |
|---|---|---|
| ZHANG Chengzhong (1) | Chairman | Deputy General Manager of Chinalco |
| ZHANG Zhankui (2) | Non-executive Director | Chief Financial Officer of Chalco |
| WANG Jun (3) | Non-executive Director | Director of the Finance Department and Assets Operating Department of Chinalco |

Notes:

(1) Due to the job reassignment, Mr. ZHANG Chengzhong ceased to be the chairman of the Company from 8 March 2016.

(2) Due to the job reassignment, Mr. ZHANG Zhankui ceased to be the non-executive Director of the Company from 23 December 2015.

(3) Mr. WANG Jun ceased to be the Chief Financial Officer of the Company and was designated to a non-executive Director of the Company from an executive Director of the Company, effective from 22 May 2015.

## DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, none of the Directors, Supervisors and senior management of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, Supervisor and senior management was taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

## DIRECTORS' INSURANCE

As at the date of this report, the Company has purchased effective directors' insurance for (current and resigned) Directors.

## DIRECTORS' INTEREST

At no time during the year and up to the date of this annual report was the Company or any of its subsidiaries or holding company or any subsidiaries of the Company's holding company a party to any arrangements to enable the Directors, or their spouse and children under the age of 18, to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate or or had exercised any such rights.

## THE FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS AMONG THE BOARD, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, there were no financial, business and family relationships among members of the Board, supervisors and senior management.

## SHARE INCENTIVES ACQUIRED BY DIRECTORS, SUPERVISORS AND SNIOR MANAGEMENT

The Company implemented share appreciation rights scheme focusing on specific Directors, senior management, and management staff and key staff who made significant effects to the development of the Company, please refers to "Arrangement of Pre-emptive rights and share options" for particulars. Save as the above share appreciation rights scheme, The Company did not implement equity incentive in any other forms to Directors, supervisors and senior management.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2015, so far as the Directors of the Company are aware, the following persons (other than Directors and senior management of the Company) had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| **Name of shareholder** | **Class of shares** (Shares) | **Capacity** | **Number of Shares/ underlying shares held** | **Percentage of shareholding in relevant Class of shares** (%) (Note 1) | **Percentage of shareholding in total Share capital** (%) |
|---|---|---|---|---|---|
| Chinalco | Domestic Shares | Beneficial owner/Interest of controlled corporation | 2,263,684,000 (Long position) (Note2) | 100% | 85% |
| The Seventh Metallurgical Construction Corp. Ltd | H Shares | Beneficial owner | 69,096,000 (Long position) | 17.30% | 2.59% |
| CNMC Trade Company Limited | H Shares | Beneficial owner | 59,225,000 (Long position) | 14.83% | 2.22% |
| Leading Gain Investments Limited | H Shares | Nominee of other person (other than passive trustee) | 29,612,000 (Long position) | 7.41% | 1.11% |
| China XD Group | H Shares | Beneficial owner | 29,612,000 (Long position) | 7.41% | 1.11% |
| Yunnan Tin (Hong Kong) Yuan Xin Company Limited | H Shares | Beneficial owner | 29,612,000 (Long position) | 7.41% | 1.11% |
| Global Cyberlinks Limited | H Shares | Beneficial owner | 20,579,000 (Long position) | 5.15% | 0.77% |

Notes:

1. The percentage is calculated based on the number of shares in the relevant class/total number of shares in issue of the Company as at 31 December 2015.

2. 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 SFO.

## COMPLIANCE WITH OFAC UNDERTAKINGS

During the Listing of the Company, an undertaking is made to the Stock Exchange by the Company that the Company would not use any proceeds from the Global Offering and any other fund raised through the Stock Exchange in sanctioned countries or for any projects of conducted in any sanctioned countries, or for compensation for losses of the Iran company due to the default of relevant Iran contracts, if any, by the Company ("OFAC Undertakings"). During the reporting period, the Company issued the relevant sanctioned countries list to business department to forbid the Company conducting any business with the sanctioned countries, regions or organizations and organize training about legal knowledge. Hence, the Directors of the Company confirmed that the Company complied with the OFAC Undertakings during the reporting period and will continue to comply with the OFAC Undertakings in the normal course of business of the Company in future.

## MANAGEMENT CONTRACT

The Company did not enter into or establish any management and administrative contracts relating to all or any material part of business in 2015.

## SIGNIFICANT CONTRACTS

Apart from as disclosed under the heading of the "Connected Transactions" in this report, neither the Company nor any of its subsidiaries has signed contracts of significance with the controlling shareholders or any of its subsidiaries other than the Group, and no contracts of significance for delivery of service has been signed between the Group and the controlling shareholder or any of its subsidiaries other than the Group.

## CONNECTED TRANSACTIONS

The following are the major connected transactions of the Group in 2015.

(1) Non-exempt one-off connected transactions

In 2015 the Group did not have any non-exempt one-off connected transaction which required to be disclosed or to gain approval from the independent shareholders under the Listing Rules.

(2) Non-exempt continuing connected transactions

The Group conducted certain connected transactions during the year which constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

The Company has entered into the general agreement of general services, general sale and purchase agreement, engineering service general agreement and financial services agreement on 22 August 2014. Each of those agreements sets out a series of regulatory principles, guidelines, terms and conditions, pursuant to which the relevant suppliers will provide the products and services that are planned to supply in the agreements to the relevant receiver. The general terms of the general agreement are as follow:

- General requirement: the quality of products and services provided to the Group should be in accordance with our requirements; the price of the products and services provided should be fair and reasonable; the terms and conditions of products and services provided (including but not limited to prices) should be formulated based on normal commercial terms;
- Pricing: if a bid formula is provided, state the bidding price; if a bid formula is not provided, determine based on the specific category and condition of products and services provided; and
- Term: the term of each general agreement could be extended or renewed, provided that the relevant parties should agree the relevant extension or renewal and comply with the requirements of relevant laws, regulations and/or the Listing Rules (as the case may be).

The annual caps and actual transaction amount of the connected transactions in 2015 are set out in the following table:

| Events of connected transactions | Connected persons | Annual cap for 2015 (RMB' million) | Actual transaction amount for 2015 (RMB' million) |
|---|---|---|---|
| 1. Provision of Engineering Services by the Group | Chinalco | **5,000** | **1,473** |
| 2. Provision of Commodities by the Group | Chinalco | **900** | **231** |
| 3. Provision of General Services to the Group | Chinalco | **80** | **60** |
| 4. Provision of Commodities to the Group | Chinalco | **70** | **69** |
| 5. Provision of General Services by the Group | Chinalco | **12** | **–** |
| | | **Maximum daily balance (RMB' million)** | **Maximum outstanding balance (RMB' million)** |
| 6. Provision of Financial services to the Group – deposit service | China Aluminum Finance Co., Ltd. ("Chinalco Finance") | **1,300** | **1,300** |

## 1. PROVISION OF ENGINEERING SERVICES BY THE GROUP

The Company entered into an engineering service general agreement with Chinalco on 22 August 2014, pursuant to which, the Group could provide engineering services, including construction engineering, transfer of technologies (right of use), project supervision, surveying, engineering design, engineering consultation, device agency and sale of device, engineering management and other services related to engineering to Chinalco and/or its associates from time to time.

The initial term of the engineering service general agreement commenced from 1 January 2015 and shall expire on 31 December 2017, unless terminated at any time either party gives at least three months' prior written notice of termination to the other party with mutual consensus after negotiation.

Chinalco is the controlling shareholders of the Company. Pursuant to the Listing Rules, Chinalco and its subsidiaries are the connected persons of the Company.

During the reporting period, the annual cap of the continuing connected transaction for 2015 was RMB5,000.0 million and the actual transaction amount was RMB1,473.0 million.

## 2. PROVISION OF COMMODITIES BY THE GROUP

The Company entered into the general sale and purchase agreement of commodities with Chinalco on 22 August 2014, pursuant to which, the Group could provide products of the Group to Chinalco and/or its associates from time to time as portion of our equipment manufacturing business. These products mainly include the equipment required for normal operation of Chinalco, such as control box of the tank, environmentally-friendly equipment and material processing equipment.

The initial term of the general sale and purchase agreement of commodities commenced from 1 January 2015 and shall expire on 31 December 2017, unless terminated at any time either party gives at least three months' prior written notice of termination to the other party with mutual consensus after negotiation. Relevant subsidiaries or associates of both parties shall enter into separate contract which states specific terms and conditions based on the principles as required under the general sale and purchase agreement of commodities.

Chinalco is the controlling shareholders of the Company. Pursuant to the Listing Rules, Chinalco and its subsidiaries are the connected persons of the Company.

During the reporting period, the annual cap for 2015 of the continuing connected transaction was RMB900.0 million and the actual transaction amount was RMB231.0 million.

## 3. PROVISION OF GENERAL SERVICES TO THE GROUP

The Company entered into a general agreement of general service with Chinalco on 22 August 2014, pursuant to which, Chinalco and/or its associates could provide certain categories of service to the Group from time to time, including transportation and leasing of properties.

The initial term of the general agreement of general service commenced from 1 January 2015 and shall expire on 31 December 2017, unless terminated at any time either party gives at least three months' prior written notice of termination to the other party with mutual consensus after negotiation. Relevant subsidiaries or associates of both parties shall enter into separate contract which states specific terms and conditions based on the principles as required under the general agreement of general service.

Chinalco is the controlling shareholders of the Company. Pursuant to the Listing Rules, Chinalco and its subsidiaries are the connected persons of the Company.

During the reporting period, the annual cap of the continuing connected transaction for 2015 was RMB80.0 million and the actual transaction amount was RMB60.0 million.

## 4. PROVISION OF COMMODITIES TO THE GROUP

The Company entered into the general sale and purchase agreement of commodities with Chinalco on 22 August 2014, pursuant to which, the Group could purchase certain commodities from Chinalco which shall be used in our engineering and construction contracting business. These commodities mainly include coal block, aluminum wire, cement, etc.

The initial term of the general sale and purchase agreement of commodities commenced from 1 January 2015 and shall expire on 31 December 2017, unless terminated at any time either party gives at least three months' prior written notice of termination to the other party with mutual consensus after negotiation. Relevant subsidiaries or associates of both parties shall enter into separate contract which states specific terms and conditions based on the principles as required under the general sale and purchase agreement of commodities.

Chinalco is the controlling shareholders of the Company. Pursuant to the Listing Rules, Chinalco and its subsidiaries are the connected persons of the Company.

During the reporting period, the annual cap of the continuing connected transaction for 2015 was RMB70.0 million and the actual transaction amount was RMB69.0 million.

## 5. PROVISION OF GENERAL SERVICES BY THE GROUP

The Company entered into a general agreement of general service with Chinalco on 22 August 2014, pursuant to which, the Group could provide certain categories of service to Chinalco and/or its associates from time to time, including operation management.

The initial term of the general agreement of general service commenced from 1 January 2015 and shall expire on 31 December 2017, unless terminated at any time either party gives at least three months' prior written notice of termination to the other party with mutual consensus after negotiation. Relevant subsidiaries or associates of both parties shall enter into separate contract which states specific terms and conditions based on the principles as required under the general agreement of general service.

Chinalco is the controlling shareholders of the Company. Pursuant to the Listing Rules, Chinalco and its subsidiaries are the connected persons of the Company.

During the reporting period, the annual cap of the continuing connected transaction for 2015 was RMB12.0 million and the actual transaction amount was RMB0 million.

## 6. PROVISION OF FINANCIAL SERVICES TO THE GROUP

The Company entered into the financial services agreement with Chinalco Finance on 22 August 2014, pursuant to which, Chinalco shall provide financial services to the Group, including deposit services, settlement services, credit services and other financial services. The term of the financial services agreement is 3 years commencing from 1 January 2015 to 31 December 2017.

Chinalco is the controlling shareholder of the Company, and Chinalco Finance is the wholly-owned subsidiary of Chinalco. Pursuant to the Listing Rules, Chinalco Finance is the connected person of the Company.

Chinalco Finance undertakes to provide high-quality and efficient financial services to the Company, and to timely notify the Company certain agreed events in order to safeguard the financial assets of the Company and to adopt proper mitigation measures. In respect of the deposit services, the daily deposit balance (including any interest accrued thereon) for the Group with Chinalco Finance shall not exceed RMB1.3 billion during the term of the financial services agreement. The Company shall enter into separate contract in respect of deposit services, settlement services, credit services and other financial services to stipulate the specific matters for provision of these services.

During the reporting period, the maximum daily deposit balance of the deposit services with the continuing connected transaction for 2014 was RMB1,300.0 million and the actual maximum daily deposit balance was RMB1,300.0 million.

The independent non-executive Directors of the Company had reviewed the above-mentioned continuing connected transactions and confirmed the transactions were:

(1) conducted in the normal course of business of the Group;

(2) conducted on normal commercial terms; if the comparable transactions could not be relied on to judge whether the terms of the transactions were normal commercial terms, those terms should not be less favorable than the terms accepted or provided by independent third parties for the purpose of the Group; and

(3) conducted in accordance with the terms of agreement related to the transactions and the terms were fair and reasonable and in the interests of shareholders of the Company as a whole.

The Company's external auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has issued its letter containing its findings and conclusions in respect of the above mentioned transactions in accordance with Rule 14A.38 of the Listing Rules. The Company has provided a copy of the said letter to Hong Kong Stock Exchange.

For the above connected transactions, Directors had also confirmed the Company's compliance with the disclosure requirements of Chapter 14A of the Listing Rules.

## COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company entered into a non-competition agreement with Chinalco on 2 June 2012, pursuant to which, Chinalco provided certain non-competition undertakings to the Company and granted the options to seek any new business opportunities and options for acquisition and the relevant pre-emptive rights to the Company. Pursuant to the agreement, the independent non-executive Directors of the Company are responsible for reviewing and considering whether or not to exercise such options and pre-emptive rights and are entitled, on behalf of the Company, to review the implementation of the undertakings under the agreement on an annual basis.

During the year, the independent non-executive Directors of the Company have reviewed the implementation of the non-competition agreement and confirmed that Chinalco has been in full compliance with the agreement and there was no breach by Chinalco.

## ARRANGEMENT OF PRE-EMPTIVE RIGHTS AND SHARE OPTIONS

There are no requirements for pre-emptive rights under the Articles of Association of the Company and the PRC laws which would require the Company to offer new shares on a pro-rata basis to existing shareholders.

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

As at 31 December 2015, particulars of H Share appreciation rights granted to the directors and senior management of the Company are as follows:

| **Name** | **Position** | **Number of Shares granted ('0000 shares)** | **The proportion of the amount granted to the total number of H Shares in issue of the Company** | **The proportion of the amount granted to the total number of shares in issue of the Company** |
|---|---|---|---|---|
| HE Zhihui (1) | Chairman 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 (2) | Former Executive Director and former Chief Financial Officer | 49.2457 | 0.1233% | 0.0185% |
| **Total** | | **220.6666** | **0.5524%** | **0.0829%** |

Notes:

1. Mr. ZHANG Chengzhong has resigned as the Chairman and a non-executive director of the Company due to change of work. Mr. HE Zhihui was appointed as the Chairman of the Company on 8 March 2016 to replace the office of Mr. ZHANG Chengzhong.

2. Mr. WANG Jun has resigned as the Chief Financial Officer of the Company on 22 May 2015 due to change of job duties, and changed from an executive Director of the Company to a non-executive Director of the Company who shall no longer be able to exercise H Share appreciation rights.

## RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in Note 15 and Note 33 to the consolidated financial statements.

In accordance with regulations applicable to enterprises and the relevant requirements of various 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 Company 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 according to applicable PRC regulations.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODES

The Company adhered to maintain a high standard of corporate governance as a listed company on the Hong Kong Stock Exchange. During the year ended 31 December 2015, the Company has complied with all code provisions set out in the Code on Corporate Governance contained in Appendix 14 to Listing Rules, and adopted in its best practice proposed in which as appropriate. Details of which refer to the Corporate Governance Report set out on page 62 to 81 of this annual report.

## BOARD DIVERSIFICATION POLICY

Believing the diversification of the composition of the Board would be helpful in enhancing the Company's performance, the Company formulated the Board Diversification Policy of China Aluminum International Engineering Corporation Limited in August 2013, which stipulates that the diversification of the composition of the Board takes account of a variety of aspects when determining the composition of the Board, including but not limited to age, cultural and educational background, professional experience, skill and knowledge. The Board made all the appointments based on talents and had considered the benefits, which would bring about by diversifying the composition of the Board under the objective conditions, when selecting the candidates. The Board will select its members based on an array of diversification standards, including but not limited to age, cultural and educational background, professional experience, skill and knowledge.

The Nomination Committee will disclose the composition of the Board in the Corporate Governance Report every year and will oversee the enforcement of the Policy. The Nomination Committee will review the Policy when appropriate to ensure its effectiveness. It will also discuss and propose any necessary revisions to the Board for approval.

## ARTICLES OF ASSOCIATION OF THE COMPANY

The Articles of Association of the Company was considered and approved on the first extraordinary general meeting in 2012 held on 6 August 2012. There were no significant changes to the Articles of Association of the Company during the year.

## PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 15% of the issued share capital of the Company was held by the public as at the latest practicable date prior to the issue of this annual report, which was in compliance with the requirements under the Listing Rules and the requirements from document of exemption of public float obtained at the time of its listing.

## MATERIAL LEGAL PROCEEDINGS

As at 31 December 2015, there were four legal proceedings for the Group with the proceeding amount exceeding RMB50.0 million as follows.

1. Proceeding in respect of the dispute on construction contract between Sixth Metallurgical Company and Shougang Jingtang United Iron & Steel Co., Ltd. (hereinafter referred as "Jingtang Iron & Steel")

   On 18 November 2014, Jingtang Iron & Steel filed a lawsuit to the Intermediate People's Court of Tangshan City that according to the actual completed construction volume by Sixth Metallurgical Company, net of the costs which shall be borne by Sixth Metallurgical Company, the construction payment received by Sixth Metallurgical Company from Jingtang Iron & Steel was in excess of RMB25.8 million. Jingtang Iron & Steel sought for the refund of the excessive construction payment by Sixth Metallurgical Company.

   On 12 March 2015, Sixth Metallurgical Company filed a lawsuit to the Higher People's Court of Hebei Province, which claimed that, after the completion of construction, Jingtang Iron & Steel had not calculated the price according to the manner as agreed in the contract, nor reviewed or settled part of budgeted price on part of the construction reported by Sixth Metallurgical Company, seeking an award for the payment of construction fees of RMB292.3 million plus interest and the assumption of all proceeding costs by Jingtang Iron & Steel.

   Applications have been made by Sixth Metallurgical Company to the Intermediate People's Court of Tangshan City and the Higher People's Court of Hebei Province, respectively, seeking a termination to the hearing of the civil proceeding of 京唐鋼鐵訴六冶 (2014) 唐民初字第205號, as well as seeking such case to be heard from the People's Court of Hebei Province, and also seeking for an joint hearing with the civil proceeding of 六冶訴京唐鋼鐵 (2015) 冀民一初字第3號. Sixth Metallurgical Company's request had been accepted by the Higher People's Court of Hebei Province, and consolidated proceeding was heard on 2 December 2015. The case is now under hearing.

2. Proceeding in respect of dispute on interest from borrowings between Twelfth Metallurgical Company, Xi'an Overall Urbanrural Construction and Investment Co., Ltd. (西安市統籌城鄉建設投資發展股份有限公司, hereinafter referred as "Overall Company") and Xixian Investment Corporation Limited (西咸投資股份有限公司, hereinafter referred as "Xixian Company")

   On 13 May 2015, Twelfth Metallurgical Company filed a lawsuit to the Intermediate People's Court of Taiyuan City against Overall Company seeking for an award for payment of interest from the borrowings of RMB63.2 million by Overall Company, and the assumption of the incidental guarantee obligation by Xixian Company, as well as an award for the assumption of all proceeding costs and the property and insurance fees incurred in this case by Overall Company and Xixian Company. At present, the case has been accepted by the Intermediate People's Court of Taiyuan City and is now in the progress of hearing.

3. Proceeding in respect of dispute on the Construction Cooperation Contract between Twelfth Metallurgical Company and Xixian Company

   On 13 May 2015, Twelfth Metallurgical Company filed a lawsuit to the Intermediate People's Court of Taiyuan City against Xixian Company to dissolve the "Cooperation Contract in respect of Financing and Construction of Phase I of the "水鏡草堂·草堂新城－西安新天地" Project entered into by it and Xixian Company, seeking an award for a default payment of RMB50.0 million and the assumption of all proceeding costs and the property and insurance fees incurred in this case by Xixian Company. The case has been accepted by the Intermediate People's Court of Taiyuan City and is now in the progress of hearing.

4. Proceeding in respect of dispute on the Urban Construction Administration Contract between Huangsheng Group Company Limited (煌盛集團有限公司, hereinafter referred as "Huangsheng Group") and the People's Government of Longwan District, Wenzhou City (hereinafter referred as "Longwan District Government"), in which Chalieco as a third party

   On 12 August 2015, Huangsheng Group filed lawsuit to the Intermediate People's Court of Wenzhou City against Longwan District Government seeking an award for payment of a construction fee of RMB64.3 million, together with an overdue default payment based on the overdue loan rate granted by the People's Bank of the same period from the date of the proceeding. On 12 November 2015, the Intermediate People's Court of Wenzhou City issued the (2015) Notice of Engagement of Proceeding 浙溫行初字 No. 333 ((2015)浙溫行初字第333號參加訴訟通知書). As a joint venture formed between Huangsheng Group and Chalieco has entered into the "Contract of BT Model Construction of Wenzhou Airport New District Construction Project" (《溫州空港新區建設項目BT模式建設合同》) with the Longwan District Government, Chalieco was therefore notified to be engaged in the proceeding as a third party having an interest in the administrative of the proceeding. The lawsuit is now in the progress of hearing.

## AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's 2015 annual results and the consolidated financial statements for the year ended 31 December 2015 prepared in accordance with the IFRS.

## AUDITOR

PricewaterhouseCoopers was appointed as the auditor to audit the consolidated financial statements for the year ended 31 December 2015 prepared in accordance with the IFRS. The enclosed consolidated financial statements prepared in accordance with the IFRS have been audited by PricewaterhouseCoopers.

## FINANCIAL SUMMARY IN PAST FIVE YEARS

The summary of operating results, assets and liabilities of the Group in the past five financial years is set out on pages 4 to 6 of this annual report.

By order of the Board
**HE Zhihui**
*Chairman*
**China Aluminum International Engineering Corporation Limited**

Beijing, 31 March 2016

# SUPERVISORY BOARD'S REPORT

The current session of the Supervisory Board was approved to establish in the inaugural meeting of the Company held on 30 June 2011. The current session of the Supervisory Board comprises three Supervisors in total. In 2015 the Supervisory Board of the Company strictly conformed to the laws, regulations, rules and regulatory documents such as the Company Law of the People's Republic of China and the relevant requirements set out in the Articles of Association, the Rules of Procedure of the Supervisory Board of China Aluminum International Engineering Corporation Limited (《中鋁國際工程股份有限公司監事會議事規則》) and the Listing Rules of the Stock Exchange of Hong Kong in terms of the long term interests of the Company and the interests of the shareholders and had carefully exercised its supervision over the behavior when our Directors and the senior management were executing the duties of the Company. The major duties of the Supervisory Board during the reporting period are as follows:

## I. MEETINGS CONVENED BY THE SUPERVISORY BOARD

In 2015, the Supervisory Board held four meetings, details of which are as follows:

On 12 March 2015, the 3rd meeting of the second session of Supervisory Board was held, at which the Resolution on Considering the Announcement of 2014 Annual Results and the Annual Report (《關於審議2014年度業績公告和年度報告的議案》), the Resolution on the Supervisory Board's Work Report for for 2014 (《關於《2014年監事會工作報告》的議案》), the Resolution on the Report on 2014 Final Accounts of the Company (《關於2014年度財務決算報告的議案》) and the Resolution on 2015 Financial Budget Report (《關於2015年度財務預算報告的議案》), the Resolution on 2014 Profit Appropriation and Dividend Distribution Plan (《關於2014年度利潤分配以及股息派發方案的議案》), and the Resolution regarding the Supervisors' Emoluments in 2015 (《關於2015年度監事薪酬的議案》) were reviewed.

The 4th meeting of the second session of the Supervisory Board was convened on 18 June 2015, at which the Resolution Considering the Rules of Procedure of the Supervisory Board in relation to the Initial Public Offering of RMB Ordinary Shares applicable after lissing (《關於審議首次公開發行人民幣普通股並上市後適用的《監事會議事規則》的議案》) was reviewed.

The 5th meeting of the second session of the Supervisory Board was convened on 24 August 2015, at which the Resolution on Considering the 2015 Interim Report and the Announcement of Interim Results of the Company (《關於審議公司2015年中期報告及中期業績公告的議案》) was reviewed.

The 6th meeting of the second session of the Supervisory Board was convened on 30 October 2015, at which the Resolution on Considering the 2015 Financial Report for the Third Quarter of the Company (《關於審議公司2015年第三季度財務報告的議案》) was reviewed.

## II. DUTIES OF THE SUPERVISORY BOARD

The current session of the Supervisory Board mainly implemented the following duties:

### 1. Inspection on legal compliance of the Company's operation

During the reporting period, members of the Supervisory Board attended all general meetings convened by the Company and attended all meetings of the Board as non-voting participants, and also reviewed the resolutions proposed to the Board for consideration. The Supervisory Board supervised the major decision-making processes of the Company and the duties performed by the members of the Board and the senior management through attending such meetings as participants and non-voting participants. The Supervisory Board is of the view that the major decision-making processes of the Company had been in compliance with the relevant laws and regulations, and that all Directors and the senior management of the Company had faithfully performed their duties with due diligence, earnestly implemented the resolutions of the general meetings, stuck to lawful operation and prudent decision-making without violating any laws, regulations, the Articles of Association and prejudice to the interests of the shareholders of the Company during the execution of their respective duties.

### 2. Inspection of the financial position of the Company

During the reporting period, the Supervisory Board reviewed the relevant financial information of the Company and its subsidiaries, and the auditor's report of the Company and its subsidiaries. The Supervisory Board is of the opinion that the accounts and audit work of the Company and its subsidiaries are in compliance with the Accounting Law of the People's Republic of China (《中華人民共和國會計法》), the accounting systems promulgated by the Ministry of Finance of the People's Republic of China and the Hong Kong Financial Reporting Standards, for which no concerns have been found. Having duly reviewed the 2015 annual report and relevant information to be submitted by the Board to the general meeting, and as audited by the independent auditor with an unqualified opinion, the Board of the Supervisors is of the opinion that the annual report reflected the financial position and operating results of the Company on a consistent basis and in an accurate, true and fair manner

### 3. Inspection of the Company's connected transactions

During the reporting period, the Supervisory Board reviewed information related to the Company's connected transactions with the controlling shareholders of the Company. The Supervisory Board is of the opinion that such connected transactions were conducted at reasonable price and in a fair and just manner, without prejudice to the Company and other shareholders. The Directors, president and other senior management of the Company had exercised the rights granted by the shareholders and discharged their obligations in good faith and with due diligence. So far, the Supervisory Board is not aware of any abuse of authority which impairs the interests of the shareholders and the legitimate rights of the employees of the Company.

### 4. Inspection of the Company's information disclosure

During the reporting period, the Supervisory Board reviewed all the relevant documents publicly published by the Company. The Supervisory Board is of the view that the Company had disclosed the relevant information in a legitimate, timely and complete manner in accordance with the requirements of the Hong Kong Stock Exchange and no false information was found.

**HE Bincong**
*Chairman of the Supervisory Board*

Beijing, 31 March 2016

# CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2015.

## CORPORATE GOVERNANCE PRACTICES

The corporate governance practices adopted by the Company are summarized as follows:

### 1. The Board

#### 1.1 Composition of the Board

As at the Latest Practicable Date, the Board consisted of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. Among which, Mr. WANG Qiang ceased to be the non-executive Director of the Company, effective from 20 May 2015 due to change of job. Mr. WANG Jun was redesignated to non-executive Director of the Company from executive Director of the Company, effective from 22 May 2015. Mr. JIANG Jianxiang ceased to be the independent non-executive Director of the Company, effective from 9 June 2015 due to change of job. Mr. FU Jun acted as an independent non-executive Director of the Company and Mr. ZHANG Jian as the executive Director of the Company, effective from 9 June 2015. Mr. ZHANG Zhankui ceased to be the non-executive Director of the Company, effective from 23 December 2015 due to change of job. Mr. ZHANG Chengzhong ceased to be the Chairman and non-executive Director of the Company, effective from 8 March 2016 due to change of job.

The profile details of the Directors as at the date of this annual report are set out on pages 82 to 84 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among members of the Board. The structure of the Board is well balanced with each Director possessing sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the shareholders.

Since the Listing of the Company, the Board has been in compliance with the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors and that the appointed independent non-executive Directors shall represent at least one-third of the members of the Board. The qualifications of the three independent non-executive Directors of the Company are in full compliance with the requirements under Rules 3.10(1) and (2) of the Listing Rules. In addition, the Company has received annual confirmations from independent non-executive Directors as to their independence pursuant to Rule 3.13 of the Listing Rules. The Company therefore considered all independent non-executive Directors to be in compliance with the independence requirements as set out in the Listing Rules.

The composition of the current Board of the Company is set out as follows:

| Name | Position in the Company | Date of Appointment |
|---|---|---|
| **Director** | | |
| ZHANG Chengzhong (1) | Former Chairman and former Non-executive Director | 23 May 2014 |
| ZHANG Zhankui (2) | Former Non-executive Director | 23 May 2014 |
| WANG Qiang (3) | Former Non-executive Director | 23 May 2014 |
| WANG Jun (4) | Non-executive Director and former Executive Director | 22 May 2015 |
| HE Zhihui (1) | Chairman, Executive Director and President | 23 May 2014 |
| ZHANG Jian | Executive Director | 9 June 2015 |
| SUN Chuanyao | Independent Non-executive Director | 23 May 2014 |
| CHEUNG Hung Kwong | Independent Non-executive Director | 23 May 2014 |
| JIANG Jianxiang (5) | Former Independent Non-executive Director | 23 May 2014 |
| FU Jun | Independent Non-executive Director | 9 June 2015 |

Notes:

(1) Mr. ZHANG Chengzhong ceased to be the Chairman and the non-executive Director of the Company due to change of job and Mr. He Zhihui was appointed as the Chairman of the Company, effective from 8 March 2016.

(2) Mr. ZHANG Zhankui ceased to be the non-executive Director of the Company, effective from 23 December 2015 due to change of job.

(3) Mr. WANG Qiang ceased to be the non-executive Director of the Company, effective from 20 May 2015 due to change of job.

(4) Mr. WANG Jun ceased to be the Chief Financial Officer of the Company and was designated to a non-executive Director of the Company from an executive Director of the Company, effective from 22 May 2015.

(5) Mr. JIANG Jianxiang ceased to be the independent non-executive Director of the Company from 9 June 2015.

Pursuant to the latest amendment and requirement of the Corporate Governance Code and the Corporate Governance Report in the Hong Kong Listing Rules of the Hong Kong Stock Exchange, the Company prepared the Board Diversification Policy of China Aluminum International Engineering Corporation Limited (《中鋁國際工程股份有限公司董事會成員多元化政策》) and submitted it to the Nomination Committee for consideration and approval.

### 1.2 Board Meetings

Pursuant to the Articles of Association of the Group, the Board is required to hold at least four meetings each year. The Board meetings shall be convened by the Chairman.

A notice of at least 14 days shall be given for a regular Board meeting. The notice shall state the time, venue and means by which the board meeting will be convened.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Association of the Company, the quorum for a Board meeting is the presentation of at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another Director in writing to attend the Board meeting on his/her behalf. The secretary to the Board of the Company is responsible for preparing and keeping the minutes of the Board meetings.

In 2015, the Board held twelve meetings in total. The attendance of the Directors at Board meetings is as follows:

| Name | Position | Number of Meetings Attended in Person/Held | Number of Meetings Attended by proxy in writing/Held | Attendance |
|---|---|---|---|---|
| ZHANG Chengzhong (1) | Former Chairman and former Non-executive Director | 12/12 | 0/12 | 100% |
| ZHANG Zhankui (2) | Former Non-executive Director | 10/11 | 1/11 | 100% |
| WANG Qiang (3) | Former Non-executive Director | 4/4 | 0/4 | 100% |
| WANG Jun (4) | Non-executive Director and former Executive Director | 10/12 | 2/12 | 100% |
| HE Zhihui (1) | Chairman, Executive Director and President | 12/12 | 0/12 | 100% |
| ZHANG Jian | Executive Director | 7/7 | 0/7 | 100% |
| SUN Chuanyao | Independent Non-executive Director | 12/12 | 0/12 | 100% |
| CHEUNG Hung Kwong | Independent Non-executive Director | 12/12 | 0/12 | 100% |
| JIANG Jianxiang (5) | Former Independent Non-executive Director | 5/5 | 0/5 | 100% |
| FU Jun | Independent Non-executive Director | 6/7 | 1/7 | 100% |

Notes:

(1) Mr. ZHANG Chengzhong ceased to be the Chairman and the non-executive Director of the Company due to change of job and Mr. He Zhihui was appointed as the Chairman of the Company, effective from 8 March 2016.

(2) Mr. ZHANG Zhankui ceased to be the non-executive Director of the Company, effective from 23 December 2015 due to change of job.

(3) Mr. WANG Qiang ceased to be the non-executive Director of the Company, effective from 20 May 2015 due to change of job.

(4) Mr. WANG Jun ceased to be the Chief Financial Officer of the Company and was designated to a non-executive Director of the Company from an executive Director of the Company, effective from 22 May 2015.

(5) Mr. JIANG Jianxiang ceased to be the independent non-executive Director of the Company, effective from 9 June 2015.

When attending the above meetings, the independent Directors did not propose dissenting opinion to any resolution and matter.

### 1.3 Functions and Powers Exercised by the Board and the Management

The powers and duties of the Board and the Management have been clearly defined in the Articles of Association of the Company, which aims to provide adequate check and balance mechanism for good corporate governance and internal control.

The Board is responsible for deciding on the Company's business and investment plans as well as the establishment of the Company's internal management structure, formulating the Company's basic management system, determining other material business and administrative matters of the Company and monitoring the performance of the management.

Under the leadership of the President (who is also an executive Director), the management of the Company is responsible for implementing the resolutions approved by the Board and administering the day-to-day operation and management of the Company.

### 1.4 Chairman and President

Since Mr. ZHANG Chengzhong resigned from the position of Chairman of the Company, Mr. HE Zhihui was appointed as the Chairman by the Company and took up the duty of President temporarily. The Company will ensure to maintain good corporate government practice when duties are carried at the same time. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Company to make and implement decisions more promptly and effectively. The Board will appoint a new President as soon as possible and spilt the duties of the Chairman and the President in due course.

### 1.5 Appointment and Re-election of Directors

Pursuant to the Articles of Association of the Company, Directors shall be elected at general meetings with a term of office of no more than three years and may offer themselves for re-election. The Company has implemented a set of effective procedures for the appointment of new directors. Nomination of new directors shall be first considered by the Nomination Committee, whose recommendations will then be put forward to the Board for consideration. All candidates are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts are for a term of three years.

### 1.6 Directors' Remuneration

Directors' Remuneration is proposed by the Remuneration Committee according to principals such as academic qualifications, work experience etc. and then is determined by the Board with reference to directors' experience, work performance, job responsibilities and the prevailing market conditions after approval from general meetings.

The remuneration of each of the Director will be determined in accordance with the Company's Articles of Association. The remuneration of the independent non-executive directors was RMB10,000 per month per capita, net of tax. The remuneration of non-independent directors of the Company, who served as senior managements of the Company, will be determined according to the remuneration standard of the senior management set by the Company. The non-independent directors, who do not serve as senior managements of the Company, shall not receive the remuneration from the Company.

### 1.7 Directors' Training

During 2015, all Directors participated in continuous professional development to develop and refresh their knowledge and expertise so as to ensure that their contribution to the Board remained informed and relevant. The details of training for all Directors are as follows:

| Name | Position | Training time | Training content |
|---|---|---|---|
| ZHANG Chengzhong (1) | Former Chairman and former Non-executive Director | 7 hours | including compliance of listed company and corporate governance |
| ZHANG Zhanku (2) | Former Non-executive Director | 7 hours | including compliance of listed company and corporate governance |
| WANG Qiang (3) | Former Non-executive Director | 4 hours | including compliance of listed company and corporate governance |
| WANG Jun (4) | Non-executive Director and former Executive Director | 25 hours | including compliance of listed company and corporate governance |
| HE Zhihui (1) | Chairman, Executive Director and President | 7 hours | including compliance of listed company and corporate governance |
| ZHANG Jian | Executive Director | 7 hours | including compliance of listed company and corporate governance |
| SUN Chuanyao | Independent Non-executive Director | 7 hours | including compliance of listed company and corporate governance |
| CHEUNG Hung Kwong | Independent Non-executive Director | 7 hours | including compliance of listed company and corporate governance |
| JIANG Jianxiang (5) | Former Independent Non-executive Director | 5 hours | including compliance of listed company and corporate governance |
| FU Jun | Independent Non-executive Director | 7 hours | including compliance of listed company and corporate governance |

Notes:

(1) Mr. ZHANG Chengzhong ceased to be the Chairman and the non-executive Director of the Company due to change of job and Mr. HE Zhihui was appointed as the Chairman of the Company, effective from 8 March 2016.

(2) Mr. ZHANG Zhankui ceased to be the non-executive Director of the Company, effective from 23 December 2015 due to change of job.

(3) Mr. WANG Qiang ceased to be the non-executive Director of the Company, effective from 20 May 2015 due to change of job.

(4) Mr. WANG Jun ceased to be the Chief Financial Officer of the Company and was designated to be a non-executive Director of the Company from an executive Director of the Company, effective from 22 May 2015.

(5) Mr. JIANG Jianxiang ceased to be the independent non-executive Director of the Company, effective from 9 June 2015.

### 1.8 Training for Company Secretary

Mr. WANG Jun and Mr. ZHAI Feng, the Joint Secretary of the Company, received relevant training in 2015, which is in accordance with the requirements set out in Rule 3.29 of the Listing Rules.

### 1.9 Change of Company Secretary and Joint Authorized Representative

On 12 March 2015, the Company Secretary changed to be Mr. WANG Jun (王軍先生) and Mr. ZHAI Feng (翟峰先生), who will serve as Joint Secretary of the Company. The Joint Authorized Representative of the Company changed to be Mr. HE Zhihui (賀志輝) and Mr. ZHAI Feng (翟峰先生).

### 1.10 Corporate Governance Functions

The Company's corporate governance function is carried out by the Board. The corporate governance function is to develop and review the Company's policies and practices on corporate governance in order to comply with Corporate Governance Code and other legal or regulatory requirements, and make recommendations to the Board; to oversee the induction program for new Director of the Company; to review and oversee the training and continuous professional development for the Directors and senior management; to develop, review and oversee the code of conduct and compliance manual (if any) applicable to employees and the Directors; and to review the Company's disclosure in the Corporate Governance Report.

## 2. Board Committees

There are four Board committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee.

### 2.1 Audit Committee

The Audit Committee consists of three directors: Mr. CHEUNG Hung Kwong (independent non-executive Director), Mr. WANG Jun (non-executive Director) and Mr. FU Jun (independent non-executive Director). Mr. CHEUNG Hung Kwong serves as the chairman.

Audit Committee is given the function of corporate governance of the Company. The main duties of Audit Committee includes: to direct the construction of internal corporate controlling mechanism, and to examine and assess the compliance and effectiveness of significant operation activities of the Company; to make recommendations to the Board in respect of engaging or replacement of intermediaries such as accounting firms as well as their remuneration; to review the Company's financial information and its disclosure, to review the significant financial system of the Company and its implementation, to oversee the financial operations position, to oversee the truthfulness of the financial reporting and the effectiveness of the implementation of financial reporting procedures by the management, and to make recommendations to the Board; to make recommendations to the Board in respect of appointment or removal of person-in-charge of its internal auditing department; to supervise the formulation and implementation of its internal auditing system; to assess and supervise the completeness of the corporate auditing system and the effectiveness of its operations; to supervise the independence and objectivity of external auditing firm, auditing procedures and work, and to maintain good communication with the Supervisory Board as well as internal and external auditing firm; to review, supervise and review the Company's financial controls, internal control and risk management systems, and to provide advice and recommendations in respect of the completeness and comprehensiveness of the Company's internal control systems and the risk management systems; to review the self-evaluation reports on internal control; to review concern raised by the Company in respect of the misconduct made by the employees during financial reporting; and to supervise the rectification and improvement of material issues. The Audit Committee exercises its authority pursuant to the requirements under Rule D.3.1 of the Corporate Governance Code.

During the reporting period, the Audit Committee of the second session of the Board held seven meetings, details of which are as follows:

On 11 March 2015, the second meeting of the Audit Committee of the second session of the Board was held, at which the Resolution on Considering the Announcement of 2014 Annual Results and the Annual Report of the Company (《關於審議公司2014年度業績公告和年度報告的議案》), the Resolution on Considering the Report on 2014 Final Accounts of the Company (《關於審議公司2014年度財務決算報告的議案》) and the Resolution on Considering 2015 Financial Budget Report of the Company (《關於審議公司2015年度財務預算報告的議案》), the Resolution on Considering 2014 Profit Appropriation and Dividend Distribution Plan (《關於審議公司2014年度利潤分配以及股息派發方案的議案》), and the Resolution of Re-appointment of the International Auditor and the Domestic Auditor (《關於續聘國際核數師及國內審計師的議案》) were reviewed.

On 11 May 2015, the third meeting of the Audit Committee of the second session of the Board was held, at which the Resolution on considering the Financial Report of the first quarter of 2015 (《關於審議公司2015年第一季度財務報告的議案》) was reviewed.

On 15 June 2015, the fourth meeting of the Audit Committee of the second session of the Board was held, at which the Resolution on considering the appointment of PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) to be the accountant for this publication (《關於聘請普華永道中天會計師事務所(特殊普通合夥)為本次發行之會計師的議案》) was reviewed.

On 20 July 2015, the fifth meeting of the Audit Committee of the second session of the Board was held, at which the Resolution on considering the 2015 Interim Report of the Company and the related auditing fees in 2015 annual report (《關於公司2015年中期報告以及2015年年度報告相關審計服務費用的議案》) was reviewed.

On 24 August 2015, the sixth meeting of the Audit Committee of the second session of the Board was held, at which the Resolution on considering the 2015 Interim Report and the Announcement of Interim results of the Company (《關於公司2015年中期報告及中期業績公告的議案》) was reviewed.

On 25 August 2015, the seventh meeting of the Audit Committee of the second session of the Board was held, at which the Resolution on considering the auditing service fee for this publication (《關於公司本次發行審計服務費用的議案》) was reviewed.

On 27 October 2015, the eighth meeting of the Audit Committee of the second session of the Board was held, at which the Resolution on considering the financial report of the third quarter of 2015 (《關於公司2015年第三季度財務報告的議案》) was reviewed.

The attendance of the meetings is as follow:

| **Name** | **Position** | **Number of Meetings Attended/Held** | **Attendance** |
|---|---|---|---|
| CHEUNG Hung Kwong | Chairman of the Audit Committee | 7/7 | 100% |
| JIANG Jianxiang (1) | Member of the Audit Committee | 2/2 | 100% |
| ZHANG Zhankui (2) | Member of the Audit Committee | 7/7 | 100% |
| FU Jun (1) | Member of the Audit Committee | 4/4 | 100% |

Notes:

(1) Mr. JIANG Jianxiang ceased to be a member of the Audit Committee of the Company, effective from 9 June 2015. FU Jun took the position of a member of the Audit Committee of the Company, effective from 18 June 2015.

(2) Due to change of job, Mr. ZHANG Zhankui ceased to be a member of the Audit Committee of the Company, effective from 23 December 2015.

### 2.2 Remuneration Committee

The Remuneration Committee consists of three directors: Mr. SUN Chuanyao (independent non-executive Director), Mr. WANG Jun (non-executive Director) and Mr. FU Jun (independent non-executive Director). Mr. SUN Chuanyao serves as the chairman.

On 20 May 2015, Mr. WANG Qiang resigned his position of independent non-executive Director of the Company and of the Company ceased to be a member of the Remuneration Committee of the second session of the Board.

On 9 June 2015, Mr. JIANG Jianxiang resigned his position of independent non-executive Director of the Company and ceased to be a member of the Remuneration Committee of the second session of the Board.

On 18 June 2015, the ninth meeting of the Audit Committee of the second session of the Board was held, at which the election of Mr. WANG Jun to be a member of the Remuneration Committee of the second session of the Board was approved and Mr. FU Jun was appointed as a member of the Remuneration Committee of the second session of the Board.

The Company adopted the mode that the Remuneration Committee makes recommendations to the Board in order to determine the remuneration packages of executive directors and senior management.

The main duties of the Remuneration Committee shall include: to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and the senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; to make recommendations to the Board in respect of the specific remuneration packages of all executive Directors and the senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and make recommendations to the Board of the remuneration of non-executive Directors; to assess the performance of the executive Directors, approve the terms in the service contract with the executive Directors and to review and approve performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time; to review and approve the compensation payable to executive Directors and the senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and reasonable and not excessive for the listed company; to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the reporting period, the Remuneration Committee held one meeting, details of which are as follows:

- On 12 March 2015, the first meeting of the Remuneration Committee of the second session of the Board was held, at which: (1) the remuneration of the Directors; (2) the remuneration of the senior management of the Company were considered.

The attendance of the meeting is as follows:

| Name | Position | Number of Meetings Attended/Held | Attendance |
|---|---|---|---|
| SUN Chuanyao | Chairman of the Remuneration Committee | 1/1 | 100% |
| JIANG Jianxiang (1) | Member of the Remuneration Committee | 1/1 | 100% |
| WANG Qiang (2) | Member of the Remuneration Committee | 1/1 | 100% |

Notes:

(1) Mr. JIANG Jianxiang ceased to be a member of the Remuneration Committee of the Company from 9 June 2015.

(2) Dur to job transfer, Mr. WANG Qiang ceased to be a member of the Remuneration Committee of the Company from 20 May 2015.

### 2.3 Nomination Committee

As at the Latest Practicable Date, the Nomination Committee consists of three directors: Mr. HE Zhihui, Mr. SUN Chuanyao (independent non-executive Director) and Mr. FU Jun (independent non-executive Director). Mr. HE Zhihui serves as the chairman.

The main duties of the Nomination Committee shall include: to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendation to the Board regarding any proposed changes in order to promote the Company's corporate strategy; to widely search for and identify individuals who are suitable to become a member of the Board and the President of the Company (may extend to the senior management of the Company, where necessary, the same below), to examine and make recommendations to the Board on the election of individuals nominated for Directors and the President; to assess the independence of the independent non-executive Directors; to develop the criteria and the procedure for evaluating candidates for the Directors and the President; to make recommendations to the Board on matters relating to the appointment or reappointment of Directors or the President and succession plans for Directors (including the Chairman) or the President; to seek independent professional advice in order to perform its duties, if necessary.

In accordance with the requirement of relevant laws and regulations and the Articles of Association of the Company, the Committee shall examine the selection criteria and procedures and the terms of office for the Directors and senior management of the Company with reference to the Company's actual situation. Any resolution made in this regard shall be filed and submitted to the Board for approval and implementation. Detailed procedures are as follows: to communicate with the relevant departments of the Company to examine the demand for new directors and to prepare the written proposal; to carry out an extensive search for candidates of directors within the Company and its holding company or other companies; seek consents from proposed candidates for the nomination, otherwise he/she shall not be put on the list of candidates of directors; upon consideration and approval in the general meeting or board meeting, to carry out other work in relation to holding office in accordance with the resolutions of the general meeting or board meeting.

The Nomination Committee considered that the composition of members of the Board of the Company during the reporting period was in compliance with the requirement of the "Board Diversity Policy".

During the reporting period, the Nomination Committee held four meetings, details of which are as follows:

- On 12 March 2015, the first meeting of the Nomination Committee of the second session of the Board was held, at which the structure and the size of the Board, and the qualifications of the directors were considered.

- On 15 April 2015, the second meeting of the Nomination Committee of the second session of the Board was held, at which the resolution on considering the resignation of Mr. JIANG Jianxiang as independent director and the appointment of Mr. FU Jun as independent director of the Company (《關於蔣建湘先生辭任獨立董事及聘任伏軍先生為公司獨立董事的議案》) was reviewed.

- On 22 May 2015, the third meeting of the Nomination Committee of the second session of the Board was held, at which the Resolution on considering the nomination of Mr. ZHANG Jian as a candidate of Director of the Company (《關於提名張建先生為公司董事候選人的議案》) was reviewed.

- On 16 December 2015, the fourth meeting of the Nomination Committee of the second session of the Board was held, at which the Resolution on considering the resignation of Mr. ZHANG Zhankui as director and nomination of Mr. Li Yihua as a Director of the Company《關於張占魁先生不再擔任董事及提名李宜華先生擔任公司董事的議案》was reviewed.

The attendance of the meetings is as follows:

| Name | Position | Number of Meetings Attended/Held | Attendance |
|---|---|---|---|
| ZHANG Chengzhong (1) | Chairman of the Nomination Committee | 3/3 | 100% |
| SUN Chuanyao | Member of the Nomination Committee | 3/3 | 100% |
| JIANG Jianxiang (2) | Member of the Nomination Committee | 3/3 | 100% |

Notes:

(1) Mr. ZHANG Chengzhong ceased to be the chairman of the Nomination Committee of the Company, effective from 8 March 2016. Mr. HE Zhihui served as the chairman of the Nomination Committee of the Company, effective from 8 March 2016.

(2) Mr. JIANG Jianxiang ceased to be a member of the Nomination Committee of the Company, effective from 9 June 2015.

### 2.4 Risk Management Committee

As at the Latest Practicable Date, The Risk Management Committee consists of two Directors: Mr. HE Zhihui and Mr. FU Jun (independent non-executive Director) and Mr. HE Zhihui serves as the chairman.

The main duties of Risk Management Committee shall include: to consider judgment standard or mechanism for material business decisions, material risks, events and business processes and the risk assessment report of major decisions; to supervise, assess and check the completeness and operating effectiveness of the Company's internal risk management system and report the same to the Board; to examine, approve or verify the matters related to investment, financing and external transactions contracts submitted by the President pursuant to the authority granted by the Board; to handle other matters entrusted by the Board.

During the reporting period, the Risk Management Committee held one meeting to examine and review two issues, including the compliance with the OFAC Undertakings in 2014 and the overall risk management.

The attendance of the meetings is as follows:

| Name | Position | Number of Meetings Attended/Held | Attendance |
|---|---|---|---|
| ZHANG Chengzhong (1) | Chairman of the Risk Management Committee | 1/1 | 100% |
| HE Zhihui | Member of the Risk Management Committee | 1/1 | 100% |
| JIANG Jianxiang (2) | Member of the Risk Management Committee | 1/1 | 100% |

Notes:

(1) Mr. ZHANG Chengzhong ceased to be the chairman of the Risk Management Committee of the Company, effective from 8 March 2016. Mr. HE Zhihui served as the chairman of the Risk Management Committee, effective from 8 March 2016.

(2) Mr. JIANG Jianxiang ceased to be a member of the Risk Management Committee of the Company, effective from 9 June 2015. Mr. FU Jun took the role of the member of the Risk Management Committee of the Company on 18 June 2015.

## 3. Independence of the Board

Each of the independent non-executive Directors of the Company has met the requirement on independence guidelines set out in Rule 3.13 of the Listing Rules and has provided to the Company the requisite annual confirmation as to his/her independence. None of the independent non-executive Directors of the Company has any business or significant financial interests with the Company or its subsidiaries, and therefore all the independent non-executive Directors continue to be independent as considered by the Company.

## 4. Directors' Responsibility for the Financial Statements

The Board acknowledged its responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2015.

The Board is responsible for presenting a clear and understandable assessment of annual and interim reports, price-sensitive information and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided the Board with such necessary explanation and information to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In addition, appropriate insurance coverage has been arranged by the Company against possible legal proceedings and liabilities to be taken against the Directors.

## 5. Compliance with the Code for Securities Transactions

The Company 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 with the Directors and supervisors of the Company, all Directors and supervisors have confirmed that they have strictly complied with the required standards 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 operation of the Company from time to time so as to ensure the compliance with relevant requirements under the Listing Rules and to protect Shareholders' interests.

## 6. Internal Control

The Company aims to strengthen the development of the internal control systems, ensure that its operation and management are in compliance with relevant laws and regulations, safeguard its assets, maintain the authenticity and completeness of financial reports and related information, enhance operating efficiency and effect as well as facilitate its corporate development strategies. Achieving the vision and mission of becoming "a competitive technology and service provider in the international market" is the ultimate goal of the Company to develop such internal control systems.

The Company has attached prime importance to internal control. An internal control system covering the headquarters of the Company and each branch and subsidiary has been established to protect the investments of Shareholders and the assets of the Company. Based on the Requirements of Application Guidelines for Internal Control of SASAC (國資委內部控制應用指引要求) and COSO framework's Five Components, the internal control systems includes five aspects, namely internal environment, risk assessment, control activities, information and communications and supervision. The Company level includes internal environment, risk assessment, information and communications, internal supervision, and involves a total of 98 control standards, while the process level includes 16 processes and 500 control standards in total. There are a total of 598 control standards at both company level and process level.

The Company believes that good internal control plays an important role in corporate operations. The Company has established Audit Committee and Risk Management Committee to perform internal audit functions and conduct analysis and independent assessments on the adequacy and effectiveness of the risk management and internal control systems of the Company. The Board is dedicated to establishing effective internal control systems, and implementing and supervising internal control measures. The Board is ultimately responsible for the internal control, risk management and compliance management of the Company. It makes decisions for internal control, risk management and compliance policies and reviews the effectiveness of such policies, as well as monitoring the design, implementation and supervision of risk management and internal control systems of the Board. The Board also approves the internal control assessment report, risk assessment report and compliance report for the year, reviews the resources, employees' qualifications and experience in respect of the accounting, internal audit and financial reporting functions, as well as the training courses received by employees and the adequacy of such budget. The Board continues to monitor the risk management and internal control systems of the Company. In 2015, the risk management and internal control systems of the Company and its subsidiaries including financial control, operation control and compliance control were reviewed by the Board.

The Company conducted two internal control tests in 2015 and did not identify any material and significant deficiency. The Board considers that such risk management and control systems are adequate and effective.

In terms of rules and regulations, the Company consecutively formulated various internal control measures such as the Measures on Auditing and Administration of Internal Control of China Aluminum International Engineering Corporation Limited (《中鋁國際工程股份有限公司內部控制審計管理辦法》), the Measures on Assessment and Management of Corporate Risks of China Aluminum International Engineering Corporation Limited (《中鋁國際工程股份有限公司企業風險評估管理辦法》), the Measures on Administration of Internal Audit Statistic Works of China Aluminum International Engineering Corporation Limited (《中鋁國際工程股份有限公司內部審計統計工作管理辦法》), the Measures on Assessment, Control and Administration of Risk Management of China Aluminum International Engineering Corporation Limited (《中鋁國際工程股份有限公司風險管理測評及監控管理辦法》), the Implementation of Articles of the Decision-making System on "Three Important Matters and One Big Concern" of Chalieco (《中鋁國際「三重一大」決策制度實施細則》), the Measures on Administration for the Appointment of Intermediaries of China Aluminum International Engineering Corporation Limited To Conduct Auditing (《中鋁國際工程股份有限公司委托中介機構審計管理辦法》), the Regulations on Documentation for Internal Auditing of China Aluminum International Engineering Corporation Limited (《中鋁國際工程股份有限公司內部審計檔案工作規範》) and the Internal Control Manual of China Aluminum International Engineering Corporation Limited (《中鋁國際工程股份有限公司內部控制手冊》).

The effective implementation of the internal systems ensured the orderly development of the Company's operating and management activities as well as effective control of risks, safeguarded the security and integrity of the Company's property and guaranteed the realization of the Company's operating and management objectives.

In terms of organizational structure, the Company has established the discipline inspection, monitoring and audit department which is responsible for discipline inspection, efficiency supervision, inspection on the tendering and bidding of various engineering projects, risk management, evaluation on internal control, audit for construction projects, review of economic responsibilities and other specific audit works. The functional arms or operations units including business, finance and investment of the Company and all our subsidiaries assume primary responsibilities in their respective internal control systems. Specialized organizations or departments including risk management department and the internal control and compliance department are responsible for the coordination and planning as well as organization and implementation before and during risk management and internal control and compliance; internal audit organizations or departments are responsible for supervising and carrying out periodic auditing on the effectiveness of risk management, internal control and compliance, and investigating the accountability for any violation of the requirements.

Each department of the Company shall submit to the Board any available data which is required to submit smoothly. Being the most senior point of contact to each department, the President of the Company has the duty to effectively report to the Board in relation to the operation of each department, and to coordinate the demands of each department and carried out relevant mobilisation to facilitate reasonable decision making within the Company. Accordingly, any possible significant matter (if disclosure to the market is required) identified by the staff shall be reported to the management of the Company in a timely, accurate and effective manner, and the decisions made by the management of the Company shall be carried out accurately and timely under supervision. The Board approved the assessment of the internal control systems of the Group by the Audit Committee and internal control department, and was of the view that, in 2015 and as at the date of publication of this report, the Company continues to have comprehensive internal control and risk management systems including corporate governance, operations, investment, finance and administration and human resources. Such internal control and risk management systems are in full effect.

In 2015, the Company adopted the following actions to implement risk management and internal control:

Based on the practical situation in operations, the Company collected relevant information internally and externally and systematically coordinated business and management flows. It carried out in-depth analysis on each risk event in the risk event from the perspectives of policies, systems and implementation, organizational responsibilities, human resources, finance, daily operations. Through reorganization, identification and screening of risk events, the annual risk event database was eventually established. Each department of the Company determined the risks of the Company after comprehensive rating upon prudent investigation and assessment, and overall rating. Corresponding preventive measures against significant risks were formulated by the Company under the regular monthly supervision by the responsible department. The Company summarized the monitoring of significant risk on a monthly, quarterly and annual basis, and reported to Chinalco the risk management statement.

The Company integrated comprehensive risk and internal control into operational management procedures in daily operations to achieve prevention beforehand and control on procedures, continuously improved various systems, strengthened the risk control on projects and enhanced risk prevention capability by various tasks including conducting due diligence and project evaluation. At the same time, risk events were monitored by the Company on monthly and quarterly basis in order to monitoring the significant risks and rectification of the deficiencies of internal control, and the awareness of risks of all relevant departments in our daily operations, guaranteeing the smooth production and operation of the Company.

Pursuant to the deployment of assessments on internal control of Chinalco, the Company conducts two internal control assessments each year, in which the annual and interim internal control are assessed respectively. The discipline inspection, monitoring and audit department formed inspection teams to carry out independent reviews on internal control of member companies and provided rectification measures for individual member in need. In 2015, the Board has obtained the approval from the management in respect of the effectiveness of the risk management and internal control systems of the Company.

In order to review and continuously enhance the effectiveness of the internal control systems of the Company, in 2015, the Board and the audit committee has received the advice from, and discussed the 2015 internal control assessment report of the Company while the Board and the Risk Management Committee has received the advice from, and discussed the 2015 risk assessment report and compliance report of the Company. Such internal control systems aim at managing, but not eliminating, risk related to failure to reach business goals and the Board only provides reasonable but not absolute assurance against material misstatement or loss.

## 7. Auditors and their remuneration

PricewaterhouseCoopers ("PricewaterhouseCoopers") and PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) ("PricewaterhouseCoopers Zhong Tian") were appointed as the international and the domestic auditor of the Company, respectively, for the year ended 31 December 2015. The Board announces that PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian will cease to be the auditors of the Company upon expiry and shall not be reappointed. The aforesaid resignation is with effect upon the close of the Annual General Meeting of 2015. The Board recommends the appointment of PKF Hong Kong and Daxin Certified Public Accountants (Special General Partnership) as the international and the domestic auditors of the Company for the year 2016.

The aforesaid proposal is subject to the approval at the Annual General Meeting of 2016 of the Company. PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian have confirmed that no other matter regarding their resignation needs to be brought to the attention of the shareholders of the Company.

The statement of responsibility in reporting and remuneration of PricewaterhouseCoopers as the external auditor of the Company in respect of the financial statements are set out on page 89 and page 151 of this annual report, respectively.

## 8. Shareholders' meeting

During the reporting period, the Company held two general meetings and two class meetings in total.

On 9 June 2015, the Company held the annual general meeting of 2014. At the meeting, 10 resolutions such as the Directors' Work Report for 2014, the Supervisors' Work Report for 2014, the financial report for 2014 and the report of financial budget for 2015 were reviewed and passed.

The first extraordinary general meeting of 2015 was held by the Company on 25 August 2015. The meeting reviewed and approved 16 resolutions including the dilution of current returns as a result of the issue of A Shares and proposed remedial measures, the amendments to the Rules of Procedures for the General Meeting, the amendments to the Rules of Procedures for the Board of Directors, the amendments to the Rules of Procedures for the Supervisory Board, the Administrative Measures on Use of Proceeds, the Administrative Measures on Related Party Transactions and the Administrative Measures on External Guarantees.

The first class meeting of H shares of 2015 was held by the Company on 25 August 2015. The meeting has reviewed and approved 4 resolutions including the issue of A Shares, the relevant undertakings on the disclosure of information in the prospectus published in connection with the issue of A Shares, the stock price stabilization plan and granting authorizations to the Board to deal with relevant matters concerning the issue of A Shares.

The first class meeting of domestic shares of 2015 was held by the Company on 25 August 2015. The meeting has reviewed and approved 4 resolutions including the issue of A Shares, the relevant undertakings on the disclosure of information in the prospectus published in connection with the issue of A Shares, the stock price stabilization plan and granting authorizations to the Board to deal with relevant matters concerning the issue of A Shares.

| Name | Number of meetings attended/ held | Attendance |
|---|---|---|
| ZHANG Chengzhong (1) | 4/4 | 100% |
| ZHANG Zhankui (2) | 0/4 | 0% |
| WANG Jun | 1/4 | 25% |
| HE Zhihui | 4/4 | 100% |
| ZHANG Jian (3) | 3/3 | 100% |
| SUN Chuanyao | 0/4 | 0% |
| CHEUNG Hung Kwong | 4/4 | 100% |
| JIANG Jianxiang (4) | 0/1 | 0% |
| FU Jun (5) | 0/3 | 0% |

Notes:

(1) Mr. ZHANG Chengzhong has resigned as the Chairman and a non-executive Director of the Company due to the change of work.

(2) Mr. ZHANG Zhankui ceased to serve as the non-executive Director of the Company from 23 December 2015 due to the change of work.

(3) Mr. ZHANG Jian served as the executive Director of the Company from 9 June 2015.

(4) Mr. JIANG Jianxiang ceased to serve as the independent non-executive Director of the Company from 9 June 2015.

(5) Mr. FU Jun served as the independent non-executive Director of the Company from 9 June 2015.

The auditors attended the two general meetings and two class meetings mentioned above.

## 9. Communications with Shareholders

The Company chronically, highly and continuously maintains and develops a long-term relationship with its investors, delivers the information of the Company in a timely and efficient manner, enhances transparency of the information regarding the Company and builds an effective channel for it to maintain the relationship with investors.

### 9.1 Shareholders' Rights

The Board is committed to maintaining conversations with its Shareholders and discloses significant development of the Company to its Shareholders and investors when appropriate. The annual general meeting of the Company provides a communication opportunity between Shareholders and the Board. In the event of convening a general meeting, a written notice, which specifies on the meeting agenda in the meeting and the date and venue, should be sent to all shareholders whose names appear on the share register 45 days prior to convening the meeting. Shareholders who intend to attend the general meeting should send the reply slip to the Company 20 days prior to convening the meeting for attending the meeting.

Two or more Shareholders individually or collectively holding more than ten percent (including the ten percent) of the outstanding shares carrying voting rights at the meeting to be convened may, by written requisition(s) stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class shareholders' meeting. The Board shall as soon as practicable within two months after the receipt of such written requisition(s) proceed to so convene the extraordinary general meeting or class shareholders' meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s).

Where the Board fails to issue notice of convening meeting within thirty days upon receipt of the above-written request, Shareholder(s) individually or collectively holding more than ten percent (including the ten percent) of the outstanding shares carrying voting rights at the meeting to be convened may request by written requisition(s) the Supervisory Board to convene the extraordinary general meeting or class Shareholders' meeting. The Supervisory Board may convene the meeting on their own accord within four months upon the board of Directors having received such request. In case the Supervisory Board does not convene and hold meetings, shareholder(s) individually or collectively holding more than ten percent of the shares for 90 days in a row may convene meetings on their own accord. The convening procedures shall as much as possible be equivalent to those of for meeting convened by the Board.

### 9.2 Enquires of and Communication with Shareholders

The Company publishes its announcements, financial information and other relevant information on its website at www.chalieco.com.cn, as a channel to promote effective communication. Shareholders are welcomed to make enquiries directly to the Company at its principal place of business in Hong Kong. The Company will respond to all enquiries on a timely and proper basis.

The Board welcomes Shareholders' views and encourages them to attend general meetings in order to propose any concerns they might have with the Board or the management directly. The Chairman of the Board and the chairmen of all committees usually attend the annual general meeting and other general meetings to address questions raised by the shareholders.

A circular containing detailed procedures of voting and resolutions voted by way of poll has been dispatched to the shareholders previously.

## 10. Compliance with the Corporate Governance Codes

As a company listed on the Hong Kong Stock Exchange, the Company strives to maintain a high standard of corporate governance. For the year ended 31 December 2015, the Company had complied with all the code provisions of the Corporate Governance Codes set out in Appendix 15 to the Listing Rules and has adopted the suggested best practices where appropriate. Please refer to the Corporate Governance Report as set out on pages 62 to 81 of this annual report for details.

## 11. Investor Relations

### 11.1 Investor Relations Activities

**Announcement of Results and Results Roadshows**

On 16 March 2015, the management of the Company held the 2014 annual results conference in Hong Kong to introduce the Company's 2014 annual operating situation and financial performance. Dozens of analysts from leading investment banks in the world attended the meeting.

On 27 August 2015, the management of the Company held the 2015 interim results conference in Hong Kong, at which the management of the Company introduced in detail the Company's 2015 interim performance and business outlook to the analysts and investors from Hong Kong, and answered questions from the persons of investment sector. By results conference, the Company strengthened the relationship with its investors, obtained feedback from the market as to the Company's first half year performance and understood the market's concerns over the Company. Besides, the results conference deepened the investors' knowledge on the Company's development and attracted more attention to the Company's shares.

**Investors' Routine Visits**

In 2015, the Company had sufficient communication with investors through inviting investors for site visit, on-site meeting and conference meeting, etc.

### 11.2 Information Disclosure

The Company has published more than 42 announcements on the website of the Hong Kong Stock Exchange, including the issue of corporate bonds, the acquisition of No. 9 Metallurgical Construction and the issue of A shares.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

### Non-Executive Directors

**Mr. WANG Jun (王軍)**: born in October 1970, worked at the finance department of North China University of Technology (北方工業大學) and the finance department of China Nonferrous Metals Corporation (中國有色金屬工業總公司) from July 1994 to April 1998; served in various positions in Aluminum Group of China (中國鋁業集團公司) and Chinalco, including the business manager of the general section of the finance department, from April 1998 to March 2002; served in various positions in Chinalco, including the general representative of the Peru office, from March 2002 to November 2010; served as the chief financial officer and the manager of the finance department of China Aluminum Mineral Resources Co., Ltd. (中鋁礦產資源有限公司) from November 2010 to April 2011; served as the Chief Financial Officer and the executive Director of the Company from April 2011 to May 2015; has been the Joint Secretary of the Company since November 2011. He has been a director of China Aluminum Insurance Broker Co. Ltd (中鋁保險經紀(北京)股份有限公司) since August 2012; has been a director of China Aluminum Finance Co., Ltd (中鋁財務有限公司) since August 2014; has been a capital operation controller of Chinalco and the non-executive Director of the Company since May 2015. Mr. WANG Jun has been the deputy chief accountant and the director of the finance department of Chinalco, the supervisor of Chalco (中國鋁業), and a director and the president of Aluminum Corporation of China Overseas Holdings Limited (中鋁海外控股有限公司) since November 2015. Mr. WANG Jun obtained his bachelor's degree in accounting from North China University of Technology (北方工業大學) in July 1994 and his master's degree in business management from Tsinghua University (清華大學) in January 2004. Mr. WANG Jun was granted the title of senior accountant by Aluminum Corporation of China (中國鋁業公司), and has been accredited the SIFM qualification certificate, and has also been admitted to the National Training Program for Accounting Army Leading Backup (全國會計領軍(後備)人才培養工程).

### Executive Directors

**Mr. HE Zhihui (賀志輝)**: born in October 1962, served various positions in Guiyang Aluminum and Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院有限公司), including the dean, from August 1987 to April 2006. He acted as the executive Director and vice President of the Company from December 2003 to March 2010. He has been the executive Director and president of the Company since March 2010, the chairman of China Nonferrous Metals Processing Technology Co., Ltd. (中色科技股份有限公司) since May 2013, the director of the joint board of directors of RTCI (中鋁－力拓技術合作中心) since December 2014. He has been the party secretary of the Company since July 2015 and the chairman of the labour union of the Company since August 2015. Mr. HE obtained his bachelor's degree in industrial automation from Central South Institute of Mining and Metallurgy (中南礦冶學院) (currently known as Central South University (中南大學)) in 1982 and his master's degree from Huazhong Technology Institute (華中工學院) (currently known as Huazhong University of Science and Technology (華中科技大學)) in May 1987. Mr. HE is an "excellent" senior engineer granted by the State Bureau of Nonferrous Metals Industry, and received the special government allowance from the State Council in 2013.

**Mr. ZHANG Jian (張建)**: born in March 1972, served in various positions in different departments of China Great Wall Aluminum Corporation (中國長城鋁業公司), including the repair workshop in the equipment repair company and finance section and the cost section of the finance department from July 1996 to April 2002, during which he was temporarily seconded to the accounting office of Chinalco from May 2001 to April 2002. He served as the operation manager of the capital office of the finance department of Chalco (中國鋁業) from April 2002 to February 2004. He served as the vice manager and manager of the cost estimation section of the finance department of Henan Branch of Chalco (中國鋁業河南分公司) from June 2002 to May 2003 and served in various positions in the finance department of Chalco (中國鋁業), including the business manager of the general office, deputy manager of the accounting office and deputy manager of the budget analysis office, from February 2004 to September 2009. Also, he served as the deputy manager of the finance department (taking charge of the work) of Zhongzhou Branch of Chalco (中國鋁業公司中州分公司) from September 2009 to September 2010. He served in various positions in the finance department of Aluminum Corporation of China (中國鋁業), including the deputy manager of the accounting office (taking charge of the work) and the manager of the general management office, from September 2010 to April 2014. Mr. ZHANG Jian served as the chief financial officer of Aluminum Corporation of China Hong Kong Limited (中國鋁業香港有限公司) from April 2014 to May 2015. He has been the Chief Financial Officer of the Company since May 2015 and the executive Director of the Company since June 2015. Mr. ZHANG Jian obtained his bachelor's degree in accounting from Northeastern University (東北大學) in 1996 and obtained his MBA degree from Missouri State University in the U.S. while at work in 2013. Mr. ZHANG Jian was granted the title of accountant by Aluminum Corporation of China (中國鋁業公司) in 2000.

## Independent Non-executive Directors

**Mr. SUN Chuanyao (孫傳堯)**: born in December 1944, has served in various positions in Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院), including the dean, since November 1981; served as the chairman of the board of directors of North Magnetic Materials Science and Technology Co., Ltd. (北礦磁材科技股份公司) (stock code: 600980.SH) from August 2000 to May 2007. Mr. Sun has been an independent non-executive director of China Nonferrous Mining Corporation Limited (中國有色礦業有限公司) (stock code: 01258.HK) and an independent non-executive director of Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd (哈爾濱電氣集團佳木斯電機股份有限公司) (stock code: 000922.SZ) since June 2012. He has been an independent non-executive Director of the Company since December 2011. Mr. SUN Chuanyao graduated from Northeast University of Technology (東北工學院) (currently known as Northeastern University (東北大學)) in 1968 and obtained his master's degree in mineral processing from Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院) in 1981. Mr. SUN Chuanyao is an academician of the Chinese Academy of Engineering (中國工程院) and the Academy of Engineering of St. Petersburg, Russia, a member of the International Mineral Processing Academic Conference Council, the deputy head of the professional committee of China Nonferrous Metals Industry Association (中國有色金屬工業協會專家委員會), the head of the Mineral Processing Committee of China Mining Association (中國礦業聯合會選礦委員會), the head of the Mineral Processing Academic Committee of the Nonferrous Metals Society of China (中國有色金屬學會選礦學術委員會) and the director of the National Key Laboratory for Mineral Processing Science & Technology (礦物加工科學與技術國家重點實驗室). He served as the professor and doctoral tutor in Central South University (中南大學), Northeastern University (東北大學) and China University of Mining and Technology (中國礦業大學).

**Mr. CHEUNG Hung Kwong (張鴻光)**: born in September 1967, served as a manager of the assurance and business advisory service department and corporate finance and recovery department of PricewaterhouseCoopers from July 1994 to March 2003. He worked for Boto Company Limited, a private company, from March 2003 to December 2007 and was promoted to the chief financial officer during that period. Mr. CHEUNG worked for Kaisa Group Holdings Ltd. (stock code: 1638.HK) from July 2008 to December 2014 and served as its chief financial officer, company secretary and joint authorized representative during that period;. He has been an independent non-executive Director of the Company since December 2011. Mr. CHEUNG Hung Kwong has been a member of the American Institute of Certified Public Accountants since August 1996 and a chartered financial analyst qualified by the CFA Institute (formerly known as the Association for Investment Management and Research) in the U.S. since September 2000. Mr. CHEUNG Hung Kwong obtained his bachelor's degree with the second class honors from University of Hong Kong in 1990 and his master's degree with distinction from University of London in 1992.

**Mr. FU Jun (伏軍)**: born in January 1972, is a professor of the Law School of University of International Business and Economics (對外經濟貿易大學), an arbitrator of Cairo Regional Centre for International Commercial Arbitration, an arbitrator of China International Economic and Trade Arbitration Commission (中國國際貿易仲裁委員會), the deputy secretary general and permanent member of Institute of International Economic Law under China Law Society (中國法學會國際經濟法學研究會), the deputy director of the Professional Committee of the International Financial Law under China Law Society (中國法學會國際金融法專業委員會) and a member of China Banking Law Society (中國銀行法學研究會). He has served as a teaching assistant, associate professor and professor in University of International Business and Economics (對外經濟貿易大學) since July 2004. Mr. FU Jun has been an independent non-executive director of China CCB Principal Asset Management Co., Ltd. (中國建信基金投資管理公司) since May 2012 and the independent non-executive Director of the Company since June 2015. Mr. FU Jun received a bachelor's degree from Hebei University of Science and Technology (河北科技大學) in 1994 and a Master of Law degree and doctorate of Law from Peking University (北京大學) in 2000 and 2004, respectively. He also went on an exchange and interviewed with Harvard University as a senior visiting scholar of Fulbright (福布賴特高級訪問學者) during 2013 and 2014.

## SUPERVISORS

**Mr. HE Bincong (賀斌聰)**: born in February 1963, worked in the Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院) from August 1984 to April 1991. He also served in various positions in China Nonferrous Metals Corporation (中國有色金屬工業總公司), including the supervisor at deputy director level of the supervision bureau, from April 1991 to October 1997. He served as the manager of the general affairs department of Beijing Xinou Technology Development Ltd. (北京鑫歐科技發展有限公司) from October 1997 to October 1999, worked as the cadre at deputy level of Chinalco (中鋁公司) from October 1999 to April 2001, and served as the deputy party secretary and secretary of discipline inspection commission of Shanxi Carbon Plant (山西碳素廠) from April 2001 to March 2004. From March 2004 to February 2010, he served in various positions in Chalco (中國鋁業), including the deputy general manager of the human resources department. Mr. He Bincong served as the deputy general manager of China Aluminum Development Ltd. (中鋁置業發展有限公司) from February 2010 to April 2013. He has been the deputy party secretary, secretary of discipline inspection commission of the Company since April 2013 and has been the staff representative Supervisor and chairman of the supervisory board of the Company since May 2013. He has been the chairman of the labor union of the Company since June 2013. He has been the director of Zhuzhou Tianqiao Crane Co., Ltd. (株洲天橋起重機股份有限公司) since April 2014. Mr. HE Bincong obtained his bachelor's degree in geology from Central South University (中南大學) in July 1984 and was granted the title of senior engineer by China Nonferrous Metals Corporation (中國有色金屬工業總公司).

**Mr. DONG Hai (董海)**: born in August 1955, served in various positions in the PLA Beijing Military Region (解放軍北京軍區), including a soldier, a vice company-level staff (副連職幹事), company instructor (連隊指導員), deputy battalion and battalion-level staff (副營職及正營職幹事), from January 1971 to June 1986. He worked for the Ministry of Personnel and Ministry of Supervision from June 1986 to January 1993. He served in various positions in Central Commission for Discipline Inspection (中央紀律檢查委員會), including the discipline inspector (紀律檢查員) and inspector (監察專員) of the comprehensive monitoring bureau (監察綜合室正局級), from January 1993 to May 2009. Mr. DONG has been a deputy director of the party and discipline inspection team of Chinalco since May 2009 and has been the director of discipline inspection committee (patrol office) of Chinalco since December 2009. He has been a supervisor of the Company since June 2011. Mr. DONG Hai obtained his master's degree in business administration from Zhongnan University of Economics and Law (中南財經政法大學) in June 2008.

**Mr. OU Xiaowu (歐小武)**: born in January 1965, served in various positions in China Nonferrous Metals Industry Corporation (中國有色金屬工業總公司), including the director of Division I of the audit department, from December 1992 to October 1998. Mr. OU served as the deputy director of the finance department and audit department of China Copper Lead Zinc Group Corporation (中國銅鉛鋅集團公司) from September 1999 to September 2000. He held various positions in Chinalco, such as the director of the finance department (audit department) from October 2000 to February 2006. He served as a general manager of the finance department of Chalco (中國鋁業) from March 2006 to November 2009. He has been the director of the audit department of Chinalco from December 2009 to February 2016. He has been the director and chief financial officer of China Copper Co. Ltd from August 2015. He has been a Supervisor of the Company since June 2011. Mr. OU Xiaowu graduated from the planning and statistics department of Xiamen University (廈門大學) in July 1985. Mr. OU was granted the title of senior auditor by China Nonferrous Metals Industry Corporation (中國有色金屬工業總公司).

## SENIOR MANAGEMENT

**Mr. HE Zhihui**: For details of the profile of Mr. HE Zhihui, please refer to the sub-section headed "Directors" above.

**Mr. QIN Qiwu (秦奇武)**: born in August 1956, served in various positions in Changsha Institute, including the senior engineer of the mine processing department, the dean of Mine and Gold Branch, the associate dean and the dean, from January 1982 to March 2011. He has been a vice President of the Company since March 2011. Mr. QIN graduated from the mine processing department of Central South Institute of Mining and Metallurgy (中南礦冶學院) (currently known as Central South University (中南大學)) in December 1981. Mr. QIN was granted the title of researcher-grade senior engineer by the State Bureau of Nonferrous Metals Industry (國家有色金屬工業局) and received the special government allowance from the State Council in 2001.

**Mr. MA Ning (馬寧)**: born in July 1963, held various positions in SAMI, including the engineer of the hot wind department, the head of the purification department, the chief designer and the vice dean, successively from September 1986 to March 2010. He served in various positions in Shenyang Branch of Chalieco, including the vice president, from May 2006 to March 2010. He has been a vice President of the Company since April 2010. Mr. MA has been a director of Duyun Development Zone Tongda Construction Co., Ltd. (都勻開發區通達建設有限公司) since May 2011. He has been the chairman of Wenzhou Tonggang since August 2012. He has been the chairman of Wenzhou Tongrun since November 2012 as well as an executive director and general manager of Beijing Zichen Investment Development Company Limited (北京紫宸投資發展有限公司) since February 2014. In July 1986, Mr. MA graduated from Shenyang University (瀋陽大學), majoring in environmental engineering. Mr. MA was granted the title of excellent senior engineer by Aluminum Corporation of China.

**Mr. ZHANG Jian**: For details of the profile of Mr. ZHANG Jian, please refer to the sub-section headed "Directors" above.

## SECRETARY TO THE BOARD

**Mr. ZHAI Feng (翟峰)**: born in December 1976, worked in the audit department of KPMG Huazhen from July 1999 to August 2001. He served as the assistant manager of the audit department of KPMG Huazhen from January 2003 to March 2004. Mr. ZHAI served as the senior operation manager of the capital market division of the capital operation department, operation manager, operation manager of the secretary of the Board of Chalco (中國鋁業) from April 2004 to December 2008. He served as the vice director of the capital market division of the capital operation department of Chinalco from January 2009 to March 2011. He served as a director of the capital market division of the capital operation department of Chinalco from April 2011 to March 2015. He has been the secretary to the Board and joint company secretary of the Company from March 2015. He has acted as a director of China Safety Technology Development Co., Ltd. (Beijing) (北京中安科創技術發展有限公司) since 15 August 2013. Mr. ZHAI graduated from Renmin University of China (中國人民大學) in July 1999 with a bachelor's degree in accounting, and then graduated from Royal Holloway, University of London in November 2002 with a master's degree in business administration. Mr. ZHAI was qualified as an economist and has been accredited the SIFM.

# HUMAN RESOURCES

As of 31 December 2015, the Group had a total of 11,578 employees, of which 8,812 are male and 2,766 are female, representing 76% and 24% of the total staff, respectively. In addition, the Group has off-post reserve labor force of 2,567.

Note: The above-mentioned human resources overview included the human resources of No. 9 Metallurgical Construction Co., Ltd. (九冶建設有限公司).

Table I: The following table shows a breakdown of our employees by business function as of 31 December 2015:

| No. | Category | Number of Employees | Percentage |
|---|---|---|---|
| 1 | Operation and management personnel | 3,314 | 29% |
| 2 | Engineering technicians | 5,701 | 49% |
| 3 | Production and operation personnel | 2,067 | 18% |
| 4 | Service and other personnel | 496 | 4% |
| **Total** | | **11,578** | **100%** |

Table II: The following table shows a breakdown of our employees by level of education as of 31 December 2015:

| No. | Category | Number of Employees | Percentage |
|---|---|---|---|
| 1 | Graduate degree and above | 928 | 8% |
| 2 | Undergraduate degree | 4,663 | 40% |
| 3 | Associate degree | 2,777 | 24% |
| 4 | Secondary school and below | 3,210 | 28% |
| **Total** | | **11,578** | **100%** |

## INCENTIVES FOR EMPLOYEES

The Group keeps responding to the needs of employees' development. It perfects the employees' performance assessment system based on clear objectives of each post. The employees' performance is objectively and accurately assessed by breaking down the key tasks of the Group in the year, clarifying performance objective of different roles and setting performance standards. The assessment results are linked to the employees' salaries to encourage innovation of the potential and working passion of employees.

## EMPLOYEES' TRAINING

In order to foster the employee teams in an accelerated pace and enhance employees' work skills and professional characters, the Company complies an annual training plan for employees based on the Company's development strategies, post requirements and demands of personal development. In adherence to the plan, the employees' training will be implemented accordingly through various trainings with an aim of generally improving management and technical skills of different categories of employees.

## EMPLOYEES' REMUNERATION POLICY

The employees' remuneration comprises of basic salary, performance-based salary and different types of allowances. The performance-based salary is determined based on the performance results of the Group and the performance assessment results of the employees.

pwc 羅兵咸永道

**To the shareholders of China Aluminum International Engineering Corporation Limited**
*(incorporated in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of China Aluminum International Engineering Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 91 to 237, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 31 March 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | 2015 RMB'000 | 2014 RMB'000 (Restated) |
|---|---|---|---|
| | | **Year ended 31 December** | |
| **Revenue** | 6 | **19,449,529** | 18,923,117 |
| Cost of sales | 7 | **(17,210,007)** | (16,478,345) |
| **Gross profit** | | **2,239,522** | 2,444,772 |
| Business tax and surcharges | 7 | **(210,605)** | (244,514) |
| Selling and marketing expenses | 7 | **(87,502)** | (108,375) |
| Administrative expenses | 7 | **(1,048,861)** | (1,077,939) |
| Other income | 8 | **134,191** | 61,946 |
| Other (losses)/gains – net | 9 | **(57,441)** | 193,978 |
| **Operating profit** | | **969,304** | 1,269,868 |
| Finance income | 10 | **323,608** | 311,982 |
| Finance expenses | 10 | **(451,437)** | (512,466) |
| **Finance expenses – net** | | **(127,829)** | (200,484) |
| Share of profit of investments accounted for using the equity method | 20(b) | **20,152** | 14,997 |
| **Profit before income tax** | | **861,627** | 1,084,381 |
| Income tax expense | 11 | **(189,214)** | (260,059) |
| **Profit for the year** | | **672,413** | 824,322 |
| **Other comprehensive income:** | | | |
| *Item that may be reclassified to profit or loss* | | | |
| Fair value gains on available-for-sale financial assets, net of tax | | **9,807** | 9,980 |
| Reclassified to profit on disposal of available-for-sale financial assets, net of tax | | **(27,443)** | – |
| Currency translation differences | | **73,038** | 5,080 |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Remeasurements of post-employment benefit obligations, net of tax | | **(32,148)** | (27,450) |
| **Other comprehensive income for the year, net of tax** | | **23,254** | (12,390) |
| **Total comprehensive income for the year** | | **695,667** | 811,932 |

| | Note | Year ended 31 December 2015 RMB'000 | 2014 RMB'000 (Restated) |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Equity owners of the Company | | **540,979** | 714,900 |
| Non-controlling interests | | **131,434** | 109,422 |
| **Profit for the year** | | **672,413** | 824,322 |
| **Total comprehensive income attributable to:** | | | |
| Equity owners of the Company | | **563,366** | 702,987 |
| Non-controlling interests | | **132,301** | 108,945 |
| **Total comprehensive income for the year** | | **695,667** | 811,932 |
| **Earnings per share for profit attributable to equity owners of the Company for the year (expressed in RMB per share)** | | | |
| **– Basic and diluted** | 12 | **0.20** | 0.27 |

The notes on pages 99 to 237 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December 2015 RMB'000 | As at 31 December 2014 RMB'000 (Restated) | As at 1 January 2014 RMB'000 (Restated) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 16 | **2,052,454** | 1,716,449 | 1,682,332 |
| Land use rights | 17 | **792,950** | 813,384 | 834,237 |
| Investment properties | 18 | **77,994** | 27,643 | 28,825 |
| Trade and notes receivables | 22 | **1,752,312** | 393,260 | 1,223,760 |
| Prepayments and other receivables | 23 | **592,047** | 1,209,361 | 774,672 |
| Intangible assets | 19 | **142,610** | 192,058 | 221,576 |
| Investments accounted for using the equity method | 20(b) | **299,539** | 193,118 | 153,805 |
| Available-for-sale financial assets | 21 | **9,973** | 35,720 | 63,979 |
| Deferred income tax assets | 36 | **381,250** | 357,985 | 324,778 |
| Other non-current assets | | **12,015** | 13,537 | 15,987 |
| **Total non-current assets** | | **6,113,144** | 4,952,515 | 5,323,951 |
| **Current assets** | | | | |
| Available-for-sale financial assets | 21 | **149,200** | 501,000 | 11,000 |
| Inventories | 25 | **771,765** | 983,493 | 835,206 |
| Trade and notes receivables | 22 | **10,687,753** | 10,934,080 | 7,739,918 |
| Prepayments and other receivables | 23 | **3,330,491** | 3,470,007 | 1,493,779 |
| Amounts due from customers for contract work | 24 | **4,098,534** | 6,978,000 | 5,989,329 |
| Current income tax prepayments | | **85,978** | 31,049 | 36,690 |
| Restricted cash | 26 | **723,510** | 213,387 | 239,678 |
| Time deposits | 27 | **28,929** | 761,504 | 41,480 |
| Cash and cash equivalents | 28 | **4,847,792** | 4,207,857 | 6,456,158 |
| **Total current assets** | | **24,723,952** | 28,080,377 | 22,843,238 |
| **Total assets** | | **30,837,096** | 33,032,892 | 28,167,189 |
| **Equity** | | | | |
| Share capital | 29 | **2,663,160** | 2,663,160 | 2,663,160 |
| Reserves | 30 | **4,500,560** | 4,001,756 | 3,679,345 |
| **Consolidated equity attributable to equity owners of the Company** | | **7,163,720** | 6,664,916 | 6,342,505 |
| **Non-controlling interests** | | **2,006,863** | 2,022,985 | 169,390 |
| **Total equity** | | **9,170,583** | 8,687,901 | 6,511,895 |

| | Note | As at 31 December 2015 RMB'000 | 2014 RMB'000 (Restated) | As at 1 January 2014 RMB'000 (Restated) |
|---|---|---|---|---|
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Deferred income | 31 | **88,269** | 99,209 | 97,066 |
| Long-term borrowings | 34 | **1,210,935** | 1,164,492 | 290,152 |
| Retirement and other supplemental benefit obligations | 33 | **1,076,882** | 1,031,573 | 1,120,579 |
| Deferred income tax liabilities | 36 | **629** | 919 | 1,818 |
| Trade and other payables | 35 | **1,431** | 73,986 | 239,444 |
| **Total non-current liabilities** | | **2,378,146** | 2,370,179 | 1,749,059 |
| **Current liabilities** | | | | |
| Trade and other payables | 35 | **11,070,114** | 13,987,902 | 10,909,538 |
| Dividends payable | 37 | **55,347** | 57,583 | 57,240 |
| Amounts due to customers for contract work | 24 | **420,286** | 303,038 | 726,086 |
| Short-term borrowings | 34 | **7,461,720** | 7,377,237 | 7,595,740 |
| Current income tax liabilities | | **143,710** | 120,934 | 501,010 |
| Retirement and other supplemental benefit obligations | 33 | **137,190** | 128,118 | 116,621 |
| **Total current liabilities** | | **19,288,367** | 21,974,812 | 19,906,235 |
| **Total liabilities** | | **21,666,513** | 24,344,991 | 21,655,294 |
| **Total equity and liabilities** | | **30,837,096** | 33,032,892 | 28,167,189 |

The notes on pages 99 to 237 are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 31 March 2016 and were signed on its behalf.

| | |
|---|---|
| **He Zhihui** | **Zhang Jian** |
| *Director* | *Director* |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** RMB'000 (Note 29) | **Capital Reserve** RMB'000 (Note 30) | **Statutory surplus reserve** RMB'000 (Note 30) | **Investment revaluation reserve** RMB'000 (Note 30) | **Remeasure-ments of post-employment benefit obligations** RMB'000 (Note 30) | **Currency translation differences** RMB'000 (Note 30) | **Special reserve** RMB'000 (Note 30) | **Other equity instruments** RMB'000 (Note 30) | **Retained earnings** RMB'000 (Note 30) | **Total** RMB'000 | **Non-controlling interests** RMB'000 | **Total equity** RMB'000 |
| **At 1 January 2014 (restated)** | 2,663,160 | 719,102 | 60,290 | 134,601 | 102,763 | (1,030) | 30,531 | – | 2,662,439 | 6,371,856 | 169,390 | 6,541,246 |
| **Adjustments (Note 4)** | – | 71,770 | – | (126,945) | – | – | – | – | 25,824 | (29,351) | – | (29,351) |
| **At 1 January 2014 (restated)** | 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 of the year | – | – | – | – | – | – | – | – | 714,900 | 714,900 | 109,422 | 824,322 |
| Other comprehensive income: | | | | | | | | | | | | |
| Fair value change of available-for-sale financial assets – gross | – | – | – | 11,741 | – | – | – | – | – | 11,741 | – | 11,741 |
| Fair value change of available-for-sale financial assets – tax | – | – | – | (1,761) | – | – | – | – | – | (1,761) | – | (1,761) |
| Remeasurements of post-employment benefit obligations – gross | – | – | – | – | (35,936) | – | – | – | – | (35,936) | (561) | (36,497) |
| Remeasurements of post-employment benefit obligations – tax | – | – | – | – | 8,963 | – | – | – | – | 8,963 | 84 | 9,047 |
| Currency translation differences | – | – | – | – | – | 5,080 | – | – | – | 5,080 | – | 5,080 |
| Total comprehensive income | – | – | – | 9,980 | (26,973) | 5,080 | – | – | 714,900 | 702,987 | 108,945 | 811,932 |
| Dividends to equity owners | – | – | – | – | – | – | – | – | (346,211) | (346,211) | (972) | (347,183) |
| Acquisition of non-controlling interests | – | (5,858) | – | – | – | – | – | – | – | (5,858) | (6,140) | (11,998) |
| Capital contributions by non-controlling interests of subsidiaries | – | 1,467 | – | – | – | – | – | – | – | 1,467 | 6,892 | 8,359 |
| Capital withdrawal by non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | (10,290) | (10,290) |
| Transfer out capital reserve on disposal of associates | – | (30,356) | – | – | – | – | – | – | – | (30,356) | – | (30,356) |
| Net proceeds from offering of senior perpetual capital securities (Note 38) | – | – | – | – | – | – | – | – | – | – | 1,818,733 | 1,818,733 |
| Interests paid for senior perpetual capital securities | – | – | – | – | – | – | – | – | – | – | (63,573) | (63,573) |
| Appropriation of special reserve | – | – | – | – | – | – | (8,741) | – | 8,741 | – | – | – |
| Appropriation of statutory surplus reserve | – | – | 53,169 | – | – | – | – | – | (53,169) | – | – | – |
| Others | – | 382 | – | – | – | – | – | – | – | 382 | – | 382 |
| **At 31 December 2014 (restated)** | 2,663,160 | 756,507 | 113,459 | 17,636 | 75,790 | 4,050 | 21,790 | – | 3,012,524 | 6,664,916 | 2,022,985 | 8,687,901 |

The notes on pages 99 to 237 are an integral part of these consolidated financial statements.

| | Attributable to equity owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Note 29) | Capital Reserve RMB'000 (Note 30) | Statutory surplus reserve RMB'000 (Note 30) | Investment revaluation reserve RMB'000 (Note 30) | Remeasure-ments of post-employment benefit obligations RMB'000 (Note 30) | Currency translation differences RMB'000 (Note 30) | Special reserve RMB'000 (Note 30) | Other equity instruments RMB'000 (Note 30) | Retained earnings RMB'000 (Note 30) | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **At 1 January 2015 (restated)** | 2,663,160 | 756,507 | 113,459 | 17,636 | 75,790 | 4,050 | 21,790 | - | 3,012,524 | 6,664,916 | 2,022,985 | 8,687,901 |
| Profit of the year | - | - | - | - | - | - | - | - | 540,979 | 540,979 | 131,434 | 672,413 |
| 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 | - | - | - | (1,731) | - | - | - | - | - | (1,731) | - | (1,731) |
| Reclassified to profit or loss on disposal of available-for-sale financial assets – gross | - | - | - | (32,286) | - | - | - | - | - | (32,286) | - | (32,286) |
| Reclassified to profit or loss on disposal of available-for-sale financial assets – tax | - | - | - | 4,843 | - | - | - | - | - | 4,843 | - | 4,843 |
| Remeasurements of post-employment benefit obligations – gross | - | - | - | - | (41,042) | - | - | - | - | (41,042) | 1,020 | (40,022) |
| Remeasurements of post-employment benefit obligations – tax | - | - | - | - | 8,027 | - | - | - | - | 8,027 | (153) | 7,874 |
| Currency translation differences | - | - | - | - | - | 73,038 | - | - | - | 73,038 | - | 73,038 |
| Total comprehensive income | - | - | - | (17,636) | (33,015) | 73,038 | - | - | 540,979 | 563,366 | 132,301 | 695,667 |
| Dividends to equity owners | - | - | - | - | - | - | - | - | (266,316) | (266,316) | (695) | (267,011) |
| Capital contributions by non-controlling interest of the subsidiaries | - | - | - | - | - | - | - | - | - | - | 2,629 | 2,629 |
| Capital contributions by other equity owners of associates – gross | - | 15,500 | - | - | - | - | - | - | - | 15,500 | - | 15,500 |
| Capital contributions by other equity owners of associates – tax | - | (3,875) | - | - | - | - | - | - | - | (3,875) | - | (3,875) |
| Interests paid for senior perpetual capital securities | - | - | - | - | - | - | - | - | - | - | (126,792) | (126,792) |
| Appropriation of special reserve | - | - | - | - | - | - | 1,704 | - | (1,704) | - | - | - |
| Appropriation of statutory surplus reserve | - | - | 17,167 | - | - | - | - | - | (17,167) | - | - | - |
| Losing control of subsidiaries | - | - | - | - | - | - | - | - | - | - | (23,565) | (23,565) |
| Issuing of perpetual medium-term notes | - | - | - | - | - | - | - | 190,129 | - | 190,129 | - | 190,129 |
| **At 31 December 2015** | 2,663,160 | 768,132 | 130,626 | - | 42,775 | 77,088 | 23,494 | 190,129 | 3,268,316 | 7,163,720 | 2,006,863 | 9,170,583 |

The notes on pages 99 to 237 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 December 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | 40 | **(284,963)** | (743,206) |
| Income tax paid | | **(237,869)** | (237,292) |
| Interest received | | **47,764** | 37,806 |
| **Net cash used in operating activities** | | **(475,068)** | (942,692) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(236,593)** | (252,541) |
| Purchase of intangible assets | | **(5,475)** | (14,786) |
| Purchase of available-for-sale financial assets | | **(5,964,200)** | (7,959,522) |
| Prepayment for investment | | **(29,980)** | – |
| Cash out arising from disposal of subsidiaries | | **(7,014)** | – |
| Investments in associates | | **–** | (10,000) |
| Interest received from available-for-sale financial assets and time deposits | | **45,122** | 37,806 |
| Decrease/(Increase) in time deposits | | **732,575** | (761,504) |
| Proceeds from disposal of property, plant and equipment | | **23,555** | 22,646 |
| Proceeds from disposal of available-for-sale financial assets | | **6,353,286** | 7,469,522 |
| Government grants | | **3,137** | 17,741 |
| Income tax paid for disposal of an associate | | **–** | (427,933) |
| Financing provided to proprietors | | **(391,641)** | (1,125,000) |
| Receiving payment of financing provided to proprietors | | **1,034,367** | 243,047 |
| Dividends received from available-for-sale financial assets | | **7,772** | 1,962 |
| **Net cash generated from/(used in) investing activities** | | **1,564,911** | (2,758,562) |

| | Note | Year ended 31 December 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Capital contributions made by non-controlling interests | | **2,629** | 6,892 |
| Capital withdrawal by non-controlling interests | | **–** | (10,290) |
| Borrowings received | | **4,924,833** | 9,234,823 |
| Repayments of borrowings | | **(4,696,810)** | (9,141,507) |
| Borrowings received from related party | 34(iii) | **1,350,000** | 1,082,000 |
| Repayment of borrowings received from related party | 34(iii) | **(1,240,000)** | (660,000) |
| Interests paid for borrowings | | **(412,951)** | (469,228) |
| Dividends paid to shareholders of the Company | | **(266,316)** | (346,211) |
| Dividends paid to non-controlling interests | | **(2,931)** | (629) |
| Net proceeds from issuing of perpetual medium-term notes | 30(iii) | **199,400** | – |
| Net proceeds from issuance of senior perpetual capital securities | 38 | **–** | 1,818,733 |
| Dividends paid to the holders of senior perpetual capital securities | 38 | **(126,792)** | (63,573) |
| Issuing of short-term bonds | 34(ii) | **4,300,000** | 2,500,000 |
| Repayment of short-term bonds | | **(4,500,000)** | (2,500,000) |
| **Net cash (used in)/generated from financing activities** | | **(468,938)** | 1,451,010 |
| **Net increase/(decrease) in cash and cash equivalents** | | **620,905** | (2,250,244) |
| **Cash and cash equivalents at beginning of year** | | **4,207,857** | 6,456,158 |
| Exchange gains on cash and cash equivalents | | **19,030** | 1,943 |
| **Cash and cash equivalents at end of year** | | **4,847,792** | 4,207,857 |

The notes on pages 99 to 237 are an integral part of these consolidated financial statements.

## 1. GENERAL INFORMATION AND REORGANISATION

### 1.1. General information

China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司, the "Company") and its subsidiaries (together, the "Group") is principally engaged in engineering design and consultancy, engineering and construction contracting and equipment manufacturing 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.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

### 1.2. Reorganisation

Pursuant to a reorganisation of the engineering and construction contracting and design consultation business (the "Core Business") of Chinalco and its subsidiaries (collectively, the "Chinalco Group") in preparation for the Listing of the Company's shares on the Main Board of the Stock Exchange (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group. The Company then transformed into a joint stock company with limited liability and renamed as China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司) on 30 June 2011.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements set out in this report have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value, and certain property, plant and equipment, investment properties, land use rights and intangible assets, which are carried at deemed cost.

Pursuant to relevant PRC laws and regulations and as part of the Reorganisation, property, plant and equipment, investment properties, land use rights and other intangible assets of certain subsidiaries were revalued on 31 March 2011 by the independent qualified valuer, Beijing Zhongfeng Assets Evaluation Co., Ltd. (北京中鋒資產評估有限責任公司) and approved by relevant government authorities upon the completion of the Reorganisation on 31 March 2011. The Amendment to IFRS 1 allows first-time adopters to use an event-driven fair value as deemed cost for assets and liabilities, even if the event occurs after the date of transition to IFRS, but before the first set of IFRS financial statements are issued. The Group has elected the exemption granted under the Amendment to IFRS 1 in applying such values as the deemed cost in its first IFRS financial statements.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 below.

#### 2.1.1 Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group's products; and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 34.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (continued)

#### 2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to IFRSs – 2010–2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

Amendments from annual improvements to IFRSs – 2011–2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the group.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (continued)

#### 2.1.2 Changes in accounting policy and disclosures (continued)

(c) New standard and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual period beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant matter on the consolidated financial statements of the Group except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (continued)

#### 2.1.2 Changes in accounting policy and disclosures (continued)

(c) New standard and interpretations not yet adopted (continued)

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The group is currently assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries (continued)

#### 2.2.1 Consolidation (continued)

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.10).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries (continued)

#### 2.2.1 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying value for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities in accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated comprehensive statements of income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and certain senior management (including chief accountant) (together referred to as the "Senior Management") that makes strategic decisions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investments hedges.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other (losses)/gains – net".

#### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

iii. all resulting currency translation differences are recognised in other comprehensive income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Property, plant and equipment

Property, plant and equipment, apart from construction-in-progress ("CIP"), are stated at historical cost less accumulated depreciation and accumulated impairment loss except for certain property, plant and equipment, which are stated at deemed cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition of the items, including the purchase price, import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings and other facilities | |
| – Buildings | 8-45 years |
| – Temporary used facilities | 2-3 years |
| Equipment plant and machinery | 8-20 years |
| Transportation equipment | 5-14 years |
| Furniture, office and other equipment | 4-10 years |

CIP represents buildings and plant under construction and is stated at cost. Cost includes costs of construction of buildings, cost of plant and other direct costs. No provision for depreciation is made on CIP until the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to the relevant asset categories and depreciated in accordance with the policy as stated above.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the consolidated statement of comprehensive income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Land use rights

Land use rights represent upfront prepayments made for the land use rights at historical cost, except for certain land use right stated at deemed cost, and are expensed in the statement of comprehensive income on a straight-line basis over the terms of the leases. Whenever there is impairment, the impairment is recognised in the consolidated statement of comprehensive income.

### 2.9 Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment properties are stated at cost including related transaction costs, less accumulated depreciation and impairment losses except for certain investment property stated at deemed cost. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Property that is being constructed or developed for future use as investment property is stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

Depreciation is calculated using the straight-line method to amortise and write off the cost of the asset over a period ranging from 20 to 40 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in the statement of comprehensive income.

Rental income from investment property is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Intangible assets

#### (a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of the non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquire.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Intangible assets (continued)

**(b) Computer software (continued)**

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 3 years.

**(c) Trademarks and licences**

Separately acquired trademarks and licences are shown at historical cost except for certain patent and proprietary technologies stated at deemed cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 5 to 10 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 6 years.

### 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.12 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables primarily include 'Trade and other receivables', 'Restricted cash', 'Time deposits' and 'Cash and cash equivalents' in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.12 Financial assets (continued)

#### (b) Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are presented in the consolidated statements of comprehensive income within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statements of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statements of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in consolidated statements of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statements of comprehensive income as part of other income when the group's right to receive payments is established.

#### (c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Impairment of financial assets

#### (a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in consolidated statements of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Impairment of financial assets (continued)

**(b) Assets classified as available for sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### 2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are expensed to relevant operating expenses when used, sold or capitalised to property, plant and equipment when installed, as appropriate, using moving weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

### 2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### 2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has contractual or an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 2.19 Payables

Payables primarily include accounts payable and accrued liabilities, and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

**(a) Pension obligations**

The full-time employees of the Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group also provides supplementary pension subsidies to certain employees in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees. The liability recognised in the consolidated balance sheets in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities, which have maturity approximating to the terms of the related pension liability.

The current service cost of the defined benefit plan, recognised in the consolidated statement of comprehensive income in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated statement of comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in finance expense in the consolidated statement of comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Employee benefits (continued)

**(b) Other post-employment obligations**

The Group provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

**(c) Termination and early retirement benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**(d) Housing benefits**

The Group contributes to the state-prescribed housing fund. Such costs are charged to the consolidated statement of comprehensive income as incurred. Apart from those described above, the Group does not have other legal or constructive obligations over such benefits.

**(e) Bonus entitlements**

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 Share-based payments

The Group entered into cash-settled share-based payment transaction with certain directors, senior management officers and other employees, under which the entity receive service from employees as consideration for share appreciation rights ("SAR") granted by the Company.

The SAR granted by the Company to the employees of the subsidiary undertakings in the Group is treated as a cash-settled share-based payments transaction among group entities, recognised at the fair value of the liability incurred and is expensed over the vesting period. The liability is re-measured at each end of the reporting period to its fair value, with all changes recognised immediately in the consolidated statements of comprehensive income.

### 2.22 Taxation

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(b) Deferred income tax**

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business consolidation that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 Taxation (continued)

**(b) Deferred income tax (continued)**

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

**(c) Offsetting**

Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(d) Value-added taxation ("VAT")**

Sales of goods of the Group and its modern business service such as design are subjected to VAT. VAT payable is determined by applying applicable tax rate on the taxable revenue arising from sales of goods after offsetting deductible input VAT of the period.

**(e) Business tax**

After deduction of the sub-contracting income, revenue resulting from providing construction services is subject to business tax at 3% of gross service income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements unless the probability of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is not recognised in the financial statements unless virtually certain but disclosed when an inflow of economic benefits is probable.

### 2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

### 2.26 Contract work

Contract costs are recognised as expense in the period in which they are incurred. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount of profit to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year/period in connection with the future activity of a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or prepayments, depending on their nature.

Contract work-in-progress is valued at the cost of the work done, plus the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost. The cost includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, borrowing costs directly attributable to the relevant contracts, rental charges, maintenance costs for the equipment used and other direct costs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.26 Contract work (continued)

Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project-to-project basis. For projects where the progress billings exceed the value of contract work-in-progress, the balance is recognised under current liabilities instead of under current assets. The respective balance sheet items are "amounts due to customers for contract work" and "amounts due from customers for contract work". When the Group issues the progress billings, trade receivables will be recognised or the balance of advance from customers will be reduced accordingly, and there will be a corresponding decrease in the amount due from customers for contract work or increase in the amount due to customers for contract work.

### 2.27 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the construction contracts and sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**(a) Revenue from construction and service contracts**

When the outcome of a contract can be estimated reliably, revenue from construction and service contracts is recognised under the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and such contract costs is recognised as an expense in the period in which they are incurred.

Variation in contract work, claims and incentive payments are included in the contract revenue to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.27 Revenue recognition (continued)

**(b) Services rendered**

Revenue for services rendered mainly includes technique development, design, consultation and supervision is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

**(c) Sales of products**

Sales of products are recognised when significant risks and rewards of ownership of the goods are transferred to the customers, and the customer has accepted the products and collectability of the related receivables is reasonably assured.

**(d) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**(e) Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable are impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.28 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

### 2.29 Dividend distribution

Dividend distribution to the Croup's equity holders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.30 Financial guarantee contract

Financial guarantee contracts are contract that require the issuer to make specified payments to reimburse the holder for a loss it occurs because of a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of comprehensive income within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

### 3.1 Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method, which requires estimations, by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statements in the period in which the circumstances that give rise to the revision become known by management.

### 3.2 Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on projected wear and tear incurred during the useful life of property, plant and equipment. This could change significantly as a result of technical renovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### 3.3 Provision for impairment of trade receivables and other receivables

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that a receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to trade receivables and other receivables are discounted if the effect of discounting is material. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statements of comprehensive income. When trade receivables or other receivables are uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are recognised as income in the consolidated statements of comprehensive income. The impairment is subject to management's assessment at the end of the reporting period, and hence, the provision amount is subject to uncertainty.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

### 3.4 Current taxation and deferred taxation

The Group pays income tax in various regions. There are various uncertainties on the ultimate income tax treatments for many transactions and events arising from normal operating activities, overall assets transfers and corporate restructuring. The Group has to make critical accounting judgments when calculating income tax expense in different regions. In the event that the finalised amounts recognised for such tax events are different from those originally recorded, this could result in material adjustments to income tax expense and deferred income tax.

The estimates of deferred income tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or benefit, as well as deferred income tax balance. The realisation of deferred income tax assets also depends on the realisation of sufficient profitability (taxable profit) of the Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred income tax assets. Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed.

### 3.5 Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate, the average life expectancy of residents in the PRC, the average medical expense increase rate, the cost of living adjustment (COLA) for beneficiaries and the medical costs paid to early retirees are assumed to continue until the death of the retirees. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year/period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government securities, which have maturity approximating to the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 33.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

### 3.6 Jointly control

As described in the Note 20(b), the Company is required to take the responsibility of the paying the outstanding balance of the principle and the relevant expected earnings once Shanghai Fengtong fails to make the payment of it to the senior limited partner in accordance with the terms of the relevant contacts; then the Company can exercise veto rights during the decision making process of Shanghai Fengtong Fund and the subsequent management of the invested entities and have the right to participate in the distribution of the residual earnings.

The Company follows IFRS 11, IFRS 12 and IAS 28 guidance on the accounting treatment and disclosure requirement in its consolidated financial statements. Whether the Company has control or jointly control over Shanghai Fengtong Fund during the year of 2014 needs significant judgement. In making this judgement, the Directors of the Company evaluate factors as following: the purpose and the design of Shanghai Fengtong Fund; the relevant activities of Shanghai Fengtong Fund. the right of the Company to direct the relevant activities of Shanghai Fengtong Fund; the exposures and variables returns of the Company; the ability of the Company to use its power over Shanghai Fengtong Fund to affect its returns. After assessed these criteria, the Directors of the Company determines that the Company have jointly control of Shanghai Fengtong Fund. The Directors of the Company will continuously reassess the control over Shanghai Fengtong Fund, Once the Company gains control over this investee, the Company will consolidate this Shanghai Fengtong Fund immediately.

### 3.7 Revenue recognition at gross or net basis for 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. As required by IAS 18 "Revenue" and EITF99-19, when determining whether the revenue of trading operation should be recognised at gross or net basis, the Group made assessment based on indicators of (a) who is primarily responsible for providing the goods; (b) who has inventory risk; (c) who bears credit risk; (d) who has latitude to establish prices; and (e) whether the amount the entity earns is predetermined, as well as 1) the related party relationships existed between the counter parties; 2) the financing arrangement or whether time value forms a significant component when determining the pricing of the arrangements. These factors affect the Group's judgement on the business substance. Based on the comprehensive assessment of all above factors, the Group can determine whether revenue and cost for the trading operation should be recognised at gross or net basis.

## 4. PRIOR YEAR ADJUSTMENT

In preparing the consolidated financial statements for the year ended 31 December 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 year, the Group has reassessed its revenue recognition 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 year, earnings per share in the consolidated statement of comprehensive income, or to other primary statements at all.

## 4. PRIOR YEAR ADJUSTMENT (Continued)

Consequently, the Group's consolidated balance sheet as at 31 December 2014 and consolidated statement of comprehensive income for the year ended 31 December 2014, and certain explanatory notes have been restated to reflect this prior period adjustment.

Impact on the consolidated balance sheet as at 31 December 2014 and 1 January 2014:

| | 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 1 January 2014 | | |
|---|---|---|---|
| | 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) |

## 4. PRIOR YEAR ADJUSTMENT (Continued)

Impact on the consolidated statement of comprehensive income for the year ended 31 December 2014:

| | For the year ended 31 December 2014 | | |
|---|---|---|---|
| | The Group Previously reported RMB'000 | Adjustment RMB'000 | Restated RMB'000 |
| Revenue | 25,343,819 | (6,420,702) | 18,923,117 |
| Cost of sales | (22,899,047) | 6,420,702 | (16,478,345) |
| Other (losses)/gains – net | 208,429 | (14,451) | 193,978 |
| Share of profit of investments accounted for using the equity method | 13,381 | 1,616 | 14,997 |
| Income tax expense | (263,268) | 3,209 | (260,059) |
| Fair value gains on available-for-sale financial assets, net of tax | 72,761 | (62,781) | 9,980 |
| Reclassified to profit on disposal of available-for-sale financial assets, net of tax | (89,295) | 89,295 | – |
| Total comprehensive income attributable to: | | | |
| Equity owners of the Company | 686,099 | 16,888 | 702,987 |

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

## 5. FINANCIAL RISK MANAGEMENT

The Group works out general principles for overall risk management, including management of financial risks, as well as management policies covering specific areas. In considering the importance of risks, the Group identifies and evaluates risks at head office and individual subsidiary level, and requires analysis and proper communication for the information collected periodically.

### 5.1 Financial risk factors

The activities of the Group expose them to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Group.

**(a) Market risk**

(i) Foreign exchange risk

The functional currency of the entities within the Group is RMB and most of the transactions are settled in RMB.

The Group carries out operations outside the PRC where transactions are usually denominated in the United States Dollars ("USD") which are translated into RMB at the prevailing exchange rates on the dates of the transactions.

The Group is exposed to currency risk primarily through provision of engineering contracting services, which give rise to receivables and payables, borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency that gives rise to this risk is primarily in USD as at 31 December 2015 and 2014.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands.

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (continued)

#### (a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than RMB to which they relate.

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | **USD** | **Others** | USD | Others |
| | **RMB'000** | **RMB'000** | RMB'000 | RMB'000 |
| Restricted cash,time deposit and cash and cash equivalents (Note 26,27,28) | **337,909** | **40,804** | 1,010,029 | 88,998 |
| Trade receivables (Note 22) | **637,517** | **173,398** | 573,648 | 163,206 |
| Borrowings (Note 34) | **(1,445,084)** | **–** | (1,764,401) | – |
| Trade and other payables (Note 35) | **(371,176)** | **(34,127)** | (1,977,847) | (146,698) |
| Net exposure in RMB | **(840,834)** | **180,075** | (2,158,571) | 105,506 |

A 5% strengthening of RMB against the USD as at 31 December 2015 and 2014 would have increased/(decreased) the net profit by the amounts shown below:

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Net profit change | **31,531** | 80,946 |

A 5% weakening of RMB against USD as at 31 December 2015 and 2014 would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (continued)

#### (a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group has set up a policy to manage their foreign exchange risk against their functional currency. The Group enters into foreign currency forward contracts in order to reduce the exposure to USD. As at 31 December 2015 and 2014, the notional principal amounts of the outstanding forward currency contract were nil.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the years ended 31 December 2015 and 2014.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and borrowings. As at 31 December 2015 and 2014, the Group's borrowings approximately RMB478 million and RMB425 million, respectively, were at floating rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 34.

(iii) Price risk

The Group is exposed to equity securities price risk because the Group's equity securities investments are classified as available-for-sale financial assets, which are required to be stated at their fair values.

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (continued)

#### (a) Market risk (continued)

(iii) Price risk (continued)

The following table details the Group's sensitivity to a 5% increase and 5% decrease in equity securities price on the available-for-sale financial assets or financial assets at fair value through profit or loss at each balance sheet date while all other variables were held constant. Management has used 5% to illustrate the equity price risk as the fluctuation in equity securities price is unpredictable.

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| Change in equity securities price | **5%** | 5% |

| | For the year ended 31 December | |
|---|---|---|
| | **2015** **RMB'000** | 2014 RMB'000 |
| **Impact on equity** | | |
| Increase/(decrease) in equity for the year | | |
| – as a result of increase in equity securities price | **–** | 1,094 |
| – as a result of decrease in equity securities price | **–** | (1,094) |

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (continued)

#### (b) Credit risk

The Group's credit risk is primarily attributable to restricted cash, time deposit, cash and cash equivalents, trade and other receivables and other current assets.

Substantially all of the Group's time deposits, cash and cash equivalents are mainly deposited in the stated owned or controlled PRC banks, which the Directors have assessed the credit risk to be insignificant.

The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group reforms periodic credit evaluations of its customers. Normally the Group does not require collaterals from trade debtors. However, the Group require collaterals from the proprietors of the Build-Transfer ("BT") contracts or some of the EPC contract to minimise the credit risk involved in these contracts where the Group would normally undertake the financing of the project or provide financing to the proprietors. With regard to overseas companies of inadequate creditworthiness, the Group usually demands a payment in advance from the proprietors. Regarding balances with related parties, the Group assesses the credibility of the related parties by reviewing the operating results and gearing ratios periodically. The directors consider the Group does not have a significant concentration of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The carrying amounts of trade receivables, showing separately those receivables that are past due or impaired, are disclosed in Note 22.

# 5. FINANCIAL RISK MANAGEMENT (Continued)

## 5.1 Financial risk factors (continued)

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors the cash flow forecasts of the Group, which comprises the undrawn borrowing facility (Note 34), and cash and cash equivalents available as at each month end in meeting its liabilities.

The table below analyses the Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| | Within 1 year RMB'000 | 1-2 years RMB'000 | 2-5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2014 | | | | | |
| Borrowings | 7,539,442 | 252,161 | 1,033,145 | 9,964 | 8,834,712 |
| Trade and other payables (excluding non-financial liabilities) | 10,299,439 | 73,986 | – | – | 10,373,425 |
| Dividends payable | 57,583 | – | – | – | 57,583 |
| | 17,896,464 | 326,147 | 1,033,145 | 9,964 | 19,265,720 |

| | **Within 1 year RMB'000** | **1-2 years RMB'000** | **2-5 years RMB'000** | **Over 5 years RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|
| At 31 December 2015 | | | | | |
| Borrowings | **7,677,984** | **1,223,083** | **10,043** | **–** | **8,911,110** |
| Trade and other payables (excluding non-financial liabilities) | **9,006,643** | **1,431** | **–** | **–** | **9,008,074** |
| Dividends payable | **55,347** | **–** | **–** | **–** | **55,347** |
| | **16,739,974** | **1,224,514** | **10,043** | **–** | **17,974,531** |

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.2 Capital risk management

The objectives of the Group when managing capital are to safeguard the ability of the Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors their capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debts are calculated as the total borrowings and other liabilities (including borrowings, other non-current liabilities, trade and other payables, as shown in the consolidated balance sheets) less restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheets, plus net debts less non-controlling interest. The Group aims to maintain the gearing ratio to be within 60% and 90%.

| | As at 31 December | |
|---|---|---|
| | **2015**<br>**RMB'000** | 2014<br>RMB'000<br>(Restated) |
| Total borrowings and other liabilities | **20,219,833** | 22,964,238 |
| Less: Restricted cash, time deposits and cash and cash equivalents (Note 26, 27, 28) | **(5,600,231)** | (5,182,748) |
| Net debt | **14,619,602** | 17,781,490 |
| Total equity attributed to equity owners of the Company | **7,163,720** | 6,664,916 |
| Total capital | **21,783,322** | 24,446,406 |
| Gearing ratio | **67%** | 73% |

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.3 Fair value estimation

The Group discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets and liabilities including restricted cash, time deposits, cash and cash equivalents, trade and other receivables, trade and other payables and borrowings and loans approximate their fair values due to their short maturities.

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

| | As at 31 December | |
|---|---|---|
| | **2015** **RMB'000** | 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 | **149,200** | 501,000 |
| **Total** | **159,173** | 536,720 |

There were no transfer between level 1 and level 2.

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.3 Fair value estimation (continued)

#### (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 Zhuzhou Tianqiao Crane Co., Ltd. and Aluminum Corporation of China Limited, which are classified as available-for-sale.

#### (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 is 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.

# 5. FINANCIAL RISK MANAGEMENT (Continued)

## 5.3 Fair value estimation (continued)

### (c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2015:

| | Available-for-sale financial assets Unlisted securities RMB'000 | Short-term investment RMB'000 |
|---|---|---|
| Beginning of year | **9,973** | **501,000** |
| Additions to short-term investment | **–** | **149,200** |
| Settlement on expiration | **–** | **(501,000)** |
| End of year | **9,973** | **149,200** |

The following table presents the changes in level 3 instruments for the year ended 31 December 2014:

| | Available-for-sale financial assets Unlisted securities RMB'000 | Short-term investment RMB'000 (Restated) |
|---|---|---|
| Beginning of year | 49,973 | 11,000 |
| Additions to short-term investment | – | 7,959,522 |
| Reclassified to joint venture | (40,000) | – |
| Settlement on expiration | – | (7,469,522) |
| End of year | 9,973 | 501,000 |

## 6. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

The Group's revenue is set out below:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| Engineering design and consultancy | **1,761,056** | 1,549,013 |
| Engineering and construction contracting | **10,740,412** | 12,363,279 |
| Equipment manufacturing | **486,382** | 684,823 |
| Trading | **6,461,679** | 4,326,002 |
| | **19,449,529** | 18,923,117 |

### (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, investment in associates, 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 and current income tax prepayments.

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

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (continued)

Capital expenditure comprises additions to property, plant and equipment (Note 16), land use rights (Note 17), investment properties (Note 18), intangible assets (Note 19) and other non-current assets, including additions resulting from acquisitions through business combinations.

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

(i) As at and for the year ended 31 December 2015:

The segment results for the year ended 31 December 2015 are as follows:

| | 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 | 1,861,150 | 10,832,162 | 590,070 | 6,590,273 | (424,126) | 19,449,529 |
| Inter-segment revenue | (100,094) | (91,750) | (103,688) | (128,594) | 424,126 | – |
| Revenue | 1,761,056 | 10,740,412 | 486,382 | 6,461,679 | – | 19,449,529 |
| Segment result | 125,149 | 780,637 | 18,351 | 170,537 | (125,370) | 969,304 |
| Finance income | 62,688 | 287,916 | 9,414 | 68,336 | (104,746) | 323,608 |
| Finance expenses | (82,204) | (397,431) | (27,343) | (38,190) | 93,731 | (451,437) |
| Share of (losses)/profit of associates | (517) | 1,253 | (1,302) | – | – | (566) |
| Share of (losses)/profit of joint venture | (1,764) | 22,482 | – | – | – | 20,718 |
| Income tax expense | | | | | | (189,214) |
| Profit for the year | | | | | | 672,413 |
| **Other segment items** | | | | | | |
| Amortisation | 61,483 | 14,192 | 2,897 | 6 | – | 78,578 |
| Depreciation | 50,401 | 56,086 | 19,876 | 69 | – | 126,432 |
| Provision for/(reversal of) | | | | | | |
| – foreseeable losses on construction contracts | – | 5,132 | – | – | – | 5,132 |
| – provision of inventories | – | (2,256) | – | – | – | (2,256) |
| – impairment on trade and other receivables | 40,963 | 25,654 | 12,309 | (181) | – | 78,745 |

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (continued)

(i) As at and for the year ended 31 December 2015: (continued)

The segment assets and liabilities as at 31 December 2015 and capital expenditure for the year then ended are as follows:

| | 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 | 5,469,299 | 21,736,148 | 1,687,454 | 3,676,383 | (2,498,955) | 30,070,329 |
| Unallocated assets | | | | | | |
| – Deferred income tax assets | | | | | | 381,250 |
| – Current income tax prepayments | | | | | | 85,978 |
| – Investments accounted for using the equity method | | | | | | 299,539 |
| **Total assets** | | | | | | 30,837,096 |
| **Liabilities** | | | | | | |
| Segment liabilities | 3,192,954 | 17,378,473 | 1,491,275 | 1,667,290 | (2,207,818) | 21,522,174 |
| Unallocated liabilities | | | | | | |
| – Deferred income tax liabilities | 629 | – | – | – | – | 629 |
| – Current income tax liabilities | 30,210 | 102,920 | 617 | 9,963 | – | 143,710 |
| **Total liabilities** | | | | | | 21,666,513 |
| **Capital expenditure** | 166,352 | 56,150 | 23,018 | 261 | – | 245,781 |

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (continued)

(ii) As at and for the year ended 31 December 2014:

The segment results for the year ended 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 |
|---|---|---|---|---|---|---|
| **Segment revenue and results** | | | | | | |
| Segment revenue | 1,803,378 | 12,518,431 | 887,806 | 4,346,151 | (632,649) | 18,923,117 |
| Inter-segment revenue | (254,365) | (155,152) | (202,983) | (20,149) | 632,649 | – |
| Revenue | 1,549,013 | 12,363,279 | 684,823 | 4,326,002 | – | 18,923,117 |
| Segment result | 169,771 | 1,028,738 | 39,520 | 66,676 | (34,837) | 1,269,868 |
| Finance income | 28,979 | 311,526 | 1,076 | 11,630 | (41,229) | 311,982 |
| Finance expenses | (93,951) | (433,509) | (20,069) | (6,166) | 41,229 | (512,466) |
| Share of losses of associates | – | (607) | – | – | – | (607) |
| Share of profit of joint venture | | | | | | 15,604 |
| Income tax expense | | | | | | (260,059) |
| Profit for the year | | | | | | 824,322 |
| **Other segment items** | | | | | | |
| Amortisation | 41,975 | 15,550 | 2,719 | – | – | 60,244 |
| Depreciation | 55,342 | 61,806 | 15,447 | 1,323 | – | 133,918 |
| Provision for/(reversal of) | | | | | | |
| – foreseeable losses on construction contracts | – | 23 | – | – | – | 23 |
| – provision of inventories | – | (10,373) | – | – | – | (10,373) |
| – impairment on trade and other receivables | 32,845 | 235,821 | 4,249 | 182 | – | 273,097 |

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (continued)

(ii) As at and for the year ended 31 December 2014: (continued)

The segment assets and liabilities as at 31 December 2014 and capital expenditure for the year then ended 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 | 6,061,690 | 24,395,637 | 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 |
| – Investments accounted for using the equity method | | | | | | 193,118 |
| **Total assets** | | | | | | 33,032,892 |
| **Liabilities** | | | | | | |
| Segment liabilities | 3,613,111 | 20,306,693 | 1,438,443 | 1,083,671 | (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 |

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (continued)

(iii) Analysis of information by geographical regions

**Revenue**

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| The PRC | **18,301,976** | 17,103,532 |
| Other countries | **1,147,553** | 1,819,585 |
| | **19,449,529** | 18,923,117 |

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

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| The PRC | **5,695,773** | 4,541,071 |
| Other countries | **26,148** | 17,739 |
| | **5,721,921** | 4,558,810 |

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment information (continued)

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

**Capital expenditures**

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| The PRC | **235,270** | 261,129 |
| Other countries | **10,511** | 8,497 |
| | **245,781** | 269,626 |

(iv) Revenues of approximately RMB1,822 million and RMB2,115 million were derived from the first two largest customers for the year ended 31 December 2015 and 2014, respectively. These revenues for the year ended 31 December 2015 are attributable to segments of the engineering and construction contracting and the trading while these revenue for the year ended 31 December 2014 were attribute to the engineering and construction contracting and the trading.

For the year ended 31 December 2015 and 2014, the Group does not have any single customer with the transaction value over 10% of the total external sales.

## 7. EXPENSES BY NATURE

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| Raw materials and consumables used | **9,226,521** | 7,415,685 |
| Purchased equipment | **1,092,372** | 844,966 |
| Subcontracting charges | **5,244,942** | 6,419,062 |
| Employee benefits | **1,415,169** | 1,246,992 |
| Depreciation and amortisation | | |
| – property, plant and equipment | **123,587** | 132,736 |
| – investment properties | **2,845** | 1,182 |
| – land use rights | **21,421** | 20,853 |
| – intangible assets | **57,157** | 39,391 |
| Business tax and other transaction taxes | **253,052** | 283,324 |
| Travelling expenses | **186,718** | 191,054 |
| Office expenses | **29,161** | 26,619 |
| Freight | **82,869** | 59,459 |
| Operating lease rentals | **46,522** | 42,210 |
| Provision for impairment of assets | | |
| – trade and notes receivables | **106,472** | 278,250 |
| – prepayments and other receivables | **31,033** | 11,629 |
| – amounts due from customers for contract work | **5,132** | 28 |
| – inventories | **–** | 1,090 |
| Reversal of provision for impairment of assets | | |
| – trade and notes receivables | **(56,556)** | (16,005) |
| – prepayments and other receivables | **(2,204)** | (777) |
| – amounts due from customers for contract work | **–** | (5) |
| – inventories | **(2,256)** | (11,463) |
| Research and development costs | **106,131** | 121,292 |
| Professional and technical consulting fees | **138,098** | 59,590 |
| Auditors' remuneration | **9,000** | 7,898 |
| Outsourcing charges | **6,951** | 79,362 |
| Bank charges | **37,665** | 25,713 |
| Business development and entertainment | **26,474** | 37,765 |
| Property management fees | **13,620** | 14,239 |
| Others | **355,079** | 577,034 |
| **Total cost of sales, business tax and surcharges, selling and marketing expenses and administrative expenses** | **18,556,975** | 17,909,173 |

## 8. OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Dividend income from available-for-sale financial assets | **1,405** | 1,962 |
| Interest from short-term investment | **20,822** | 10,643 |
| Write-back of long outstanding payables (i) | **23,941** | 2,720 |
| Government grants (ii) | **55,339** | 44,334 |
| Others | **32,684** | 2,287 |
| | **134,191** | 61,946 |

Notes:

(i) Write-back of long outstanding payables mainly related to amounts payable to vendors, which were no longer in existence or the obligation of settlement had been distinguished by court orders.

(ii) The Group obtained various grants from different government authorities of the PRC.

## 9. OTHER (LOSSES)/GAINS – NET

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| Financial assets at fair value through profit or loss | **–** | (4,166) |
| Net foreign exchange (losses)/gains | **(43,079)** | 64,381 |
| Gains on disposal of associates | **–** | 104,437 |
| Gains on disposal of available-for-sale financial assets | **35,813** | – |
| Gains on disposal of property, plant and equipment, and intangible assets | **3,481** | 22,242 |
| Others | **(53,656)** | 7,084 |
| | **(57,441)** | 193,978 |

Note: On disposal of available-for-sale financial assets, RMB35.877 million was transferred from the other comprehensive income to other gains, deducted by transaction commissions amounting to RMB0.064 million.

## 10. FINANCE EXPENSES – NET

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Interest income on deposits with banks | **161,175** | 30,987 |
| Interest income on receivables with interest | **152,996** | 274,176 |
| Interest income on deposit in related parties (Note 44 (a)) | **9,437** | 6,819 |
| Finance income | **323,608** | 311,982 |
| Interest expense of retirement and other supplemental benefit obligations (Note 33) | **62,336** | 53,072 |
| Interest expense on bank and other borrowings wholly repayable within five years | **392,326** | 464,165 |
| Less: capitalised interest expense | **(3,225)** | (4,771) |
| Finance expenses | **451,437** | 512,466 |
| Net finance expenses recognised in the consolidated statement of comprehensive income | **127,829** | 200,484 |

## 11. INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| **Current tax** | | |
| PRC enterprise income tax for the year (i) | **205,658** | 286,879 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences (Note 36) | **(16,444)** | (26,820) |
| **Income tax expense** | **189,214** | 260,059 |

## 11. INCOME TAX EXPENSE (Continued)

Note:

(i) PRC enterprise income tax

The applicable income tax rate has been 25% since the Corporate Income Tax Law of the PRC became effective from 1 January 2008.

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

Some other subsidiaries of the Company obtained the certificates of high and new tech enterprises from the Ministry of Science and Technology, Ministry of Finance and offices of the State Administration of Taxation and local tax bureaus of some provinces, which granted preferential tax rate of 15% for three years.

Except the above subsidiaries taxed at preferential tax rate of 15%, major of the remaining subsidiaries are subject to income tax rate of 25% for the year ended 31 December 2015.

The difference between the actual income tax charge in the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| Profit before taxation | **861,627** | 1,084,381 |
| Taxation calculated at the statutory tax rate | **215,407** | 271,095 |
| Income tax effects of: | | |
| Preferential income tax treatments of certain companies | **(22,992)** | (26,852) |
| Non-deductible expenses | **17,791** | 27,148 |
| Others | **(20,992)** | (11,332) |
| Income tax expense | **189,214** | 260,059 |
| Effective income tax rate | **22%** | 24% |

## 12. EARNINGS PER SHARE

### (a) Basic

The basic earnings per share for each of the years ended 31 December 2015 and 2014 is calculated based on the profit attributable to the equity holders of the Company and on the weighted average number of ordinary shares issued.

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 (Restated) |
| Profit attributable to equity owners of the Company (RMB'000) | **540,979** | 714,900 |
| Weighted average number of ordinary shares in issue | **2,663,160,000** | 2,663,160,000 |
| Basic earnings per share (RMB) | **0.20** | 0.27 |

### (b) Diluted

As the Company had no dilutive ordinary shares for each of the years ended 31 December 2015 and 2014, dilutive earnings per share for the years ended 31 December 2015 and 2014 are the same as basic earnings per share.

## 13. DIVIDENDS

Dividends represented dividends proposed by the Company during each of the years ended 31 December 2015 and 2014.

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Final, proposed, of RMB0.06 per ordinary share (2014: RMB0.1) | **159,790** | 266,316 |

2014 final dividend of RMB0.1 per ordinary share, totaling RMB266.3 million was approved by the Company's shareholders in the Annual General Meeting on 9 June 2015.

Pursuant to the board meeting on 31 March 2016, the Directors recommended the payment of the final dividend of RMB0.06 per ordinary share, totaling amounting to approximately RMB159.8 million. Such a dividend is subject to approval by the shareholders at the Annual General Meeting to be held in 2016. This recommended dividend has not been reflected as a dividend payable in the consolidated financial statements of 2015.

## 14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

**(a)** Details of directors' and supervisors' emoluments are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Directors and supervisors | | |
| – Salaries, housing allowances, other allowances and benefits-in-kind | **1,376** | 1,212 |
| – Contributions to pension plans | **225** | 226 |
| – Discretionary bonuses | **1,035** | 1,108 |
| | **2,636** | 2,546 |

## 14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

**(a)** Details of directors' and supervisors' emoluments are as follows: (continued)

The emoluments received by individual directors and supervisors are as follows:

**For the year ended 31 December 2015**

| | Salaries, housing allowances, other allowances and benefits-in-kind RMB'000 | Contributions to pension plans RMB'000 | Discretionary bonuses RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Directors** | | | | |
| – Mr. Zhang Chengzhong (張程忠) (i) | – | – | – | – |
| – Mr. He Zhihui (賀志輝) | 410 | 90 | 431 | 931 |
| – Mr. Wang Jun (王軍) | 151 | 30 | 126 | 307 |
| – Mr. Zhang Hongguang (張鴻光) | 143 | – | – | 143 |
| – Mr. Sun Chuanyao (孫傳堯) | 143 | – | – | 143 |
| – Mr. Zhang Jian (張建) (v) | 152 | 35 | 176 | 363 |
| – Mr. Fu Jun (伏軍) (v) | 80 | – | – | 80 |
| **Supervisors** | | | | |
| – Mr. Ou Xiaowu (歐小武) (i) | – | – | – | – |
| – Mr. He Bincong (賀斌聰) | 297 | 70 | 302 | 669 |
| – Mr. Dong Hai (董海) (i) | – | – | – | – |
| | 1,376 | 225 | 1,035 | 2,636 |

## 14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

**(a)** Details of directors' and supervisors' emoluments are as follows: (continued)

**For the year ended 31 December 2014**

| | Salaries, housing allowances, other allowances and benefits-in-kind RMB'000 | Contributions to pension plans RMB'000 | Discretionary Bonuses RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Directors** | | | | |
| – Mr. Zhang Chengzhong (張程忠) (i) | – | – | – | – |
| – Mr. He Zhihui (賀志輝) | 308 | 84 | 432 | 824 |
| – Mr. Wu Yuewu (吳躍武) (ii) | 51 | 11 | 72 | 134 |
| – Mr. Zhang Zhankui (張占魁) (i)/(vi) | – | – | – | – |
| – Mr. Wang Jun (王軍) | 230 | 69 | 302 | 601 |
| – Mr. Wang Qiang (王強) (i)/(iii) | – | – | – | – |
| – Mr. Zhang Hongguang (張鴻光) | 143 | – | – | 143 |
| – Mr. Jiang Jianxiang (蔣建湘) (iv) | 107 | – | – | 107 |
| – Mr. Sun Chuanrao (孫傳堯) | 143 | – | – | 143 |
| **Supervisors** | | | | |
| – Mr. Ou Xiaowu (歐小武) (i) | – | – | – | – |
| – Mr. He Bincong (賀斌聰) | 230 | 62 | 302 | 594 |
| – Mr. Dong Hai (董海) (i) | – | – | – | – |
| | 1,212 | 226 | 1,108 | 2,546 |

## 14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

**(a)** Details of directors' and supervisors' emoluments are as follows: (continued)

Notes:

(i) These directors and supervisors receive no emoluments for their services provided to the Group but they however receive emoluments from Chinalco for their services as directors and/or supervisors of Chinalco and a number of subsidiaries of Chinalco. These directors and supervisors consider the amount of emoluments relating to their services provided to the Group for each of the years ended 31 December 2015 and 2014 is minimal.

(ii) Resigned on 7 March 2014.

(iii) Resigned on 20 May 2015.

(iv) Resigned on 9 June 2015.

(v) Appointed on 9 June 2015.

(vi) Resigned on 23 December 2015.

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to the directors/supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

### (b) Five highest paid individuals

The number of director or supervisor and non-director or supervisor included in the five highest paid individuals for the years ended 31 December 2015 and 2014 are set forth below:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| Director or supervisor | **2** | 3 |
| Non-director or supervisor | **3** | 2 |
| | **5** | 5 |

## 14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

### (b) Five highest paid individuals (continued)

The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Basic salaries, housing allowances, other allowances and benefits-in-kind | **943** | 538 |
| Contributions to pension plans | **203** | 142 |
| Discretionary bonuses | **740** | 605 |
| | **1,886** | 1,285 |

The emoluments of the five highest paid individuals who are not director or supervisor are within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| Nil to HK$1,000,000 | **3** | 2 |

## 15. EMPLOYMENT BENEFITS

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Salaries, wages and bonuses | **821,490** | 817,149 |
| Retirement benefits (i) | **155,329** | 158,348 |
| Early retirement and supplemental pension benefit (Note 33) | | |
| – interest cost | **62,336** | 53,072 |
| – past service cost | **73,187** | (75,006) |
| – current service cost | **290** | 465 |
| Housing fund (ii) | **89,514** | 95,179 |
| Welfare, medical and other expenses | **278,189** | 250,067 |
| Share Appreciation Rights granted (Note 32) | **(2,830)** | 790 |
| | **1,477,505** | 1,300,064 |

Notes:

(i) Retirement benefits

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 20% of the salaries of the PRC employees for the years ended 31 December 2015 and 2014. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

In addition, the Group has committed to implement a supplemental defined contribution retirement scheme. Under this scheme, the employees of the Group make a specified contribution based on their service duration. The Group is required to make a contribution equal to 2 to 3 times of the staff's. In addition, the Group may at their discretion, provide additional contributions to the retirement fund depending on the operating results of the year. The employees will receive the total contributions and any returns thereon, upon their retirements.

(ii) Housing fund

In accordance with the PRC housing reform regulations, the Group is required to make contributions to the state-managed housing fund at rates 10% to 20% of the specified salaries of the PRC employees. At the same time, the employees are required to make a contribution based on certain percentages. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Group has no further bligations for housing benefits beyond the contributions made above.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Buildings and other facilities RMB'000 | Equipment, plant and machinery RMB'000 | Transportation equipment RMB'000 | Furniture, office and other equipment RMB'000 | Construction-in-progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2014** | | | | | | |
| Opening net book amount | 1,078,489 | 250,922 | 87,750 | 104,334 | 160,837 | 1,682,332 |
| Transfers | 35,065 | 5,928 | – | 2,773 | (43,766) | – |
| Additions | 13,986 | 22,622 | 12,400 | 11,800 | 121,746 | 182,554 |
| Depreciation | (49,940) | (38,462) | (18,789) | (25,545) | – | (132,736) |
| Disposals/write-off | (2,604) | (1,235) | (2,326) | (75) | (9,461) | (15,701) |
| **Closing net book amount** | 1,074,996 | 239,775 | 79,035 | 93,287 | 229,356 | 1,716,449 |
| **At 31 December 2014** | | | | | | |
| Cost | 1,360,686 | 604,775 | 195,593 | 242,586 | 229,356 | 2,632,996 |
| Accumulated depreciation | (285,458) | (364,315) | (116,558) | (149,299) | – | (915,630) |
| Impairment | (232) | (685) | – | – | – | (917) |
| **Net book amount** | 1,074,996 | 239,775 | 79,035 | 93,287 | 229,356 | 1,716,449 |
| **Year ended 31 December 2015** | | | | | | |
| Opening net book amount | **1,074,996** | **239,775** | **79,035** | **93,287** | **229,356** | **1,716,449** |
| Transfers | **145,696** | **88,434** | **–** | **27,576** | **(261,706)** | **–** |
| Additions | **339,119** | **16,355** | **8,630** | **27,832** | **157,388** | **549,324** |
| Depreciation | **(28,204)** | **(40,553)** | **(16,171)** | **(38,659)** | **–** | **(123,587)** |
| Disposals/write-off | **(9,886)** | **(12,181)** | **(3,305)** | **(969)** | **(10,195)** | **(36,536)** |
| Transfer to investment properties | **(53,196)** | **–** | **–** | **–** | **–** | **(53,196)** |
| **Closing net book amount** | **1,468,525** | **291,830** | **68,189** | **109,067** | **114,843** | **2,052,454** |
| **At 31 December 2015** | | | | | | |
| Cost | **1,764,191** | **648,013** | **192,287** | **289,887** | **114,843** | **3,009,221** |
| Accumulated depreciation | **(295,434)** | **(355,498)** | **(124,098)** | **(180,820)** | **–** | **(955,850)** |
| Impairment | **(232)** | **(685)** | **–** | **–** | **–** | **(917)** |
| **Net book amount** | **1,468,525** | **291,830** | **68,189** | **109,067** | **114,843** | **2,052,454** |

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense recognised is analysed as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Cost of sales | **80,865** | 84,466 |
| Selling and marketing expenses | **834** | 849 |
| Administrative expenses | **41,888** | 47,421 |
| | **123,587** | 132,736 |

## 17. LAND USE RIGHTS

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Beginning of the year | **813,384** | 834,237 |
| Additions | **987** | – |
| Amortisation | **(21,421)** | (20,853) |
| End of the year | **792,950** | 813,384 |

Notes:

(i) Land use rights represent prepayments made by the Group for the land use rights located in the PRC, which are held on leases between 35 years to 50 years.

(ii) As of 31 December 2015, the Group secured certain land use rights with net carrying amount of RMB4.8 million for borrowings amounting to RMB12 million (Note 34).

Amortisation of land use rights has been included in administrative expenses in the consolidated statement of comprehensive income as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Administrative expenses | **21,421** | 20,853 |

## 18. INVESTMENT PROPERTIES

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Beginning of the year | **27,643** | 28,825 |
| Transfer from property, plant and equipment | **53,196** | – |
| Depreciation | **(2,845)** | (1,182) |
| End of the year | **77,994** | 27,643 |
| Fair value at end of the year | **159,702** | 82,441 |

All of the Group's investment properties are located in the PRC and have lease periods between 10 to 40 years.

**(a)** Amounts recognized in the consolidated statements of comprehensive income for investment properties:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Rental income | **13,642** | 4,292 |
| Depreciation recorded as rental costs | **2,845** | 1,182 |

## 18. INVESTMENT PROPERTIES (Continued)

### (b) Valuation basis

Cost method has been adopted as a measurement of investment properties. An independent professionally qualified valuer Jones Lang LaSalle Corporate Appraisal and Advisory Limited, not related to the Group, who hold recognized relevant professional qualifications and have recent experiences in the location and segments of the investment properties valued, has conducted the fair valuation of investment properties at 31 December 2015 and 2014. For this investment property, its current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuer for financial reporting purpose and reports directly to the senior management and the audit committee. Discussions of valuation processes and results are held between the management, audit committee and valuer after each valuation by the independent qualified valuer, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent qualified valuer.

Fair values of completed commercial properties are generally derived using the income approach by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

There were no changes to the valuation techniques during the year.

The fair values are within level 3 of the fair value hierarchy.

There were no transfer between the level 1, 2 and 3 during the reporting period.

## 19. INTANGIBLE ASSETS

| | Goodwill<br>RMB'000 | Patent<br>RMB'000 | Computer software<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2014** | | | | | |
| Opening net book amount | 9,250 | 174,423 | 24,897 | 13,006 | 221,576 |
| Additions | – | 8,677 | 5,309 | 7,588 | 21,574 |
| Amortisation | – | (28,708) | (9,245) | (1,438) | (39,391) |
| Disposals | – | (5,834) | – | (5,867) | (11,701) |
| **Closing net book amount** | 9,250 | 148,558 | 20,961 | 13,289 | 192,058 |
| **At 31 December 2014** | | | | | |
| Cost | 9,250 | 281,293 | 84,887 | 13,920 | 389,350 |
| Accumulated amortisation | – | (132,735) | (63,926) | (631) | (197,292) |
| **Net book amount** | 9,250 | 148,558 | 20,961 | 13,289 | 192,058 |
| **Year ended 31 December 2015** | | | | | |
| Opening net book amount | **9,250** | **148,558** | **20,961** | **13,289** | **192,058** |
| Additions | **–** | **672** | **4,009** | **6,080** | **10,761** |
| Amortisation | **–** | **(47,890)** | **(8,945)** | **(322)** | **(57,157)** |
| Disposals | **–** | **(2,890)** | **–** | **(162)** | **(3,052)** |
| **Closing net book amount** | **9,250** | **98,450** | **16,025** | **18,885** | **142,610** |
| **At 31 December 2015** | | | | | |
| Cost | **9,250** | **276,911** | **88,839** | **19,838** | **394,838** |
| Accumulated amortisation | **–** | **(178,461)** | **(72,814)** | **(953)** | **(252,228)** |
| **Net book amount** | **9,250** | **98,450** | **16,025** | **18,885** | **142,610** |

As at 31 December 2015 and 2014, there is no impairment for goodwill.

## 19. INTANGIBLE ASSETS (Continued)

Amortisation expense recognised in the consolidated statements of comprehensive income is analysed as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Administrative expenses | **57,157** | 39,391 |

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### (a) Material non-controlling interests

The total non-controlling interest as at 31 December 2015 is RMB2,007 million of which RMB1,869 million is for Chalieco Hong Kong Co., Ltd (中鋁國際香港有限公司), RMB84 million is for China Nonferrous Metals Processing Technology Co., Ltd. (中色科技股份有限公司) and RMB31 million is attributed to Shenyang Gina Advanced Materials Co., Ltd. (瀋陽金鈉新材料有限公司). The non-controlling interests in respect of Yunnan Kunye Construction and Development Co., Ltd. (雲南昆冶建設發展有限公司), China Nonferrous Metals Industry's 12th Metallurgical Chongqing Energy Savings Technology Co., Ltd. (中色十二冶金建設重慶節能科技有限公司), China Aluminum Leaders Engineering Limited (中鋁澧得建築工程(蘇州)有限公司), Chinalco Huada High-Tech Co., Ltd. (中鋁華大科技股份有限公司), Xi'an Haodong Properties Co.,Ltd. (西安浩東置業有限責任公司) and Beijing Huayu Aerospace Control High-Tech Co., Ltd. (北京華宇天控科技有限公司) is immaterial.

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (a) Material non-controlling interests (continued)

Set out below are the summarised financial information for China Nonferrous Metals Processing Technology Co., Ltd., Shenyang Gina Advanced Materials Co., Ltd. and Chalieco Hong Kong Co., Ltd that has non-controlling interests that are material to the Group.

**Summarised balance sheet**

| | China Nonferrous Metals Processing Technology Co., Ltd. (Consolidated) | | Shenyang Gina Advanced Materials Co., Ltd. | | Chalieco Hong Kong Co., Ltd | |
|---|---|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| **Current** | | | | | | |
| Assets | **1,091,265** | 999,956 | **26,528** | 22,445 | **1,909,537** | 1,774,731 |
| Liabilities | **(1,164,962)** | (1,057,807) | **(31,867)** | (27,252) | **(1,250)** | – |
| Total current net (liabilities)/ assets | **(73,697)** | (57,851) | **(5,339)** | (4,807) | **1,908,287** | 1,774,731 |
| **Non-current** | | | | | | |
| Assets | **871,004** | 779,965 | **90,391** | 93,254 | **17** | 1 |
| Liabilities | **(461,245)** | (393,519) | **(14,296)** | (14,653) | **(1,985,721)** | (1,865,514) |
| Total non-current net assets | **409,759** | 386,446 | **76,095** | 78,601 | **(1,985,704)** | (1,865,513) |
| Net assets | **336,062** | 328,595 | **70,756** | 73,794 | **(77,417)** | (90,782) |

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (a) Material non-controlling interests (continued)

**Summarised statement of comprehensive income**

| | China Nonferrous Metals Processing Technology Co., Ltd. (Consolidated) | | Shenyang Gina Advanced Materials Co., Ltd. | | Chalieco Hong Kong Co., Ltd. | |
|---|---|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| Revenue | **442,219** | 597,542 | **31,594** | 16,287 | **215,732** | 22,101 |
| Profit/(Losses) before income tax | **11,165** | 9,271 | **(3,450)** | 1,265 | **26,101** | (91,236) |
| Income tax (expense)/income | **(3,477)** | (800) | **410** | 154 | **(4,700)** | – |
| Post-tax profit/(losses) from continuing operations | **7,688** | 8,471 | **(3,040)** | 1,419 | **21,401** | (91,236) |
| Other comprehensive income/(expense) | **3,271** | (1,799) | **–** | – | **–** | – |
| Total comprehensive income/(expense) | **10,959** | 6,672 | **(3,040)** | 1,419 | **21,401** | (91,236) |
| Total comprehensive income allocated to non-controlling interests | **367** | 5,752 | **(1,277)** | 596 | **215** | 105,695 |
| Dividends paid to non-controlling interest | **–** | – | **–** | – | **–** | 63,637 |

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (a) Material non-controlling interests (continued)

**Summarised cash flows**

| | China Nonferrous Metals Processing Technology Co., Ltd. (Consolidated) | | Shenyang Gina Advanced Materials Co., Ltd. | | Chalieco Hong Kong Co., Ltd. | |
|---|---|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| **Cash flows from operating activities** | | | | | | |
| Cash (used in)/generated from operations | **(59,461)** | 188,792 | **(3,036)** | 412 | **(133,044)** | (853,538) |
| Interest received | **(22,834)** | (27,166) | **–** | – | **(128,871)** | (105,695) |
| Income tax paid | **(138)** | (317) | **(1)** | (113) | **(202)** | – |
| Net cash (used in)/generated from operating activities | **(82,433)** | 161,309 | **(3,037)** | 299 | **(262,117)** | (959,233) |
| Net cash used in investing activities | **(33,418)** | (422,447) | **(1,531)** | (2,493) | **(103,268)** | – |
| Net cash generated from/(used in) financing activities | **52,000** | 309,955 | **3,643** | (1,552) | **354,877** | 1,764,171 |
| **Net (decrease)/increase in cash and cash equivalents** | **(63,851)** | 48,817 | **(925)** | (3,746) | **(10,508)** | 804,938 |
| Cash, cash equivalents and bank overdrafts at beginning of year | **107,812** | 58,995 | **3,402** | 7,148 | **808,116** | – |
| Exchange losses on cash and cash equivalents | **–** | – | **–** | – | **(367,205)** | 3,178 |
| Cash, cash equivalents and bank overdrafts at end of year | **43,961** | 107,812 | **2,477** | 3,402 | **430,403** | 808,116 |

The information above is the amount before inter-company eliminations.

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (b) Investments accounted for using the equity method

The amounts recognised in the consolidated balance sheet are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 (Restated) |
| Associates | **202,952** | 137,514 |
| Joint venture | **96,587** | 55,604 |
| At 31 December | **299,539** | 193,118 |

The amounts recognised in the consolidated statements of comprehensive income are as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 (Restated) |
| Associates | **(566)** | (607) |
| Joint venture | **20,718** | 15,604 |
| For the year ended 31 December | **20,152** | 14,997 |

**Investments in associates**

| | For the year ended 31 December | |
|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 (Restated) |
| At 1 January | **137,514** | 153,805 |
| Addition | **51,637** | 40,035 |
| Share of losses | **(566)** | (607) |
| Disposal | **–** | (53,757) |
| Share of changes in other equity | **15,499** | – |
| Dividends received from associates | **(1,132)** | (1,962) |
| At 31 December | **202,952** | 137,514 |

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (b) Investments accounted for using the equity method (continued)

**Investments in associates (continued)**

Set out below are the associates of the Group as at 31 December 2015, which is, in the opinion of the Directors, are material to the Group. The associates listed below have share capital solely of ordinary shares, which are held indirectly by the Group; the country of the incorporation or registration is also their principle place of business.

Nature of investment in associates that are material to the Group as at 31 December 2015:

| Name of entity | Place and date of incorporation/ establishment | Registered and fully paid capital | Effective interest held Indirectly held | Nature of relationship | Measurement method |
|---|---|---|---|---|---|
| Zhuzhou Tianqiao Crane Co., Ltd. (株洲天橋起重機股份有限公司) | The PRC/ 26 November 1999 | 562,159 | 5.24% | Note 1 | Equity |
| 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 | 83,330 | 33% | Note 2 | Equity |
| Guizhou Tongye Construction and Development Co., Ltd. (貴州通冶建設發展有限公司) | The PRC/ 7 July 2013 | 30,000 | 45% | Note 3 | Equity |
| Luoyang Hua Zhong Aluminium Co., LTD (洛陽華中鋁業有限公司) | The PRC/ 23 December 2009 | 188,000 | 15% | Note 4 | Equity |

Note 1: Zhuzhoutianqiao Crane Co., Ltd ("Zhuzhoutianqiao Crane", 株洲天橋起重機股份有限公司) is a strategic partnership in providing equipment manufacturing service of steel industry and electrolytic aluminum industry.

Note 2: Jiangsu Nonferrous Metal Rabliy Industrial Co.,Ltd. ("Jiangsu Rabliy", 江蘇中色鋭畢利實業有限公司) is a strategic partnership in manufacture of aluminum alloy material.

Note 3: Guizhou Tongye Construction and Development Co., Ltd. ("Guizhou Tongye", 貴州通冶建設發展有限公司) is a strategic partnership in providing service to the construction contract.

On 30 November 2015, China Nonferrous Metals Industry's 12th Metallurgical Technology Co., Ltd. lost control of Guizhou Tongye, but still has significant influence on it. In this year, Guizhou Tongye is no longer consolidated in the Group as a subsidiary, but accounted for using equty method.

Note 4: In December 2015, the Group aquired 15% percent stake in Luoyang Hua Zhong Aluminium Co., Ltd.("Luoyang Huazhong Aluminum", 洛陽華中鋁業有限公司) by taking free donation from Henan Yilong Technology Industry Co,. Ltd. The Group has significant influence on Luoyang Hua Zhong Aluminium Co., LTD due to one of five directors is appointed by the Group and hence it is accounted for using equity method.

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (b) Investments accounted for using the equity method (continued)

**Investments in associates (continued)**

As at 31 December 2015, the fair value of the Group's interest in Zhuzhoutianqiao Crane, which is listed on the Shenzhen Stock Exchange, was RMB284 million (2014: RMB149 million) and the carrying amount of the Group's interest was RMB93 million (2014: RMB78 million). Except for Zhuzhoutianqiao Crane, all of the above entities are private entity and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in associates.

**Summarised financial information for associates**

Set out below are the summerised financial information for Zhuzhoutianqiao Crane, Jiangsu Rabliy, Guizhou Tongye, Luoyang Huazhong and other associates which are accounted for using the equity method.

**Summarised balance sheet**

| | Zhuzhoutianqiao Crane | | Jiangsu Rabliy | | Guizhou Tongye | | Luoyang Huazhong | | Other associates | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| **Current** | | | | | | | | | | | | |
| Total current assets | **1,987,466** | 1,120,286 | **93,310** | 77,665 | **571,454** | 383,773 | **56,514** | 74,241 | **143,288** | 313,706 | **2,852,032** | 1,969,671 |
| Total current liabilities | **(955,487)** | (309,645) | **(128,699)** | (79,118) | **(35,978)** | (338,955) | **(149,647)** | (68,479) | **(78,769)** | (261,877) | **(1,348,580)** | (1,058,074) |
| **Non-current** | | | | | | | | | | | | |
| Total non-current assets | **803,979** | 332,987 | **51,989** | 56,006 | **2,346** | 2,480 | **827,950** | 761,731 | **15,406** | 40 | **1,701,670** | 1,153,244 |
| Total non-current liabilities | **(15,562)** | (5,424) | **-** | – | **(500,000)** | (5,000) | **(546,843)** | (579,493) | **-** | – | **(1,062,405)** | (589,917) |
| **Net assets** | **1,820,396** | 1,138,204 | **16,600** | 54,553 | **37,822** | 42,298 | **187,974** | 188,000 | **79,925** | 51,869 | **2,142,717** | 1,474,924 |

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (b) Investments accounted for using the equity method (continued)

**Summarised statements of comprehensive income**

| | Zhuzhoutianqiao Crane | | Jiangsu Rabliy | | Guizhou Tongye | | Luoyang Huazhong | | Other associates | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| Revenue | **916,753** | 501,995 | **58,024** | 49,154 | **132,229** | 276,518 | **-** | – | **11,268** | – | **1,118,274** | 827,667 |
| Post-tax profit/(loss) from continuing operations | **82,031** | 12,999 | **(3,284)** | (3,632) | **(4,476)** | 12,298 | **(26)** | – | **(4,964)** | (3,797) | **69,281** | 17,868 |
| Total comprehensive income/(expense) | **82,031** | 12,999 | **(3,284)** | (3,632) | **(4,476)** | 12,298 | **(26)** | – | **(4,964)** | (3,797) | **69,281** | 17,868 |

**Reconciliation of summerised financial information**

| | Zhuzhoutianqiao Crane | | Jiangsu Rabliy | | Guizhou Tongye | | Luoyang Huazhong | | Other associates | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| **Opening net assets** | **1,138,204** | 1,137,497 | **54,553** | 33,170 | **42,298** | 30,000 | **188,000** | 188,000 | **51,869** | 45,666 | **1,474,924** | 1,434,333 |
| Capital injection | **617,334** | 5,200 | **(34,669)** | 25,015 | **-** | – | **-** | – | **33,020** | 10,000 | **615,685** | 40,215 |
| profit/(Loss) for the period | **82,031** | 12,999 | **(3,284)** | (3,632) | **(4,476)** | 12,298 | **(26)** | – | **(4,964)** | (3,797) | **69,281** | 17,868 |
| Dividends to equity owners | **(17,173)** | (17,492) | **-** | – | **-** | – | **-** | – | **-** | – | **(17,173)** | (17,492) |
| **Closing net assets** | **1,820,396** | 1,138,204 | **16,600** | 54,553 | **37,822** | 42,298 | **187,974** | 188,000 | **79,925** | 51,869 | **2,142,717** | 1,474,924 |
| Interest in associates | **93,006** | 77,901 | **23,221** | 24,315 | **17,020** | – | **28,200** | – | **22,339** | 15,807 | **183,786** | 118,023 |
| Goodwill | **-** | – | **-** | – | **-** | – | **-** | – | **-** | – | **-** | – |
| **Carrying value** | **93,006** | 77,901 | **23,221** | 24,315 | **17,020** | – | **28,200** | – | **22,339** | 15,807 | **183,786** | 118,023 |

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (b) Investments accounted for using the equity method (continued)

**Investment in joint venture**

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| At 1 January | **55,604** | 40,000 |
| Capital injection | **26,905** | – |
| Share of profit | **20,718** | 15,604 |
| Dividends received from joint venture | **(6,640)** | – |
| At 31 December | **96,587** | 55,604 |

Set out below are the joint ventures of the Group as at 31 December 2015, which is, in the opinion of the Directors, are material to the Group. The joint ventures listed below have share capital solely of ordinary shares, which are held indirectly by the Group; the country of the incorporation or registration is also their principle place of business.

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (b) Investments accounted for using the equity method (continued)

**Investment in joint venture (continued)**

| Name of entity | Place and date of incorporation/ establishment | Registered and fully paid capital | Effective interest held Indirectly held | Nature of relationship | Measurement method |
|---|---|---|---|---|---|
| Shanghai Fengtong Equity Investment Fund Partnership (Limited Partner) (上海豐通股權投資基金合夥企業（有限合夥）) | PRC/ 16 July 2012 | 100,000 | 40% | Note 1 | Equity |
| Zhong Ji Sunward Technology Co.,Ltd. (中際山河科技有限責任公司) | PRC/ 15 April 2015 | 46,906 | 49% | Note 2 | Equity |

Note 1: Shanghai Fengtong Equity Investment Fund Partnership (Limited Partner) (上海豐通股權投資基金合夥企業（有限合夥）)(hereinafter "Shanghai Fengtong Fund") was a limited partnership established by Shanghai Ample Harvest Equity Management Company Limited (上海豐實股權管理有限公司) (hereinafter "Harvest Equity") as a general partner in 2013. During the year of 2014, the Company signed a series of supplemental contracts with other relevant parties and obtained jointly control because that the decision about the main activities of the partnership required the unanimous consent of the Company and the other parties.

Shanghai Fengtong Fund invested its fund through bond offering in real estate project, which are recommended either by the Company or by Harvest Equity.

The parent company of Harvest Equity, Harvest Capital Management Company Limited (嘉實資本管理有限公司) (hereinafter "Harvest Capital") lent RMB2,000 million to Shanghai Fengtong Fund and will withdraw within 3 years and in 2015 Shanghai Fengtong Fund has retruned 600 million. The Company and another third party contributed RMB40 million and RMB50 million, respectively, to Shanghai Fengtong fund as limited partner.

During the three years' investment periods of Harvest Capital, the distribution order is as follows: Shanghai Fengtong Fund should firstly pay 8.3% interest to Harvest Capital before distributing 8.3% expected earnings to the limited partner; then after the withdrawing of Harvest Capital in the third year, the remaining distributable profit after the above distribution will be distributed between Shanghai Fengtong Fund and the Company, in the ratio of 50% and 50%, respectively, for debt investment and 30% and 70%, respectively, for investment in equity of other entities; if Shanghai Fengtong Fund is not able to payback the amount to be withdrawn by Harvest Capital as agreed above, the Company has the responsibility to pay the outstanding balance immediately, then the Company has the right to seek financial supporting from Harvest Equity.

Note 2: In February 2015, the Group and Sunward Intelligent Equipment Co,. Ltd. established Zhongji Sunward Technology Co.,Ltd. ("Zhongji Sunward Technology", 中際山河科技有限責任公司), the Group contributed with intangible assets as investment. The Group is entitled to 49% of equity shares of Zhongji Sunward Technology. According to the Articles of Association, no one shareholder can make decisions on major business activities of the company without the unanimous consent of all shareholders. Therefore, the Group treated this investment using the equity method.

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (b) Investments accounted for using the equity method (continued)

**Summarised financial information for joint venture**

Set out below are the summerised financial information for Shanghai Fengtong Fund, Zhongjishanhe which are accounted for using the equity method.

**Summarised balance sheet**

| | Shanghai Fengtong Fund (Consolidated) | | Zhongjishanhe | |
|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| **Current** | | | | |
| Total current assets | **634,787** | 1,058,398 | **41,327** | – |
| Total current liabilities | **–** | – | **(19,216)** | – |
| **Non-current** | | | | |
| Total non-current assets | **1,000,002** | 1,150,004 | **25,812** | – |
| Total non-current liabilities | **(1,456,821)** | (2,075,247) | **–** | – |
| **Net assets** | **177,968** | 133,155 | **47,923** | – |

**Summarised statements of comprehensive income**

| | Shanghai Fengtong Fund (Consolidated) | | Zhongjishanhe | |
|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| Revenue | **216,269** | 205,390 | **10,500** | – |
| Profit before tax (i) | **45,121** | 38,027 | **1,018** | – |

Note:

(i) According to relevant tax law and regulations of the PRC, as 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.

## 20. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (b) Investments accounted for using the equity method (continued)

**Reconciliation of summerised financial information**

| | Shanghai Fengtong Fund (Consolidated) | | Zhongjishanhe | |
|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| **Opening net assets** | **133,155** | 81,340 | **–** | – |
| Capital injection | **–** | 19,000 | **46,905** | – |
| Profit for the period | **44,813** | 32,815 | **1,018** | – |
| **Closing net assets** | **177,968** | 133,155 | **47,923** | – |
| Interest in joint venture (Capital injected by the Company and the equity pick up of the joint venture according to the distribution agreement) | **71,445** | 55,604 | **25,141** | – |
| **Carrying value** | **71,445** | 55,604 | **25,141** | – |

## 21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| Beginning of year | **536,720** | 74,979 |
| Additions of short-term investment | **5,964,200** | 7,959,522 |
| Transfer to joint venture (Note 20(b)) | **–** | (40,000) |
| Settlement on expiration of short-term investment | **(6,316,000)** | (7,469,522) |
| Net gains in fair value changes | **11,539** | 11,741 |
| Disposal of listed securities | **(37,286)** | – |
| End of year | **159,173** | 536,720 |
| Less: Current portion | **(149,200)** | (501,000) |
| Long-term portion of available-for-sale financial assets | **9,973** | 35,720 |

Available-for-sale financial assets include the following:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| Listed securities – | | |
| Equity securities – PRC | **–** | 25,747 |
| Unlisted securities – | | |
| Equity securities – PRC | **9,973** | 9,973 |
| Short-term investments (i) | **149,200** | 501,000 |
| | **159,173** | 536,720 |
| Market value of listed securities | **–** | 25,747 |

Note:

(i) The Short-term investments shown in available-for-sale financial assets represent commercial bank product, with an annual investment return of 3%-3.7% for the year ended 31 December 2015 per annum, and will be mature within one year. As at 31 December 2015, the carrying amount approximated the fair value. The fair values are based on cash flow discounted using the excepted return based on management judgment and are within level 3 of the fair value hierarchy (see Note 5).

All available-for-sale financial assets are denominated in RMB.

## 22. TRADE AND NOTES RECEIVABLES

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| **Trade and notes receivables** | | |
| Trade receivables | **12,659,265** | 11,275,164 |
| Less: Provision for impairment | **(516,569)** | (590,687) |
| Trade receivables – net | **12,142,696** | 10,684,477 |
| Notes receivable | **297,369** | 642,863 |
| Trade and notes receivables – net | **12,440,065** | 11,327,340 |
| Less: Non-current portion (i) | **(1,752,312)** | (393,260) |
| Current trade and notes receivables | **10,687,753** | 10,934,080 |

Notes:

(i) The main non-current portion mainly comprised of the following:

The Group entered into a Cooperation Framework Agreement on housing project of Lucheng District,Wenzhou City ("Framework Agreement") with the local government on 15 August 2012. For the purpose of fulfilling the framework agreement requirements, the group established the Wenzhou Tongrun construction Co. Ltd (溫州通潤建設有限公司) as a project execution legal entity on 21 December 2012. After both parties signed the formal contract, the Group was in charge of the BT construction project and the construction contract receivables should be confirmed every year according to the construction completion schedule. As of 31 December 2015, the non-current trade receivables recognised is amounted to RMB746.72 million.

The Group entered into a Cooperation Framework Agreement with the Wenzhou Seaside New village construction investment Co. Ltd (溫州市海濱新農村建設投資有限公司) on the renovation project of the first-stage, the second section of New Jiaochengzhong village, Seaside street, Longwan District, Wenzhou City in 2013. After both parties signed the formal contract with total investment amount of RMB898 million, the Group was in charge of the BT construction project. The construction contract receivables should be confirmed according to the construction completion schedule each year. As of 31 December 2015, the non-current trade receivables recognised is amounted to RMB283.22 million.

The Group entered into a Build-Transfer contract for Whenzhou New Konggang District with the government of Longwan District, Wenzhou City on 17 July 2012. For the purpose of fulfilling the contract requirements, the Group established the Wenzhou Tonggang construction Co. Ltd (溫州通港建設公司) as a project execution legal entity. It is stipulated in the contract that the Group was in charge of the BT construction project and the construction contract receivables should be confirmed according to the construction completion schedule each year. As of 31 December 2015, the non-current trade receivables recognised is amounted to RMB253.71 million.

On 10 October 2013, the Group entered into a Build-Transfer contract with Guangxi Guangtong Real Estate Development Company (廣西廣通房地產開發有限公司, "Guangxi Company") to construct a resident area in Nanning, the PRC. According to the contract, the first phase of repurchase will take place in 90 days once this project reaches a percentage of completion 60% or the receivables reaches RMB1.2 billion; then the proprietor need to pay the repurchase fund every three months; at least 85% of the project funds should be paid upon the completion of the project; the final payment will be made in twelve months after the acceptance of the project. The receivables are of an interest rate of 6.15% per annum. As of 31 December 2015 and 2014, the non-current trade receivables recognised is amounted to RMB321.19 million and RMB164.29 million, respectively.

## 22. TRADE AND NOTES RECEIVABLES (Continued)

Notes: (continued)

(ii) The carrying amounts of the current trade and notes receivables approximate their fair value. As to the non-current portion, when discounted the future cash flow using the effective market rate, the fair value has no significant difference with the carrying amount.

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

Ageing analysis of trade receivables is as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **8,882,391** | 8,227,550 |
| Between 1 and 2 years | **2,178,334** | 1,550,225 |
| Between 2 and 3 years | **763,436** | 613,955 |
| Between 3 and 4 years | **412,950** | 612,630 |
| Between 4 and 5 years | **159,466** | 72,678 |
| Over 5 years | **262,688** | 198,126 |
| Trade receivables – gross | **12,659,265** | 11,275,164 |
| Less: Provision for impairment | **(516,569)** | (590,687) |
| **Trade receivables – net** | **12,142,696** | 10,684,477 |

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.

## 22. TRADE AND NOTES RECEIVABLES (Continued)

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

The ageing analysis of these trade receivables is as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **8,881,595** | 8,173,421 |
| Between 1 and 2 years | **1,278,157** | 768,671 |
| Between 2 and 3 years | **372,574** | 240,389 |
| Between 3 and 4 years | **188,190** | 211,783 |
| Between 4 and 5 years | **50,293** | 32,397 |
| Over 5 years | **54,293** | 3,883 |
| Total | **10,825,102** | 9,430,544 |

Trade receivables wholly or partially impaired are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Trade receivables | **1,834,163** | 1,844,620 |
| Provision for impairment | **(516,569)** | (590,687) |
| Trade receivables – net | **1,317,594** | 1,253,933 |

## 22. TRADE AND NOTES RECEIVABLES (Continued)

The ageing analysis of these impaired trade receivables are as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **796** | 54,129 |
| Between 1 and 2 years | **900,177** | 781,554 |
| Between 2 and 3 years | **390,862** | 373,566 |
| Between 3 and 4 years | **224,760** | 400,847 |
| Between 4 and 5 years | **109,173** | 40,281 |
| Over 5 years | **208,395** | 194,243 |
| **Total** | **1,834,163** | 1,844,620 |

The movements of provision for impairment of trade receivables are as follow:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| At the beginning of the year | **590,687** | 328,626 |
| Provisions | **106,472** | 278,250 |
| Receivables written off as uncollectible | **(124,034)** | (184) |
| Reversal | **(56,556)** | (16,005) |
| At the end of the year | **516,569** | 590,687 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| RMB | **12,145,719** | 11,181,173 |
| US dollar | **637,517** | 573,648 |
| Others | **173,398** | 163,206 |
| | **12,956,634** | 11,918,027 |

## 23. PREPAYMENTS AND OTHER RECEIVABLES

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| **Prepayments** | | |
| Prepayments to suppliers | **1,224,744** | 1,290,443 |
| Prepayments to property developer | **–** | 308,520 |
| Prepayment for investment (i) | **29,980** | – |
| **Other receivables** | | |
| Financing provided to proprietors (ii) | **1,930,845** | 2,298,657 |
| Amounts due from related parties (iii) | **48,163** | 42,037 |
| Retention fund | **24,946** | 32,934 |
| Receivables of export tax refund | **–** | 12,621 |
| Staff advance | **79,107** | 63,716 |
| Bid security | **219,179** | 285,745 |
| Deposit | **194,870** | 151,475 |
| Payment on behalf of third parties | **104,575** | 116,161 |
| Deductible value-added tax | **137,186** | 135,969 |
| Others | **52,634** | 36,390 |
| | **2,791,505** | 3,175,705 |
| **Total prepayments and other receivables** | **4,046,229** | 4,774,668 |
| Less: Provision for impairment | **(123,691)** | (95,300) |
| Prepayments and other receivables – net | **3,922,538** | 4,679,368 |
| Less: Non-current portion (iv) | **(592,047)** | (1,209,361) |
| Current portion | **3,330,491** | 3,470,007 |

(i) On 1 December 2015, the Company entered into an Equity Transfer Agreement with Shaanxi Jiuan Properties Co., Ltd. (陝西久安房地產有限公司) to acquire 62.5% of the equity interest in No.9 Metallurgical Construction Co., Ltd. (九冶建設有限公司) with a cash consideration of RMB49,980,000. The consideration was partially paid amounted to RMB29,980,000 on 2 December 2015. As of 31 December 2015, the acquisition was not completed. Therefore, the Group record such payment as prepayment for investment as at 31 December 2015.

## 23. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(ii) The financing provided to proprietors mainly comprised of the following:

On 27 January 2013, the Group entered into a construction contract with Tianjin Dongli Finance Bureau (天津市東麗區財政局, "Dongli Finance Bureau") to construct a resident area in Tianjin, the PRC. In accordance with the construction contract, the Group is required to provide financing amounting to RMB80 million at the interest rate published by the People's Bank of China plus 3%. On November 28, 2014, the Group entered into a supplementary contract with Dongli Finance Bureau. According to the contract, Tianjin Bin Li Construction Development Investment Co. Ltd (天津市濱麗建設開發投資有限公司), replaced of Dongli Finance Bureau to perform the original contract obligations. As at 31 December 2015, RMB50 million had been provided. The balance has been secured by the budget approval decision of the Dongli Bureau.

On 30 December 2013, the Group entered into a construction contract with Duyun Economic Development Zone Investment and Development Co., Ltd. (都勻經濟開發區城市投資開發有限公司, "Duyun Development") to construct a road in Duyun, the PRC. In accordance with the contract, the Group is required to provide financing amounting to RMB150.00 million to Duyun Development, which bear interest at bank lending rate plus 2% per annum. This financing will be repaid in three stages: 50% will be repaid while the project reaches a completion of percentage of 95%; 25% will be repaid 12 months after the completion of the project and the remaining 25% will be repaid 24 months after the completion of the project. This receivable is secured by certain land use rights amounted to RMB150 million in Duyun Economic Development Zone.

On 26 January 2014, the Group entered into a construction contract with Luoyang Zhongmai Ruiyang Home Co., Ltd. (洛陽中邁瑞陽置業有限公司, "Zhongmai Ruiyang"). In accordance with the contract terms, the Group is required to provide financing amounting to RMB800.00 million at an interest rate of 12% per annum. On 28 May 2014 and 15 December 2015, the Group has provided RMB300 million and RMB60 million to Zhongmai Ruiyang. As of 31 December 2015, RMB360 million has been provided. The receivables will be due within 3 years since money is provided.

On 1 April 2014, the Group entered into a construction contract with Jiangxi Beiguo Real Estate Development Company Limited (江西北國房地產開發有限公司, "Beiguo Real Estate") to undertake a land development project. In accordance with the contract, the Group is required to provide financing amounting to RMB150.00 million to Beiguo Real Estate at an interest rate of 15% per annum. As at 31 December 2015, RMB150 million has been provided and the construction work has not commenced and this balance will be collected once the proprietor gets loans from bank.

## 23. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(ii) The financing provided to proprietors mainly comprised of the following: (continued)

On 14 April 2014, the Group entered into a construction contract with Huainan Zhongsheng Home Co., Ltd. (淮南中聖置業有限公司, "Zhongsheng Home") to provide project management service. In accordance with the contract terms, the Group is required to provide financing amounting to RMB450.00 million to Zhongsheng Home at an interest rate per annum of 15% by adding an extra interest of amounting to RMB17.00 million. As at 31 December 2015, RMB450 million has been provided, the principle and the relevant interest receivables amounting to RMB580.75 million (interest included) has been secured by 100% of the equity interest of Zhongsheng Home.

On 27 July 2015, the Group entered a construction contract with Tianjin Jizhou New City Construction Investment Co., Ltd. (天津薊州新城建設投資有限公司, "Jizhou New City") to construct a resident area (Phase I) in Tianjin Jixian and undertake environment treatment of bridge reservoir. The amounts of the contract are respectively 471.04 million and 89.35 million, totally RMB560.39 million. In accordance with the contract terms, the Group is required to provide 20% of the winning bid to the project owner. The Group paid RMB118 million to Jizhou New City based on estimated contract amount and will receive interest at an interest rate of 8% (simple interest). After two months of the final acceptance of the construction, Jizhou New City will return the principal and interest at one-time. The project has a duration about 491 days and is expected to be completed in January 2017. The Group entered a guarantee agreement with Tianjin Guangcheng Investment Group Limited Co,. Ltd. (天津廣成投資集團有限公司) to secure such receivables.

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

(iv) The remaining non-current prepayments and other receivables mainly relate to financing providing to the proprietor and the quality assurance.

The carrying amounts of the current prepayments and other receivables approximate their fair value. As to the non-current portion, when discounted the future cash flow using the effective market rate, the fair value has no significant difference with the carrying amount.

## 23. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Ageing analysis of other receivables is as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **1,145,110** | 2,406,733 |
| Between 1 and 2 years | **1,417,440** | 621,797 |
| Between 2 and 3 years | **106,125** | 41,804 |
| Between 3 and 4 years | **29,938** | 31,424 |
| Between 4 and 5 years | **25,559** | 13,261 |
| Over 5 years | **67,333** | 60,686 |
| Other receivables – gross | **2,791,505** | 3,175,705 |
| Less: Provision for impairment | **(123,691)** | (95,300) |
| Other receivables – net | **2,667,814** | 3,080,405 |

As at 31 December 2015 and 2014, other receivables that were past due but not impaired relate to a number of independent customers with no recent history of default. The ageing analysis of these other receivables is as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **1,141,820** | 2,406,733 |
| Between 1 and 2 years | **1,251,124** | 549,361 |
| Between 2 and 3 years | **56,255** | 2,575 |
| Between 3 and 4 years | **1,877** | 3,873 |
| Between 4 and 5 years | **3,012** | 2,260 |
| Over 5 years | **2,171** | 1,912 |
| | **2,456,259** | 2,966,714 |

## 23. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Other receivables wholly or partially impaired are as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Impaired other receivables – gross | **335,246** | 208,991 |
| Provision for impairment | **(123,691)** | (95,300) |
| Impaired other receivables – net | **211,555** | 113,691 |

The ageing analysis of these impaired other receivables are as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **3,290** | – |
| Between 1 and 2 years | **166,316** | 72,436 |
| Between 2 and 3 years | **49,870** | 39,229 |
| Between 3 and 4 years | **28,061** | 27,551 |
| Between 4 and 5 years | **22,547** | 11,001 |
| Over 5 years | **65,162** | 58,774 |
| | **335,246** | 208,991 |

The movements of provision for impairment of other receivables are as follow:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| At the beginning of the year | **95,300** | 84,448 |
| Additions | **31,033** | 11,629 |
| Written off as uncollectible | **(438)** | – |
| Reversal | **(2,204)** | (777) |
| At the end of the year | **123,691** | 95,300 |

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

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Contract cost incurred plus recognised profit less recognised losses | **70,950,100** | 61,782,356 |
| Less: Progress billings | **(67,271,852)** | (55,107,394) |
| Contract work-in-progress | **3,678,248** | 6,674,962 |
| Representing: | | |
| Amounts due from customers for contract work | **4,103,701** | 6,978,035 |
| Less: Provision | **(5,167)** | (35) |
| Net amounts due from customers for contract work | **4,098,534** | 6,978,000 |
| Amounts due to customers for contract work | **(420,286)** | (303,038) |
| | **3,678,248** | 6,674,962 |

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Contract revenue recognised as revenue in the year | **10,740,412** | 12,363,279 |

## 25. INVENTORIES

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Raw materials | **131,750** | 241,774 |
| Work-in-process | **379,527** | 160,059 |
| Finished goods | **253,112** | 578,052 |
| Turnover materials and spare parts | **7,376** | 3,608 |
| | **771,765** | 983,493 |

The movement of provision for impairment of inventories is as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| At beginning of the year | **17,477** | 30,181 |
| Additions | **–** | 1,090 |
| Reversal | **(2,256)** | (11,463) |
| Written off | **–** | (2,331) |
| At end of the year | **15,221** | 17,477 |

The cost of inventories recognised as expense and included in "Cost of sales" amounted to RMB10,319 million and RMB8,261 million for the years ended 31 December 2015 and 2014, respectively.

## 26. RESTRICTED CASH

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Restricted cash | | |
| RMB | **608,491** | 213,387 |
| USD | **115,019** | – |
| | **723,510** | 213,387 |

Restricted cash mainly represents bank deposits secured for issue of letters of credit and notes payable.

The weighted average effective interest rates per annum on restricted cash, with maturities ranging from one to twelve months, was approximately 0.30% to 2.25% and 0.35% to 3.28% as at 31 December 2015 and 2014, respectively.

The maximum exposure to credit risk approximates the carrying amounts of the Group's restricted cash at the respective balance sheet dates.

## 27. TIME DEPOSITS

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Time deposits with initial term of over three months | | |
| RMB | **25,980** | 461,673 |
| USD | **–** | 299,831 |
| Others | **2,949** | – |
| | **28,929** | 761,504 |

The effective interest rates per annum on time deposits, with maturities ranging from three months to two years, approximately 1.82% to 2.90% and 2.85% to 3.3% as at 31 December 2015 and 2014, respectively.

The maximum exposure to credit risk approximates the carrying amounts of the Group's time deposits at the respective balance sheet dates.

## 28. CASH AND CASH EQUIVALENTS

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Cash at bank and in hand | **3,553,618** | 2,703,027 |
| Balances placed with Chinalco Finance Company Limited (i) | **1,265,982** | 1,294,225 |
| Short-term bank deposits | **28,192** | 210,605 |
| | **4,847,792** | 4,207,857 |

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Denominated in: | | |
| RMB | **4,587,047** | 3,408,661 |
| HKD | **87** | 47 |
| USD | **222,890** | 710,198 |
| Others | **37,768** | 88,951 |
| | **4,847,792** | 4,207,857 |

Note:

(i) Balances placed with Chinalco Finance Company Limited bear interest at prevailing market rates.

## 29. SHARE CAPITAL

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| Number of shares | **2,663,160,000** | 2,663,160,000 |
| Share capital (RMB'000) | **2,663,160** | 2,663,160 |

## 30. RESERVES

| | Attributable to equity owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Capital reserve RMB'000 | Statutory surplus reserve RMB'000 (i) | Available-for-sale financial assets RMB'000 | Remeasure-ments of post-employment benefit obligations RMB'000 | Special reserve RMB'000 (ii) | Currency translation differences RMB'000 | Other equity instruments RMB'000 (iii) | Retained earnings RMB'000 | Total RMB'000 |
| **At 1 January 2014 (restated)** | 790,872 | 60,290 | 7,656 | 102,763 | 30,531 | (1,030) | – | 2,688,263 | 3,679,345 |
| Profit for the year | – | – | – | – | – | – | – | 714,900 | 714,900 |
| Fair value gaines on available-for-sale financial assets, net of tax | – | – | 9,980 | – | – | – | – | – | 9,980 |
| Remeasurements of post-employment benefit obligations, net of tax | – | – | – | (26,973) | – | – | – | – | (26,973) |
| Currency translation differences | – | – | – | – | – | 5,080 | – | – | 5,080 |
| Acquisition of non-controlling interests | (5,858) | – | – | – | – | – | – | – | (5,858) |
| Capital contributions by non-controlling interest of the subsidiaries | 1,467 | – | – | – | – | – | – | – | 1,467 |
| Dividends to equity owners | – | – | – | – | – | – | – | (346,211) | (346,211) |
| Appropriation of special reserve | – | – | – | – | (8,741) | – | – | 8,741 | – |
| Appropriation of statutory surplus reserve | – | 53,169 | – | – | – | – | – | (53,169) | – |
| Transfer out capital researves on disposal of associates | (30,356) | – | – | – | – | – | – | – | (30,356) |
| Others | 382 | – | – | – | – | – | – | – | 382 |
| **At 31 December 2014 (restated)** | 756,507 | 113,459 | 17,636 | 75,790 | 21,790 | 4,050 | – | 3,012,524 | 4,001,756 |

## 30. RESERVES (Continued)

| | Attributable to equity owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Capital reserve RMB'000 | Statutory surplus reserve RMB'000 (i) | Available-for-sale financial assets RMB'000 | Remeasurements of post-employment benefit obligations RMB'000 | Special reserve RMB'000 (ii) | Currency translation differences RMB'000 | Other equity instruments RMB'000 (iii) | Retained earnings RMB'000 | Total RMB'000 |
| **At 1 January 2015 (restated)** | **756,507** | **113,459** | **17,636** | **75,790** | **21,790** | **4,050** | **-** | **3,012,524** | **4,001,756** |
| Profit for the year | - | - | - | - | - | - | - | 540,979 | 540,979 |
| Fair value losses on available-for-sale financial assets, net of tax | - | - | 9,807 | - | - | - | - | - | 9,807 |
| Reclassified to profit or loss on disposal of available-for-sale financial assets, net of tax | - | - | (27,443) | - | - | - | - | - | (27,443) |
| Remeasurements of post-employment benefit obligations, net of tax | - | - | - | (33,015) | - | - | - | - | (33,015) |
| Currency translation differences | - | - | - | - | - | 73,038 | - | - | 73,038 |
| Dividends to equity owners | - | - | - | - | - | - | - | (266,316) | (266,316) |
| Appropriation of special reserve | - | - | - | - | 1,704 | - | - | (1,704) | - |
| Appropriation of statutory surplus reserve | - | 17,167 | - | - | - | - | - | (17,167) | - |
| Issuing of perpetual medium-term notes | - | - | - | - | - | - | 190,129 | - | 190,129 |
| Contribution by other equity owners of associates | 11,625 | - | - | - | - | - | - | - | 11,625 |
| **At 31 December 2015** | **768,132** | **130,626** | **-** | **42,775** | **23,494** | **77,088** | **190,129** | **3,268,316** | **4,500,560** |

## 30. RESERVES (Continued)

Notes:

(i) Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, it is required to appropriate 10% of its net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the respective companies registered capital, any further appropriation is optional.

The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory surplus reserve is non-distributable.

(ii) Special reserve

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund for its engineering and construction contracting business. The fund can be used for improvements of safety at the worksite, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, an equivalent amount is transferred from safety fund to retained earnings.

(iii) Other equity instruments

On 23 July 2015, the Company registered in National Association of Financial Market Institutional Investors (中市協註[2015] MTN231), and issued a period of 3+N years perpetual bond. The initial coupon rate of perpetual bonds is 5.15%, the initial spread (2.31%) = initial coupon rate (5.15%) – benchmark interest rate (2.84%); annual dividend is to be paid on 24 July each year. Since the fourth interest calculation year, the Company should reset coupon rate every three years. The formula of resetting coupon rate is as follow: current coupon rate=current benchmark interest rate + initial spread(2.31%) + 3%. The current benchmark interest rate is the arithmetic mean of Treasury Bond yield with 3 years maturity periods as shown in China Bond inter-bank fixed rate Treasury Bond yield curve which is announced by China Bond information website (中國債券信息網) 5 workings days before the reset of coupon rate. The Company can choose to defer the interest payment with no restriction on times of deferral. If the Company declares profit distribution to shareholders or reduces registered capitals before interest payment date, the Company should not defer the current period interests and all interests and fruits which has already been deferred according to relevant terms.

As the Company declared profit distribution in respect of the year ended 31 December 2014 at the Annual General Meeting of shareholders in June 2015, and such dividends was paid in August 2015, the Company is then imposed to pay interests at the date of issuance of perpetual bonds. The Company has the obligation to pay the first period of interest on 23 July 2016. According to the IAS 32 Financial Instruments, this part of interests meet the definition of financial liabilities, and the present value of this part of the payment obligation is recognised as financial liabilities at the issuance date. Because the Company can defer the principal payment of perpetual bonds with no restriction, net amount arising from raising of such fund, deducting the amounts which is recorded as financial liabilities, are recognised as other equity instruments in the consolidated financial statements.

## 31. DEFERRED INCOME

Government grants mainly relate to purchase of plant, property and equipment conducted by the Group.

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| At beginning of the year | **99,209** | 97,066 |
| Additions | **13,146** | 17,741 |
| Charged to consolidated statements of comprehensive income | **(24,086)** | (15,598) |
| At end of the year | **88,269** | 99,209 |

## 32. CASH-SETTLED SHARE-BASED PAYMENTS

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. The exercise period of 33% of the SAR commences after a vesting period of two years and ends on a date which is not later than seven years from the date of grant of the SAR; the exercise period of 33% of the SAR commences after a vesting period of three years and ends on a date which is not later than seven years from the date of grant of the SAR; the exercise period of remaining 34% of the SAR commences after a vesting period of four years and ends on a date which is not later than seven years from the date of grant of the SAR.

## 32. CASH-SETTLED SHARE-BASED PAYMENTS (Continued)

The Board of the Directors of the Company granted approximately 21,326,365 of the SAR of the Company on 24 October 2013. The expiry date of the SAR is 23 October 2020. Movements in the number of the SAR granted by the Company during the year ended 31 December 2015 and 2014 are set out as follows:

| | For the year ended 31 December 2015<br>Number of units of SAR | | | | | | |
|---|---|---|---|---|---|---|---|
| **Category** | **Exercised price** | **Outstanding as at 1 January 2015** | **Granted during the year** | **Exercised during the year** | **Expired during the year** | **Forfeited during the year** | **Outstanding as at 31 December 2015** |
| Directors and senior management | **HKD2.83** | **2,206,666** | **–** | **–** | **–** | **(2,206,666)** | **–** |
| Management officers and key employees | **HKD2.83** | **17,289,269** | **–** | **–** | **–** | **(17,289,269)** | **–** |
| | | **19,495,935** | **–** | **–** | **–** | **(19,495,935)** | **–** |

| | For the year ended 31 December 2014<br>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 Group hired Towers Watson Consulting (Shenzhen) Co., Ltd., to assess the fair value of the stock appreciation rights. As of 31 December 2015, the Group anticipate not being able to achieve the performance appraisal conditions as original set up, such as return on net assets, revenue growth rate and operating margin rate etc. The stock appreciation rights granted by the Company is only effective when both the Group and individual performance appraisal conditions are met simultaneously for the year. As a result, the stock appreciation rights originally granted by the Company with the exercise period from 18 October 2017 to 17 October 2020 have lapsed.

## 32. CASH-SETTLED SHARE-BASED PAYMENTS (Continued)

The fair value of the SAR as at 31 December 2014 was determined using the binomial valuation model amounting to RMB0.6638 per unit. The significant inputs into the model were spot price HKD2.20 (equivalent approximately RMB1.74), as at 31 December 2014, 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 which are listed in HK main board and engaged in construction and engineering with the same business scale before 31 December 2014.

During 2015, based on above assessment, management reversed all liabilities in relation to this SAR (2014: the amount that was charged to the consolidated statements of comprehensive income was RMB0.79 million) (Note 15).

As at 31 December 2015, the total carrying amount of the liabilities arising from the SAR transaction included in other payables in the consolidated balance sheet amounting to nil (2014: RMB2.83 million). There was no exercise in 2015.

As at 31 December 2014, the weighted average remaining contractual life was 5.29 years. On 31 December 2015, all granted stock appreciation rights have lapsed.

## 33. 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 (Note 15).

The total cost charged to consolidated statements of comprehensive income during the years ended 31 December 2015 and 2014 are as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Contributions to state-managed retirement plans | **155,329** | 158,348 |

## 33. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

### (a) State-managed retirement plan (continued)

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

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Amounts due to state-managed retirement plans included in trade and other payables | **3,443** | 4,658 |

### (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 defined benefit plan of the Group has an average maturity period of 8.73 years and 8.67 years as at 31 December 2015 and 2014, respectively.

The amount of early retirement and supplemental benefit obligations recognised in the consolidated balance sheets is determined as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Current portion of defined benefits obligations | **137,190** | 128,118 |
| Non-current portion defined benefits obligations | **1,076,882** | 1,031,573 |
| Present value of defined benefits obligations | **1,214,072** | 1,159,691 |

## 33. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

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

The movements of the Group's early retirement and supplemental benefit obligations for each of the years ended 31 December 2015 and 2014 are as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| At beginning of the year | **1,159,691** | 1,237,200 |
| For the year | | |
| – interest expenses (Note 15) | **62,336** | 53,072 |
| – payment | **(120,788)** | (92,537) |
| – re-measurement losses | **39,356** | 36,497 |
| – past service cost (Note 15) | **73,187** | (75,006) |
| – current service cost (Note 15) | **290** | 465 |
| At end of the year | **1,214,072** | 1,159,691 |

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

## 33. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

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

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

(i) Discount rates adopted (per annum):

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Discount rate | **3.00%** | 3.75% |

(ii) Mortality: Average life expectancy of residents in the PRC;

(iii) Average medical expense increase rate: 8% for the employees who were retired before the date of 31 March 2011;

(iv) Cost of living adjustment (COLA) for beneficiaries: 4.5%;

(v) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

## 34. BORROWINGS

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Bank borrowings | | |
| – guaranteed by the Company to its subsidiaries | **999,800** | 580,000 |
| – secured by property, plant and equipment (i) | **12,000** | 22,000 |
| – secured by trade and notes receivables | **–** | 50,000 |
| – unsecured | **4,128,902** | 4,269,641 |
| Short-term bonds (ii) | | |
| – unsecured | **2,329,953** | 2,537,049 |
| Borrowings from related party (iii) | | |
| – unsecured (Note 44(b)) | **1,202,000** | 1,083,039 |
| | **8,672,655** | 8,541,729 |
| Less: non-current portion | **(1,210,935)** | (1,164,492) |
| Current portion | **7,461,720** | 7,377,237 |

Notes:

(i) As of 31 December 2015, the Group secured certain land use rights with net carrying amount of RMB4.8 million for borrowings amounting to RMB12 million (Note 17).

(ii) Short-term bonds

The Group has issued the 2015-first tranche, 2015-second tranche, 2015-third tranche, 2015-fourth tranche and 2015-fifth tranche of non-public debt financing instruments on 10 February 2015, 21 May 2015, 24 July 2015, 5 November 2015 and 22 December 2015 with issuance amounts of RMB1,500 million, RMB500 million, RMB800 million, RMB500.00 million and RMB500.00 million and with maturity periods of 180 days, 180 days, 366 days, 366 days and 180 days, respectively. The unit par value is RMB100 with an interest rate of 5.05%, 5.05%, 4.7%, 4.15% and 4.15% per annum, respectively.

The Group has issued the 2015-first tranche and 2015-second tranche of short-term financing bonds on 2 September 2015 and 13 November 2015 with issuance amounts of RMB200.00 million and RMB300.00 million and with maturity periods of 366 days, respectively. The unit par value is RMB100.00 with an interest rate of 3.9% and 4% per annum, respectively.

The Company has issued the 2014-first tranche and 2014-second tranche of non-public debt financing instruments on 4 September 2014 and 5 December 2014 with issuance amounts of RMB2,000.00 million and RMB500.00 million and with maturity periods of 180 days, respectively. The unit par value is RMB100.00 with an interest rate of 5.5% and 4.9% per annum, respectively.

## 34. BORROWINGS (Continued)

Notes: (continued)

(ii) Short-term bonds (continued)

Outstanding bonds as at 31 December 2015 and 2014 are summarised as follows:

| | Face value (RMB'000)/ maturity | Effective interest rate | 31 December 2015 |
|---|---|---|---|
| 2015 short-term bonds | **800,000/2016** | **4.70%** | **820,586** |
| 2015 short-term bonds | **200,000/2016** | **3.90%** | **202,535** |
| 2015 short-term bonds | **500,000/2016** | **4.15%** | **503,343** |
| 2015 short-term bonds | **300,000/2016** | **4.00%** | **301,567** |
| 2015 short-term bonds | **500,000/2016** | **4.15%** | **501,922** |
| | | | **2,329,953** |

| | Face value (RMB'000)/ maturity | Effective interest rate | 31 December 2014 |
|---|---|---|---|
| 2014 short-term bonds | 500,000/2015 | 4.90% | 501,745 |
| 2014 short-term bonds | 2,000,000/2015 | 5.50% | 2,035,304 |
| | | | 2,537,049 |

(iii) On 24 August 2012, the Company and Chinalco Finance Company Limited ("Chinalco Finance"), a subsidiary of Chinalco, entered into a financial service agreement, pursuant to which Chinalco Finance has agreed to provide the Company 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 year ended 31 December 2015, the Group borrowed 1,270.00 million from Chinalco Finance and repaid RMB1,160.00 million. And all of the borrowings form Chinalco Finance will be repaid in 2016.

On 24 April 2015, the Group got an entrusted borrowing from Luoyang Institute amounting to RMB70.00 million at an interest rate of 5.4% per annum. This borrowing will be repaid on 23 April 2016. In addition, during year of 2015, the Group repaid the entrusted borrowing amounted to RMB70 million which was borrowed from Luoyang Institute in 2014.

On 28 February 2014, 30 December 2014 and 29 September 2015, the Group got entrusted borrowing from Guiyang Aluminium Magnesium Asset Management Co., Ltd (貴陽鋁鎂資產管理有限公司) amounting to RMB20.00 million, RMB22.00 million and RMB10.00 million, respectively, at an interest rate of 6.15%, 8% and 6.3% per annum, respectively. These principle and relevant interest will be repaid on 27 February 2016, 29 December 2016 and 28 September 2016, respectively. In addition, during year of 2015, the Group repaid the entrusted borrowing amounted to RMB10 million which was borrowed from Guiyang Aluminum Magnesium Asset Management Co., Ltd in 2014.

## 34. BORROWINGS (Continued)

At 31 December 2015 and 2014, the Group's borrowings were repayable as follows:

| | Bank borrowings | | Other borrowings | |
|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| Within 1 year | **3,951,768** | 4,000,188 | **3,509,952** | 3,377,049 |
| Between 1 and 2 years | **1,178,935** | 75,000 | **22,000** | 143,039 |
| Between 2 and 5 years | **10,000** | 841,453 | **–** | 100,000 |
| Over 5 years | **–** | 5,000 | **–** | – |
| | **5,140,703** | 4,921,641 | **3,531,952** | 3,620,088 |

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

| | At 31 December | |
|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 |
| RMB | **7,227,571** | 6,777,328 |
| USD (RMB equivalent) | **1,445,084** | 1,764,401 |
| | **8,672,655** | 8,541,729 |

The fair value of non-current borrowing of the Group are as following:

| | At 31 December 2015 | | At 31 December 2014 | |
|---|---|---|---|---|
| | **Carrying amount RMB'000** | **Fair value RMB'000** | Carrying amount RMB'000 | Fair value RMB'000 |
| Banking borrowing | **1,188,935** | **1,108,157** | 921,453 | 913,065 |
| Borrowings related parties | **22,000** | **20,322** | 243,039 | 248,569 |
| Total | **1,210,935** | **1,128,479** | 1,164,492 | 1,161,634 |

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.0% (2014: 5.6%) and are within level 2 of the fair value hierarchy.

The effective interest rates of borrowings are 2.20% to 8.00% and 2.93% to 9.00%as at 31 December 2015 and 2014, respectively.

## 34. BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

| | At 31 December | |
|---|---|---|
| | **2015** **RMB'000** | 2014 RMB'000 |
| – Expiring within one year | **9,826,920** | 9,750,775 |
| – Expiring beyond one year | **408,810** | 2,377,760 |
| | **10,235,730** | 12,128,535 |

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

## 35. TRADE AND OTHER PAYABLES

| | At 31 December | |
|---|---|---|
| | **2015** **RMB'000** | 2014 RMB'000 |
| **Trade and notes payable** | | |
| Trade payables | **7,624,363** | 8,564,957 |
| Notes payable | **476,465** | 773,928 |
| | **8,100,828** | 9,338,885 |
| **Other payables** | | |
| Payment in advance received from Duyun Company (i) | **–** | 441,731 |
| Advances from customers | **1,692,975** | 2,793,060 |
| Staff welfare payable | **101,446** | 113,558 |
| Tax payable | **269,050** | 340,114 |
| Deposit payable | **438,763** | 495,588 |
| Amounts to be paid by the Group on behalf of other parties | **251,751** | 305,124 |
| Amounts due to related parties | **79,092** | 58,279 |
| Others | **137,640** | 175,549 |
| | **2,970,717** | 4,723,003 |
| Total trade and other payables | **11,071,545** | 14,061,888 |
| Less: Non-current portion | **(1,431)** | (73,986) |
| Current portion | **11,070,114** | 13,987,902 |

## 35. TRADE AND OTHER PAYABLES (Continued)

Note:

(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 repayment from Duyun Company amounting to RMB400 million before the date of 31 December 2013. Included in the non-current portion of trade and other payables amounting to nil and RMB73.62 million as at 31 December 2015 and 2014, respectively, comprised of the payment in advance and its corresponding interest. The Group requested for payment in advance in accordance with its financial risk management policy to better manage the credit risk. This effective interest rate of the payment in advance approximately 4.12% and the advance repayment has been settled in 2015.

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

Ageing analysis of trade payables is as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **5,131,263** | 5,893,027 |
| Between 1 and 2 years | **1,331,979** | 1,797,147 |
| Between 2 and 3 years | **708,740** | 497,590 |
| Over 3 years | **452,381** | 377,193 |
| | **7,624,363** | 8,564,957 |

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

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| RMB | **10,666,242** | 11,937,343 |
| USD | **371,176** | 1,977,847 |
| Others | **34,127** | 146,698 |
| | **11,071,545** | 14,061,888 |

## 36. CURRENT AND DEFERRED TAXATION

Deferred income tax assets and liabilities recognised:

The analysis of deferred income tax assets and liabilities is as follows:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| | | (Restated) |
| Deferred income tax assets: | | |
| – Deferred income tax assets to be recovered after more than 12 months | **285,053** | 338,318 |
| – Deferred income tax assets to be recovered within 12 months | **96,197** | 19,667 |
| | **381,250** | 357,985 |
| Deferred income tax liabilities: | | |
| – Deferred income tax liabilities to be settled after more than 12 months | **–** | – |
| – Deferred income tax liabilities to be settled within 12 months | **(629)** | (919) |
| | **(629)** | (919) |
| Deferred income tax assets, net | **380,621** | 357,066 |

## 36. CURRENT AND DEFERRED TAXATION (Continued)

The gross movement on the deferred income tax account is as follows:

| | At 31 December | |
|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 (Restated) |
| At the beginning of the year | **357,066** | 322,960 |
| Charged to equity for fair-value change of available-for-sale financial assets | **3,112** | (1,761) |
| Tax in relation to capital contributions by other equity owners of associate | **(3,875)** | – |
| Charged to equity for remeasurements of post-employment benefit obligations | **7,874** | 9,047 |
| Tax credited to the consolidated statements of comprehensive income (Note 11) | **16,444** | 26,820 |
| At the end of the year | **380,621** | 357,066 |

## 36. CURRENT AND DEFERRED TAXATION (Continued)

The movement in deferred income tax assets/(liabilities) during the years ended 31 December 2015 and 2014 without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

### Deferred income tax assets

| | Tax losses RMB'000 | Provision for retirement and other supplemental benefit obligation RMB'000 | Provision for impairment of assets RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2014 (restated) | 24,653 | 272,407 | 100,250 | 25,725 | 423,035 |
| (Credited)/charged to the consolidated statements of comprehensive income | (9,769) | (28,212) | 63,921 | (4,001) | 21,939 |
| Charged to equity for Remeasurements of post-employment benefit obligations | – | 9,047 | – | – | 9,047 |
| At 31 December 2014 (restated) | 14,884 | 253,242 | 164,171 | 21,724 | 454,021 |
| Charged/(credited) to the consolidated statements of comprehensive income | **29,350** | **(1,734)** | **(12,593)** | **(2,399)** | **12,624** |
| Charged to equity for remeasurements of post-employment benefit obligations | **–** | **7,874** | **–** | **–** | **7,874** |
| **At 31 December 2015** | **44,234** | **259,382** | **151,578** | **19,325** | **474,519** |

## 36. CURRENT AND DEFERRED TAXATION (Continued)

### Deferred income tax liabilities

| | Excess of carrying value of assets over tax bases arising from business combination | Change in fair value of available-for-sale financial assets | Unrealized earnings of long-term investments | Others | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2014 (restated) | 90,116 | 1,351 | 8,608 | – | 100,075 |
| (Credited)/charged to the consolidated statements of comprehensive income | (6,315) | – | (3,209) | 4,643 | (4,881) |
| Charged/(credited) to equity for fair-value change of available-for-sale financial assets | – | 1,761 | – | – | 1,761 |
| At 31 December 2014 (restated) | 83,801 | 3,112 | 5,399 | 4,643 | 96,955 |
| (Credited)/charged to the consolidated statements of comprehensive income | **(11,249)** | **–** | **(283)** | **7,712** | **(3,820)** |
| (Credited)/charged to equity for fair-value change of available-for-sale financial assets | **–** | **(3,112)** | **–** | **–** | **(3,112)** |
| Charged to equity for tax in relation to capital contributions by other equity owners of associate | **–** | **–** | **3,875** | **–** | **3,875** |
| **At 31 December 2015** | **72,552** | **–** | **8,991** | **12,355** | **93,898** |

Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related income tax benefit through the future taxable profit is probable. In accordance with the relevant tax law applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. The Group did not recognise deferred income tax assets of RMB11.46 million and RMB0.92 million in respect of tax losses amounting to RMB63.65 million and RMB3.67 million as at 31 December 2015 and 2014, respectively, as management believes it is more likely than not that such tax losses would not be realised before they expire. The tax loss for which no deferred income tax assets recognised mentioned would be expired respectively on 2019 and 2020.

## 37. DIVIDENDS PAYABLE

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| **Dividends payable:** | | |
| Acquisition of subsidiary under non-common control | **306** | 2,542 |
| Dividends declared to non-controlling interest | **1,961** | 1,961 |
| Equity owners of the subsidiaries before transferred to the Group pursuant to the reorganisation before Listing (i) | **53,080** | 53,080 |
| | **55,347** | 57,583 |

Note:

(i) The payment plan of the dividends payable to the then equity owners of subsidiaries prior to the transfer to the Group pursuant to the reorganisation, amounting to RMB53.08 million has not yet to be agreed between the subsidiary and the then equity owner as at 31 December 2015 and 2014.

## 38. SENIOR PERPETUAL SECURITIES

On 22 February 2014, the Group's wholly owned subsidiary Chalieco Hong Kong Co., Ltd (the "Issuer") issued senior perpetual capital securities (the "Senior Perpetual Securities") callable in and after 2017, with a total amount of USD 300 million. 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 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.

The Senior Perpetual Securities, with an aggregation of principal amount of USD 300 million, plus profit belonged to holders of the senior perpetual securities and deducted by dividend paid for the year ended 31 December 2015, are recorded as non-controlling interests amounted to RMB1,868 million.

## 39. COMMITMENTS

### (a) Capital commitments

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

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Contracted but not provided for | | |
| – Property, plant and equipment | **3,280** | 151,754 |
| – Investment (i) | **811,700** | 1,223,800 |
| Authorised but not contracted for | | |
| – Property, plant and equipment | **15,000** | 8,800 |
| | **829,980** | 1,384,354 |

Note:

(i) As at 9 October 2014, Chalieco Hong Kong Co., Ltd (中鋁國際香港有限公司) (hereinafter "Chalieco HK"), as a limited partner, and Shanghai Ample Harvest Equity Management Company Limited (上海豐實股權管理有限公司) (hereinafter "Harvest Equity"), as a general partner, signed a partnership agreement to set up a limited partnership, named Shanghai Chalieco Fengyuan Equity Investment Fund Partnership (Limited Partner) (上海中鋁豐源股權投資基金合夥企業（有限合夥）, "Fengyuan"). According to the contract, Chalieco HK is required to subscribe USD200 million, representing 99.95% of the limited partnership subscription, which has been paid amounted to USD75 million as of 31 December 2015.

### (b) Operating leasing commitments

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as following:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **5,459** | 4,216 |
| Between 1 year to 5 years | **9,866** | 2,258 |
| Total | **15,325** | 6,474 |

## 40. CASH GENERATED FROM OPERATIONS

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| **Profit before taxation** | **861,627** | 1,084,381 |
| Adjustment for: | | |
| Provision for impairment of trade and other receivables | **78,745** | 273,097 |
| Provision for inventories | **(2,256)** | (10,373) |
| Provision for amounts due from customers for contract work | **5,132** | 23 |
| Depreciation of property, plant and equipment | **123,587** | 132,736 |
| Depreciation of investment properties | **2,845** | 1,182 |
| Amortisation of intangible assets | **57,157** | 39,391 |
| Amortisation of land use rights | **21,421** | 20,853 |
| Amortisation of other non-current asset | **2,298** | 2,048 |
| Net gains on disposal of property, plant and equipment | **(3,481)** | (22,242) |
| Interest income | **(323,608)** | (311,982) |
| Interest expense | **451,437** | 512,466 |
| Net foreign exchange gains | **43,079** | (64,381) |
| Share of profit of investment accounted for using the equity method | **(20,152)** | (14,997) |
| Dividend income from available-for-sale financial assets | **(1,405)** | (1,962) |
| Gains on disposal of shares of an associate | **–** | (104,437) |
| Gains on disposal of available-for-sale financial assets | **(35,813)** | – |
| Interest received from short-term investment | **(20,822)** | (10,643) |
| Government grant | **(3,615)** | (15,598) |
| **Cash flows from operating activities before changes in working capital** | **1,236,176** | 1,509,562 |
| Changes generated in working capital | | |
| – Inventories | **213,984** | (136,323) |
| – Contract work-in-progress | **2,991,582** | (988,473) |
| – Trade and other receivables | **(1,294,150)** | (3,010,411) |
| – Early retirement and other supplemental benefit obligations | **45,309** | (89,006) |
| – Trade and other payables | **(3,255,412)** | 1,945,154 |
| – Restricted cash and time deposits | **(222,452)** | 26,291 |
| **Cash used in operations** | **(284,963)** | (743,206) |

## 41. CONTINGENCIES

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

## 42. FINANCIAL GUARANTEE

As described in the Note 20(b), the Company is required to take the responsibility of paying the outstanding balance of the principle or 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 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 obligation.

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at the date 31 December 2015, the Company has direct and indirect interests in the following subsidiaries:

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| China Aluminum International Technology Development Co., Ltd. (中鋁國際技術發展有限公司) | The PRC/ 16 August 2006/ Limited liability company | 60,000 | 100% | – | – | Technical Service/ The PRC | (ii) | (ii) |
| China Aluminum International Engineering & Equipment Co., Ltd. (中鋁國際工程設備有限公司) | The PRC/ 2 November 2010/ Limited liability company | 200,000 | 100% | – | – | Engineering & Equipment/ The PRC | (ii) | (ii) |
| Duyun Development Zone Tongda Construction Co., Ltd. (都勻開發區通達建設有限公司) | The PRC/ 27 January 2011/ Limited liability company | 230,000 | 50% | 50% | – | Construction/ The PRC | (ii) | (ii) |
| Shenyang Aluminum & Magnesium Engineering Research Institute Co., Ltd. (瀋陽鋁鎂設計研究院有限公司) | The PRC/ 17 January 1991/ Limited liability company | 403,743 | 100% | – | – | Engineering & Research/ The PRC | (i) | (i) |
| Shenyang Boyu Science and Technology Co., Ltd. (瀋陽博宇科技有限責任公司) | The PRC/ 19 May 2003/ Limited liability company | 9,700 | – | 100% | – | Consulting & Engineering/ The PRC | (i) | (i) |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | **2015** |
| | | RMB'000 | | | | | | |
| Shenyang Beiding Estate Management Co., Ltd. (瀋陽北鼎物業管理有限責任公司) | The PRC/ 14 June 1999/ Limited liability company | 500 | – | 100% | – | Property Management/ The PRC | (i) | **(i)** |
| Shenyang Aluminum & Magnesium Technology Co., Ltd. (瀋陽鋁鎂科技有限公司) | The PRC/ 14 December 2006/ Limited liability company | 10,500 | – | 100% | – | Consulting & Engineering/ The PRC | (i) | **(i)** |
| Shenyang Aluminum & Magnesium Engineering & Research Institute Construction Supervision Co., Ltd. (瀋陽鋁鎂設計研究院建設監理有限公司) | The PRC/ 4 March 1994/ Limited liability company | 4,118 | – | 100% | – | Project Supervision/ The PRC | (i) | **(i)** |
| Shenyang Gina Advanced Materials Co., Ltd. (瀋陽金納新材料股份有限公司) | The PRC/ 6 December 2001/ Limited liability company | 40,000 | – | 58% | 42% | Manufacturing/ The PRC | (i) | **(i)** |
| Guiyang Aluminum and Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院有限公司) | The PRC/ 23 April 2010/ Limited liability company | 616,208 | 100% | – | – | Engineering & Research/ The PRC | (ii) | **(ii)** |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| Sixth Construction (Now known as Sixth Metallurgical Construction Company of China Nonferrous Metals Industry) (中國有色金屬工業第六冶金建設有限公司) | The PRC/ 1 March 1984/ Limited liability company | 376,815 | 100% | – | – | Construction/ The PRC | (i) | (i) |
| Twelfth Construction (Now known as China Nonferrous Metals Industry's Twelfth Metallurgical Construction Co., Ltd.) (中色十二冶金建設有限公司) | The PRC/ 31 May 1989/ Limited liability company | 503,419.4 | 100% | – | – | Construction/ The PRC | (i) | (i) |
| Aluminum International Shandong Construction Co., Ltd. (中鋁國際山東建設有限公司) | The PRC/ 13 October 2001/ Limited liability company | 102,900 | – | 100% | – | Construction/ The PRC | (i) | (i) |
| Changsha Institute (Now known as China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd.) (中國有色金屬長沙勘察設計研究院有限公司) | The PRC/ 17 October 1992/ Limited liability company | 50,730 | 100% | – | – | Engineering & Research/ The PRC | (i) | (i) |
| China Nonferrous Metals Processing Technology Co., Ltd. (中色科技股份有限公司) | The PRC/ 15 January 2002/ Limited liability company | 115.15 | 73.5% | – | 26.5% | Engineering & Equipment/ The PRC | (i) | (ii) |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| China Aluminum Great Wall Construction Co., Ltd. (中鋁長城建設有限公司) | The PRC/ 25 October 1979/ Limited liability company | 168,536 | 100% | – | – | Construction/ The PRC | (i) | (i) |
| Chalieco (Tianjin) Construction Co., Ltd. (中鋁國際(天津)建設有限公司) | The PRC/ 25 December 2006/ Limited liability company | 143,000 | 100% | – | – | Construction/ The PRC | (i) | (i) |
| Guiyang Aluminum and Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院工程承包有限公司) | The PRC/ 8 April 2010/ Limited liability company | Registered Capital: 100,000 Paid Capital: 2,881.8 | – | 100% | – | Engineering & Research/ The PRC | (ii) | (ii) |
| Guiyang Zhenxing Aluminum & Magnesium Technological Development Co., Ltd. (貴陽振興鋁鎂科技產業發展有限公司) | The PRC/ 30 April 1998/ Limited liability company | 30,000 | – | 100% | – | Engineering & Research/ The PRC | (ii) | (ii) |
| Guizhou Light Metal Innovation Research and Equipment Process Co., Ltd. (貴州創新輕金屬工藝裝備工程技術研究中心有限公司) | The PRC/ 30 April 2010/ Limited liability company | 5,000 | – | 100% | – | Research & Equipment/ The PRC | (ii) | (ii) |
| Guiyang Xinyu Construction Supervision Co., Ltd. (貴陽新宇建設監理有限公司) | The PRC/ 25 June 1994/ Limited liability company | 13,420 | – | 100% | – | Project Supervision/ The PRC | (ii) | (ii) |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | RMB'000 | Direct held | Indirect held | | | 2014 | 2015 |
| Suzhou Engineering & Research Institute for Nonferrous Metal Research Co., Ltd. (蘇州有色金屬研究院有限公司) | The PRC/ 2 December 2002/ Limited liability company | 99,130 | 40.35% | 43.84% | 15.81% | Engineering & Research/ The PRC | (i) | (ii) |
| Luoyang Jincheng Construction Supervision Co., Ltd. (洛陽金誠建設監理有限公司) | The PRC/ 5 March 2002/ Limited liability company | 5,000 | – | 73.5% | 26.5% | Project Supervision/ The PRC | (i) | (ii) |
| Suzhou Nonferrous Metal Materials Deyuan Environmental Protection Co., Ltd. (蘇州中色德源環保科技有限公司) | The PRC/ 16 August 2012/ Limited liability company | 25,000 | – | 47.27% | 52.73% | Engineering & Research/ The PRC | (i) | (ii) |
| China Nonferrous Metals Industry's 6th Metallurgical Luoyang Mechanical and Electrical Installation Co., Ltd. (中國有色金屬工業六冶洛陽機電安裝有限公司) | The PRC/ 1 March 1989/ Limited liability company | 16,598 | – | 100% | – | Construction/ The PRC | (i) | (i) |
| Shenzhen Changkuan Investigation and Design Co., Ltd. (深圳市長勘勘察設計有限公司) | The PRC/ 10 June 2001/ Limited liability company | 15,020 | – | 100% | – | Engineering & Research/ The PRC | (i) | (i) |
| Hainan Changkan Investigation and Design Co., Ltd. (海南長勘勘察設計有限公司) | The PRC/ 8 November 2001/ Limited liability company | 9,062 | – | 100% | – | Engineering & Research/ The PRC | (i) | (i) |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| Changsha Nonferrous Metallurgical Design Institute Co., Ltd. (長沙有色冶金設計研究院有限公司) | The PRC/ 18 November 1991/ Limited liability company | 462,838 | 100% | – | – | Design & Engineering/ | (i) | (i) |
| Hunan Huachu Machinery Co., Ltd. (湖南華楚機械有限公司) | The PRC/ 17 October 2007/ Limited liability company | 4,500 | – | 100% | – | Engineering & Equipment/ The PRC | (i) | (i) |
| Hunan Huachu Engineering Construction, Consultancy and Supervision Co., Ltd. (湖南華楚工程建設諮詢監理有限公司) | The PRC/ 29 March 1993/ Limited liability company | 6,000 | – | 100% | – | Project Supervision/ The PRC | (i) | (i) |
| Hunan Changye Construction Drawing Examination Co., Ltd. (湖南長冶建設工程施工圖審查有限公司) | The PRC/ 18 January 2005/ Limited liability company | 3,300 | – | 100% | – | Construction Drawing Examination/ The PRC | (i) | (i) |
| China Nonferrous Metals Industry Sixth Metallurgical Mechanical and Electrical Installation Co., Ltd. (中國有色金屬工業六冶機電安裝有限公司) | The PRC/ 16 August 1984/ Limited liability company | 11,173 | – | 100% | – | Construction/ The PRC | (i) | (i) |
| Liaoning Sixth Metallurgical Construction Co., Ltd. (遼寧六冶建設有限公司) | The PRC/ 23 September 2011/ Limited liability company | 20,000 | – | 100% | – | Construction/ The PRC | (i) | (i) |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| Sixth Metallurgica (Zhengzhou) Technology Heavy Industry Co., Ltd (六冶(鄭州)科技重工有限公司) | The PRC/ 25 October 2012/ Limited liability company | 50,000 | – | 100% | – | Engineering & Equipment/ The PRC | (i) | (i) |
| Suzhou Nonferrous Metal Materials Science and Technical Development Co., Ltd (蘇州中色金屬材料科技有限公司) | The PRC/ 21 September 2011/ Limited liability company | 40,000 | – | 76.71% | 23.29% | Engineering & Equipment/ The PRC | (i) | (ii) |
| Huachu High-Tech (Hunan) Co., Ltd (華楚高新科技(湖南)有限公司) | The PRC/ 17 October 2011/ Limited liability company | 35,000 | – | 100% | – | Engineering & Research/ The PRC | (i) | (i) |
| Chinalco Huada High-Tech Co., Ltd. (中鋁華大科技股份有限公司) | The PRC/ 9 December 2011/ Limited liability company | Registered Capital: 53,000 Paid Capital: 20,944 | – | 76% | 24% | Engineering & Research/ The PRC | (ii) | (ii) |
| China Nonferrous Metals Industry's Twelfth Metallurgical Construction(Liaoning) Co., Ltd. (中色十二冶金建設(遼寧)有限公司) | The PRC/ 23 September 2011/ Limited liability company | 20,000 | – | 100% | – | Construction/ The PRC | (i) | (i) |
| Beijing Huayu Aerospace Control High-Tech Co., Ltd. (北京華宇天控科技有限公司) | The PRC/ 26 October 2011/ Limited liability company | 17,500 | – | 60% | 40% | Engineering & Research/ The PRC | (i) | (i) |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| Wenzhou Tonggang Construction Co., Ltd (溫州通港建設有限公司) | The PRC/ 2 October 2012/ Limited liability company | 30,000 | 93% | 7% | – | Construction/ The PRC | (i) | (i) |
| Wenzhou Tongrun Construction Co., Ltd (溫州通潤建設有限公司) | The PRC/ 21 December 2012/ Limited liability company | 100,000 | 60% | 40% | – | Construction/ The PRC | (i) | (i) |
| Chalieco Venezuela C.A (中鋁國際委內瑞拉股份有限公司) | The Venezuela/ 31 August 2012/ Limited liability company | USD10,000 | 100% | – | – | Construction/ The Bolivarian Republic of Venezuela | N/A | N/A |
| Chalieco Hongkong Co., Ltd (中鋁國際香港有限公司) | The PRC/ 10 December 2013/ Limited liability company | USD1 | 100% | – | – | Investment/ Hong Kong | (i) | (i) |
| Guizhou Shunan Mechanical and Electrical Equipment Company Limited (貴州順安機電設備有限公司) | The PRC/ 21 November 2012/ Limited liability company | Registered Capital: 31,000 Paid Capital: 31,980 | – | 100% | – | Engineering & Equipment/ The PRC | (ii) | (ii) |
| Shanghai Chalieco Equity Investment Partnership (Limited Partners) (上海中鋁豐源股權投資基金合夥企業(有限合夥)) | The PRC/ 9 October 2014/ Limited liability company | 1,224,812 | – | 99.95% | 0.05% | Trading/ The PRC | N/A | (i) |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| China Aluminuium International Engineering (India) Private Limited (中鋁國際工程(印度)私人有限責任公司) | The India/ 22 November 2012/ Private limited | USD1,000 | 99.99% | 0.01% | – | Construction/ The Republic of India | N/A | **N/A** |
| Panxian Grand Project Management Co., Ltd (盤縣浩宏項目管理有限公司) | The PRC/ 20 October 2014/ Limited liability company | 1,000 | – | 30% | 70% | Land Development, Project Development/ The PRC | N/A | **(i)** |
| Henan Sixth Metallurgical Trading Co., Ltd. (河南六冶貿易有限公司) | The PRC/ 24 March 2015/ Limited liability company | 500 | – | 100% | – | Construction Materials Wholesale/ The PRC | N/A | **(i)** |
| Henan Sixth Metallurgical Leasing Co., Ltd. (河南六冶租賃有限公司) | The PRC/ 24 March 2015/ Limited liability company | 500 | – | 100% | – | Construction Engineering Machinary and Equipment Leasing/ The PRC | N/A | **(i)** |
| China Aluminum International Logistics(Tianjin) Co,. Ltd. (中鋁國際物流(天津)有限公司) | The PRC/ 10 April 2015/ Limited liability company | Registered Capital: 50,000 Paid Capital: 35,000 | – | 100% | – | Trading/ The PRC | N/A | **(ii)** |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| Tianjin Giants Building Services Co., Ltd. (天津勁旅建築勞務有限公司) | The PRC/ 1 April 2015/ Limited liability company | 200 | – | 100% | – | Construction Labour Contract/ The PRC | N/A | (i) |
| Shenyang Century Huatong Properties Co., Ltd. (沈陽世紀華通置業有限公司) | The PRC/ 25 December 2015/ Limited liability company | 40,000 | – | 65% | 35% | Real Estate Development/ The PRC | N/A | N/A |
| China Aluminum International Investment Management (Shanghai) Co., Ltd. (中鋁國際投資管理(上海)有限公司) | The PRC/ 14 May 2015/ Limited liability company | 1,255,210 | 5.06% | 94.94% | – | Trading/ The PRC | N/A | (i) |
| Changsha Tongxiang Construction Co., Ltd (長沙通湘建設有限公司) | The PRC/ 11 November 2013/ Limited liability company | 25,000 | 40% | 60% | – | Construction/ The PRC | (i) | (i) |
| Pingyang Tongyuan Construction Co., Ltd (平陽通源建設有限公司) | The PRC/ 6 August 2013/ Limited liability company | 20,000 | 90% | 10% | – | Construction/ The PRC | (i) | (i) |
| Wenzhou Tongyang Construction Co., Ltd (溫州通洋建設有限公司) | The PRC/ 19 August 2013/ Limited liability company | 10,000 | 80% | 20% | – | Construction/ The PRC | N/A | N/A |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| Wenzhou Tonghui Construction Co., Ltd (溫州通匯建設有限公司) | The PRC/ 18 October 2013/ Limited liability company | 30,000 | 90% | 10% | – | Construction/ The PRC | (i) | (i) |
| China Nonferrous Metals Industry's Twelfth Metallurgical Chongqing Energy Savings Technology Co., Ltd. (中色十二冶金重慶節能科技有限公司) | The PRC/ 25 June 2013/ Limited liability company | 18,000 | – | 66.67% | 33.33% | Engineering & Research/ The PRC | (i) | (i) |
| Shanxi Nonferrous Metal Twelfth Metallurgical Supplies Co., Ltd. (山西中色十二冶物貿有限公司) | The PRC/ 16 August 2013/ Limited liability company | 15,000 | – | 100% | – | Engineering & Equipment/ The PRC | (i) | (i) |
| Yunnan Kunye Construction and Development Co., Ltd. (雲南昆冶建設發展有限公司) | The PRC/ 12 August 2013/ Limited liability company | 9,000 | – | 51% | 49% | Construction/ The PRC | (i) | (i) |
| China Aluminum Leaders Engineering Limited (中鋁澧得建筑工程(蘇州)有限公司) | The PRC/ 9 December 2013/ Limited liability company | 8,000 | 73.50% | – | 26.50% | Construction/ The PRC | (i) | (i) |
| Guizhou Chenhuida Mining Design Company Limited (貴州晨輝達礦業工程設計有限公司) | The PRC/ 27 September 2006/ Limited liability company | 3,000 | – | 100% | – | Engineering & Research/ The PRC | (ii) | (ii) |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| Zhuhai Xinfeng Mechanical and Electrical Equipment Company Limited (珠海新峰機電設備有限公司) | The PRC/ 26 September 2003/ Limited liability company | 20,000 | – | 100% | – | Engineering & Equipment/ The PRC | (ii) | **(ii)** |
| Guizhou Yundu Properties Company Limited (貴州匀都置業有限公司) | The PRC/ 7 Janurary 2013/ Limited liability company | 128,000 | – | 100% | – | Property Management/ The PRC | (ii) | **(ii)** |
| Guangxi Tongrui Investment Construction Co., Ltd. (廣西通鋭投資建設有限公司) | The PRC/ 5 December 2013/ Limited liability company | Registered Capital: 400,000 Paid Capital: 250,000 | 100% | – | – | Construction/ The PRC | (i) | **(i)** |
| Beijing Zichen Investment & Development Co., Ltd. (北京紫宸投資發展有限公司) | The PRC/ 25 February 2014/ Limited liability company | 28,000 | 100% | – | – | Construction/ The PRC | (i) | **(ii)** |
| Shanxi Huachu Mining Co., Ltd. (山西華楚礦山工程有限公司) | The PRC/ 21 March 2014/ Limited liability company | 1,000 | – | 100% | – | Construction/ The PRC | N/A | **N/A** |
| Hunan Tongdu Investment & Development Company Limited (湖南通都投資開发有限公司) | The PRC/ 21 January 2014/ Limited liability company | 10,000 | 60% | 40% | – | Construction/ The PRC | (i) | **(i)** |

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place and date of incorporation/ establishment and type of legal entity | Registered and fully paid capital | Effective interest held | | Proportion of ordinary shares held by non-controlling interests | Principal activities and place of operation | Statutory auditors | |
|---|---|---|---|---|---|---|---|---|
| | | | Direct held | Indirect held | | | 2014 | 2015 |
| | | RMB'000 | | | | | | |
| China Aluminum Huaheng High-Tech Technology (Hunan) Co., Ltd. (中鋁華亨高新科技(湖南)有限公司) | The PRC/ 6 March 2014/ Limited liability company | Registered Capital: 114,000 Paid Capital: 24,481 | – | 100% | – | Engineering & Equipment/ The PRC | N/A | N/A |
| Xinchengtong Investment Management (Tianjin) Co,. Ltd. (鑫誠通投資管理(天津)有限公司) | The PRC/ 3 April 2013/ Limited liability company | 50,000 | – | 40% | 60% | Financing Service/ The PRC | N/A | N/A |
| Xinchengtong Trading (Tianjin) Co., Ltd. (鑫誠通貿易(天津)有限公司) | The PRC/ 13 February 2014/ Limited liability company | 5,000 | – | 100% | – | Trading/ The PRC | (i) | (i) |
| Xinchengtong (Tianjin) Construction Engineering Co., Ltd. (鑫誠通(天津)建築工程有限公司) | The PRC/ 30 May 2014/ Limited liability company | 100 | – | 100% | – | Construction/ The PRC | (i) | (i) |
| China Aluminum International Shandong Chemical Trading Co., Ltd. (中鋁國際山東化工商貿有限公司) | The PRC/ 27 June 2014/ Limited liability company | 20,000 | – | 100% | – | Trading/ The PRC | (ii) | (ii) |
| Xi'an Haodong Properties Co., Ltd. (西安浩東置業有限責任公司) | The PRC/ 4 December 2014/ Limited liability company | 1,000 | – | 20% | 80% | Real Estate Development/ The PRC | N/A | (i) |

Notes:

(i) PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥))

(ii) Daxin Certificated Public Accountants LLP (大信會計師事務所(特殊普通合夥))

## 44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government, which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the "state-owned enterprises").

In accordance with IAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the years ended 31 December 2015 and 2014, and balances as at 31 December 2015 and 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.

## 44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Sales of goods or provision of service to: | | |
| – Ultimate holding company | **540** | 5,595 |
| – Associates of ultimate holding company | **390,084** | 2,237 |
| – Fellow subsidiaries | **1,313,351** | 1,457,044 |
| – A jointly controlled entity of ultimate holding company | **–** | 7,525 |
| | **1,703,975** | 1,472,401 |
| Purchase of goods and service from fellow subsidiaries | **119,857** | 66,932 |
| Rental expense | **8,333** | 6,958 |
| Borrowings from fellow subsidiaries | **1,350,000** | 882,000 |
| Borrowings from joint venture | **–** | 200,000 |
| Interest received from fellow subsidiaries | **9,437** | 6,819 |
| Interest paid to fellow subsidiaries | **44,593** | 33,733 |

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

## 44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Apart from transactions with Chinalco and its fellow subsidiaries and jointly controlled entity of ultimate holding company, the Group has transactions with other state-owned enterprises include but not limited to the following:

– Sales and purchase of goods and services;

– Purchase of assets;

– Lease of assets; and;

– Bank deposits and borrowings.

In the ordinary course of business, the Group sells goods and renders services to, and purchase goods and receives 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 deposits and loans are in accordance with terms as set out in the respective agreement, and the interest rates are set at prevailing market rates.

## 44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (b) Year end balances arising from Chinalco and its subsidiaries and jointly controlled entity

| | At 31 December | |
|---|---|---|
| | **2015** **RMB'000** | 2014 RMB'000 |
| **Trade receivables** | | |
| – Ultimate holding company | **770** | – |
| – Fellow subsidiaries | **1,374,040** | 1,817,515 |
| – Associates of ultimate holding company | **264,450** | 4,277 |
| – A jointly controlled entity of ultimate holding company | **–** | 6,028 |
| | **1,639,260** | 1,827,820 |
| **Prepayments to suppliers** | | |
| – Fellow subsidiaries | **3,238** | 1,077 |
| **Other receivables** | | |
| – Fellow subsidiaries | **45,338** | 42,037 |
| – Associates of ultimate holding company | **2,825** | – |
| | **48,163** | 42,037 |
| **Trade payables** | | |
| – Fellow subsidiaries | **117,254** | 105,658 |
| **Advance from customers** | | |
| – Fellow subsidiaries | **100,593** | 94,247 |
| – Associates of ultimate holding company | **11,813** | – |
| | **112,406** | 94,247 |
| **Other payables** | | |
| – Ultimate holding company | **1,535** | – |
| – Fellow subsidiaries | **73,042** | 58,279 |
| – Associates of ultimate holding company | **4,515** | – |
| | **79,092** | 58,279 |
| **Borrowings** | | |
| – Fellow subsidiaries (Note 34) | **1,202,000** | 883,039 |
| – Joint venture (Note 34) | **–** | 200,000 |
| | **1,202,000** | 1,083,039 |

## 44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (b) Year end balances arising from Chinalco and its subsidiaries and jointly controlled entity (continued)

Notes:

(i) Trade receivables, prepayments to suppliers and other receivables are unsecured, interest free and repayable on demand.

(ii) All trade receivables and payables will be settled accordingly to the terms agreed with the involved parties. The Group has acted as the guarantor mainly for various external borrowings made by certain fellow subsidiaries.

(iii) Trade payables, advance from customers 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.

### (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 for employee services is shown below:

| | At 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Salaries and other allowances | **2,090** | 1,749 |
| Discretionary bonus | **2,005** | 1,714 |
| Retired benefits | **429** | 368 |
| | **4,524** | 3,831 |

## 45. EVENTS AFTER THE BALANCE SHEET DATE

Other than the subsequent events disclosed below and elsewhere in the consolidated financial statements, no other significant subsequent events took place subsequent to 31 December 2015:

On 1 December 2015, the Company entered into an Equity Transfer Agreement with Shaanxi Jiuan Property Co., Ltd. (陝西久安房地產有限公司) to acquire 62.5% of equity shares in No.9 Metallurgical Construction Co., Ltd. As of the date of this report, the Company has not obtained substantial control over No.9 Metallurgical Construction Co., Ltd. and hence such acquisition has not been fully completed.

## 46. ULTIMATE HOLDING COMPANY

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.

## 47. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

### Balance sheet of the Company

| | As at 31 December | | As at 1 January |
|---|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 (Restated) | 2014 RMB'000 (Restated) |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **87,217** | 84,057 | 86,361 |
| Intangible assets | **4,938** | 7,365 | 10,266 |
| Land use rights | **168,165** | 174,298 | 180,431 |
| Investments in subsidiaries | **2,938,934** | 2,603,934 | 2,419,934 |
| Investments accounting for using equity method | **164,451** | 133,505 | 132,004 |
| Available-for-sale financial assets | **–** | – | 40,000 |
| Trade and notes receivables | **–** | – | 258,403 |
| Prepayments and other receivables | **1,770,480** | 1,035,200 | 408,003 |
| Deferred income tax assets | **45,431** | 63,765 | 23,891 |
| **Total non-current assets** | **5,179,616** | 4,102,124 | 3,559,293 |
| **Current assets** | | | |
| Inventories | **18,226** | 132,099 | 324,968 |
| Available-for-sale financial assets | **–** | 501,000 | 1,000 |
| Trade and notes receivables | **1,786,145** | 2,789,601 | 2,883,362 |
| Prepayments and other receivables | **4,100,058** | 5,197,268 | 1,928,242 |
| Amounts due from customers for contract work | **926,581** | 1,473,630 | 1,261,536 |
| Current income tax prepayments | **61,246** | 13,121 | 25,626 |
| Restricted cash | **–** | 6,308 | 89 |
| Time deposits | **–** | 74,000 | 30,000 |
| Cash and cash equivalents | **2,253,508** | 1,628,708 | 3,231,327 |
| **Total current assets** | **9,145,764** | 11,815,735 | 9,686,150 |
| **Total assets** | **14,325,380** | 15,917,859 | 13,245,443 |

## 47. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### Balance sheet of the Company (continued)

| | As at 31 December | | As at 1 January |
|---|---|---|---|
| | **2015** | 2014 | 2014 |
| | **RMB'000** | RMB'000 (Restated) | RMB'000 (Restated) |
| **Equity** | | | |
| Share capital | **2,663,160** | 2,663,160 | 2,663,160 |
| Reserves | **1,221,429** | 1,114,862 | 956,859 |
| **Total equity** | **3,884,589** | 3,778,022 | 3,620,019 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Retirement and other supplemental benefit obligations | **16,326** | 7,000 | 7,549 |
| Long term Borrowings | **852,935** | 801,453 | – |
| **Total non-current liabilities** | **869,261** | 808,453 | 7,549 |
| **Current liabilities** | | | |
| Short-term borrowings | **5,264,154** | 5,309,997 | 5,637,940 |
| Trade and other payables | **4,195,421** | 6,012,735 | 3,929,625 |
| Amounts due to customers for contract work | **107,106** | 8,354 | 49,992 |
| Retirement and other supplemental benefit obligations | **4,849** | 298 | 318 |
| **Total current liabilities** | **9,571,530** | 11,331,384 | 9,617,875 |
| **Total liabilities** | **10,440,791** | 12,139,837 | 9,625,424 |
| **Total equity and liabilities** | **14,325,380** | 15,917,859 | 13,245,443 |

The balance sheet of the Company was approved by the Board of Directors on 31 March 2016 and was signed on its behalf.

| **He Zhihui** | **Zhang Jian** |
|---|---|
| *Director* | *Director* |

## 47. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (a) Reserve movement of the Company

| | Attributable to equity owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Capital reserve RMB'000 | Statutory surplus reserve RMB'000 (i) | Remeasurements of post-employment benefit obligations RMB'000 | Retained earnings RMB'000 | Other equity instruments RMB'000 | Total RMB'000 |
| **At 1 January 2014 (restated)** | 876,148 | 60,290 | 6,316 | 14,105 | – | 956,859 |
| Profit for the year | – | – | – | 533,779 | – | 533,779 |
| Remeasurements of post-employment benefit obligations, net of tax | – | – | 791 | – | – | 791 |
| Dividends | – | – | – | (346,211) | – | (346,211) |
| Transfer out capital researves on disposal of associates | (30,356) | – | – | – | – | (30,356) |
| Appropriation of statutory surplus reserve | – | 53,169 | – | (53,169) | – | – |
| **At 31 December 2014 (restated)** | 845,792 | 113,459 | 7,107 | 148,504 | – | 1,114,862 |

## 47. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (a) Reserve movement of the Company (continued)

| | Attributable to equity owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Capital reserve RMB'000 | Statutory surplus reserve RMB'000 (i) | Remeasure-ments of post-employment benefit obligations RMB'000 | Retained earnings RMB'000 | Other equity instruments RMB'000 | Total RMB'000 |
| **At 1 January 2015 (restated)** | 845,792 | 113,459 | 7,107 | 148,504 | – | 1,114,862 |
| Profit for the year | – | – | – | 171,672 | – | 171,672 |
| Remeasurements of post-employment benefit obligations, net of tax | – | – | (543) | – | – | (543) |
| Dividends | – | – | – | (266,316) | – | (266,316) |
| Contribution by other equity owners of associates | 11,625 | – | – | – | – | 11,625 |
| Issuing of perpetual medium-term notes (Note 30(iii)) | – | – | – | – | 190,129 | 190,129 |
| Appropriation of statutory surplus reserve | – | 17,167 | – | (17,167) | – | – |
| **At 31 December 2015** | 857,417 | 130,626 | 6,564 | 36,693 | 190,129 | 1,221,429 |

## 47. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (a) Reserve movement of the Company (continued)

Notes:

(i) Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, it is required to appropriate 10% of its net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the respective companies registered capital, any further appropriation is optional.

The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory surplus reserve is non-distributable.

## 48. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2016.

# GLOSSARY OF TERMS

| | |
|---|---|
| "Articles of Association" or "Articles" | the articles of association of the Company, being adopted on 26 July 2011 |
| "Associate(s)" | has the meaning ascribed thereto in the Listing Rules |
| "Audit Committee" | the audit committee of the Board |
| "Chalco" | Aluminum Corporation of China Limited (中國鋁業股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and listed on New York Stock Exchange, Shanghai Stock Exchange and the Hong Kong Stock Exchange (stock code: 2600) and a subsidiary of Chinalco |
| "Changcheng Construction" | China Aluminum Great wall Construction Co., Ltd. (中鋁長城建設有限公司) |
| "Changkan Institute" | China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd. (中國有色金屬長沙勘察設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company |
| "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 |
| "Chinalco" | Aluminum Corporation of China (中國鋁業公司), a state-owned enterprise incorporated under the laws of the PRC and our Controlling Shareholder |
| "Chinalco Finance" | Chinalco Finance Company Limited |
| "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 |
| "Companies Ordinance" | the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |

| | |
|---|---|
| "Company" or "our Company", "Chalieco", "we", "us" or "our" | China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司), a joint stock limited company incorporated underthe laws of the PRC on 30 June 2011, and except where the context otherwise requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or (as the case may be) their respective predecessors |
| "Connected Person" | has the meaning ascribed thereto in the Listing Rules |
| "Connected Transaction" | has the meaning ascribed thereto in the Listing Rules |
| "controlling shareholders" | has the meaning ascribed thereto in the Listing Rules |
| "Domestic Shares" | ordinary shares of our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi |
| "Duyun Tongda" | Duyun Development Zone Tongda Construction Co., Ltd. (都勻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 & 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" | the Hong Kong Public Offering and the International Offering |
| "Group" | the Company and its subsidiaries |
| "H Share(s)" | the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of our Company, which are to be subscribed for and traded in HK dollars and for which an application has been made for the granting of listing, and permission to deal, on the Stock Exchange |
| "HK$" or "Hong Kong dollars" or "HK dollars" | Hong Kong dollars, the lawful currency of Hong Kong |
| "IFRS" | International Financial Reporting Standards issued by the International Accounting Standards Board |
| "International Accounting Standards" | the International Accounting Standards and its interpretation |
| "Latest Practicable Date" | 9 April 2016, being the latest practicable date prior to the printing of this annual report for containing certain information in annual report |

| | |
|---|---|
| "Listing" | listing of our H Shares on the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Luoyang Institute" | Luoyang Engineering & Research Institute for Nonferrous Metals Processing (洛陽有色金屬加工設計研究院), an enterprise incorporated in the PRC owned by the whole people, one of our Promoters and Shareholders |
| "Main Board" | the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange |
| "Ministry of Finance" | the Ministry of Finance of the People's Republic of China |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers |
| "Nomination Committee" | the Nomination Committee of the Board |
| "OFAC" | the U.S. Department of Treasury's Office of Foreign Assets Control |
| "PRC" or "China" or "People's Republic of China" | the People's Republic of China which excludes Hong Kong, Macau Special Administration Region of the PRC and Taiwan |
| "Promoter(s)" | our Promoters, being Chinalco and Luoyang Institute |
| "Prospectus" | the Prospectus issued on 22 June 2012 by the Company |
| "Province" or "province" | a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC |
| "Renminbi" or "RMB" | the lawful currency of the PRC |
| "Remuneration Committee" | the remuneration committee of the Board |
| "Risk Management Committee" | the Risk Management Committee of the Board |
| "SAMI" | Shenyang Aluminum & Magnesium Engineering & Research Institute Co., Ltd. (瀋陽鋁鎂設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company, and (when the context requires) its subsidiaries |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to Time |

| | |
|---|---|
| "Shandong Construction" | Aluminum International Shandong Construction Co., Ltd. (中鋁國際山東建設有限公司) |
| "Shareholder(s)" | holder(s) of our shares |
| "Shares" | shares in the share capital of the Company with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H 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 |
| "State Council" | the State Council of the People's Republic of China |
| "Stock Exchange" | the Stock Exchange of Hong Kong Limited |
| "subsidiaries" | has the meaning ascribed thereto in the Section 2 of the Companies Ordinance |
| "Supervisor(s)" | one (or all) of our supervisors |
| "Supervisory Board" | Supervisory Board of the Company |
| "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 |
| "United States" or "U.S." | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "U.S. dollars" or "US$" | United States dollars, the lawful currency of the United States |
| "Wenzhou Tonggang" | Wenzhou Tonggang Construction Co., Ltd. |
| "Wenzhou Tongrun" | Wenzhou Tongrun Construction Co., Ltd. |
| "No. 9 Metallurgical" or "No. 9 Metallurgical Construction" | No. 9 Metallurgical Construction Co., Ltd. |

# CORPORATE INFORMATION

## LEGAL NAME OF THE COMPANY

中鋁國際工程股份有限公司

## ENGLISH NAME OF THE COMPANY

China Aluminum International Engineering Corporation Limited

## 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

## 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

## COMPANY SECRETARIES

Mr. Wang Jun
Mr. Zhai Feng

## AUDIT COMMITTEE

Mr. Cheung Hung Kwong (Chairman)
Mr. Wang Jun
Mr. Fu Jun

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. He Zhihui (Chairman)
Mr. Sun Chuanyao
Mr. Fu Jun

## RISK MANAGEMENT COMMITTEE

Mr. He Zhihui (Chairman)
Mr. Fu Jun

## 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

## PRINCIPAL BANKERS

### China Construction Bank Corporation

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

### Bank of China Limited

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

### Bank of Communication Co., Ltd.

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

### China Minsheng Bank Corp., Ltd.

Beitaipingzhuang Sub-branch
No. 2–5, Xinjiekouwai Avenue
Xicheng District
Beijing
PRC

## H SHARE REGISTRAR

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

## STOCK CODE

02068

## INVESTORS' ENQUIRIES

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CHALIECO

中鋁國際工程股份有限公司

China Aluminum International Engineering Corporation Limited