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

2017

INTERIM REPORT

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CHAIRMAN'S STATEMENT

Dear Shareholders,

During the first half of 2017, the Company firmly seized the significant opportunities of new urbanization construction. While leveraging on the stable leading advantages in the nonferrous metals field, we also committed to expand the relevant business, such as municipal facilities and civil construction, and continued to strengthen the cooperation with local governments and large conglomerates in areas such as infrastructure construction, actively engaged in the development and construction of the country's "the Belt and Road". As at 30 June, the Company has total assets of RMB43.06 billion, liabilities of RMB31.23 billion, and the gearing ratio of 72.5%. During the first half of 2017, the contract value newly signed by the Company was RMB12.96 billion, achieving revenue of RMB13.88 billion and total profit of RMB362 million, respectively.

Alongside the expansion of our business, the recognition of the Company among the peers was increasing. At the "Double Top 200 Award of the Construction Industry" organised by the China Construction Industry Association, Chalieco was ranked No. 37 in the "Top 200 Competitors in China Construction Industry 2016", while Ninth Metallurgical Construction, a subsidiary of Chalieco, was ranked sixth in the "Top 200 Potentials in China Construction Industry 2016". In the rankings conducted by the "Engineering News-Record (ENR)" in the United States, the Company was named No. 121 on the "Top 150 Global Design Firms", ranking No. 20 among the domestic corporations on the shortlisted entries. We were also named No. 112 on the "Top 225 International Design Firms", ranking No. 10 among the domestic corporations on the entry list and No. 121 on the "Top 250 Global Contractors". The Company was ranked No. 253 on the latest List of the Top 500 Chinese Companies by "Fortune", and the rank was 24 higher than the corresponding period of the previous year.

The Company will continue to uphold its corporate commitment and persist with efforts to overcome the obstacles and difficulties in order to reward the trust and support from the Shareholders, customers and staff.

Chairman
HE Zhihui
30 August 2017

CORPORATE PROFILE

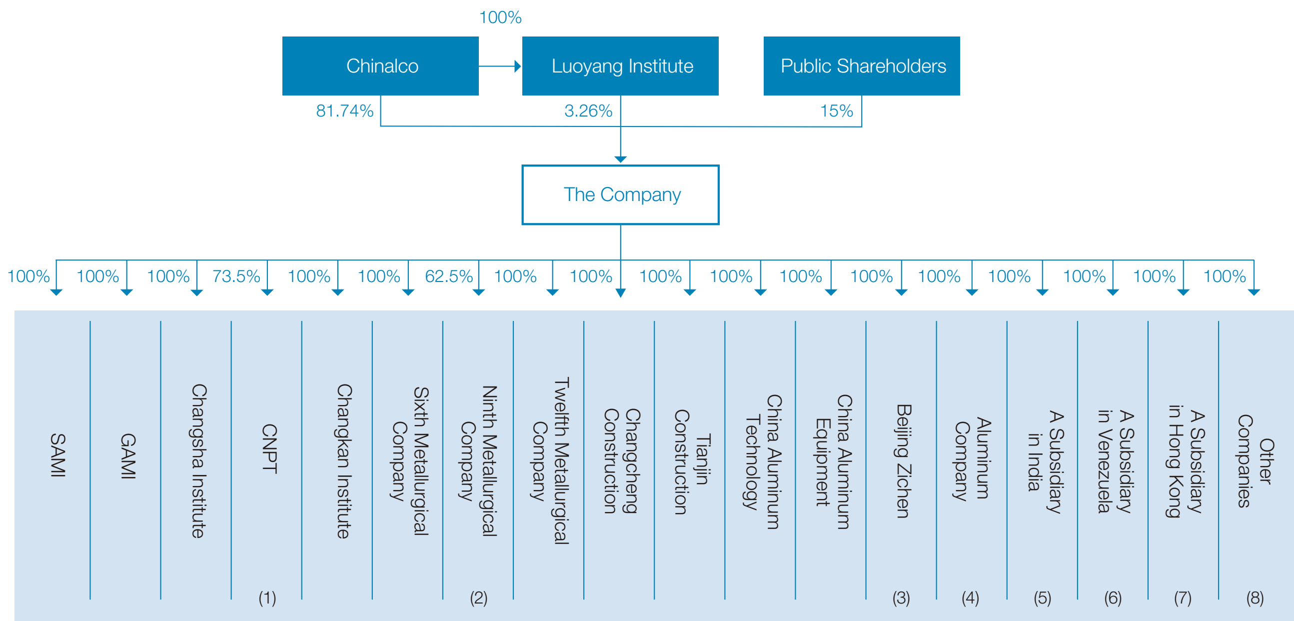
THE ISSUANCE AND LISTING OF THE SHARES

The Company is a subsidiary of Chinalco and listed on the Main Board of the Stock Exchange (Stock Code: 2068) on 6 July 2012 with an offering price of HK$3.93 per share. As at 30 June 2017, the total number of Shares in issuance of the Group 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) represents China Nonferrous Metals Processing Technology Co., Ltd. (中色科技股份有限公司), 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 No. 9 Metallurgical Construction Co., Ltd., the remaining 37.5% of the equity interest is held by natural persons as to 30.27%, and Xianyang City Financial Holdings Limited* (咸陽市金融控股有限公司) as to 7.23%, both of them are independent third parties.

(3) represents Beijing Zichen Investment Development Corporation Limited (北京紫宸投資發展有限公司)

(4) represents China Aluminum International Aluminum Technological Development Co., Ltd. (中鋁國際鋁材科技產業有限公司)

(5) represents China Aluminum International Engineering (India) Private Limited (中鋁國際工程(印度)私人有限公司)

(6) represents Chalieco Venezuela C.A. (中鋁國際委內瑞拉股份有限公司)

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

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

* *for illustrative purpose only*

FINANCIAL SUMMARY

1. KEY OPERATION RESULTS

	January to June 2017 (RMB'000)	January to June 2016 (RMB'000) (Restated)	Amount of Change (RMB'000)	Percentage of Change %
Revenue	**13,879,646**	8,783,636	5,096,010	58.0
Gross profit	**1,256,587**	883,152	373,435	42.3
Operating profit	**524,603**	257,491	267,112	103.7
Total profit	**362,187**	440,550	(78,363)	(17.8)
Net profit	**260,005**	370,610	(110,605)	(29.8)
Net profit attributable to equity owners of the Company	**169,915**	333,170	(163,255)	(49.0)
Basic earnings per share	**0.06**	0.13	(0.07)	(53.8)
Diluted earnings per share	**0.06**	0.13	(0.07)	(53.8)

Note: The basic earnings per share of the Group for the six months ended 30 June 2017 was RMB0.06 per share (equivalent to HK$0.07 per share, based on the central parity rate for RMB to HKD published by the People's Bank of China on 30 June 2017).

2. SEGMENT REVENUE

	January to June 2017 (RMB'000)	January to June 2016 (RMB'000)	Amount of Change (RMB'000)	Percentage of Change %
Segment revenue				
Engineering design and consultancy	**753,945**	775,237	(21,292)	(2.7)
Engineering and construction contracting	**8,045,924**	4,271,870	3,774,054	88.3
Equipment manufacturing	**529,088**	229,766	299,322	130.3
Trading	**4,781,889**	3,622,156	1,159,733	32.0
Subtotal	**14,110,846**	8,899,029	5,211,817	58.6
Inter-segment elimination	**(231,200)**	(115,393)		
Total revenue	**13,879,646**	8,783,636	5,096,010	58.0

3. ASSETS AND LIABILITIES

	At 30 June 2017 (RMB'000)	At 31 December 2016 (RMB'000) (Restated)	Amount of Change (RMB'000)	Percentage of Change %
Total assets	**43,058,952**	41,998,318	1,060,634	2.5
Total liabilities	**31,229,533**	28,556,056	2,673,477	9.4
Total equity of owners	**11,829,419**	13,442,262	(1,612,843)	(12.0)
Attributable to the equity owners of the Company	**9,026,304**	8,859,168	167,136	1.9

1. INDUSTRY OVERVIEW FOR THE FIRST HALF OF 2017

For the first half of this current year, China economy sustained a progressive yet steady development trend starting last year, maintaining a medium-to-high-rate of growth, with GDP increased by 6.9% as compared to the corresponding period over last year. By implementing various macro policies based on the core principle of supply-side structural reform, transformation of economic development was facilitated while growth momentum strengthened continuously.

The nonferrous metals industry saw a steady and sound growth. From January to May, the accumulated production of the ten types of nonferrous metals was 22.63 million tons across the country, representing a year-on-year increase of 6.9%. The operating revenue from nonferrous metals smelting and fabricating was RMB2,378.4 billion, representing a year-on-year increase of 17.9%, while the total profit was RMB78.9 billion, representing a year-on-year increase of 57.5%. The commencement of special action for the rectification of illegal projects of the aluminum industry curbed the excessive growth of production capacity for primary aluminum. The pressure from environmental protection and international trade protection facilitated the growing attention on developing and expanding the downstream market of aluminum application in the aluminum industry.

In the first half of the year, the fixed assets investment in China (excluding farmers) was RMB28,060.5 billion, representing a year-on-year increase of 8.6%, of which the infrastructure investments recorded a year-on-year increase of 21.1%. The floor space under construction by the real estate development developers reached 6,923.26 million m^2, representing a year-on-year increase of 3.4%. In the first half of the year, the construction industry recorded an increase of RMB2,232.6 million, representing a year-on-year increase of 5.3%. As one of the largest industries in China, the construction industry continues speeding up its process of transformation and upgrade, enhancing the capability of transnational operation, exploring the management model for PPP projects and strengthening the core competitiveness.

2. BUSINESS OVERVIEW FOR THE FIRST HALF OF 2017

Operating Highlights

I. Increasing efforts to expand and unleashing potential with marketing

Expand External Cooperation Area. In the first half of the year, the Company continued to reinforce the cooperation with local governments and large conglomerates on infrastructure construction and other fields. The Company entered into the "1+4" domestic and foreign highway construction framework agreement with Yunnan Highway Development Investment Co., Ltd. (雲南省公路開發投資有限公司), pursuant to which the Company can further engage in the development and construction of the country's "one Belt one Road". SAMI entered into strategic cooperation with General Electric of the United States, and successfully won the bid by Shandong Sunstone Development Co., Ltd (山東索通發展股份有限公司) for the EPC project of baking smoke desulphurization and dust removal and ultra clean emission upgrading. Changkan Institute increased cooperation with government, and the signing of geological disaster control contracts in the first half of the year recorded a year-on-year growth of more than 3 times. Ninth Metallurgical Company built an active cooperation with the Shanxi Branch of China Development Bank, successively undertaking the rebuilding and reformation projects in Xianyang Textile Industrial Park, Ankang Area and Hanzhong Area.

Layout Optimization Begins to Take Effect. In the first half of the year, the Company integrated resources and set up the management teams of Xiongan Area, Southwest Area, Inner Mongolia Area and Yangtze River Delta Area, respectively, focusing on development. As a result, the market concentration was further improved.

Synergies Give Full Play. Through the linkage between the headquarter and the entities, we used major resources to capture large projects to achieve the collaborative development. Member companies formed a consortium to jointly participate in project bidding and improve market competitiveness. Chalieco and Ninth Metallurgical Company formed a consortium, which actively engaged in the Inner Mongolia municipal infrastructure projects, and currently the consortium has won a number of projects. Tianjin Construction cooperated with Sixth Metallurgical Company and successfully undertook the Gansu Pingliang Road Project.

Steady Progress in Overseas Expansion. Taking key regional countries as a unit, we put the focus of international business forward. We established representative offices in Turkey and South Africa and increased deployment of talents to boldly expand overseas markets. By flying the flag of Chalieco, each of the entities leveraged its enthusiasm and flexibility, put more efforts into market expansion, and took the initiative to control risks so as to increase overall returns.

II. Speeding up the strategic transformation and the application of aluminum in industry shows remarkable results

The Company successfully won the bid for the EPC project for infrastructure construction of Nanhai tourist scenic area in Baotou City. Aluminum bridge projects jointly developed by Sixth Metallurgical Company and GAMI were launched to markets in regions such as Hohhot City and Longxi County in Gansu. The first aluminum alloy footbridge has been successfully installed in Hohhot City and will be put into use. 167 sets of aluminum intelligent dwelling manufactured by the Company were exported to Jamaica.

III. Increasing the strength of research and development and promoting the intelligentization of production and manufacturing

The Company took the lead in the field of nonferrous metals processing to create the big data technology service center. The nonferrous metals processing spare parts intelligent service platform developed by CNPT was officially launched. At present, the Company is actively integrating and building a big data sharing platform for mining companies, and makes efforts to realize professional services including "remote diagnosis". Meanwhile, the establishment of the data remote diagnosis and service center for servicing aluminum smelting enterprises is also in full swing. Upon completion, the platform will provide professional support and technical security for the aluminum smelting enterprises towards cost reduction and efficiency enhancement through big data analysis and expert group diagnosis.

IV. Strengthening market judgment and broadening financing channels

The Company analyzed the trends of capital market and created innovative financing methods, with which the financing varieties and means were further increased. In the first half of the year, the Company seized the window of issuance to issue ultra short-term financing notes in two tranches with a total amount of RMB2.50 billion at a relatively lower cost. By grasping the market timing, the Company successfully issued the first tranche of renewable corporate bonds for 2017. The proceeds of RMB0.50 billion from the issuance further improved the Company's capital structure.

Contracts

The aggregated value of contracts newly signed in the first half of 2017 amounted to RMB12.96 billion. The contracts backlog of the Group as at 30 June 2017 amounted to RMB48.81 billion. (The contracts mentioned above all exclude trading volume)

Recognition

At the "Double Top 200 Award of the Construction Industry" organised by the China Construction Industry Association, Chalieco was ranked No. 37 in the "Top 200 Competitors in China Construction Industry 2016", while Ninth Metallurgical Construction, a subsidiary of Chalieco, was ranked sixth in the "Top 200 Potentials in China Construction Industry 2016". In the rankings conducted by the "Engineering News-Record (ENR)" in the United States, the Company was named No. 121 on the "Top 150 Global Design Firms", ranking 20th among the domestic corporations on the shortlisted entries. We were also named No. 112 on the "Top 225 International Design Firms", ranking 10th among the domestic corporations on the entry list and No. 121 on the "Top 250 Global Contractors". The Company was ranked No. 253 on the latest List of the Top 500 Chinese Companies by "Fortune", and the rank was 24 higher than that of the corresponding period of the previous year.

Scientific Research and Awards Attained

Having firmly implemented technology innovation driver, a number of technology results were well recognized. The five technology results, including the "Development and Application of Large-scale Energy-efficient Anode Baking Furnace and System Control Technology" and the "Online Mining Intelligent System", developed by the Company have passed the results evaluation by industry association and other professional bodies, and reached the international advanced level. Among them, several core technologies such as the "Auxiliary Mining Operation Technology Based on Mining Guidance System" have reached the international leading level. The 863 Program of "Research and Manufacture of Aluminum Electrolysis Cell (Furnace) PM2.5 Control Technology and Equipment" undertaken by the Company's GAMI has passed technical inspection by the National Ministry of Science and Technology.

In the first half of 2017, the Group altogether had 140 domestic and foreign patents applications and 86 domestic and international authorized patents. As at 30 June 2017, the Group has totally applied for 6,480 domestic patents and 4,749 were granted, while 134 for international patents were applied and 122 were granted.

III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2017

I. Persisting in promoting the implementation of the follow-up projects

The Company analyzes the follow-up projects undertaken by us and our member companies prudently, selecting those with large size of works volume, great impact and quick implementation as our main focus. We strengthen the marketing planning as well as increase investment in resources to ensure the implementation of the key follow-up projects. In respect of the development of Xiongan New District, from building materials development, aluminum for industrial use, ecological management, housing construction and survey and design, we explore diversified ways to secure a footing in Xiongan New District. Based on our specific strengths, we focus on making a breakthrough on the major owners, markets and projects as soon as possible.

II. To firmly speed up the transformation and upgrade and lead the development of new advantages

Speeding up the exploration and cooperation. We shall have the courage to explore, and aggressively seek the opportunities for cooperation with the financing platform companies and business which are well-established, advantageous and credible, thereby speeding up its transformation and upgrade. We shall widely promote the model of cooperation with Yuannan Highway Development Investment Co., Ltd. (雲南省公路開發投資有限公司) and achieve a complement in advantages with each other in a bid to widely explore new businesses. We shall widely promote the model of cooperation with every financing platform to provide adequate funding support for project undertaking. We shall widely promote the model of cooperation with local construction and engineering enterprises and realize resources sharing in order to improve the Company's capability of local project undertaking and achieve a win-win situation. We shall widely promote the model of cooperation with advisory bodies, research institutions and the enterprises with professional know-how and accelerate the transformation pace through method of technology integration.

Speeding up the development of aluminum for industrial use. The development of aluminum for industrial use shall persist in products of widely used, widely coverage and added-value. We shall continue to improve the design of the developed products (such as aluminum bridge) to provide the iconic products for beautiful city landscape. We shall fully integrate the advantages of our member companies, and increase the marketing efforts so that the developed products can realize scale advantage and the aluminum for industrial use will become a new economic growth point to the Company in the near future.

Speeding up the exploration in the international market. We shall strengthen the connection with the Ministry of Commerce, the Ministry of Foreign Affairs, the onshore and offshore financial institutions and the relevant state-owned enterprises, and strive to expand overseas markets by means of “borrowing boat to sail” and “creation of projects”. We shall continue to explore the overseas markets under the model of the “headquarters + member companies” and join hand to build an international brand name. We shall pay close attention to our old customers and extension of the original projects and provide more competitive technology upgrade solution for the owners. We will develop localization through market penetration and will deeply involve in the project development in countries where we are operated.

III. To firmly speed up the transformation of the outcomes and release bonus generated from technology

Emphasis will be placed on conducting relevant technology research and development based on the theme of “Made in China (2025)”. With key process technological breakthroughs as the lead to drive the rapid development of auxiliary technologies, we set to secure a position in the high end of industry development. We will continue to conduct the application researches towards energy saving and emission reduction, comprehensive utilization of resources and environmental protection. We will further strengthen the performance appraisal for scientific research projects so as to encourage early accomplishment from research and development teams and create benefits sooner. The results of the research and development will be launched to the market in order to improve the profit contribution of the technology achievement.

4. FINANCIAL REVIEW

(1) Operation Results and Discussion

For the six months ended 30 June 2017, the Group realized revenue of RMB13,879.6 million, representing an increase of RMB5,096.0 million or 58.0% as compared to that of RMB8,783.6 million over the corresponding period of last year. Gross profit was RMB1,256.6 million, representing an increase of RMB373.4 million or 42.3% as compared to that of RMB883.2 million over the corresponding period of the previous year. Net profit for the period amounted to RMB260.0 million, representing a decrease of RMB110.6 million or 29.8% as compared to that of RMB370.6 million over the corresponding period of the previous year. Among which the net profit for the period attributable to the equity owner of the Company was RMB169.9 million, representing a decrease of RMB163.3 million or 49.0% as compared to that of RMB333.2 million over the corresponding period of last year.

1) Revenue

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

For the six months ended 30 June 2017, the revenue of the Group was RMB13,879.6 million, representing an increase of RMB5,096.0 million or 58.0% as compared to that of RMB8,783.6 million over the corresponding period of last year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction (as the Group merged Ninth Metallurgical Construction on 30 June 2016, the data of Ninth Metallurgical Construction is not covered in the data for the six months period ended 30 June 2016, the same below), the comparable data of the Group for the first half of 2017 amounted to RMB11,692.7 million, representing an increase of 33.1% over the corresponding period of the previous year. The increase was mainly due to the fact that as the investment sentiment of economy in mainland China continued to improve, the orders of the Group on hand entered into its construction peak resulting in the significant growth of the revenue from construction. Along with the orderly development in trading sectors, the overall revenue greatly improved as compared to that of the corresponding period of last year

For the six months ended 30 June 2017, the revenue of the Group generated from China and overseas regions amounted to RMB13,515.4 million and RMB364.2 million, respectively, accounting for 97.4% and 2.6% of the total revenue. The comparison of the data of the corresponding period of the previous year is as below:

	January to June 2017		January to June 2016	
	(RMB'000)	%	(RMB'000)	%
Domestic	13,515,408	97.4	8,270,985	94.2
Overseas				
Vietnam	15,474	0.1	67,992	0.8
India	10,519	0.1	12,101	0.1
Venezuela	322,512	2.3	421,229	4.8
Others	15,733	0.1	11,329	0.1
Subtotal	364,238	2.6	512,651	5.8
Total	13,879,646	100.0	8,783,636	100.0

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

2) Cost of sales

For the six months ended 30 June 2017, the cost of sales of the Group amounted to RMB12,623.1 million, representing an increase of RMB4,722.6 million or 59.8% as compared to that of RMB7,900.5 million over the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, the comparable data of the Group for the first half of 2017 amounted to RMB10,676.0 million, representing an increase of 35.1% over the corresponding period of the previous year, which was mainly due to the growth in scale of revenue.

3) Selling and marketing expenses and business tax and surcharges

For the six months ended 30 June 2017, the selling and marketing expenses and business tax and surcharges of the Group amounted to RMB77.6 million, representing a decrease of RMB23.1 million or 22.9% as compared to that of RMB100.7 million over the corresponding period of last year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, the comparable data of the Group was RMB69.4 million for the first half of 2017, representing a decrease of 31.1% over the corresponding period of the previous year, primarily due to the taxation reform of "replacing business tax with value-added tax (營改增)" fully implemented across mainland China in May 2016 and the value-added tax payable deducted from revenue rather than presented as an expense resulting in a significant decrease of business tax and surcharges; in addition, upon the implementation of "replacing business tax with value-added tax", tax expenses, such as stamp duty and travel tax, which were presented as administrative expenses are presented as business tax and surcharges, thus reducing the amounts affected by the implementation of "replacing business tax with value-added tax".

4) Administrative expenses

For the six months ended 30 June 2017, the administrative expenses of the Group amounted to RMB707.0 million, representing an increase of RMB192.5 million or 37.4% compared to that of RMB514.5 million over the corresponding period of last year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, the comparable data of the Group amounted to RMB587.2 million for the first half of 2017, representing an increase of 14.1% over the corresponding period of the previous year, primarily due to the fact that the investments and awards in technical research and development by the Group was increased which resulted in the significant increase in the expenditure on research and development and the salaries of technical personnel. Furthermore, the change in the Group's accounting policy also led to the increase in the provision in this period.

5) Other gains-net

For the six months ended 30 June 2017, the gains-net of the Group amounted to RMB30.0 million, representing an increase of RMB58.5 million as compared to the net loss amounted to RMB28.5 million over the corresponding period of the previous year, which was mainly due to the decreased scale of debts denominated in USD and an increase in exchange gain resulting from the appreciation of RMB against USD as compared to that at the beginning of the year.

6) Operating profit

For the six months ended 30 June 2017, the operating profit of the Group amounted to RMB524.6 million, representing an increase of RMB267.1 million or 103.7% as compared to that of RMB257.5 million over the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, the Group's comparable data for the first half of 2017 was RMB404.7 million, representing an increase of 57.2% over the corresponding period of the previous year, which was mainly due to the increase in marginal profit and exchange gains brought from the growth in scale of revenue.

7) Finance Expenses – net

For the six months ended 30 June 2017, the net finance expenses of the Group amounted to RMB168.6 million, representing an increase of RMB89.4 million or 112.9% as compared to that of RMB79.2 million over the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, the Group's comparable data for the first half of the 2017 was RMB123.6 million, representing an increase of 56.1% over the corresponding period of the previous year, which is mainly due to the increase in the scale of interest-bearing liabilities and capital costs.

8) Profit before taxation

For the six months ended 30 June 2017, the profit before taxation of the Group amounted to RMB362.2 million, representing a decrease of RMB78.4 million or 17.8% as compared to that of RMB440.6 million over the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, the Group's comparable data for the first half of 2017 was RMB286.9 million, representing a decrease of 34.9% over the corresponding period of the previous year, mainly due to the gain on buying allowance from the merge of Ninth Metallurgical Construction of RMB269.7 million.

9) Profit for the period

For the six months ended 30 June 2017, the profit for the period of the Group amounted to RMB260.0 million, representing a decrease of RMB110.6 million or 29.8% as compared to that of RMB370.6 million over the corresponding period of the previous year.

10) Accounting Policy Change

In preparing the unaudited interim financial information for the six months ended 30 June 2017, management has identified the accounting policy changes in the recognised impairment of trade and other receivables and amounts due from customers for contract work in the previously issued consolidated financial statements, which were discussed and agreed in common with the accountant.

In the prior years, the management of the Group assessed with the following factor: impairment losses for trade and other receivables take place 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 expected future cash flows of the financial asset or group of financial assets that can be reliably estimated.

During the six months ended 30 June 2017, through the reassessment of trade and other receivables and amounts due from customers for contract work by the Group, the management of the Group realised that if the provision for the impairment of the trade and other receivables and amounts due from customers for contract work is measured based on the expected credit losses, the impairment policy on those amounts would be more appropriate. The management of the Group has decided to amend those accounting policies.

After the revision, the Group measured the impairment losses for the trade and other receivables and the contract work-in-progress based on the amounts equal to the lifetime expected credit losses. Expected credit losses are measured in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The revised accounting policy complies with International Accounting Standards ("**IAS**") 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments. The change in accounting policy is not an early adoption of IFRS 9 "Financial Instruments".

As required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", such adjustment has been made retrospectively and has an impact on those presented in the columns set out in note 5 of the unaudited interim condensed consolidated financial information. The impact of the movement on impairment recognition is the increase in administrative expenses, which would have a material effect on the profit for the period, total assets, total equity and earnings per share disclosed in the audited consolidated financial statements and unaudited consolidated financial statements for the prior years. Please see "note 5 Accounting Policy Change of the unaudited interim condensed consolidated financial information" of this report for detailed effects.

(2) Segment Operating Results

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

	January to June 2017		January to June 2016		Amount of change	
	Gross Profit (RMB'000)	**Segment results (RMB'000)**	Gross Profit (RMB'000)	Segment results (RMB'000) (Restated)	Gross Profit (RMB'000)	Segment results (RMB'000)
Engineering design and consultancy	**175,902**	**9,055**	181,906	(4,018)	(6,004)	13,073
Engineering and construction contracting	**929,693**	**453,717**	609,496	225,539	320,197	228,178
Equipment manufacturing	**39,254**	**(38,334)**	646	(22,495)	38,608	(15,839)
Trading	**109,440**	**94,088**	96,251	51,779	13,189	42,309
Subtotal	**1,254,289**	**518,526**	888,299	250,805	365,990	267,721
Inter-segment elimination	**2,298**	**6,077**	(5,147)	6,686	7,445	(609)
Total	**1,256,587**	**524,603**	883,152	257,491	373,435	267,112

1) Engineering design and consultancy

The principal segment result data for the Group's engineering design and consultancy business is as follows:

	January to June 2017		January to June 2016		
	(RMB'000)	**% of Segment Revenue**	(RMB'000) (Restated)	% of Segment Revenue	% of Change
Segment revenue	**753,945**	**100.0**	775,237	100.0	(2.7)
Cost of sales	**(578,043)**	**(76.7)**	(593,331)	(76.5)	(2.6)
Gross profit	**175,902**	**23.3**	181,906	23.5	(3.3)
Selling and marketing expenses, and business tax and surcharges	**(32,279)**	**(4.3)**	(23,303)	(3.0)	38.5
Administrative expenses	**(134,402)**	**(17.8)**	(176,695)	(22.8)	(23.9)
Other income and other gains or losses – net	**(166)**	**0.0**	14,074	1.8	N/A
Segment result	**9,055**	**1.2**	(4,018)	(0.5)	N/A

Segment revenue. Revenue from the engineering design and consultancy business before inter-segment elimination amounted to RMB753.9 million, representing a decrease of RMB21.3 million or 2.7% as compared to RMB775.2 million for the corresponding period of the previous year. The significant orders of the engineering design and consultancy business on hand speeded up in implementation and were confirmed in the second half of 2016, while the new orders were fragmented in the first half of 2017, but the segment revenue remained at the level of the corresponding period last year.

Cost of sales. Cost of sales of the engineering design and consultancy business amounted to RMB578.0 million, representing a decrease of RMB15.3 million or 2.6% from RMB593.3 million for the corresponding period of the previous year, which was in line with the ratio of decrease in segment revenue and remained broadly unchanged.

Gross profit. Gross profit of the engineering design and consultancy business amounted to RMB175.9 million, representing a decrease of RMB6.0 million or 3.3% from RMB181.9 million for the corresponding period of the previous year. Gross profit margin amounted to 23.3%, representing a slight decrease as compared to 23.5% for the corresponding period of the previous year.

Selling and marketing expenses, and business tax and surcharges. The selling and marketing expenses, and business tax and surcharges of engineering design and consultancy business were RMB32.3 million, representing an increase of RMB9.0 million or 38.5% from RMB23.3 million for the corresponding period of the previous year, which was primarily due to (i) the increase in business tax and surcharges over the corresponding period of last year resulted from the tax expenses, such as stamp duty and travel tax, being reclassified as tax and surcharges after the full implementation of the reform of tax system in mainland China in May 2016, and (ii) the increase in travel expenses of marketing staff arising from enhancing the market development.

Administrative expenses. The administrative expenses of engineering design and consultancy business were RMB134.4 million, representing a decrease of RMB42.3 million or 23.9% from RMB176.7 million for the corresponding period of the previous year, which was primarily due to the decrease in the salary distributed in the first half of the year as a result of the adjustment on the distribution approach of the salary of administrative management staff by the Group.

Other income and other gains or losses – net. The other income and other gains or losses – net of engineering design and consultancy business were net loss of RMB0.2 million, representing a decrease of RMB14.3 million from net gain of RMB14.1 million for the corresponding period of the previous year, which was primarily due to the recognised investment loss for the deregistration of a subsidiary.

Segment result. Due to the above mentioned causes, segment profit for the period from engineering design and consultancy business was RMB9.1 million, representing an increase in the profit of RMB13.1 million from the segment loss of RMB4.0 million for the corresponding period of the previous year, which contributed 1.7% of the segment result of the Group.

2) Engineering and Construction Contracting

	January to June 2017		January to June 2016		
	(RMB'000)	% of Segment Revenue	(RMB'000) (Restated)	% of Segment Revenue	% of Change
Segment revenue	**8,045,924**	**100.0**	4,271,870	100.0	88.3
Cost of sales	**(7,116,231)**	**(88.4)**	(3,662,374)	(85.7)	94.3
Gross profit	**929,693**	**11.6**	609,496	14.3	52.5
Selling and marketing expenses, and business tax and surcharges	**(22,156)**	**(0.3)**	(53,676)	(1.3)	(58.7)
Administrative expenses	**(498,520)**	**(6.2)**	(317,097)	(7.4)	57.2
Other income and other gains or losses – net	**44,700**	**0.6**	(13,184)	(0.3)	N/A
Segment result	**453,717**	**5.6**	225,539	5.3	101.2

Segment revenue. Revenue of engineering and construction contracting business before inter-segment elimination was RMB8,045.9 million, representing an increase of RMB3,774.0 million or 88.3% from RMB4,271.9 million for the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, comparable data of engineering and construction contracting business was RMB5,988.7 million for the first half of 2017, representing an increase of 40.2% over the corresponding period of the previous year, which was primarily due to the increase in new orders for construction projects led by the investment boom in the mainland's economy, and that the first half of the year has entered a construction peak period.

Cost of sales. Cost of sales of engineering and construction contracting business was RMB7,116.2 million, representing an increase of RMB3,453.8 million or 94.3% from RMB3,662.4 million in the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, comparable data of engineering and construction contracting business was RMB5,298.8 million for the first half of 2017, representing an increase of 44.7% over the corresponding period of the previous year, which was primarily due to the increase in revenue.

Gross profit. Gross profit of engineering and construction contracting business was RMB929.7 million, representing an increase of RMB320.2 million or 52.5% from RMB609.5 million for the corresponding period of the previous year. The gross profit margin decreased from 14.3% for the first half of 2016 to 11.6% for the first half of 2017, which was primarily due to a larger proportion of EPC business of the Group for the first half of the year and the decreased proportion of overseas business and BT business which have relatively higher gross profit margin.

Selling and marketing expenses, and business tax and surcharges. Selling and marketing expenses, and business tax and surcharges of engineering and construction contracting business were RMB22.2 million, representing a decrease of RMB31.5 million or 58.7% from RMB53.7 million for the corresponding period of the previous year, which was primarily due to the taxation reform of "replacing business tax with value-added tax (營改增)" fully implemented across the mainland China in May 2016. As such, the value-added tax is deducted from revenue rather than presented as an expense, resulting in a significant decrease of business tax and surcharges.

Administrative expenses. Administrative expenses of engineering and construction contracting business were RMB498.5 million, representing an increase of RMB181.4 million or 57.2% from RMB317.1 million for the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, the comparable data of engineering and construction contracting business was RMB389.4 million for the first half of 2017, representing an increase of 22.8% over corresponding period of the previous year, which was primarily due to the changes to the accounting policies, and the increase in provision for bad debts, as the Group adopted a stricter assessment policy for the estimated credit loss.

Other income and other gains or losses – net. Other income and other gains or losses – net of engineering and construction contracting business were the net gain of RMB44.7 million, representing an increase in the gain of RMB57.9 million from the net loss of RMB13.2 million for the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, the comparable data of engineering and construction contracting business was RMB36.2 million for the first half of 2017, representing an increase of RMB49.4 million over corresponding period of the previous year, primarily due to the increase in exchange gains resulting from the scale decline in USD debts and the appreciation of RMB against USD as compared to the beginning of the year.

Segment result. Due to the above mentioned causes, segment result of our engineering and construction contracting business during the period were RMB453.7 million, representing an increase of RMB228.2 million or 101.2% from RMB225.5 million in the corresponding period of the previous year, which contributed 87.5% to the segment results of the Group.

3) Equipment Manufacturing

	January to June 2017		January to June 2016		
	(RMB'000)	% of Segment Revenue	(RMB'000) (Restated)	% of Segment Revenue	% of Change
Segment revenue	529,088	100.0	229,766	100.0	130.3
Cost of sales	(489,834)	(92.6)	(229,120)	(99.7)	113.8
Gross profit	39,254	7.4	646	0.3	5,976.5
Selling and marketing expenses, and business tax and surcharges	(10,627)	(2.0)	(5,307)	(2.3)	100.2
Administrative expenses	(68,690)	(13.0)	(20,777)	(9.0)	230.6
Other income and other gains or losses – net	1,729	0.3	2,943	1.3	(41.3)
Segment result	(38,334)	(7.2)	(22,495)	(9.8)	70.4

Segment revenue. Revenue of the equipment manufacturing business before inter-segment elimination was RMB529.1 million, representing an increase of RMB299.3 million or 130.3% from RMB229.8 million in the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, comparable data of the equipment manufacturing business was RMB399.4 million in the first half of 2017, representing an increase of 73.8% over the corresponding period of the previous year, primarily due to the increased investments of the nonferrous industries and the increase of the newly-signed orders.

Cost of sales. Cost of sales of the equipment manufacturing business was RMB489.8 million, representing an increase of RMB260.7 million or 113.8% from RMB229.1 million in the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, comparable data of the equipment manufacturing business was RMB360.1 million in the first half of 2017, representing an increase of 57.2% over the corresponding period of the previous year, primarily due to increase of revenue.

Gross profit. Gross profit of the equipment manufacturing business was RMB39.3 million, representing an increase of RMB38.7 million from RMB0.6 million in the corresponding period of the previous year. The gross profit margin increased from 0.3% in the first half of 2016 to 7.4% in the first half of 2017, primarily due to the increase of marginal profits resulting from the increase of revenue.

Selling and marketing expenses, and business tax and surcharges. Selling and marketing expenses, and business tax and surcharges of the equipment manufacturing business were RMB10.6 million, representing an increase of RMB5.3 million or 100.2% from RMB5.3 million in the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, comparable data of the equipment manufacturing business was RMB7.9 million in the first half of 2017, representing an increase of 49.1% over the corresponding period of the previous year, primarily due to the increase in taxes resulting from the increase of revenue and the slight increase in transportation expenses.

Administrative expenses. Administrative expenses of the equipment manufacturing business were RMB68.7 million, representing an increase of RMB47.9 million or 230.6% from RMB20.8 million in the corresponding period of the previous year. Excluding the impacts of the merger and acquisition of Ninth Metallurgical Construction, the comparable data of the equipment manufacturing business were RMB58.0 million in the first half of 2017, representing an increase of 178.8% over corresponding period of the previous year, primarily due to the increase in the investment in the scientific research of the equipment manufacturing business which contributed to the increase in expenditure on research and development and the increase in the amount of provision resulting from the changes to the accounting policies.

Other income and other gains or losses – net. Other income and other gains or losses – net of the equipment manufacturing business was net gain of RMB1.7 million, representing a decrease of RMB1.2 million or 41.3% from the net gain of RMB2.9 million in the corresponding period of the previous year which was primarily due to the year-on-year decrease in the income from government grants included in profit and loss.

Segment result. As a result of the above mentioned, the segment loss of our equipment manufacturing business during the period was RMB38.3 million, representing an increase in loss of RMB15.8 million or 70.4% from the loss of RMB22.5 million in the corresponding period of the previous year.

4) Trading

	January to June 2017		January to June 2016		
	(RMB'000)	% of Segment Revenue	(RMB'000) (Restated)	% of Segment Revenue	% of Change
Segment revenue	**4,781,889**	**100.0**	3,622,156	100.0	32.0
Cost of sales	**(4,672,449)**	**(97.7)**	(3,525,905)	(97.3)	32.5
Gross profit	**109,440**	**2.3**	96,251	2.7	13.7
Selling and marketing expenses, and business tax and surcharges	**(12,579)**	**(0.3)**	(18,389)	(0.5)	(31.6)
Administrative expenses	**(8,576)**	**(0.2)**	(11,717)	(0.3)	(26.8)
Other income and other gains or losses – net	**5,803**	**0.1**	(14,366)	(0.4)	N/A
Segment result	**94,088**	**2.0**	51,779	1.4	81.7

Segment revenue. Revenue of trading segment before inter-segment elimination was RMB4,781.9 million, representing an increase of RMB1,159.7 million or 32.0% from RMB3,622.2 million in the corresponding period of the previous year, primarily due to increasing maturity of the trading segment and the improvement in the capability of market expansion.

Cost of sales. Cost of sales of trading segment was RMB4,672.4 million, representing an increase of RMB1,146.5 million or 32.5% from RMB3,525.9 million in the corresponding period of the previous year, primarily due to the increase of revenue.

Gross profit. Gross profit of trading segment was RMB109.4 million, representing an increase of RMB13.1 million or 13.7% from RMB96.3 million in the corresponding period of the previous year. The gross profit margin slightly decreased from 2.7% in the first half of 2016 to 2.3% in the first half of 2017, which was primarily due to the increase in transportation costs in the procurement process of certain businesses.

Selling and marketing expenses, and business tax and surcharges. Selling and marketing expenses, and business tax and surcharges of trading business were RMB12.6 million, representing a decrease of RMB5.8 million or 31.6% from RMB18.4 million in the corresponding period of the previous year, primarily due to the decrease in transportation costs.

Administrative expenses. Administrative expenses of trading business was RMB8.6 million, representing a decrease of RMB3.1 million or 26.8% from RMB11.7 million in the corresponding period of the previous year, primarily due to the sound condition of recovery of outstanding amounts of the segment during the period, which reversed the provision for bad debts in the previous years.

Other income and other gains or losses – net. The other income and other gains or losses – net of the trading business was the net gain of RMB5.8 million, representing an increase in gains of RMB20.2 million from the net loss of RMB14.4 million in the corresponding period of the previous year, primarily due to the increase of exchange gains resulting from the appreciation of RMB against USD.

Segment result. As a result of the above mentioned, segment result for the period of trading business were RMB94.1 million, representing an increase of RMB42.3 million or 81.7% from RMB51.8 million in the corresponding period of the previous year, contributing 18.1% to the segment results of the Group.

(3) Liquidity and Capital Resources

As of 30 June 2017, the bank deposit and cash held by the Group amounted to RMB5,792.8 million, representing a decrease of RMB2,850.0 million as compared with that as at 31 December 2016, primarily due to the repayment of senior perpetual securities of USD300 million in the first half of the year by the Group.

The sources of the Group's fund are mainly from operating income, bank borrowings and offering bonds comprising a variety of financing channels with good record of due repayment performance. Cash held are mainly denominated in RMB and USD and borrowings are mainly carried with fixed interest rates. The Group has formulated strict capital management measures to monitor closely on the liquidity position as well as the position of the financial market in order to stipulate appropriate financial strategy.

As of 30 June 2017, the current assets of the Group, exclusive of bank deposit and cash, amounted to RMB28,857.8 million, among which notes and trade receivables, amounts due from customers for contract work, prepayments and other receivables and inventories were RMB12,948.8 million, RMB7,652.1 million, RMB5,058.9 million and RMB3,144.8 million, respectively.

As of 30 June 2017, the current liabilities of the Group amounted to RMB27,543.3 million, among which trade and other payables and short-term borrowings were RMB15,816.3 million and RMB10,337.6 million, respectively. As of 30 June 2017, the net current assets of the Group, being the balance between total current assets and current liabilities, amounted to RMB7,107.3 million, representing a decrease of RMB1,596.2 million or 18.3% as compared with that as of 31 December 2016, primarily due to the repayment of the senior perpetual securities amounting to USD300 million by the Group and the increase in the short-term borrowings.

As of 30 June 2017, the outstanding borrowings of the Group amounted to RMB13,017.9 million, among which short-term borrowings and long-term borrowings due within one year were RMB10,337.6 million and long-term borrowings were RMB2,680.3 million; total loans have increased by RMB1,352.8 million as compared with that as of 31 December 2016, comprised of an increase of RMB652.7 million in short-term borrowings and an increase of RMB700.1 million in long-term borrowings.

1) Cash flows

Cash flows used in operating activities. For the six months ended 30 June 2017, net cash outflow used in operating activities amounted to RMB1,183.2 million, representing an outflow decrease of RMB115.7 million as compared with the net outflow of RMB1,298.9 million for the same period of the previous year, primarily due to the combined effect of continuous enhancement in settlement of creditor's rights and more in number of procurement of work-in progress projects of the Group.

Cash flows used in investing activities. For the six months ended 30 June 2017, net cash outflow used in investing activities amounted to RMB459.9 million, representing an outflow decrease of RMB255.3 million as compared with the net outflow of RMB715.2 million for the same period of the previous year, primarily due to the decrease of the advanced amount in the early stage of the project by the Group for the current period.

Cash flows (used in)/generated from financing activities. For the six months ended 30 June 2017, net cash outflow used in financing activities amounted to RMB1,037.9 million, representing an outflow increase of RMB1,695.6 million as compared with net inflow of RMB657.7 million for the same period of the previous year, primarily due to the repayment of the USD300 million senior perpetual securities by the Group for the current period.

2) Security and pledge of assets

Up to the reporting period, the subsidiaries of the Group provided the third party with total guarantee of RMB329.5 million.

During the reporting period, the subsidiaries of the Group had pledged fixed assets and land use rights to secure borrowings amounting to RMB253.0 million; and borrowings amounted to RMB1,061.8 million was pledged by trade receivables and bank deposits.

3) Gearing ratio

The Group monitors our capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings and other liabilities (including short-term borrowings, long-term borrowings, trade and other payables shown in the consolidated balance sheet) minus restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt minus non-controlling interest. The Group's gearing ratios were approximately 66.7% and 71.9% as at 31 December 2016 and 30 June 2017, respectively. The increase of gearing ratio as of 30 June 2017 as compared with that as of 31 December 2016 was primarily due to the Group has repaid the USD300 million senior perpetual securities during the period, resulting in the decrease of cash balances scale. And the scale of borrowing balances has increased to some extent, thus, the net debt increased by RMB5,256.7 million as compared to the beginning of the year. The gearing ratio of the Group increased at a relatively faster speed, but still remained in the targets set by the Group.

4) Capital expenditure

For the first half of 2017, our capital expenditures amounted to RMB341.5 million, representing a decrease of RMB140.2 million compared to RMB481.7 million for the first half of 2016, primarily due to the larger capital expenditure arising from business combination as compared to the same period of previous year. Among which, RMB43.0 million was used for the purchase of production facilities and equipment of construction engineering design and consultancy business segment; RMB225.4 million was used for the purchase of production facilities and equipment of the engineering contracting and construction business segment; RMB2.5 million was used for the purchase of production facilities and equipment of the equipment manufacturing segment; and RMB70.6 million was used for the purchase of production facilities and equipment of trading segment. Capital resources are mainly from self-owned capital.

5. RISK FACTORS

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

Foreign exchange risk

As the Group operates globally with the majority of our operations located in China, Southeast Asia, South Asia and South America, our financial position and results of operations can be affected by movements of currencies relevant to our operations, which mainly include RMB, USD and Euro. The Company is exposed to foreign exchange risk primarily arising from sales and purchases that give rise to receivables and payables, borrowings and cash balances denominated in foreign currencies. RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the PRC foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands.

Interest rate risk

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

Price risk

The Group is exposed to equity securities price risk as the Group's equity security investments are classified as available-for-sale financial assets and other financial assets at fair value through profit or loss, which are required to be stated at their fair values.

Credit risk

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

The vast majority of the Group's time deposits, cash and cash equivalents are deposited in the PRC state-owned/controlled banks, and the Directors believe that the credit risk of these banks is insignificant.

The Group has policies in place to ensure that services are rendered and products are sold to customers with a sound credit record, and the Group also performs credit evaluations on its customers regularly. Trade customers are not required by the Company to provide collaterals in general. The Directors consider that the Company does not have a significant concentration of credit risk.

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

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

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of our business, we aim to maintain flexibility in funding by keeping committed credit lines available.

The management monitors the cash flow forecasts of the Group, which comprises the undrawn borrowing facility and cash and cash equivalents available at the end of each month, to settle its liabilities.

Effects of inflation

The PRC has not experienced significant inflation in recent years, and thus inflation in the PRC has not materially affected the operations of the Group during the track record period. Although there can be no assurance as to the impact of inflation in future periods, we have not been materially and adversely affected by any recent inflationary or deflationary pressures in the PRC.

6. EMPLOYEES AND REMUNERATION POLICY

Employees

As of 30 June 2017, we had a total of 11,491 employees in service, among which male employees accounted for 8,769 and female employees accounted for 2,722, 76% and 24% respectively. Moreover, the Group has off-post reserved labor force of 2,445.

The following table shows a breakdown of the employees in service by business segment as of 30 June 2017:

	Number of Employees in Service	Percentage in the Total Number
Operation and management personnel	2,820	25%
Engineering technicians	6,006	52%
Production and operation personnel	2,191	19%
Service and other personnel	474	4%
Total	11,491	100%

The following table shows a breakdown of the employees in service by level of education as of 30 June 2017:

	Number of Employees in Service	Percentage in the Total Number
Postgraduate degree and above	1,003	9%
Undergraduate degree	4,976	43%
Diploma degree	2,607	23%
TAFE (Technical And Further Education) and below	2,905	25%
Total	11,491	100%

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

For the first half of 2017, our employee expenses amounted to RMB578.7 million. We do not have employee's share option scheme currently.

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

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

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

H Share Appreciation Rights Scheme

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

In accordance with the relevant requirements of the "Share Appreciation Rights Scheme of China Aluminum International Engineering Corporation Limited", due to not all of the effective conditions being able to fulfill, all of the H Shares Appreciation Rights granted to the Directors and the senior management by the Company under the "Resolution in relation to the Implementation of the H Shares Appreciation Rights Scheme of China Aluminum International Engineering Corporation Limited and the Initial Grant" and the "Share Appreciation Rights Scheme of China Aluminum International Engineering Corporation Limited" were lapsed as at the date of this report. As at the date of this report, none of the Directors and the senior management held the H Shares Appreciation Rights of the Company.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

大信梁學濂(香港)會計師事務所有限公司

Accountants & business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 32 to 79, which comprises the interim condensed consolidated balance sheet of China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司, the "Company") and its subsidiaries (collectively referred as to the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong

30 August 2017

Wan Tak Shing
Practising Certificate No. P04844

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (restated)
Revenue	7	**13,879,646**	8,783,636
Cost of sales		**(12,623,059)**	(7,900,484)
Gross profit		**1,256,587**	883,152
Business tax and surcharges		**(40,164)**	(58,381)
Selling and marketing expenses		**(37,477)**	(42,294)
Administrative expenses		**(706,988)**	(514,453)
Other income		**22,657**	18,010
Other gains/(losses) – net		**29,988**	(28,543)
Operating profit		**524,603**	257,491
Finance income		**125,152**	122,343
Finance costs		**(293,724)**	(201,498)
Share of profits/(losses)of investments accounted for using the equity method	12	**6,022**	(7,437)
Gain on bargain purchase from business combination	27	**134**	269,651
Profit before taxation		**362,187**	440,550
Income tax expense	8	**(102,182)**	(69,940)
Profit for the period		**260,005**	370,610
Items that may be reclassified to profit or loss			
Fair value losses on available-for-sale financial asset, net of tax		**(37,611)**	–
Currency translation differences		**(45,214)**	39,034
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations, net of tax		**44,225**	(99)
Other comprehensive (loss)/income for the period, net of tax		**(38,600)**	38,935
Total comprehensive income for the period		**221,405**	409,545
Profit for the period attributable to:			
Equity owners of the Company		**169,915**	333,170
Non-controlling interests		**90,090**	37,440
		260,005	370,610

		Six months ended 30 June	
	Note	**2017 RMB'000 (unaudited)**	2016 RMB'000 (restated)
Total comprehensive income for the period attributable to:			
Equity owners of the Company		**130,672**	372,108
Non-controlling interests		**90,733**	37,437
		221,405	409,545
Earnings per share or profit attributable to equity owners of the Company		**RMB**	RMB
– Basic	9	**0.06**	0.13
– Diluted	9	**0.06**	0.13

The notes on pages 40 to 79 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (restated)	At 31 December 2015 RMB'000 (restated)
Assets				
Non-current assets				
Property, plant and equipment	11	2,360,521	2,440,728	2,052,454
Land use rights	11	777,469	788,902	792,950
Intangible assets	11	208,752	128,364	142,610
Investments accounted for using the equity method	12	222,037	212,831	299,539
Investment properties		176,779	179,774	77,994
Available-for-sale financial assets		216,711	233,799	9,973
Trade and notes receivables	13	2,025,222	1,637,048	1,751,802
Prepayments and other receivables	14	1,800,845	1,631,644	589,299
Deferred income tax assets		570,161	576,882	485,828
Other non-current assets		49,851	27,912	12,015
Total non-current assets		8,408,348	7,857,884	6,214,464
Current assets				
Available-for-sale financial assets		34,550	18,000	149,200
Inventories		3,144,829	1,339,558	771,765
Trade and notes receivables	13	12,948,780	13,931,198	10,346,810
Prepayments and other receivables	14	5,058,865	4,078,509	3,247,988
Amounts due from customers for contract work	15	7,652,077	6,112,146	4,066,195
Current income tax prepayments		18,353	18,187	85,978
Derivative financial instrument		345	–	–
Restricted cash		800,076	910,192	723,510
Time deposits		15,842	18,426	28,929
Cash and cash equivalents		4,976,887	7,714,218	4,847,792
Total current assets		34,650,604	34,140,434	24,268,167
Total assets		43,058,952	41,998,318	30,482,631
Equity				
Share capital	16	2,663,160	2,663,160	2,663,160
Reserves		6,363,144	6,196,008	4,162,501
Consolidated equity attributable to equity owners of the Company		9,026,304	8,859,168	6,825,661
Non-controlling interests		2,803,115	4,583,094	1,990,457
Total equity		11,829,419	13,442,262	8,816,118

	Note	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (restated)	At 31 December 2015 RMB'000 (restated)
Liabilities				
Non-current liabilities				
Deferred income		**80,178**	85,793	88,269
Long-term borrowings	18	**2,680,344**	1,980,232	1,210,935
Retirement and other supplemental benefit obligations	17	**877,525**	979,448	1,076,882
Deferred income tax liabilities		**48,189**	51,748	629
Trade and other payables	19	**–**	21,949	1,431
Total non-current liabilities		**3,686,236**	3,119,170	2,378,146
Current liabilities				
Trade and other payables	19	**15,816,268**	14,740,430	11,070,114
Dividends payable	20	**231,695**	55,441	55,347
Amounts due to customers for contract work	15	**924,876**	643,790	420,286
Short-term borrowings	18	**10,337,568**	9,684,897	7,461,720
Current income tax liabilities		**107,549**	183,965	143,710
Retirement and other supplemental benefit obligations	17	**125,341**	128,363	137,190
Total current liabilities		**27,543,297**	25,436,886	19,288,367
Total liabilities		**31,229,533**	28,556,056	21,666,513
Total equity and liabilities		**43,058,952**	41,998,318	30,482,631
Net current assets		**7,107,307**	8,703,548	4,979,800
Total assets less current liabilities		**15,515,655**	16,561,432	11,194,264

The interim condensed consolidated financial information has been approved by the Board of Directors on 30 August 2017 and was signed on its behalf.

He Zhihui
Director

Zhang Jian
Director

The notes on pages 40 to 79 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity owners of the Company										
(restated)	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Remeasurements of post-employment benefit obligations RMB'000	Currency translation differences RMB'000	Special reserve RMB'000	Other equity Instruments RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	2,663,160	768,132	110,617	42,775	77,088	23,494	190,129	2,950,266	6,825,661	1,990,457	8,816,118
Profit for the period	–	–	–	–	–	–	–	333,170	333,170	37,440	370,610
Other comprehensive income											
Remeasurements of post-employment benefit obligations – gross	–	–	–	(130)	–	–	–	–	(130)	(4)	(134)
Remeasurements of post-employment benefit obligations – tax	–	–	–	34	–	–	–	–	34	1	35
Currency translation differences	–	–	–	–	39,034	–	–	–	39,034	–	39,034
Total comprehensive income	–	–	–	(96)	39,034	–	–	333,170	372,108	37,437	409,545
Dividends to equity owners	–	–	–	–	–	–	–	(159,790)	(159,790)	–	(159,790)
Interests paid for senior perpetual capital securities	–	–	–	–	–	–	–	–	–	(67,359)	(67,359)
Share of change in equity of investments accounted for using equity method	–	(2,706)	–	–	–	–	–	–	(2,706)	–	(2,706)
Appropriation of special reserve	–	–	–	–	–	9,497	–	(9,497)	–	–	–
Appropriation of statutory surplus reserve	–	–	(1,175)	–	–	–	–	1,175	–	–	–
Non-controlling interests arising on business combination	–	–	–	–	–	–	–	–	–	191,778	191,778
At 30 June 2016	2,663,160	765,426	109,442	42,679	116,122	32,991	190,129	3,115,324	7,035,273	2,152,313	9,187,586

The notes on pages 40 to 79 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity owners of the Company											
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Remeasurements of post-employment benefit obligations RMB'000	Currency translation differences RMB'000	Special reserve RMB'000	Other equity instruments RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	**2,663,160**	**711,218**	**130,454**	**(1,090)**	**75,759**	**158,501**	**10,699**	**1,402,731**	**3,707,736**	**8,859,168**	**4,583,094**	**13,442,262**
Profit for the period	-	-	-	-	-	-	-	-	169,915	169,915	90,090	260,005
Other comprehensive income												
Fair value loss on available-for-sale financial asset – gross	-	-	-	(44,248)	-	-	-	-	-	(44,248)	-	(44,248)
Fair value loss on available-for-sale financial asset – tax	-	-	-	6,637	-	-	-	-	-	6,637	-	6,637
Remeasurements of post-employment benefit obligations – gross	-	-	-	-	52,913	-	-	-	-	52,913	756	53,669
Remeasurements of post-employment benefit obligations – tax	-	-	-	-	(9,331)	-	-	-	-	(9,331)	(113)	(9,444)
Currency translation differences	-	-	-	-	-	(45,214)	-	-	-	(45,214)	-	(45,214)
Total comprehensive income	-	-	-	(37,611)	43,582	(45,214)	-	-	169,915	130,672	90,733	221,405
Dividends to equity owners	-	-	-	-	-	-	-	-	(231,695)	(231,695)	-	(231,695)
Net proceeds from offering of renewable corporate bonds (Note 21)	-	-	-	-	-	-	-	497,500	-	497,500	-	497,500
Dividend paid to the holders of senior perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(70,801)	(70,801)
Redemption of senior perpetual capital securities (Note 22)	-	-	-	-	-	-	-	-	-	-	(2,059,650)	(2,059,650)
Capital contributions from non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	27,400	27,400
Capital reserve upon deregistration of a subsidiary recognised	-	1,998	-	-	-	-	-	-	-	1,998	-	1,998
Derecognition of non-controlling interests upon deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	(15)	(15)
Appropriation to non-controlling interests (Note 22)	-	(231,339)	-	-	-	-	-	-	-	(231,339)	231,339	-
Non-controlling interests arising from business combination (Note 27)	-	-	-	-	-	-	-	-	-	-	1,015	1,015
Appropriation of special reserve	-	-	-	-	-	-	13,062	-	(13,062)	-	-	-
At 30 June 2017	**2,663,160**	**481,877**	**130,454**	**(38,701)**	**119,341**	**113,287**	**23,761**	**1,900,231**	**3,632,894**	**9,026,304**	**2,803,115**	**11,829,419**

The notes on pages 40 to 79 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Cash flows from operating activities			
Cash used in operations		**(1,045,814)**	(1,196,285)
Income tax paid		**(178,459)**	(121,338)
Interest received		**41,109**	18,698
Net cash used in operating activities		**(1,183,164)**	(1,298,925)
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and land use rights		**(232,799)**	(60,125)
Purchase of available-for-sale financial assets	6.3	**(2,126,509)**	(1,080,500)
Cash (outflow)/inflow arising from business combination	27	**(8,966)**	356,386
Payment for investments accounted for using the equity method		**(48,500)**	(4,000)
Financing provided to proprietors		**(487,670)**	(1,205,321)
Receiving payment of financing provided to proprietors		**371,230**	248,000
Interest received from financing provided to proprietors		**30,803**	36,607
Financing provided to suppliers		**(20,146)**	–
Financing provided to a related company		**(41,650)**	–
Interest received from available-for-sale financial assets and time deposits		**4,610**	4,576
Decrease/(increase) in time deposits		**2,584**	(26,823)
Proceeds from disposal of property, plant and equipment and intangible assets		**4,397**	611
Proceeds from disposal of available-for-sale financial assets	6.3	**2,082,764**	1,003,500
Proceeds from disposal of investments accounted for using equity method		**–**	11,912
Refund of futures margins		**10,000**	–
Dividends received from available-for-sale financial assets		**–**	8
Net cash used in investing activities		**(459,852)**	(715,169)

	Note	Six months ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Cash flows from financing activities			
Capital contributions made by non-controlling interests		**27,400**	–
Capital withdrawal by non-controlling interests		**–**	(210)
Dividends paid to non-controlling interests		**(582)**	–
Borrowings received		**4,721,093**	2,856,043
Repayment of borrowings		**(4,969,207)**	(3,484,462)
Borrowings received from fellow subsidiaries	18(vii)	**2,365,000**	95,000
Repayment of borrowings received from fellow subsidiaries	18(vii)	**(740,000)**	(90,000)
Repayment of borrowing received from a related company		**(456,500)**	–
Interest paid		**(332,527)**	(199,638)
Net proceeds from issuance of renewable corporate bonds		**497,500**	–
Net proceeds from issuance of short-term bonds		**2,496,633**	1,000,000
Repayment of short-term bonds		**(2,500,000)**	(500,000)
Net proceeds from issuance of long-term bonds		**–**	900,000
Redemption of senior perpetual capital securities		**(2,059,650)**	–
Dividends paid to the holders of senior perpetual capital securities		**(70,801)**	–
Issuance fee paid for issuance of senior perpetual capital securities		**(6,422)**	–
Cash inflow arising from notes financing		**10,156**	80,993
Deposit paid for notes financing		**(20,000)**	–
Net cash (used in)/generated from financing activities		**(1,037,907)**	657,726
Net decrease in cash and cash equivalents		**(2,680,923)**	(1,356,368)
Cash and cash equivalents at beginning of period		**7,714,218**	4,847,792
Exchange (losses)/gains on cash and cash equivalents		**(56,408)**	6,983
Cash and cash equivalents at end of period		**4,976,887**	3,498,407

The notes on pages 40 to 79 form an integral part of this unaudited interim condensed consolidated financial information.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

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

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

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

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

This interim condensed consolidated financial information has not been audited.

1.2 Reorganisation

Upon the establishment of the Company, Chinalco held its 95% equity interest and China Aluminum International Trading Company Limited (中鋁國際貿易有限公司), a wholly-owned subsidiary of Aluminum Corporation of China Limited (中國鋁業股份有限公司), which is a subsidiary of Chinalco, held the remaining 5% equity interest. On 10 February 2011, China Aluminum International Trading Company Limited (中鋁國際貿易有限公司) transferred its 5% equity interest in the Company to Chinalco and subsequently the Company became a wholly-owned subsidiary of Chinalco. On 30 March 2011, Chinalco transferred its 3.84% equity interest to Luoyang Engineering & Research Institute for Nonferrous Metals Processing (洛陽有色金屬加工設計研究院). Pursuant to a reorganisation of the engineering and construction contracting, design consultation business and equipment manufacturing business of Chinalco and its subsidiaries (collectively, the "Chinalco Group") in preparation for the Listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited ("the Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group. The Company then transformed into a joint stock company with limited liability and renamed as China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司) on 30 June 2011.

All English names represent the best effort by the Directors in translating the Chinese names, as they do not have any official English names, and are for reference only.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with IAS 34, "Interim financial reporting". The unaudited interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The restated unaudited condensed consolidated statement of comprehensive income for the six months ended 30 June 2016 is based on the Company's announcement "Adjustment for Financial Information" dated 27 September 2016.

3. ACCOUNTING POLICIES

Except for the accounting policy change as detailed in note 5, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

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

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

4. ESTIMATES

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

In preparing these interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. ACCOUNTING POLICY CHANGE

In preparing the unaudited interim financial information for the six months ended 30 June 2017, management has identified the following accounting policy changes in the presentation and disclosure in certain transactions and balances in previously issued consolidated financial statements.

During the period, the Group has reassessed and revised its policy on impairment losses recognised for trade and other receivables. Before the policy revision, the Group recognised impairment losses for trade and other receivables 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.

After the revision, the Group measured the loss allowance for the trade and other receivables and the contract work-in-progress based on the amounts equal to the lifetime expected credit losses. Expected credit losses are measured in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The revised accounting policy complies with IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 9 "Financial Instruments". The change in accounting policy is not an early adoption of IFRS 9 "Financial Instruments".

5. ACCOUNTING POLICY CHANGE (Continued)

As required by IAS 8 "Accounting Policies, Changes in Accounting Estimate and Errors", this revised accounting policy has been made retrospectively and its impact is presented in the tables below:

Impact on the consolidated balance sheet as at 31 December 2016 and 2015:

	As at 31 December 2016		
	The Group previously reported RMB'000	Adjustment RMB'000	Restated RMB'000
Non-current assets			
Trade and notes receivables	1,637,814	(766)	1,637,048
Prepayments and other receivables	1,639,934	(8,290)	1,631,644
Deferred income tax assets	424,159	152,723	576,882
Current assets			
Trade and notes receivables	14,419,026	(487,828)	13,931,198
Prepayments and other receivables	4,256,685	(178,176)	4,078,509
Amounts due from customers for contract work	6,164,121	(51,975)	6,112,146
Equity			
Retained earnings	4,228,684	(520,948)	3,707,736
Statutory surplus reserve	157,366	(26,912)	130,454
Non-controlling interests	4,609,546	(26,452)	4,583,094

5. ACCOUNTING POLICY CHANGE (Continued)

Impact on the consolidated balance sheet as at 31 December 2016 and 2015: (Continued)

	As at 31 December 2015		
	The Group previously reported RMB'000	Adjustment RMB'000	Restated RMB'000
Non-current assets			
Trade and notes receivables	1,752,312	(510)	1,751,802
Prepayments and other receivables	592,047	(2,748)	589,299
Deferred income tax assets	381,250	104,578	485,828
Current assets			
Trade and notes receivables	10,687,753	(340,943)	10,346,810
Prepayments and other receivables	3,330,491	(82,503)	3,247,988
Amounts due from customers for contract work	4,098,534	(32,339)	4,066,195
Equity			
Retained earnings	3,268,316	(318,050)	2,950,266
Statutory surplus reserve	130,626	(20,009)	110,617
Non-controlling interests	2,006,863	(16,406)	1,990,457

Impact on the unaudited interim condensed consolidated statement of comprehensive income for six months ended 30 June 2016:

	For the six months ended 30 June 2016		
	The Group previously reported RMB'000	Adjustment RMB'000	Restated RMB'000
Administrative expenses	455,728	58,725	514,453
Income tax expense	77,420	(7,480)	69,940
Total comprehensive income attributable to:			
Equity owners of the Company	412,545	(40,437)	372,108
Non-controlling interests	48,245	(10,808)	37,437

5. ACCOUNTING POLICY CHANGE (Continued)

Impact on earnings per share for the years ended 31 December 2016 and 2015 and for the six months ended 30 June 2016:

	Year ended 31 December 2016		
	The Group previously reported RMB	Adjustment RMB	Restated RMB
Earnings per share	0.43	(0.08)	0.35

	Year ended 31 December 2015		
	The Group previously reported RMB	Adjustment RMB	Restated RMB
Earnings per share	0.20	(0.03)	0.17

	Six months ended 30 June 2016		
	The Group previously reported RMB	Adjustment RMB	Restated RMB
Earnings per share	0.14	(0.01)	0.13

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

6.1 Financial risk factors

The activities of the Group expose them to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management department since 31 December 2016 or in any risk management policies since 31 December 2016.

6.2 Liquidity risk

Compared to 31 December 2016, there was no material change in the contractual undiscounted cash flows for financial liabilities.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

6.3 Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table presents the Group's assets that are measured at fair value as at 30 June 2017 and 31 December 2016.

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Level 1		
Available-for-sale financial assets		
– Listed equity securities	**170,578**	214,826
Derivative financial instrument	**345**	–
Level 3		
Available-for-sale financial assets		
– Unlisted equity securities	**19,473**	18,973
– Long-term investment	**26,660**	–
– Short-term investment	**34,550**	18,000
	251,606	251,799

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

6.3 Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the period ended 30 June 2017:

30 June 2017	Available-for-sale financial assets		
	Unlisted equity securities RMB'000 (unaudited)	Long-term investment RMB'000 (unaudited)	Short-term investment RMB'000 (unaudited)
Beginning of period	18,973	–	18,000
Addition	500	26,660	2,099,349
Settlement on expiration	–	–	(2,082,799)
End of period	19,473	26,660	34,550

The following table presents the changes in level 3 instruments for the period ended 30 June 2016:

30 June 2016	Available-for-sale financial assets	
	Unlisted equity securities RMB'000 (unaudited)	Short-term investment RMB'000 (unaudited)
Beginning of period	9,973	149,200
Addition	–	1,080,500
Addition from business combination	5,000	–
Settlement on expiration	–	(1,003,500)
End of period	14,973	226,200

7. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group's revenue is set out below:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Engineering design and consultancy	**687,339**	716,890
Engineering and construction contracting	**8,045,813**	4,250,497
Equipment manufacturing	**406,122**	196,822
Trading	**4,740,372**	3,619,427
	13,879,646	8,783,636

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

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

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

Capital expenditures comprise additions to property, plant and equipment (Note 11), land use rights (Note 11), investment properties, intangible assets (Note 11) and other non-current assets, including additions resulting from acquisitions through business combinations.

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

(i) For the six months ended 30 June 2016:

The segment results for the six months ended 30 June 2016 are as follows:

(restated)	Engineering design and consultancy	Engineering and construction contracting	Equipment manufacturing	Trading	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results						
Segment revenue	775,237	4,271,870	229,766	3,622,156	(115,393)	8,783,636
Inter-segment revenue	(58,347)	(21,373)	(32,944)	(2,729)	115,393	–
Revenue	716,890	4,250,497	196,822	3,619,427	–	8,783,636
Segment results	(4,018)	225,539	(22,495)	51,779	6,686	257,491
Finance income	31,120	138,726	25,935	10,215	(83,653)	122,343
Finance expense	(49,046)	(159,101)	(37,835)	(40,121)	84,605	(201,498)
Share of loss of investments accounted for using equity method	(1,095)	(5,690)	(652)	–	–	(7,437)
Gain on bargain purchase from business combination	–	269,651	–	–	–	269,651
(Loss)/profit before income tax	(23,039)	469,125	(35,047)	21,873	7,638	440,550
Income tax expense						(69,940)
Profit for the period						370,610
Other segment items						
Amortisation	17,474	9,608	1,900	–	–	28,982
Depreciation	30,240	25,849	14,890	50	–	71,029
Provision for/(reversal of)						
– credit losses	38,419	104,909	(596)	(427)	–	142,305
– foreseeable losses on construction contracts	–	17,562	–	–	–	17,562

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

(ii) The segment assets and liabilities as at 31 December 2016 and capital expenditure for the six months 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	5,062,107	31,447,802	3,280,543	7,112,192	(5,712,226)	41,190,418
Unallocated assets						
– Deferred income tax assets						576,882
– Current income tax prepayments						18,187
– Investments accounted for using the equity method						212,831
Total assets						41,998,318
Liabilities						
Segment liabilities	3,153,491	20,738,898	2,604,565	6,732,246	(4,908,857)	28,320,343
Unallocated liabilities						
– Deferred income tax liabilities						51,748
– Current income tax liabilities						183,965
Total liabilities						28,556,056
Capital expenditures	27,814	433,321	20,559	27	–	481,721

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

(iii) The segment results for the six months ended 30 June 2017 are as follows:

(unaudited)	Engineering design and consultancy RMB'000	Engineering and construction contracting RMB'000	Equipment manufacturing RMB'000	Trading RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Segment revenue and results						
Segment revenue	753,945	8,045,924	529,088	4,781,889	(231,200)	13,879,646
Inter-segment revenue	(66,606)	(111)	(122,966)	(41,517)	231,200	–
Revenue	687,339	8,045,813	406,122	4,740,372	–	13,879,646
Segment results	9,055	453,717	(38,334)	94,088	6,077	524,603
Finance income	21,312	169,507	4,474	57,973	(128,114)	125,152
Finance expense	(37,342)	(318,104)	(20,701)	(37,605)	120,028	(293,724)
Share of (losses)/profits of investments accounted for using equity method	(1,164)	7,246	(60)	–	–	6,022
Gain on bargain purchases from business combination	–	134	–	–	–	134
(Loss)/profit before income tax	(8,139)	312,500	(54,621)	114,456	(2,009)	362,187
Income tax expense						(102,182)
Profit for the period						260,005
Other segment items						
Amortisation	21,684	18,640	2,455	–	–	42,779
Depreciation	33,845	39,612	18,092	836	–	92,385
Provision for/(reversal of)						
– impairment on inventories	–	–	27,856	–	–	27,856
– credit losses	13,059	90,619	20,649	(6,401)	–	117,926
– foreseeable losses on construction contracts	–	845	–	–	–	845
– impairment on goodwill	1,497	–	–	–	–	1,497

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

(iv) The segment assets and liabilities as at 30 June 2017 and capital expenditure for the six months ended are as follows:

(unaudited)	Engineering design and consultancy RMB'000	Engineering and construction contracting RMB'000	Equipment manufacturing RMB'000	Trading RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Assets						
Segment assets	5,378,294	34,600,598	2,497,674	4,585,017	(4,813,182)	42,248,401
Unallocated assets						
– Deferred income tax assets						570,161
– Current income tax prepayments						18,353
– Investments accounted for using the equity method						222,037
Total assets						43,058,952
Liabilities						
Segment liabilities	3,017,430	27,439,995	1,932,786	3,775,084	(5,091,500)	31,073,795
Unallocated liabilities						
– Deferred income tax liabilities						48,189
– Current income tax liabilities						107,549
Total liabilities						31,229,533
Capital expenditures	43,044	225,380	2,486	70,553	–	341,463

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

(v) Analysis of information by geographical regions:

Revenue

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The PRC	**13,515,408**	8,270,985
Other countries	**364,238**	512,651
	13,879,646	8,783,636

Non-current assets, other than available-for-sale financial assets and deferred tax assets

	At 30 June	At 31 December
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(restated)
The PRC	**7,616,180**	7,022,349
Other countries	**5,296**	24,854
	7,621,476	7,047,203

(vi) Revenue of approximately RMB1,041 million and RMB462 million were derived from one single largest third party customer for the six months ended 30 June 2017 and 2016, respectively. These revenues are attributable to the trading segment.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(restated)
Current tax		
PRC enterprise income tax for the period (i)	**101,877**	94,615
Deferred tax		
Origination/(reversal) of temporary differences	**305**	(24,675)
Income tax expense	**102,182**	69,940

Note:

(i) PRC enterprise income tax

The Company and certain subsidiaries of the Group located in special regions of the PRC were granted tax concessions including preferential tax rates of 15%.

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

Except the Company and certain subsidiaries taxed at preferential rate of 15%, most of the companies now comprising the Group are subject to income tax rate of 25% for the six months ended 30 June 2017 and 2016.

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for six months ended 30 June 2017 is 29% (the estimated average tax rate for the six months ended 30 June 2016 was 16% – restated).

9. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2017	2016
	(unaudited)	(restated)
Profit attributable to equity owners of the Company (RMB'000)	**169,915**	333,170
Weighted average number of ordinary shares in issue	**2,663,160,000**	2,663,160,000
Basic earnings per share (RMB)	**0.06**	0.13

(b) Diluted

As the Company had no dilutive ordinary shares for the six months ended 30 June 2017 and 2016, dilutive earnings per share for the six months ended 30 June 2017 and 2016 is the same as basic earnings per share.

10. DIVIDENDS

Pursuant to a resolution of board of directors on 20 March 2017, the Company has proposed a dividend of RMB0.087 per share totaling approximately RMB231.7 million for the year of 2016, which was approved at the Annual General Meeting on 23 May 2017, and has been recognised as a liability in this unaudited interim condensed consolidated financial information.

No interim dividend was proposed by the Directors of the Company for the six months ended 30 June 2017 and 2016.

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

(a) Acquisition

During the six months ended 30 June 2017, the Group acquired property, plant and equipment, land use rights and intangible assets of RMB143,000, nil and nil (30 June 2016: RMB260,119,000, RMB103,475,000 and RMB591,000) respectively through business combinations and RMB143,078,000, nil and RMB107,975,000 (30 June 2016: RMB68,690,000, nil and RMB12,482,000) respectively from other third parties.

(b) Disposals

During the six months ended 30 June 2017, the Group disposed property, plant and equipment, land use right, and intangible assets with carrying amounts of RMB7,688,000, RMB520,000 and RMB8,930,000 (30 June 2016: RMB1,668,000, nil and nil) respectively.

(c) Impairment losses

During the six months ended 30 June 2017, there is no recognition or reversal of impairment loss to the Group's property, plant and equipment, land use rights and intangible assets.

(d) Loan security

As of 30 June 2017, the Group secured certain property, plant and equipment with net carrying amount of approximately RMB46 million (30 June 2016: nil) for borrowings amounting to approximately RMB23 million (30 June 2016: nil).

(e) Ownership certificates

Certain buildings, transportation equipment and land use right with the respective carrying amounts of approximately RMB622 million, RMB6 million and RMB66 million (31 December 2016: RMB573 million, RMB7 million and RMB40 million), for which the Group has not yet obtained the relevant certificates. The Directors confirmed that the Group will make application for the ownership certificates for such assets.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investment in associates

	Six months ended 30 June 2017 RMB'000 (unaudited)
Beginning of the period	166,792
Addition	18,500
Disposal	(45,000)
Share of post-tax losses of associates	(3,209)
End of the period	**137,083**

(b) Investment in joint venture

	Six months ended 30 June 2017 RMB'000 (unaudited)
Beginning of the period	46,039
Addition	30,000
Disposal	(316)
Share of post-tax profits of joint venture	9,231
End of the period	**84,954**

13. TRADE AND NOTES RECEIVABLES

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (restated)
Trade receivables	15,636,696	15,957,288
Less: Provision for credit losses	(1,198,252)	(1,104,515)
Trade receivables – net	14,438,444	14,852,773
Notes receivable	535,558	715,473
Trade and notes receivables – net	14,974,002	15,568,246
Less: Non-current portion (i)	(2,025,222)	(1,637,048)
Current portion	12,948,780	13,931,198

(i) According to the contracts, the Group is required to provide a series of financial support to the proprietors or its contractors during the projects' contracting period, the principal and interest will be paid within a certain period of time. As at 30 June 2017, the non-current trade receivables amounted to RMB2,025 million.

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

(iii) Certain trade receivable amounting to approximately RMB1,120 million were secured for its borrowings as disclosed in Note 18.

(iv) The notes receivable of the Group comprised of bank's acceptance bills and commercial acceptance bills. They are usually collected within six months from the date of issuance.

13. TRADE AND NOTES RECEIVABLES (Continued)

The contracts governing provision of the Group's service would not include specific credit terms.

For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. Trade receivables from sales of goods are with credit terms of 30 to 90 days in accordance with sales contracts.

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

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

Ageing analysis of trade receivables is as follows:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (restated)
Within 1 year	**8,316,125**	10,130,958
Between 1 and 2 years	**3,433,386**	3,524,056
Between 2 and 3 years	**2,152,330**	1,096,400
Between 3 and 4 years	**1,122,938**	557,883
Between 4 and 5 years	**316,738**	349,505
Over 5 years	**295,179**	298,486
Trade receivables – gross	**15,636,696**	15,957,288
Less: Provision for credit losses	**(1,198,252)**	(1,104,515)
Trade receivables – net	**14,438,444**	14,852,773

14. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (restated)
Prepayments		
Prepayments to suppliers	1,774,580	873,555
Other receivables and deposits		
Financing provided to proprietors (i)	3,199,155	3,038,858
Financing provided to suppliers (ii)	223,527	184,873
Amounts due from related parties (iii) (Note 26(b))	161,955	312,146
Retention fund	110,988	139,135
Receivables of export tax refund	12,859	17,858
Staff advances	90,636	100,506
Bid security	752,827	627,694
Deposits	89,733	172,982
Payments on behalf of third parties	201,387	232,840
Deductible value-added tax	384,544	151,384
Others	220,505	203,756
	5,448,116	5,182,032
Total prepayments and other receivables	7,222,696	6,055,587
Less: Provision for credit losses	(362,986)	(345,434)
Prepayments and other receivables – net	6,859,710	5,710,153
Less: Non-current portion (iv)	(1,800,845)	(1,631,644)
Current portion	5,058,865	4,078,509

(i) As at 30 June 2017, in connection with the Build-Transfer contract, the Group provided financing amounted to RMB3.2 billion to the owner or its contractors to support their construction projects, at an interest rates between 6.15% and 18.00%.

Included in the amount of financing provided to proprietors is approximately RMB409 million which was past due but not impaired related to certain individual third parties.

14. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(ii) On 7 January 2014, the Group entered into a purchase contract with Xinjiang Jiarun Resources Holdings Co. Ltd. (新疆嘉潤資源控股有限公司, "Xinjiang Jiarun"). In accordance with the contract terms, the Group is required to provide financing amounting to RMB300 million at benchmark one to three years lending rate x 1.15 x 1.17 (value-added tax rate) announced by the People's Bank of China. On 4 January 2016, the Group entered into a supplementary contract with Xinjiang Jiarun, the principal of the financing was agreed to reduce to RMB200 million. As at 30 June 2017, the outstanding principal and the relevant interest receivable aggregating to approximately RMB203 million (31 December 2016: RMB185 million) was secured by machinery held by Xinjiang Jiarun at fair value of approximately RMB421 million as at 31 October 2013 and irrevocably guaranteed by Qingdao Antaixin Group Co. Ltd. (青島安泰信集團有限公司) with maximum amount of RMB400 million.

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

(iv) Non-current prepayments and other receivables mainly relate to financing provided to the proprietor or its contractors and the quality assurance.

(v) The carrying amounts of other receivables approximate their fair values.

Ageing analysis of other receivables is as follows:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (restated)
Within 1 year	**3,310,677**	3,237,539
Between 1 and 2 years	**1,039,765**	515,074
Between 2 and 3 years	**812,354**	1,297,890
Between 3 and 4 years	**218,005**	45,472
Between 4 and 5 years	**19,986**	17,568
Over 5 years	**47,329**	68,489
Other receivables – gross	**5,448,116**	5,182,032
Less: Provision for credit losses	**(362,986)**	(345,434)
Other receivables – net	**5,085,130**	4,836,598

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (restated)
Contract cost incurred plus recognised profit less recognised losses	**79,113,270**	76,276,576
Less: Progress billings	**(72,386,069)**	(70,808,220)
Contract work-in-progress	**6,727,201**	5,468,356
Representing:		
Amounts due from customers for contract work	**7,722,023**	6,181,458
Less: Provision	**(69,946)**	(69,312)
Net amounts due from customers for contract work	**7,652,077**	6,112,146
Amounts due to customers for contract work	**(924,876)**	(643,790)
	6,727,201	5,468,356

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Contract revenue recognised as revenue for the six months period	**8,045,813**	4,250,497

16. SHARE CAPITAL

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Number of shares	**2,663,160,000**	2,663,160,000
Share capital (RMB'000)	**2,663,160**	2,663,160

17. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS

(a) State-managed retirement plan

The Chinese employees of the Group participate in employee social security plans organised and administrated by the PRC government authority. The PRC companies are required to contribute from 20% to 22%, depending on the applicable local regulations, of salaries, wages and bonuses to the state-managed retirement plans. The obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions.

The total cost charged to the unaudited interim condensed consolidated statements of comprehensive income during the six months ended 30 June 2017 and 2016 are as follows:

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Contributions to state-managed retirement plans	**80,507**	80,598

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Amounts due to state-managed retirement plans included in trade and other payables	**7,969**	3,707

17. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

(b) Early retirement and supplemental benefit obligations

The Group has implemented a supplemental defined benefit retirement scheme to certain employees upon retirement and termination of services in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees.

The amount of early retirement and supplemental benefit obligations recognised in the consolidated balance sheets are determined as follows:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Current portion of defined benefits obligations	**125,341**	128,363
Non-current portion of defined benefits obligations	**877,525**	979,448
Present value of defined benefits obligation	**1,002,866**	1,107,811

The movements of the Group's early retirement and supplemental benefit obligations for the six months ended 30 June 2017 and 2016 are as follows:

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
At beginning of period	**1,107,811**	1,214,072
For the period		
– interest cost	**15,654**	18,163
– payment	**(64,173)**	(51,502)
– re-measurement (gains)/losses	**(66,631)**	134
– past service cost	**10,184**	134
– current service cost	**21**	–
At end of period	**1,002,866**	1,181,001

17. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

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

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

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

(i) Discount rates adopted (per annum):

	At 30 June 2017	At 31 December 2016
Discount rate	**3.75%**	3.00%

The discount rate is determined with reference to the yield on Chinese government bonds.

(ii) Mortality: Average life expectancy of residents in the PRC;

(iii) Average medical expense increase rate: 8%;

(iv) Cost of living adjustment (COLA) for beneficiaries: 4.5%;

(v) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

18. BORROWINGS

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Bank borrowings		
– guaranteed by the Company to its subsidiaries	2,228,186	2,141,703
– secured by property plant and equipment (i)	23,000	–
– secured by an investment property (ii)	–	20,000
– secured by trade and notes receivables (iii)	306,880	625,246
– secured by time deposits (iv)	19,110	19,110
– secured by land use rights held by third parties (v)	230,000	250,000
– unsecured	4,166,376	4,152,690
Borrowings from financial institutions		
– guaranteed by the Company to its subsidiaries	200,000	200,000
– secured by trade and notes receivables (iii)	535,848	535,848
Short-term and long-term bonds		
– unsecured (vi)	3,423,512	3,460,532
Borrowings from fellow subsidiaries (vii) (Note 26(b))		
– secured by trade and notes receivables (iii)	200,000	100,000
– unsecured	1,685,000	160,000
	13,017,912	11,665,129
Less: Non-current portion	(2,680,344)	(1,980,232)
Current portion	10,337,568	9,684,897

The borrowings are secured by the following:

(i) As of 30 June 2017, the Group secured certain property, plant and equipment with carrying amount of RMB46 million (31 December 2016: nil) for borrowings amounting to RMB23 million (31 December 2016: nil).

(ii) As of 30 June 2017, the Group secured an investment property with carrying amount of nil (31 December 2016: RMB12 million) for borrowings amounting to nil (31 December 2016: RMB20 million).

18. BORROWINGS (Continued)

(iii) As of 30 June 2017, the Group secured certain trade and notes receivables with carrying amounts of approximately RMB1,120 million (31 December 2016: RMB983 million) and nil (31 December 2016: RMB311 million) for borrowings amounting to approximately RMB1,043 million (31 December 2016: RMB1,261 million) (Note 13).

(iv) As of 30 June 2017, the Group secured certain time deposits with carrying amounts of RMB20 million (31 December 2016: RMB20 million) for borrowings amounting to approximately RMB19 million (31 December 2016: RMB19 million).

(v) As of 30 June 2017, Nayong Yongkong Trading Co., Ltd. (納雍雍康貿易有限公司) and Nayong Development Investment Realty Co., Ltd. (納雍縣開發投資置業有限公司), business partners of the Group, secured land use rights for borrowings of the Group amounting to RMB200 million (31 December 2016: RMB220 million).

As of 30 June 2017, Shaanxi Jiuan Properties Co., Ltd. (陝西久安房地產有限公司, "Shaanxi Jiuan"), the predecessor shareholder of Ninth Metallurgical Construction Co., Ltd. (九冶建設有限公司, "Ninth Metallurgical Construction"), secured land use rights for borrowings of the Group amounting to RMB30 million (31 December 2016: RMB30 million).

(vi) Short-term and long-term bonds

The Group issued 2016 long-term bonds, 2017-first tranche and 2017 second tranche of ultra short-term financing notes on 20 June 2016, 14 March 2017 and 23 June 2017 with issuance amounts of RMB900 million, RMB1,500 million, RMB1,000 million with maturity periods of 1,095 days, 180 days and 120 days respectively. The unit par value is RMB100 with an interest rate of 4.70%, 4.60% and 5.39% per annum respectively.

Outstanding bonds as at 30 June 2017 are summarized as follows:

	Face value (RMB'000)/ maturity	Effective interest rate	30 June 2017 (RMB'000)
2017 short-term bonds	**1,500,000/2017**	**4.60%**	**1,523,000**
2017 short-term bonds	**1,000,000/2017**	**5.39%**	**1,001,048**
2016 long-term bonds	**900,000/2019**	**4.70%**	**899,464**
			3,423,512

18. BORROWINGS (Continued)

(vii) On 24 August 2012, the Group 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 Group with deposit services, settlement services, credit lending services and miscellaneous financial services. The credit lending services are on normal commercial terms and do not require security or collaterals.

During the six months ended 30 June 2017, the Group borrowed RMB2,140 million (31 December 2016: RMB1,870 million) from Chinalco Finance and repaid RMB670 million (31 December 2016: RMB2,870 million). As of 30 June 2017, RMB1,550 million (31 December 2016: RMB80 million) was borrowed from Chinalco Finance, of which RMB1,050 million and RMB500 million will be repaid in the second half of 2017 and during the year 2020 respectively.

On 22 April 2016 and 26 April 2016, the Group obtained borrowings from Luoyang Institute amounting to RMB40 million and RMB30 million respectively at an interest rate of 4.57% per annum. The principal and relevant interest were repaid on 21 April 2017 and 25 April 2017 respectively. In addition, on 10 April 2017, the Group obtained borrowings from Luoyang Institute amounting to RMB40 million and RMB30 million respectively at an interest rate of 4.57% per annum. The principal and relevant interest will be repaid on 9 April 2018.

On 28 December 2016 and 6 April 2017, the Group obtained borrowings from Guiyang Aluminium Magnesium Asset Management Co., Ltd. (貴陽鋁鎂資產管理有限公司) amounting to RMB10 million and RMB55 million respectively at an interest rate of 4.75% per annum. The principal and relevant interest will be repaid on 24 December 2018 and 4 April 2018 respectively.

On 18 September 2016 and 24 March 2017, the Group obtained factoring borrowings from China Aluminum Business Factoring (Tianjin) Co., Ltd (中鋁商業保理(天津)有限公司) amounting to RMB100 million and RMB100 million at an interest rate of 5% and 4% per annum, respectively. The principal and relevant interest will be repaid on 17 September 2017 and 19 March 2018 respectively.

As at 30 June 2017 and 31 December 2016, the Group's borrowings were repayable as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000 (unaudited)	RMB'000 (audited)
Within 1 year	**10,337,568**	9,684,897
Between 1 and 2 years	**975,880**	425,679
Between 2 and 5 years	**1,639,464**	1,525,553
Over 5 years	**65,000**	29,000
	13,017,912	11,665,129

18. BORROWINGS (Continued)

The estimated fair values of borrowings approximate their carrying amounts.

The effective interest rates of borrowings and loans are 1.00% to 8.70% and 1.00% to 8.73% as at 30 June 2017 and 31 December 2016, respectively.

19. TRADE AND OTHER PAYABLES

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Trade and notes payables		
Trade payables	10,364,056	10,584,518
Notes payable (i)	1,306,786	767,277
	11,670,842	11,351,795
Other payables		
Advances from customers	1,938,392	1,433,030
Staff welfare payable	133,643	137,994
Tax payable	305,674	325,287
Deposit payable	588,442	501,376
Amounts to be paid by the Group on behalf of other parties	584,123	621,015
Amounts due to related parties (ii) (Note 26(b))	85,216	96,168
Others	509,936	295,714
	4,145,426	3,410,584
Total trade and other payables	15,816,268	14,762,379
Less: Non-current portion (iii)	–	(21,949)
Current portion	15,816,268	14,740,430

Notes:

(i) As of 30 June 2017, the Group secured certain bank deposits for notes payable.

(ii) Amounts due to related parties are interest-free, unsecured and repayable on demand.

(iii) As of 31 December 2016, the main non-current portion mainly comprised of negative interest of RMB20 million in Shanghai Fengtong Equity Investment Fund Partnership (Limited Partner) ("Shanghai Fengtong Fund", 上海豐通股權投資基金合夥企業（有限合夥）).

19. TRADE AND OTHER PAYABLES (Continued)

The carrying amounts of the Group's trade and other payables at 30 June 2017 and 31 December 2016 approximate their fair values.

Ageing analysis of trade payables is as follows:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Within 1 year	7,551,105	7,874,901
Between 1 and 2 years	1,685,520	1,464,939
Between 2 and 3 years	507,819	477,501
Over 3 years	619,612	767,177
	10,364,056	10,584,518

20. DIVIDENDS PAYABLE

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Dividends payable:		
Dividends declared to the shareholder (i)	231,695	–
Equity owners of the subsidiaries before the transfer to the Group pursuant to the Reorganisation before the Listing (ii)	–	53,080
Dividends payable to non-controlling interest of a subsidiary	–	2,361
	231,695	55,441

(i) Pursuant to the Annual General Meeting held on 23 May 2017, a final dividend for the year of 2016 of RMB0.087 per ordinary share, totalling approximately RMB231.7 million was declared by the Company. Dividends were paid on 18 July 2017.

(ii) The dividends payable was settled on 29 June 2017 pursuant to the debt transfer agreement entered into by the subsidiaries and the former equity owners of the subsidiaries.

21. OTHER EQUITY INSTRUMENTS

On 2 September 2016, the Company's application for the public issuance of renewable corporate bonds to qualified investors in the PRC with an aggregate nominal value of not exceeding RMB4,000,000,000 was approved by China Securities Regulatory Commission. The issuance period is valid within 24 months from the date of approval.

On 15 March 2017, the Company issued the first tranche of renewable corporate bonds for the year 2017 of an issuance amount of RMB500,000,000 (the "2017 renewable corporate bonds") with a maturity period of 3+N years.

The initial coupon rate of the 2017 renewable corporate bonds is 6.00%, the initial spread (3.08%) = initial coupon rate (6.00%) – benchmark interest rate (2.92%); annual dividend is to be paid on 17 March 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 follows: current coupon rate = current benchmark interest rate + initial spread (3.08%) + 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) 10 working days before the reset of coupon rate.

Pursuant to the terms of the 2017 renewable corporate bonds, 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 during the 12-month period ending on the day before the contractual scheduled distribution payment date, the Company should not defer the current period interests and all interests and fruits which have already been deferred according to relevant terms.

Since the Company can defer the principal payment of renewable corporate bonds with no restriction, the 2017 renewable corporate bonds does not meet the definition of financial liabilities according to IAS 32 Financial Instruments and the net amount arising from raising of this fund is recognised as other equity instruments in the consolidated financial statements.

The Company declared profit distribution in respect of the year ended 31 December 2016 at the Annual General Meeting of shareholders on 23 May 2017 and such dividend was paid on 18 July 2017. Based on the terms of the 2017 renewable corporate bonds, the Company has the obligation to make the first distribution of interest on 19 March 2018.

22. SENIOR PERPETUAL CAPITAL SECURITIES

Senior perpetual capital securities with an issuance amount of USD300 million, which were issued on 28 February 2014 by the Group's wholly-owned subsidiary, Chalieco Hong Kong Corporation Limited, were redeemed in full at a consideration of its principal amount plus accrued interests on 28 February 2017.

In connection with this redemption, the Group made an appropriation of RMB231,339,000 from capital reserve to non-controlling interests.

23. COMMITMENTS

(a) Capital commitments

Capital commitments for the purchase of property, plant and equipment and investment outstanding at each year/period-end not provided for in the consolidated balance sheets are as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000 (unaudited)	RMB'000 (audited)
Contracted but not provided for		
– Property, plant and equipment	**69,167**	21,768
– Investment (i)	**846,800**	867,125
Authorised but not contracted for		
– Property, plant and equipment	**–**	77,472
	915,967	966,365

Note:

(i) As at 9 October 2014, Chalieco Hong Kong Corporation Limited (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 partnership agreement, 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 30 June 2017.

23. COMMITMENTS (Continued)

(b) Operating lease commitments

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Within 1 year	15,716	1,287
Between 1 and 5 years	2,733	2,721
Over 5 years	100	–
Total	18,549	4,008

24. 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.

25. FINANCIAL GUARANTEE

(a) The Company was required to take the responsibility of paying the outstanding balance of the principal or the relevant expected earnings of Harvest Capital Management Company Limited (嘉實資本管理有限公司) (hereinafter "Harvest Capital") once Shanghai Fengtong Fund fails to make the payment in accordance with the terms of the relevant contracts.

Harvest Capital has received all the outstanding principal and expected earnings and accordingly the Company has no such obligation.

(b) As at 30 June 2017, the Group's subsidiary, Ninth Metallurgical Construction issued the joint liability guarantees in respect of the following loans:

- a bank loan of RMB69,500,000 (31 December 2016: RMB74,000,000) borrowed by Mianxian Urban Development Investments Limited (勉縣城市發展投資有限公司), which is due for repayment on 6 January 2023; and

- a loan with a principal of RMB160,000,000 (31 December 2016: RMB160,000,000) borrowed by Xianyang Emerging Textile Industrial Park Electricity Supply Company Limited (咸陽市新興紡織工業園供電服務有限公司) from China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), which is due for repayment on 29 July 2018.

As 30 June 2017, the Group's subsidiary, Hanzhong Ninth Metallurgical Construction Co., Ltd. (漢中九冶建設有限公司) issued a joint liability guarantee in respect of a bank loan of RMB100,000,000 (31 December 2016: RMB100,000,000) borrowed by Mianxian Urban and Rural Infrastructure Construction Co., Ltd. (勉縣城鄉基礎設施建設有限公司), which is due for repayment on 19 October 2027.

The Directors reviewed all of the relevant contracts and information, and assessed that the fair values of the above financial guarantees were not material, as the repayments made by the above borrowers were on schedule and the risk of default is remote. As such, no financial liability was recognised for such financial guarantees.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the "state-owned enterprises").

In accordance with IAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the six months ended 30 June 2017 and 2016, and balances as at 30 June 2017 and 31 December 2016 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.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Significant related party transactions arising with Chinalco and its subsidiaries

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods or provision of service to:		
– Associates of ultimate holding company	**23,802**	–
– Fellow subsidiaries	**1,935,107**	703,833
	1,958,909	703,833
Purchase of goods and services from fellow subsidiaries	**88,404**	116,712
Rental expenses paid to fellow subsidiaries	**2,007**	1,845
Borrowings from fellow subsidiaries (Note 18(vii))	**2,365,000**	485,000
Interest received from fellow subsidiaries	**16,215**	1,769
Interest paid to fellow subsidiaries	**18,699**	18,626
Acquisition of a subsidiary from a subsidiary of a joint venture (Note 27)	**9,000**	–

Apart from the transactions as disclosed above and elsewhere in the condensed consolidated financial statements, the Group has transactions with other state-owned enterprises include but not limited to the following:

- Sales and purchases of goods and services;
- Purchases of assets;
- Lease of assets; and
- Bank deposits and borrowings.

In the ordinary course of business, the Group sells goods and services to, and purchase goods and services from other state-owned enterprises based on terms as set out in the underlying agreements, market price or actual cost incurred, or as mutually agreed.

The Group places deposits with and receives loans mainly from state-owned financial institutions in the ordinary course of business. The 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.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Period/year end balances arising from Chinalco, its subsidiaries and associates and joint venture of the Group

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Trade receivables		
– Ultimate holding company	–	1,004
– Fellow subsidiaries	1,911,077	1,804,178
– Associates of ultimate holding company	189,590	212,820
	2,100,667	2,018,002
Prepayments to suppliers		
– Fellow subsidiaries	99,796	9,063
Other receivables (Note 14)		
– Ultimate holding company	8	20
– Fellow subsidiaries	95,370	245,748
– Associates of ultimate holding company	66,577	66,378
	161,955	312,146
Amounts due to customers for contract work		
– Fellow subsidiaries	27,299	62,276
Trade payables		
– Fellow subsidiaries	136,704	143,426
Advance from customers		
– Fellow subsidiaries	207,630	36,896
Other payables (Note 19)		
– Ultimate holding company	1,535	4,236
– Fellow subsidiaries	83,681	91,932
	85,216	96,168
Borrowings (Note 18)		
– Fellow subsidiaries	1,885,000	260,000

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Notes:

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

(ii) Trade and other payables due to ultimate holding company, subsidiaries and associates of ultimate holding company are unsecured, interest-free and have no fixed term of repayment.

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

27. BUSINESS COMBINATION

On 26 June 2017, the Group entered into an Equity Transfer Agreement with Beijing Fengtong Hengda Investment Company Limited (北京豐通恒達投資有限公司), a wholly-owned subsidiary of Shanghai Fengtong, to acquire 90% of equity interest in Qingdao Xinfu Gongchuang Asset Management Company Limited ("Qingdao Xinfu", 青島新富共創資產管理有限公司). The acquisition was completed on 26 June 2017.

The purchase consideration for the acquisition was in the form of cash of RMB9,000,000, which was fully settled during the period.

The fair values of the identifiable assets and liabilities of Qingdao Xinfu as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	143
Inventories	873,875
Cash and cash equivalents	34
Prepayments and other receivables	4,190
Trade and other payables	(369,893)
Borrowings from a related company	(498,150)
Deferred income tax liabilities	(50)
Total identifiable net assets at fair value	10,149
Non-controlling interests	(1,015)
	9,134
Gain on bargain purchase from business combination	(134)
Satisfied by cash	9,000

The above fair values were estimated by the Directors based on the valuation report (Zhonghe Ping Boa Zi (2017) (No. BJV 1075)) issued by an independent asset valuer, ZhongHe Appraisal Co., Ltd.

27. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(9,000)
Cash and cash equivalents acquired	34
Net outflow of cash and cash equivalents included in cash flows from investing activities	(8,966)

Transaction cost of the acquisition is immaterial.

Since the acquisition, Qingdao Xinfu contributed nil to the Group's revenue and nil to the consolidated profit for the six months ended 30 June 2017.

Had the combination taken place at the beginning of the period the revenue of the Group and the profit of the Group for the period would have been RMB13,879,646,000 and RMB258,512,000, respectively.

28. EVENTS AFTER THE BALANCE SHEET DATE

Other than the subsequent events disclosed below and elsewhere in the unaudited interim condensed consolidated financial information, no other significant subsequent events took place subsequent to 30 June 2017:

The Company issued the 2017-third tranche of ultra short-term financing notes of an issuance amount of RMB1.5 billion on 18 July 2017, with a maturity period of 270 days. The unit face value is RMB100 with an interest rate of 4.7% per annum, which was principally underwritten by China Everbright Bank Co., Ltd.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

As a company listed on the Stock Exchange, the Company has been striving to maintain a high standard of corporate governance. For the six months ended 30 June 2017, the Company had complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules, and adopted the suggested best practices therein where appropriate, except the following deviation from code provisions:

Corporate Governance Code C.2 stipulates that the issuer shall announce and publish quarterly financial result after the end of quarterly period within a month as usual. The Company has deviated from Corporate Governance Code C.2 due to failure to announce the first quarterly report before 30 April 2017. The Company has announced first quarterly report on 2 May 2017 to correct the above-mentioned deviation in timely manner.

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

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct and rules governing dealings by all of our Directors and supervisors in the securities of the Company. Having made specific enquiries to the Directors and supervisors of the Company, all Directors and supervisors have confirmed that they had strictly complied with the required standard set out in the Model Code during the reporting period. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are on no less exacting terms than the Model Code. The Company is not aware of any breach of the guidelines by its relevant employees.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

The Audit Committee consists of three Directors, being Mr. Cheung Hung Kwong (independent non-executive Director), Mr. Wang Jun (non-executive Director) and Mr. Fu Jun (independent non-executive Director). Mr. Cheung Hung Kwong serves as the chairman of the Audit Committee.

REVIEW OF INTERIM RESULTS

On 28 August 2017, the Audit Committee reviewed and confirmed the announcement of interim results for the six months ended 30 June 2017, the 2017 interim report and unaudited interim condensed consolidated financial information for the six months ended 30 June 2017 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

1. EQUITY INTERESTS

As at 30 June 2017, the total share capital of the Company was RMB2,663,160,000, divided into 2,663,160,000 Shares of RMB1.00 each (Domestic Shares and H Shares).

2. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, so far as known to the Directors of the Company, the following persons (other than the Directors, supervisors or chief executives of the Company) had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance, or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of the Company:

Name of Shareholder	Class of Shares	Capacity/Nature of interest	Number of Shares held (share)	Approximate percentage of shareholding in relevant class of Shares (%)	Approximate percentage of shareholding in total share capital (%)
Chinalco[(1)]	Domestic Shares	Beneficial owner/Interest of controlled corporation	2,263,684,000 (Long position)	100	85.00
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 Gaining Investments Limited[(2)]	H Shares	Nominee of another 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 Xing 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

(1) Chinalco is beneficially interested in 2,176,758,534 Domestic Shares, representing approximately 81.74% of the total share capital of the Company. Luoyang Institute is a wholly-owned subsidiary of Chinalco and is interested in 86,925,466 Domestic Shares, representing approximately 3.26% of the total share capital of the Company. Chinalco is therefore also deemed to be interested in the Domestic Shares held by Luoyang Institute under the Securities and Futures Ordinance.

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

3. INTERESTS HELD BY DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As of 30 June 2017, none of the Directors, supervisors and chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance which were required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which were required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to us and the Stock Exchange.

4. CHANGE OF DIRECTORS, SUPERVISORS AND COMMITTEE

On 20 March 2017, Mr. He Bincong was appointed as the staff representative supervisor at the 2017 first staff meeting, for a term up to the expiry date of the term of this session of the Supervisory Board.

On 23 May 2017, at the 2016 annual general meeting, Mr. He Zhihui, Mr. Zong Xiaoping, Mr. Wu Zhigang and Mr. Zhang Jian were re-elected and appointed as the executive Directors of the Company, Mr. Wang Jun and Mr. Li Yihua were re-elected and appointed as the non-executive Directors, and Mr. Sun Chuanyao, Mr. Cheung Hung Kwong and Mr. Fu Jun were re-elected and appointed as the independent non-executive Directors, and the terms of the above Directors will end on the expiry date of the term of this session of Board. In addition, at the 2016 annual general meeting, Mr. Ou Xiaowu and Mr. Li Wei were re-elected and appointed as the Shareholder representative supervisors on the same day, for a term up to the expiry date of the term of this session of the Supervisory Board.

On 23 May 2017, the Board of the Company has appointed Mr. He Zhihui as the chairman of Risk Management Committee and Nomination Committee, Mr. Wang Jun as the members of Audit Committee and Remuneration Committee, Mr. Li Yihua as the member of Risk Management Committee, Mr. Sun Chuanyao as the chairman of Remuneration Committee and the member of Nomination Committee, Mr. Cheung Hung Kwong as the chairman of Audit Committee, and Mr. Fu Jun as the members of Risk Management Committee, Audit Committee, Remuneration Committee and Nomination Committee, for a term up to the expiry date of the term of this session of the Board. In addition, on the same day the Board of the Company has appointed Mr. He Zhihui as the chairman of Strategy Committee, Mr. Zong Xiaoping and Mr. Sun Chuanyao as members of Strategy Committee, for a term effective from the date of the establishment of Strategy Committee to the expiry date of the term of this session of the Board.

Save as disclosed above, up to the date of this report, none of the Directors, supervisors and senior management of the Company has any change. In addition, the Directors, supervisors and senior management have confirmed that there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

For the specific details, please refer to the announcement of the Company dated 23 May 2017.

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

As of 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

6. LITIGATION AND ARBITRATION OF MATERIAL IMPORTANCE

As of 30 June 2017, there were no material litigations or arbitrations that would have a material effect on the business of the Company. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Group, which would have a material effect on the business of the Company.

7. CONTRACT OF SIGNIFICANCE

Save for disclosed in the section headed "Significant Related Party Transactions and Balances" in this interim report, none of the Company or any of its subsidiaries entered into any contracts of significance with the controlling Shareholder or any of its subsidiaries other than the Group, nor was there any contracts of significance between the Group and the controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services.

8. INTERIM DIVIDEND

The Board has not made any recommendation on the payment of an interim dividend for the six months ended 30 June 2017.

9. RESPONSIBILITY OF DIRECTORS IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Board shall fulfill its duty to prepare the consolidated financial statements as of 30 June 2017 for the Group so as to present a true and fair view of the Group's production and operational condition, and of the business performance and cash flow of the Company.

The management has provided the Board with the necessary explanation and data to facilitate the review and approval of the Company's consolidated financial statements by the Board. The Company has provided all members of the Board with updated information on the performance situation and prospects of the Company on a monthly basis.

The Directors are not aware of any significant uncertainties, that is, events or incidents that may cause significant concern on the on-going operation of the Company.

10. ACCOUNTING POLICIES

During the six months ended 30 June 2017, through the reassessment of trade and other receivables and amounts due from customers for contract work by the Group, the management of the Group realized that if the provision for the impairment of the trade and other receivables and amounts due from customers for contract work is measured based on the expected credit losses, the impairment policy on those amounts would be more appropriate. The management of the Group has decided to amend those accounting policies.

The revised accounting policy complies with IAS 39 "Financial Instruments: Recognition and Measurement" and "IFRS 9 Financial Instruments". The change in accounting policy is not an early adoption of IFRS 9 "Financial Instruments".

As required by IAS 8 "Accounting Policies, Changes in Accounting Estimate and Errors", such adjustment has been made retrospectively and has an impact on those presented in the columns set out in note 5 of the unaudited interim condensed consolidated financial information. The impact of the movement on impairment recognition is the increase in administrative expenses, which would have a material effect on the profit for the period, total assets, total equity and earnings per share disclosed in the audited consolidated financial statement and the unaudited consolidated interim financial statement for the prior years.

Saved as foresaid changes in accounting policies, the accounting policies adopted by the Group in the preparation of the unaudited condensed consolidated financial statements as of 30 June 2017 are in consistency with the principal accounting policies adopted in the preparation of the audited consolidated financial statements for the year ended 31 December 2016.

11. BUSINESS IN CONNECTION WITH SANCTIONED COUNTRIES

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

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

DEFINITIONS

"A subsidiary in Hong Kong"	Chalieco Hong Kong Corporation Limited
"A subsidiary in India"	China Aluminum International Engineering (India) Private Limited
"A subsidiary in Venezuela"	Chalieco Venezuela C.A.
"Beijing Zichen"	Beijing Zichen Investment Development Corporation Limited
"Board"	the board of Directors of the Company
"Chinalco"	Aluminum Corporation of China (中國鋁業公司)
"Chalieco", "Company", "the Company", "we" or "us"	China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司), a joint stock limited company incorporated in the PRC
"Changcheng Construction"	China Aluminum Great Wall Construction Co., Ltd. (中鋁長城建設有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
"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 the 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 the 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 the 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 the Company
"CNPT"	China Nonferrous Metals Processing Technology Co., Ltd. (中色科技股份有限公司), a joint stock limited company incorporated in the PRC and a subsidiary owned as to 73.5% by our Company, and (where the context requires) its subsidiaries
"Corporate Governance Code"	the Code on Corporate Governance as set forth in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company

"Domestic Shares"	ordinary shares of RMB1.00 each in the share capital which are subscribed for and fully paid in Renminbi
"Duyun 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 the Company (as to 50%), Sixth Metallurgical Company (as to 30%) and GAMI (as to 20%)
"GAMI"	Guiyang Aluminum and Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company, and (where the context requires) its subsidiaries
"Global Offering"	has the same meaning ascribed thereto in the prospectus
"Group"	the Company and its subsidiaries from time to time
"H Share(s)"	the overseas listed foreign invested shares of RMB1.00 each in the ordinary share capital of the Company, which are subscribed for and traded in Hong Kong dollars and have been approved for the granting of listing, and permission to deal, on the Stock Exchange
"IFRSs"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Iran Contracts"	has the same meaning ascribed thereto in the section headed "Iran Contracts" of the prospectus
"Latest Practicable Date"	30 August 2017
"Listing"	Listing of the H Shares of the Company on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Luoyang Institute"	Luoyang Engineering & Research Institute for Nonferrous Metals Processing (洛陽有色金屬加工設計研究院), an enterprise incorporated in the PRC owned by the whole people, one of our promoters and Shareholders
"Main Board"	the stock market operated by the Stock Exchange (excluding the options market), independent of the growth enterprise market of the Stock Exchange and under parallel operation with the growth enterprise market
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules

"Ninth Metallurgical Company" or "Ninth Metallurgical Construction"	No. 9 Metallurgical Construction Co., Ltd.
"PRC" or "China"	the People's Republic of China
"RMB" or "Renminbi"	the lawful currency of the PRC
"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 the Company, and (where the context requires) its subsidiaries
"Sanctioned Countries"	countries which are the targets of economic sanctions imposed by the U.S. and other jurisdictions, including but not limited to Cuba, Sudan, North Korea, Iran, Syria and Myanmar
"Securities and Futures Ordinance"	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
"Share(s)"	Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"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 the Company
"Supervisory Board"	the supervisory board of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianjin Construction"	Chalieco (Tianjin) Construction Co., Ltd.
"Twelfth Metallurgical Company"	China Nonferrous Metals Industry's 12th Metallurgical Construction Co., Ltd. (中色十二冶金建設有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Wenzhou Tonggang"	Wenzhou Tonggang Construction Co., Ltd.
"Wenzhou Tongrun"	Wenzhou Tongrun Construction Co., Ltd.

CORPORATE INFORMATION

CHINESE 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

LEGAL REPRESENTATIVE

Mr. He Zhihui

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.chalieco.com.cn

STOCK CODE

2068

INVESTORS' ENQUIRIES

Investors' hotline: 010-82406806
Fax: 010-82406797
E-mail: IR-chalieco@chalieco.com.cn

THE BOARD

Executive Directors
Mr. He Zhihui (Chairman)
Mr. Zong Xiaoping
Mr. Wu Zhigang
Mr. Zhang Jian

Non-executive Directors
Mr. Wang Jun
Mr. Li Yihua

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

THE COMMITTEES OF THE BOARD

Audit Committee
Mr. Cheung Hung Kwong (Chairman)
Mr. 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. Li Yihua
Mr. Fu Jun

SUPERVISORS

Mr. He Bincong
Mr. Ou Xiaowu
Mr. Li Wei

JOINT COMPANY SECRETARY

Mr. Wang Jun
Mr. Zhai Feng

AUTHORIZED REPRESENTATIVES

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

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

AUDITOR

Domestic Auditor
WUYIGE Certified Public Accountants. LLP
15th Floor, Institute International Building, 1 Zhichun Road, Haidian District, Beijing

International Auditor
PKF Hong Kong Limited
26/F, Citicorp Centre, 18 Whitefield Road, Causeway Bay, Hong Kong

LEGAL ADVISORS

As to Hong Kong law

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

As to PRC law

Jia Yuan Law Offices
F407–408, Ocean Plaza, Fuxingmennei Avenue, Beijing
PRC

H SHARE REGISTRAR

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Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation

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

Bank of China Limited

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

Bank of Communication Co., Ltd.

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