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中 鋁 國 際 工 程 股 份 有 限 公 司

**China Aluminum International Engineering Corporation Limited**

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

**(Stock code: 2068)**

**CONTINUING CONNECTED TRANSACTIONS  
ENTERING INTO COMMODITIES SALES AND PURCHASES  
MASTER AGREEMENT  
GENERAL SERVICES MASTER AGREEMENT AND  
ENGINEERING SERVICES MASTER AGREEMENT**

References are made to the announcements of China Aluminum International Engineering Corporation Limited (the “**Company**”) dated 30 October 2014 and 22 August 2014 and the circular dated 11 September 2014 in relation to the entering into Commodities Sales and Purchases Master Agreement, General Services Master Agreement and Engineering Services Master Agreement between the Company and Aluminum Corporation of China (“**Chinalco**”), in order to meet the business needs of the Company and to arrange the management.

As the Commodities Sales and Purchases Master Agreement, General Services Master Agreements and Engineering Services Master Agreement entered into between the Company and Chinalco will expire on 31 December 2017, the Company entered into new Commodities Sales and Purchases Master Agreement, General Services Master Agreement, and Engineering Services Master Agreement with Chinalco on 20 March 2017 in order to meet the business needs and to arrange the management. The aforesaid Agreements shall be effective upon the approval at the annual general meeting, which shall be valid until 31 December 2019. The above agreements are renewable subject to agreement between both parties and in accordance with the Listing Rules.

## 1. COMMODITIES SALES AND PURCHASES MASTER AGREEMENT — PROVISION OF COMMODITIES BY THE COMPANY TO CHINALCO

**Parties:** Chinalco (as the purchaser); and the Company (as the supplier)

**Date:** 20 March 2017

**Major terms:** Pursuant to the Commodities Sales and Purchases Master Agreement entered into by the Company and Chinalco on 20 March 2017, thereby the Group may provide its products to Chinalco and/or its associates from time to time, as a part of equipment manufacturing business of the Group. These products primarily include equipment, raw materials and commodities for Chinalco's production operation.

The initial term of the Commodities Sales and Purchases Master Agreement shall commence from 1 January 2017 and shall expire on 31 December 2019, unless at any time either party gives at least three months' written notice in advance to the other party to terminate the agreement.

**Pricing policy:** (1) In determining the prices of raw materials, equipment and commodities, the Company would firstly make reference to the average market price. In the limited circumstances where a market price is unavailable, the Company will negotiate with Chinalco about the price based on arm's length basis with reference to costs plus a reasonable profit margin. The relevant cost includes raw materials, auxiliary materials, depreciation, labour, kinetics, tools, consumption of skills, repairments of equipment, management fees and finance fees. For the determination of reasonable profit margin, the Company mainly refers to the profit margin of same type of products provided by the independent third parties in the market in the corresponding period to ensure the price offered by the Company to Chinalco is not lower than other independent third parties. The Company will consider the price (costs plus a profit margin) only if it is commercially acceptable to us, meaning the overall price shall fall within our budget and allow us to meet our profit targets.

- (2) The market prices in the industry would be collected by our business department through the industry associations and independent suppliers. The Company would collect market information from at least three independent third parties to consider if the prices of the raw materials, equipment and commodities are fair and reasonable and in line with the market. Our business department staff would update the market information on a daily basis with reference to public industry websites, like Changjiang Non-ferrous Metals Website (<http://www.ccmn.cn>), Shanghai Metals Market (<http://www.smm.cn>) and China Aluminum Website (<http://www.cnal.com>), all of which are independent and timely reflect the market price in the view of the Board. Should the business department staff find the reference prices currently used internally outdated upon their assessment of the prices at the dates of the transactions, the business staff would submit an adjusted price to our senior management, including the vice president, for final review and approval.
  
- (3) For the products which have no alternatives available in the market, the prices would be determined after arm's length negotiation by both parties of the contract. The Company would make reference to the relevant historical prices of the products, and ensure that the terms of the products provided to Chinalco are fair and reasonable based on the principle of cost plus a fair and reasonable profit margin. With reference to the method in aforesaid (1), the expected profit margin of equipment to be provided to Chinalco and the expected profit margin of raw materials to be provided to Chinalco by the Company are both in line with the industry standard and no less favorable than the profit margin charged from independent third parties.

**Reasons for and benefits of the transactions:**

- (1) Chinalco may reduce the purchasing cost and the logistics cost through the on-site provision by the Company and its subsidiaries;
  
- (2) the Company have built up a long-term cooperation relationship with Chinalco with mutual understanding of the operation plans, quality control and certain special requirements of both parties; and
  
- (3) the prices and terms of the raw materials, equipment and products provided to Chinalco by the Company are no less favourable than those provided by the Company to independent third parties, therefore the provision of commodities to Chinalco by us generates profits for us.

## Historical figures and the proposed annual caps:

### *Historical amounts*

*Unit: RMB million*

	For the years ended		2016	As of
	31 December	2015		28 February
	2014	2015	2016	2017
Total transaction amounts of the raw materials, equipment and commodities provided to Chinalco and/or its associates by the Company under Commodities Sales and Purchases Master Agreement	134	231	468.66	30.63

### *Historical annual caps*

*Unit: RMB million*

	For the years ended 31 December			
	2014	2015	2016	2017
Total transaction amounts of the raw materials, equipment and commodities provided to Chinalco and/or its associates by the Company under Commodities Sales and Purchases Master Agreement	180	900	900	1,000

### *Proposed annual caps*

*Unit: RMB million*

	For the years ended 31 December		
	2017	2018	2019
Total transaction amounts of the raw materials, equipment and commodities provided to Chinalco and/or its associates by the Company under Commodities Sales and Purchases Master Agreement	600	700	800

**Basis for the caps:**

In determining the caps, the Company have primarily considered the following factors:

- (1) the historical prices of the raw materials, equipment and commodities provided to Chinalco by the Company in the past. The amounts of the continuing connected transaction of the Company actually proceeded from January to February 2017 represented a relatively small portion to the estimated amount cap for the year, mainly because it is a period for Chinese traditional holidays during January and February, a period of infrequent equipment maintenance and components replacement by Chinalco and its subsidiaries. As such, only a small actual amount was incurred in January and February. Nevertheless, the amount of business will continue to grow, starting from the second quarter.
- (2) the estimated increasing sales volume of products by taking into account macroeconomic conditions as well as the development strategies and business expansion plan of the Group.
- (3) the Company has increased, and will continue to increase, the production capacities of the equipment, and the Group has begun to enhance its business development efforts, resulting in a rapid growth of sales income, and the business with Chinalco and its associates also grew steadily by the same ratio.
- (4) The main businesses of the Company include equipment manufacturing business and trading business. As the main non-ferrous metal engineering service provider of Chinalco, upon completion of the constructions, the Company will supply the components and parts required in operating the production lines on an ongoing basis. With the increase in engineering service, the transaction amounts of this business are expected to increase to approximately RMB600 million, RMB700 million and RMB800 million in 2017, 2018 and 2019, respectively.

## 2. COMMODITIES SALES AND PURCHASES MASTER AGREEMENT — PROVISION OF COMMODITIES TO THE COMPANY BY CHINALCO

**Parties:** Chinalco (as supplier); and the Company (as purchaser)

**Date:** 20 March 2017

**Major terms:** In accordance with the Commodities Sales and Purchases Master Agreement entered into by the Company and Chinalco on 20 March 2017, Chinalco and/or its associates may provide products to the Group from time to time, including non-ferrous products, manufacturing equipments relating to non-ferrous industry, cement, engineering equipment and components.

The initial term of the Commodities Sales and Purchases Master Agreement shall commence from 1 January 2017 and shall expire on 31 December 2019, unless at any time either party gives at least three months' written notice in advance to the other party and as agreed by both parties to terminate the agreement.

**Pricing policy:**

- (1) When deciding the prices of commodities to be purchased from Chinalco, we would primarily make reference to the market prices. Our Company would collect market information by inviting certain suppliers appeared on the Group's recognized suppliers list to submit quotes or proposals before placing purchase orders to at least three independent third parties to consider if the prices of the commodities are fair and reasonable and in line with the market. Our business department staff would update the market information on a daily basis with reference to public industry websites, like Changjiang Non-ferrous Metals Website (<http://www.ccmn.cn>), Shanghai Metals Market (<http://www.smm.cn>) and China Aluminum Website (<http://www.cnal.com>), all of which are independent and timely reflect the market price in the view of the Board. Should the business department staff find the reference prices currently used internally outdated upon their assessment of the prices at the dates of the transactions, the business staff would submit an adjusted price to our senior management for final review and approval.
- (2) Negotiated by both parties based on the assessed value issued by a third appraisal institution.

- (3) In the limited circumstances where a comparable market fair value range is unavailable, we would negotiate with Chinalco to calculate the price on arm's length basis with reference to costs plus a reasonable profit margin. The relevant costs include costs of raw materials, equipment purchased or produced, labour cost and staff welfare expenses, electricity and other utilities costs, depreciation, cost of machinery maintenance, and sales and administration expenses and so on. Unit cost would be determined based on the above factors. Chinalco shall then charge us a profit rate based on arm's length negotiation on top of the unit cost. We would consider the profit rate (costs plus profit margin) only if it is commercially acceptable to us, meaning the overall price shall fall within our budget and allow us to meet our profit targets.

**Reasons for and benefits of the transactions:**

- (1) These commodities provided by Chinalco are readily available from independent third parties at similar terms. However, we had maintained and have been maintaining, and expect to continue to maintain, sound business relationships with Chinalco which is also familiar with our specific and special requirements for certain commodities.
- (2) In addition, as we provide engineering construction for Chinalco and purchase related goods from Chinalco and its manufacturing subsidiaries on a proximity basis, the Company will make use of the products such as aluminum busbars and carbon blocks from Chinalco and its manufacturing subsidiaries where the project is located at or nearby, and will apply such products to the projects undertaken by the Company to provide engineering services to Chinalco. In this way, the Company can effectively reduce its costs of purchasing and logistic with prices not higher than an independent third party. Transportation and administration costs can be saved so that the purchase price of the Company is not higher than the market price. The steady increase for the above annual caps corresponds with the increase of our existing engineering services provided to Chinalco during the same period.
- (3) The Group is following the national "One Belt, One Road" strategy to strengthen international capacity cooperation, and intends to export domestic equipments relating to non-ferrous industry overseas. In this respect, Chinalco, as the leading figure in non-ferrous industry, owns certain assets reserves.

- (4) The Group grasps opportunities from the national supply-side structural reform with very effort to promote and expand the application of aluminum materials actively, and by now we have developed various products such as aluminum alloy bridge, aluminum alloy shell for cell-phone, aluminum siding and aluminum template for construction use and aluminum integrated house. The main raw materials of the aforesaid products are aluminum alloys and aluminum profiles. Chinalco, as one of the major domestic manufacturers of aluminum alloy and aluminum profile, is the main supplier of these commodities required by the Company.

### Historical figures and the proposed annual caps:

#### *Historical amounts*

*Unit: RMB million*

	For the years ended		As of	
	2014	31 December 2015	2016	28 February 2017
Total transaction amounts of the commodities provided to the Company by Chinalco and/or its associates under Commodities Sales and Purchases Master Agreement	26	69	87.26	3.85

#### *Historical annual caps*

*Unit: RMB million*

	For the years ended 31 December			
	2014	2015	2016	2017
Total transaction amounts of the commodities provided to the Company by Chinalco and/or its associates under Commodities Sales and Purchases Master Agreement	180	70	160	160



*Proposed annual caps*

*Unit: RMB million*

	<b>For the years ended 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total transaction amounts of the commodities provided to the Company by Chinalco and/or its associates under Commodities Sales and Purchases Master Agreement	<u>1,800</u>	<u>1,400</u>	<u>1,400</u>

**Basis for the caps:**

The above proposed annual caps estimation is based on:

- (1) the historical prices of the commodities provided to us by Chinalco in the past. The amounts of the continuing connected transaction of the Company actually proceeded from January to February 2017 represented a relatively small portion to the estimated amount cap for the year, mainly due to that the projects of engineering services undertaken by the Company coincided with traditional Chinese Lunar New Year at the beginning of the year, and subject to various limitations including the seasonality and weather conditions, and frozen soil in northern China being unsuitable for the commencement of project constructions. Therefore, these engineering services projects experienced low tide of construction during which the main business has not been commenced. Accordingly, the low tide of the engineering services projects reduced lowered the commodities sales and purchase transactions between the Company and Chinalco. According to the market practice in the industry and the previous experience of the Company, each engineering businesses undertaken by the Company shall begin to reach the peak of construction since March every year, and the execution of relevant connected business contracts shall start.

- (2) Responding to the national supply-side structural reform, and following the policies including the “Three cuts, One drop, One improve” (三去一降一補) (i.e. cut the production capabilities, cut the inventories, cut the levers, drop the costs, and improve the shortcoming), Chinalco has implemented or planned to implement several major projects in regions such as Shanxi, Guangxi, Guizhou, Fujian and Inner Mongolia. The Company, as the largest non-ferrous metal engineering industry chain technology service provider in China, has fully participated in bidding process of these projects, some of which have been won while the bidding documents for the other projects are being vigorously prepared to win the bidding. Please see the Engineering Services Master Agreement in this announcement for details. During the implementation process of these construction projects, the Company will make use of the products such as aluminum busbars and carbon blocks from Chinalco or its manufacturing subsidiaries where the project is located at or nearby, and will apply such products to the projects undertaken by the Company to provide engineering services to Chinalco. In this way, the Company can effectively reduce its costs of purchasing and logistic with prices not higher than an independent third party. Meanwhile, as the Company has established a long-term partnership with Chinalco and the companies under its control, both the Company and Chinalco understand each other’s operational plans, quality control and certain specific requirements. Accordingly, pursuant to the estimated purchasing amount of the commodities under the engineering services projects which has been entered into or the bidding of which has been won by the Company in 2017, the Company anticipates that the transaction amount of this business in 2017 will be approximately RMB830 million.

- (3) Capitalizing on the national supply-side structural reform, the Group has actively expanded the application of aluminum materials. At present, we have developed various products such as aluminum-alloy bridges, aluminum alloy shell for cell-phone, aluminum siding and aluminum template for construction use and aluminum integrated house. The main raw materials for the aforesaid products are aluminum alloys and aluminum profiles. As one of the major domestic manufacturers of aluminum alloys and aluminum profiles, Chinalco serves as a main supplier for the Group. Accordingly, based on the estimation on the aggregate purchasing amount of aluminum material from Chinalco required for the Company's aluminum application business in the coming three years and the purchasing prices, the Company anticipates that the transaction amounts of this business in 2017, 2018 and 2019 will be approximately RMB400 million, RMB600 million and RMB800 million, respectively.
- (4) The Group is following the national "One Belt, One Road" strategy to strengthen international capacity cooperation, and intends to export domestic equipments relating to non-ferrous industry overseas. In this respect, Chinalco, as the leading figure in non-ferrous industry, owns certain assets reserves. Chinalco acts as an important supplier of non-ferrous facilities and equipments under the Group's "Go Global" strategy. Based on the above factors, commodities supplied by Chinalco to the Group in the coming few years will significantly increase. Accordingly, based on the current negotiation for foreign projects, and the estimation in respect of foreign engineering projects in the coming three years which required purchases of related equipment, the Company anticipates that the transaction amounts of this business in 2017, 2018 and 2019 will be approximately RMB500 million, RMB300 million and RMB300 million, respectively, subject to the actual negotiation results for the overseas projects.

### **3. GENERAL SERVICES MASTER AGREEMENT — PURCHASE OF GENERAL SERVICES FROM CHINALCO**

**Parties:** Chinalco (as service provider); and the Company (as service recipient)

**Date:** 20 March 2017

**Major terms:**

In accordance with the General Services Master Agreement entered into by the Company and Chinalco on 20 March 2017, Chinalco and/or its associates may provide certain kinds of services to the Group from time to time, primarily includes:

- (1) provision of warehousing, transport and property leasing services; and
- (2) provision of labour services related to technology, logistics, labour and training.

The initial term of the General Services Master Agreement shall commence from 1 January 2017 and shall expire on 31 December 2019, unless at any time either party gives at least three months' prior written notice of termination to the other party and as agreed by both parties.

**Pricing policy:**

The prices will be determined after arm's length negotiation by both parties of the contract with reference to the current market price of local service providers with similar scale and quality by inviting certain suppliers appeared on the Group's recognized suppliers list to submit quotes or proposals before the Company places purchase orders to at least three independent third parties. The Group would make reference to the historical fees of such general services, together with the comparable prices available in the market, to ensure that the terms of the services provided by Chinalco are fair and reasonable to the Group. For the general services which have no alternatives available in the market, the services fees received by Chinalco from the Group would be determined after arm's length negotiation based on the Group's internal control policies. Please refer to "Measures of Internal Control" below in this announcement for the details of the internal control policies.

**Reasons for and benefits of the transactions:**

- (1) Over the years, we have been using the general services provided by Chinalco and/or its associates; and Chinalco has long been providing timely and stable general services for the Group. Accordingly, Chinalco is able to fully understand our business and operating requirements.
- (2) The Group's management believes that maintaining the provision of stable and high quality general services is of utmost importance to our current and future production and operations. With reference to our previous purchasing experience with Chinalco, we believe that Chinalco is capable of effectively satisfying our requirement of providing stable and high quality general services.

- (3) The fees of providing general services by Chinalco are no higher than those provided to us by independent third parties, which could reduce the operations risks and costs to the Group and is beneficial to the daily operations and management of the Group.
- (4) Prior to the listing of the Company, some of its subsidiaries, which are geographically proximal, were from reform and separation of the enterprises within Chinalco. In the case of shortage of land for offices and production, the Company will rent premises for office and warehousing purposes from connected persons and accept the logistics such as property management provided by the connected persons. Moreover, upon the completion of new construction projects, the Company is required to provide training for the production technicians according to the requirements under the contracts. As Chinalco and its subsidiaries are experienced in the operation of production lines, the Company will delegate the related training to the experienced connected persons, depending on its needs. Accordingly, the general services provided by Chinalco to the Company mainly comprise warehousing, property leasing, property management and logistics service, technology service and training, etc.

### Historical figures and the proposed annual caps:

#### *Historical amounts*

*Unit: RMB million*

	For the years ended			As of
	31 December			28 February
	2014	2015	2016	2017
Total transaction amounts of the services provided to the Group by Chinalco and/or its associates under the General Services Master Agreement	41	60	81.85	–

*Historical annual caps*

*Unit: RMB million*

	<b>For the years ended 31 December</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total transaction amounts of the services provided to the Group by Chinalco and/or its associates under the General Services Master Agreement	<u>60</u>	<u>80</u>	<u>160</u>	<u>160</u>

*Proposed annual caps*

*Unit: RMB million*

	<b>For the years ended 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total transaction amounts of the services provided to the Group by Chinalco and/or its associates under the General Services Master Agreement	<u>160</u>	<u>160</u>	<u>160</u>

**Basis for the caps:**

In determining the caps, we have primarily considered the following factors.

- (1) the historical prices of the general services provided by Chinalco to the Group in the past. The Company did not incur any such connected transactions, because (i) the amounts for services such as leasing and warehousing are settled by the quarter. Such settlement did not happen in January and February, leading to no generation of such amounts; and (ii) the Company did not enter into the phase of completion testing, therefore, training for technicians did not take place. As time progresses and engineering projects proceed, relevant business contracts will begin their execution and settlement.
- (2) based on the current project implementation of the Group, it is expected that our businesses would be expanded and the demand for the general services to be provided by Chinalco would be expanded accordingly.
- (3) the estimated increase of the cost of labour after considering both the economic trend at the moment and in the near future.

#### 4. ENGINEERING SERVICES MASTER AGREEMENT

**Parties:** Chinalco as service recipient; and the Company as service provider

**Date:** 20 March 2017

**Principal terms:** In accordance with the Engineering Services Master Agreement entered into by the Company and Chinalco on 20 March 2017, our Group may from time to time provide engineering services to Chinalco and/or its associates, including but not limited to construction engineering, technology (right of use) transfer, project supervision, survey, engineering design, engineering consultancy, equipment agency and equipment sales, engineering management and other engineering-related services.

The initial term of the Engineering Services Master Agreement shall commence from 1 January 2017 and shall expire on 31 December 2019, unless at any time either party gives at least three months' prior written notice of termination to the other party and as agreed by both parties.

**Pricing policy:** The prices for the engineering services provided by the Company shall be determined (i) through the tender by Chinalco; or (ii) by arm's length negotiation between the parties. For determining the prices of survey and design projects, the Company would refer to the Engineering Survey and Design Charging Administration Regulations (Ji Jia Ge [2002] No. 10) (《工程勘察設計收費管理規定》(計價格[2002]第10號)) promulgated by the then National Development Plan Commission and Ministry of Construction and refer to the pricing factors such as the scale and complexity of the projects and determine after negotiation with the parties. The price is usually not lower than the independent third parties.

For determining the prices of engineering and construction contracting projects, the Company would estimate prices on the basis of the project size and the exact work to be done, which is also the basis that the Company makes reference to when participating in the bidding or negotiation process. In addition, our Company would also calculate the base prices of engineering and construction contracting projects in accordance with the provincial and industrial standard of construction quota where the project is located and then decide the final consideration of contract on arm's length with the contract party. All such transactions in relation to engineering services are on normal commercial terms.

**Reasons for and benefits of the transactions:**

(1) As we have long been providing stable engineering services to Chinalco, we are able to fully understand the business and operating requirements of Chinalco; (2) the prices and terms of engineering provided services by us to Chinalco are no less favourable than those provided to independent third parties by us, the transactions shall generate profits for us.

**Historical figures and the proposed annual caps:**

*Historical amounts*

*Unit: RMB million*

	For the years ended 31 December			As of 28 February
	2014	2015	2016	2017
Total fees for the engineering services provided to Chinalco by the Company under the Engineering Services Master Agreement	<u>1,339</u>	<u>1,473</u>	<u>1,749.25</u>	<u>135.40</u>

*Historical annual caps*

*Unit: RMB million*

	For the year ended 31 December			
	2014	2015	2016	2017
Total fees for the engineering services provided by the Company to Chinalco under the Engineering Services Master Agreement	<u>4,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

*Proposed annual caps*

*Unit: RMB million*

	For the year ended 31 December		
	2017	2018	2019
Total fees for the engineering services provided by the Company to Chinalco under the Engineering Services Master Agreement	<u>11,000</u>	<u>6,600</u>	<u>6,000</u>



**Basis for the caps:**

In determining the caps, the Company have primarily considered the following factors:

- (1) the historical prices of the engineering services provided by the Group to Chinalco. The amounts of the continuing connected transaction of the Company actually incurred from January to February 2017 represented a relatively small portion to the estimated amount cap for the year, mainly due to the fact that the projects of engineering services undertaken by the Company coincided with traditional Chinese Lunar New Year at the beginning of the year, and were subject to various limitations, including the seasonality and weather conditions, frozen soil in northern China which was not suitable for the commencement of project construction. These engineering service projects experienced a low tide of construction during which the main business has not commenced. According to the market practice in the industry and the previous experience of the Company, each engineering businesses undertaken by the Company shall begin to reach the peak season of construction since March every year, and the execution of relevant connected business contracts shall start.

- (2) Based on the current project implementation of the Group and the development planning of Chinalco. Actively responding to the national supply-side structural reform, and following the policies including the “Three cuts, One Drop, One Improve” (i.e. cut production capabilities, cut inventories, cut levers, drop costs, improve shortcomings), Chinalco has proactively implemented strategic transformation and structural adjustment, phased out and shut down the production lines with insufficient capacity and no competitiveness, and dropped the production costs as a whole and improved the shortcomings of the enterprise development to raise the competitiveness by means of capacity replacement and technological improvement and upgrades in the regions with rich energy resources. To this end, Chinalco has been implementing several major projects in Shanxi, Guangxi, Guizhou and Zunyi. The Company, as the largest non-ferrous metal engineering industry chain technology service provider in China, has fully participated in the negotiation and bidding process of the abovementioned projects with Chinalco. Some of these projects have been won while the bidding documents are being actively prepared to win the bidding for the other projects. The contract sums of the aforementioned projects under construction or proposed to construct totalled approximately RMB13.5 billion. The construction period of the projects is expected to be about 2 years, which will mainly be completed and put into operation in 2017 and 2018. In the up coming two years, these projects will bring construction service income of RMB9.0 billion and RMB4.5 billion for the Company in 2017 and 2018, respectively. In addition, according to the capacity adjustment and investment planning of the Company and Chinalco, the Company will enter into another batch of construction contracting contracts with an aggregate amount of approximately RMB8.0 billion in 2018 and complete the execution in 2018 and 2019. As such, the amount of the continuing connected transactions in respect of the services provided to Chinalco by the Group in the future will increase significantly, particularly in 2017 which is the centralized period of this business.
- (3) The estimated increase of the cost of labour after considering the economic trend both at the moment and within the short term.

## 5. INTERNAL CONTROL MEASURES ADOPTED FOR THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTIONS

The Company has adopted the following internal management procedures to ensure that the above continuing connected transactions are fair and reasonable and on normal commercial terms:

- The Company has adopted and implemented a set of management system on connected transactions. Under the system, our financial department and the office of the board are responsible for conducting reviews on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of continuing connected transactions. In addition, the financial department, the office of the board and other relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under the agreements of continuing connected transactions, in particular, the fairness and reasonableness of the pricing terms under each agreement; and
- Independent non-executive Directors have also reviewed the agreements of continuing connected transactions, to ensure that such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditors of the Company will also conduct an annual review on the pricing and annual caps of such agreements.

When determining the actual prices of products supplied and services provided by Chinalco to the Company, Chinalco will provide our Company with a proposed price before determination. As mentioned above, in order to ensure that the pricing terms under the agreements of continuing connected transactions are fair and reasonable, the Company's E-commerce center, financial department and other relevant operation departments will conduct the following review procedures on the proposed price offered by Chinalco.

- If a comparable market price is available, the proposed price will be compared with the market price to ensure that such proposed price is not higher than the selling price of the materials, components and parts or products with similar specifications, technology and quality requirements provided by other manufacturers in the market;
- The Company has established a stringent management method on market price inquiries:
  - i. For selection of potential suppliers, the Group has developed standards for the selection of suppliers based on different purchase needs. Such standards include, but are not limited to, the scale of business, industry recognition, experiences in supplying the same types of products and services, technological level, financial conditions, etc. The same standards are applicable to both connected persons and independent third-party suppliers. We do not give any preferential treatment to connected persons in respect of the selection of potential suppliers. The selection of suppliers shall be determined by the collective decision of a comprehensive tender assessment

board with members including representatives from the E-commerce center, financial department and other relevant operation departments jointly participating in such assessment. The Company will inquire various suppliers and conducted certain internal assessment with reference to the factors including pricing, quality, technology, product risks and after-sales services;

- ii. For price inquiry procedures, we require at least three potential suppliers participating in the same purchase, of which at least two of them shall be independent third-party suppliers. Price inquiry procedures that fail to meet the above requirements will be void. Price inquiry procedures are conducted in strict accordance with the above model and the entire process is under the supervision of the E-commerce center, the compliance, supervision and audit department and the financial department. Any violation of those measures will be recorded. The result of price inquiry will undergo a final review by our management. The winner of the price inquiry procedure will enter into a written agreement with us. If there is any evidence of frauds or breaches of the supplier during the procedure, we will terminate cooperation and pursue legal responsibility, regardless of whether such supplier is our connected person. All of the written documents involved in the price inquiry procedure shall be kept for at least ten years. In case the parties involving in the price inquiry procedure have any reasonable doubt about the result of price inquiry, they may check relevant documents upon our approval;
- If no comparable market price is available, the fairness and reasonableness of the proposed price will be determined with reference to (i) the market price of the raw materials or products and services forming relevant equipments or products; and (ii) the cost estimated to be required for manufacturing such equipments, products and services with reference to requirements in relation to their nature, functionality, technology and quality standards, etc., and the total cost of such equipments, products and services plus a profit margin of not more than the maximum level as stipulated in the relevant agreements, depending on the complexity of technologies and quality control procedures involved; and
  - The Company has established a bidding leading team, which comprises the vice president, heads of the purchase, engineering management and the financial department and legal personnel. The members of the team have more than 10 years of experience in the industry as well as work experience, and each of them possesses professional specialties. The bidding leading team will review the proposed price to ensure that it is in line with the pricing terms of the relevant agreements and the terms provided to our Company are no less favorable than those offered by the supplier to independent third parties.

## **6. CONFIRMATION OF THE BOARD**

The Directors (including the independent non-executive Directors) considered that: (a) it is beneficial to the Company to continue the above continuing connected transactions as these transactions have facilitated and will continue to facilitate the operation and growth of the Company's business; (b) the above continuing connected transactions and the annual caps for 2017, 2018 and 2019 have been conducted on normal commercial terms or on terms no less favourable than those available to the Company by independent third parties under prevailing local market conditions, and were entered

into in the ordinary and usual course of business of the Company, (c) they are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Wang Jun and Mr. Li Yihua, the Directors of the Company, hold management positions in Chinalco, they are deemed to have material interests in the above continuing connected transactions. They have abstained from voting in respect of the Board resolution for the approval of the Commodities Sales and Purchases Master Agreement, the General Services Master Agreement and the Engineering Services Master Agreement and the 2017, 2018 and 2019 annual caps for the transactions contemplated thereunder.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Commodities Sales and Purchases Master Agreement, the Engineering Services Master Agreement and the 2017, 2018 and 2019 annual caps for the transactions contemplated thereunder. An independent financial advisor will be engaged to advise the Independent Board Committee in respect of the Commodities Sales and Purchases Master Agreement, the Engineering Services Master Agreement and the 2017, 2018 and 2019 annual caps for the transactions contemplated thereunder.

## **7. GENERAL INFORMATION**

### *Information on the Company*

The Company is a leading technology, engineering service and equipment provider in the non-ferrous metals industry in China, capable of providing full business-chain integrated engineering solutions throughout various stages of the non-ferrous metals industry chain. The Group is primarily engaged in engineering design and consultancy, engineering and construction contracting, equipment manufacturing, and trading.

### *Information on Chinalco*

Chinalco is a state-owned enterprise incorporated under the PRC law in 2001. Chinalco is the controlling shareholder of the Company and directly and indirectly holds approximately 85% of its share capital in issue. Chinalco is principally engaged in mineral resources development, smelting and processing of non-ferrous metal, relevant trading and related engineering and technical services.

## **8. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Chinalco directly and indirectly holds 85% of the existing issued share capital of the Company, and is a controlling shareholder of the Company and thus a connected person thereof. As at least one of the highest applicable percentage ratios of the annual caps under the general services provided to the Company by Chinalco exceeds 0.1% but is less than 5%, it is subject to the reporting, announcement and annual review requirements but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. As at least one of the highest applicable percentage ratios of the annual caps for the commodities provided to or purchased from Chinalco and engineering services provided to Chinalco

by the Company exceeds 5%, it is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Under Rule 14A.36 of the Listing Rules, any connected persons and shareholders and their associates who have a material interest in the Commodities Sales and Purchases Master Agreement, the Engineering Services Master Agreement and the transactions contemplated thereunder are required to abstain from voting in respect of the related resolutions at the annual general meeting. Accordingly, due to the interest of Chinalco in these transactions, Chinalco and its associates would be required to abstain from voting on the resolutions for the approval of the Commodities Sales and Purchases Master Agreement and the Engineering Services Master Agreement and the annual caps for 2017, 2018 and 2019.

## **DESPATCH OF CIRCULAR**

The Company expects a circular containing (i) details of the Commodities Sales and Purchases Master Agreement and the transactions contemplated thereunder; (ii) details of the Engineering Services Master Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Commodities Sales and Purchases Master Agreement and the Engineering Services Master Agreement and the 2017, 2018 and 2019 annual caps for the transactions contemplated thereunder; (iv) the recommendation from the Independent Board Committee in respect of the Commodities Sales and Purchases Master Agreement and the Engineering Services Master Agreement and the 2017, 2018 and 2019 annual caps for the transactions contemplated thereunder; and (v) the notice of the AGM will be despatched to the Shareholders of the Company on or before 7 April 2017 in accordance with the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“AGM”	means the 2016 annual general meeting of the Company, which is to be held at Conference Room 211 of China Aluminum International Engineering Corporation Limited, Block C, Xingshikou Road No. 99, Haidian District, Beijing on Tuesday, 23 May 2017
“Board”	means the board of Directors
“Chinalco”	means Aluminum Corporation of China (中國鋁業公司)
“Commodities Sales and Purchases Master Agreement”	means the commodities sales and purchases master agreement entered into between Chinalco and the Company on 20 March 2017

“Company” or “we”	means China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Engineering Services Master Agreement”	means the engineering services master agreement entered into between Chinalco and the Company on 20 March 2017
“General Services Master Agreement”	means the general services master agreement entered into between Chinalco and the Company on 20 March 2017
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“H Shares”	means the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are subscribed for and traded in HK dollars and listed on the Stock Exchange
“Independent Board Committee”	means an independent committee of the Board established for the purpose of considering the Commodity Sales and Purchase Master Agreement and the Engineering Services Master Agreement and the transactions thereunder, including the Annual Caps, comprising all independent non-executive Directors who are independent of the transactions
“independent third party(ies)”	has the meaning ascribed to it under the Listing Rules
“Independent Shareholders”	means the shareholders of the Company other than Chinalco and its associates
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Notice of AGM”	means the notice of 2016 annual general meeting

“PRC”	means the People’s Republic of China
“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	means the holders of Shares
“Shares”	means the shares in the share capital of the Company at par value of RMB1.00 per share, including Domestic Shares and H Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

By Order of the Board  
**China Aluminum International Engineering Corporation Limited**  
**ZHAI Feng**  
*Joint Company Secretary*

Beijing, PRC,  
20 March 2017

*As at the date of this announcement, the non-executive Directors are Mr. WANG Jun and Mr. LI Yihua; the executive Directors are Mr. HE Zhihui and Mr. ZHANG Jian; and the independent non-executive Directors are Mr. SUN Chuanyao, Mr. CHEUNG Hung Kwong and Mr. FU Jun.*