



中鋁國際工程股份有限公司

China Aluminum International Engineering Corporation Limited

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

Stock Code: 2068

Interim Report 2018



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CHAIRMAN'S STATEMENT

Dear Shareholders,

During the first half of the year, in the wake of the complicated and ever-changing domestic and international situation, the Group adhered to an underlying principle of progressing at a steady pace, while committing to fulfilling the general demand for high-quality development, accelerating reform and innovation and promoting all aspects of work in an orderly manner. As a result, our profitability continued to improve. The return to A Shares was officially approved by the regulatory authorities, and the issuance was fully advanced.

During the first half of the year, the Group achieved a revenue of RMB14.11 billion. The profit attributable to the equity owners of the Company amounted to RMB0.25 billion, representing a year-on-year increase of 16.2%. The value of contracts newly signed amounted to RMB27.76 billion, representing a year-on-year increase of 114.2%. The Group was ranked No. 204 on the Fortune China 500 published in 2018, and the ranking was 49 higher than that of the corresponding period of the previous year.

In the second half of the year, the Group will further carry out the new development concepts by leading and supporting the technology advancement of the aluminum industry, taking the lead and developing the engineering application of aluminum products as well as spearheading and facilitating the international cooperation of the production capacity of nonferrous metals industry. While keeping an eye on national policies, the Group will strengthen the regional market development with market-oriented strategies. Being an active player in the construction of the "Belt and Road", the Group will act as a strong promoter for overseas engineering construction and capacity cooperation in the nonferrous industry. The Group takes the listing of A Shares as an opportunity to further enhance corporate governance standards and to share our achievement of development with more investors.

Chairman

HE Zhihui

27 August 2018

CORPORATE PROFILE

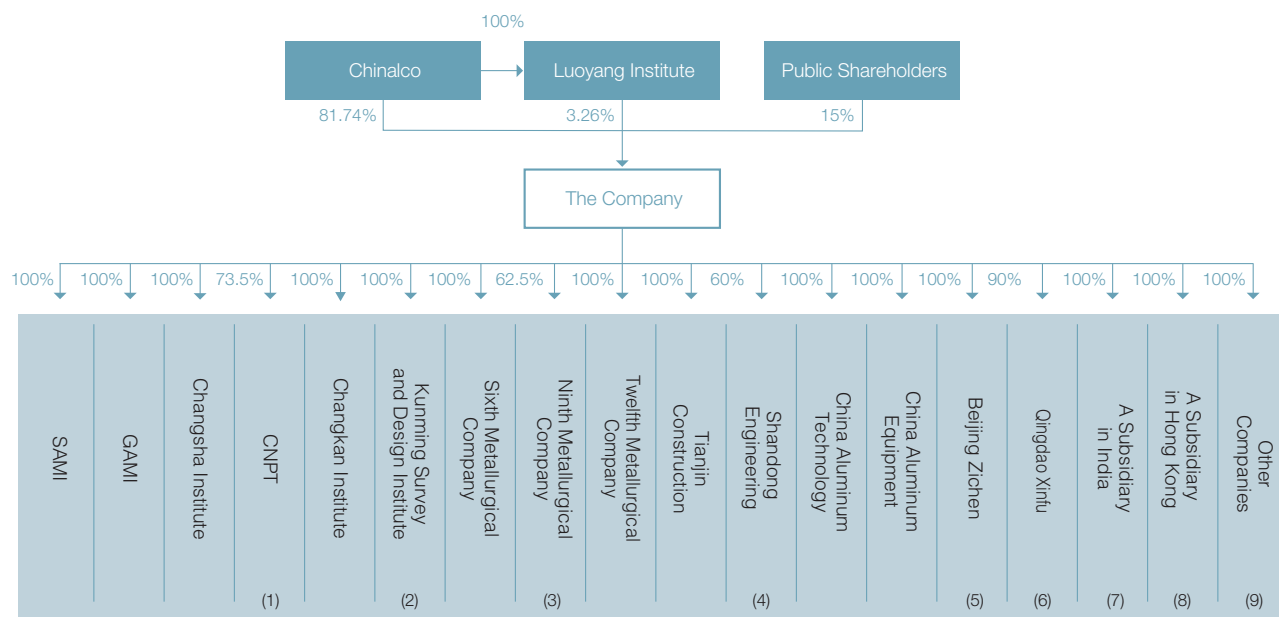
THE ISSUANCE AND LISTING OF THE SHARES

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 2018, 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., 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 Kunming Survey and Design Institute Co., Ltd. of China Nonferrous Metals Industry
- (3) represents Ninth Metallurgical Construction Co., Ltd., the remaining 37.5% of the equity interest is held by natural person shareholders as to 30.27%, and State-owned Assets Supervision and Administration Commission of Xianyang City as to 7.23%, both of whom are independent third parties.
- (4) represents Chalco Shandong Engineering Technology Co., Ltd., the remaining 40% of the equity interest is held by Aluminum Corporation of China Limited.
- (5) represents Beijing Zichen Investment Development Corporation Limited (北京紫宸投資發展有限公司)
- (6) represents Qingdao Xintu Gongchuang Asset Management Company Limited (青島新富共創資產管理有限公司), the remaining 10% of the equity interest is held by independent natural person shareholders.
- (7) represents China Aluminum International Engineering (India) Private Limited (中鋁國際工程(印度)私人有限公司)
- (8) represents Chalico Hong Kong Corporation Limited (中鋁國際香港有限公司)
- (9) represents Aluminum Company, Duyun Tongda, Wenzhou Tonggang, Wenzhou Tongrun, etc.

FINANCIAL SUMMARY

1. KEY OPERATION RESULTS

| | January to June 2018 (RMB'000) | January to June 2017 (RMB'000) (Restated) | Amount of Change (RMB'000) | Percentage of Change % |
|--|---|---|----------------------------------|------------------------------|
| Revenue | 14,108,969 | 14,966,785 | (857,816) | (5.7) |
| Gross profit | 1,324,528 | 1,392,062 | (67,534) | (4.9) |
| Operating profit | 683,468 | 594,508 | 88,960 | 15.0 |
| Total profit | 456,416 | 427,030 | 29,386 | 6.9 |
| Net profit | 352,673 | 311,089 | 41,584 | 13.4 |
| Net profit attributable to equity owners of the Company | 250,350 | 215,415 | 34,935 | 16.2 |
| Basic earnings per share | 0.09 | 0.08 | 0.01 | 12.5 |
| Diluted earnings per share | 0.09 | 0.08 | 0.01 | 12.5 |

Note: The basic earnings per share of the Group for the six months ended 30 June 2018 was RMB0.09 per share (equivalent to HK\$0.11 per share, based on the central parity rate for RMB to HKD published by the People's Bank of China on 29 June 2018).

2. SEGMENT REVENUE

| | January to June 2018 (RMB'000) | January to June 2017 (RMB'000) (Restated) | Amount of Change (RMB'000) | Percentage of Change % |
|--|---|--|----------------------------------|------------------------------|
| Segment revenue | | | | |
| Engineering design and consultancy | 1,294,657 | 989,754 | 304,903 | 30.8 |
| Engineering and construction contracting | 9,211,197 | 8,787,932 | 423,265 | 4.8 |
| Equipment manufacturing | 655,088 | 638,410 | 16,678 | 2.6 |
| Trading | 3,227,550 | 4,781,889 | (1,554,339) | (32.5) |
| Subtotal | 14,388,492 | 15,197,985 | (809,493) | (5.3) |
| Inter-segment elimination | (279,523) | (231,200) | | |
| Total revenue | 14,108,969 | 14,966,785 | (857,816) | (5.7) |

FINANCIAL SUMMARY

3. ASSETS AND LIABILITIES

| | At 30 June 2018 (RMB'000) | At 31 December 2017 (RMB'000) | Amount of Change (RMB'000) | Percentage of Change % |
|---|--|-------------------------------------|----------------------------------|------------------------------|
| Total assets | 45,399,730 | 45,373,790 | 25,940 | 0.1 |
| Total liabilities | 33,018,175 | 33,246,219 | (228,044) | (0.7) |
| Total equity of owners | 12,381,555 | 12,127,571 | 253,984 | 2.1 |
| Attributable to the equity owners of the Company | 9,397,055 | 9,178,230 | 218,825 | 2.4 |

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY OVERVIEW FOR THE FIRST HALF OF 2018

For the first half of the year, the economy of China has undergone continuous structural reform on the supply side and the innovation driver has deepened, while structural de-leverage made progress in an orderly manner which has maintained a progressive yet steady development trend. The total volume of GDP had a year-on-year increase of 6.8% in terms of comparable price. The nonferrous metals industry saw a steady growth. Among the industrial products, the production volumes of refined copper, lead and copper had a year-on-year increase of 10% and above. The production volumes of virgin aluminum, aluminum oxide and aluminum were basically the same or slightly increased. The Company continued to explore the nonferrous market, consolidating and strengthening its leading position in the nonferrous sector with unique technologies and the advantage of industrial chain. In the first half of the year, the total production value of the national construction industry increased by 10.4% year-on-year, the building construction area of the national construction industry increased by 7.9% year-on-year, while the infrastructures investment recorded a year-on-year increase of 7.3%.

2. BUSINESS OVERVIEW FOR THE FIRST HALF OF 2018

In the first half of 2018, the Group has further increased its market competitiveness and achieved a steady growth on operational results by upholding innovation, deepening corporate reform, enhancing its marketing, focusing on risk prevention, optimizing project management and raising the level of technology informatization.

(I) Achievements on market expansion

- 1. Breakthrough in domestic market.** The Group achieved better-off results by putting on more efforts on structural transformation and keeping abreast with the big markets, big owners and large projects. The value of contracts newly signed amounted to RMB27.76 billion, representing a year-on-year increase of 114.2% as compared to the corresponding period of last year.
- 2. Key projects launched successfully.** The Group has cooperated with Yunnan Communications Investment and Yunnan Construction Investment on the “2+8+1” domestic and foreign highway projects, which were the milestones for the transformation and upgrading of the enterprise. Through the establishment of Southwest Construction Investment Company (西南建設投資公司), the Group took the lead to implement a series of measures and speed up the project launch. Currently, the Group has won the bid for six high-net projects in Ningyong, Dayangyun, Linshuang, Yunlin, Binnan and Nanjing, signed the contract and commenced constructions.

MANAGEMENT DISCUSSION AND ANALYSIS

- 3. Expediting overseas development.** GAMI entered into the tank furnace design and supply contract with the world's largest petroleum calcination company, which laid a foundation for continuously undertaking the follow-up projects of the company in the United States. Changsha Institute entered into the EPC contract for the Zambia Enka copper and cobalt slag comprehensive application project in the amount of RMB288 million. The capability of expanding the overseas markets has gradually increased.
- 4. Reinforcing the advantages of nonferrous industry.** The Group explored the nonferrous market, continued to consolidate and strengthen its leading position in the nonferrous technology service group with unique proprietary technologies and the advantage of industrial chain. SAMI entered into an EPC contract and design contract for a batch of electrolytic aluminum with GAMI.
- 5. Remarkable achievements in applying aluminum.** The Group focused on the development of outdoor aluminum facilities with aluminum overpass as the representative to promote green city concept. During the first half of the year, the Group has entered into design and construction contracts for 12 aluminum overpasses in the amount of approximately RMB84 million. Focusing on the lightweight vehicles, the Group actively promotes aluminum trailers with the supply of all-aluminum spare parts so as to expand and strengthen the commercial lightweight automobile industry. Currently, the project of producing 3,000 aluminum alloy trailers every year has met the mass production conditions, and sales intention of first batch of 60 units has been reached.
- 6. Fully implemented the “3531” strategy.** In order to build up and enhance sustainable development of the consumer market, and achieve a fundamental shift from project marketing to regional marketing, the Group formulated “the “3531” Market Strategy Implementation Plan”: to identify 30 key prefecture-level cities for market development in about 5 years. The contract amount for development is RMB5 billion for each city per annum, achieving revenue of RMB3 billion and profit target of RMB100 million. The Group continued to promote the implementation of the Plan. Following the establishment of regional operating institutions in the areas of Inner Mongolia, Xiongan, Wenzhou and Southwest in 2017, the Northwest regional operating institution was also established in 2018. Since the commencement of the first project in Panxian, the project department of Sixth Metallurgical Company in Panxian upheld the quality principle of “Building Milestone for Every Project”. The market development was accomplished a regional breakthrough by unremitting efforts, in which the project department has secured construction contracts with accumulated amount of RMB5.23 billion in Panxian within less than 3 years of establishment, making it the leader in the implementation of the “3531” strategy and the model innovation.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Project management is more standardized

- 1. Reinforcing the benchmarking leadership.** the Group established the first industrial EPC benchmarking project. The project has received positive feedback from property owners, setting a good demonstration and promotion role. The Group actively summarized the experience of the project engineering management while accomplishing the outcome of “eight bottom lines of standards and eight lines of standards improvement”, setting a benchmark for upgrading the management standards of EPC project.
- 2. Addressing the safety and environmental protection issues persistently.** In strict compliance with safety responsibilities, the Group worked out an accountability list based on the principle of “Two Accountability for One Post” for all staff, and formulated and implemented the “seven must-do’s” for safe production and assessment rules. In the meantime, it enhanced the pre-employment training for project managers and safety officers, conducted “pilot examination” for safety and quality, while promoting measures, including development of system for risk classification and control. In light of the above measures, the safety and environmental protection measures kept achieving new accomplishment.

(III) Making great progress in the return to A Shares

The Group has officially obtained the approval from the CSRC in relation to the Company’s application for A Shares IPO on 8 June and the issuance was at full wing.

(IV) Continue to take a lead on technological innovation

- 1. Major scientific research projects launched successively.** The industrialization test for the new technology of using Bayer process red mud for production of aluminum oxide from low grade bauxite has been completed, in which a major breakthrough was expected for the complete solutions of red mud emissions and resources utilization. Two technological achievements accomplished by SAMI were rated as international leading level and international advanced level by China Nonferrous Metals Industry Association respectively. One QC achievement performed by Tianjin Construction was awarded first prize by China National Association for Nonferrous Metals Industries Construction.
- 2. Construction of scientific research platform has reached a new level.** Sixth Metallurgical Company and Ninth Metallurgical Company have successfully passed the application for “National Enterprise Technology Center”. GAMI put great efforts on promoting the “aluminum electrolysis remote big data diagnostic center”, building an aluminum electrolytic cell data remote diagnostic and technological service platform system for India Vedanta Company. Changkan Institute completed the construction of “Chinalco Group’s safety and environmental protection emergency management information center platform”, realizing “one map” online monitoring and early warning and emergency management for the main risk sources of safety and environmental protection.

MANAGEMENT DISCUSSION AND ANALYSIS

- 3. Increase in the strength of research and development of nonferrous business.** The following topics have successively achieved accomplishments stage by stage, among others, the “research on application of new sponge city and comprehensive pipe rack” performed by SAMI, the “research on application of fabricated construction” performed by GAMI, the “research on application of black and foul water pollution treatment technology” and the “research on comprehensive repair technology of contaminated sites” performed by Changsha Institute, as well as the “research on application of aluminum templates intelligence measurement technology” of aluminum for industrial use. Furthermore, some of the core techniques are being applied.

(V) Risk management has strengthened

Enhancing and refining internal control. The Group has monitored and formulated management strategies for 5 major risks such as cash flow risk, project management risk, risk on important overseas operations, risk on advanced payment/ppp business and exchange rate risk, while keeping track of important risk events such as credit management.

Contracts

The aggregated value of contracts newly signed in the first half of 2018 amounted to RMB27.76 billion, representing an increase of 114.2% as compared with the corresponding period over last year. The aggregated value of contracts backlog of the Group as at 30 June 2018 amounted to RMB62.07 billion.

Credit Ratings

Standard & Poor’s continued to assign the Company an issuer rating of “BB+” and a standalone credit profile of “B+” with a stable outlook.

Scientific Research and Awards

Having firmly implemented technology innovation driver, the Company achieved remarkable results. The two self-developed achievements of “technology and equipment of aluminum oxide baking furnace flue gas waste heat recycle utilization” and “scientific research and application of sodium aluminates solution refined filtration control technology” have been appraised and confirmed by the Industrial Association and other professional institutions. The experts considered that “technology and equipment of aluminum oxide baking furnace flue gas waste heat recycle utilization” was a major energy-saving technology achievement of the aluminum oxide industry, and the overall technology has achieved the international leading level. The two jointly developed achievements of “key techniques and application of refined screening for hidden dangers of mine slope geological disaster” and “refined evaluation of slope stability in open pit mines in Zhejiang Province” have been awarded with Zhejiang Provincial Science and Technology Award, the results of which have been published.

MANAGEMENT DISCUSSION AND ANALYSIS

The construction of scientific research platform has reached new level. The two provincial-level enterprise technology centers under the members of the Group have successfully applied to become the national-level enterprise technology centers, while Changsha Institute has successfully applied for “Nonferrous Metallurgy Intelligent Manufacturing Engineering Technology Research Center in Hunan Province”. The number of national-level scientific research platform of the Group has increased to 5 and provincial-level scientific research platform has increased to 14.

In the first half 2018, the Group had totally 114 domestic and overseas patent applications and 112 domestic and overseas authorized patents. As at 30 June 2018, the Group has applied for 6,740 domestic patents and 5,021 were granted, while 144 for international patents were applied and 137 were granted. A total of 7 national-level industrial methods were granted.

3. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2018

In the second half of the year, the Group will aim at accomplishing operation target for the year, optimizing enterprise operation mechanism centering on projects, undertaking large projects, enhancing contract performance capacity, increasing profit margin and improving cash flow, to continue to strive for the sustainable development of the Group.

(1) Continuing to step up its efforts on market expansion

- 1. Define business development direction. The first thing is to keep our leading position in non-ferrous industry.** Design enterprises will take designing as a starting point, set the development of full industry chain as a target, and grasp general contracting and equipment manufacturing business in the non-ferrous market. **The second thing is to vigorously expand the civil market.** Construction enterprises will take regional operation as a starting point, and proactively promote related civil business such as the structure use of steel, electrical and mechanical installation, ecological construction and “double-excellent city” by focusing on municipal works, transportation and housing construction.
- 2. Closely monitor on key projects.** In respect of key projects, we will enhance marketing planning, emphasize advertisement and promotion, implement responsibilities at all levels, devote to sales management, improve bidding capacity, increase successful rate of bidding, and facilitate the rapid development of the Group by surpassing the marketing target.

MANAGEMENT DISCUSSION AND ANALYSIS

3. **Continue to implement “3531” strategy (in civil market).** We will adhere to the concept of “market comes first” and step up the expansion in civil market. **The first thing is the leading role of headquarter.** The Group’s headquarter will expand and strengthen regional institutions such as investment companies in Inner Mongolia, Ningxia, Wenzhou, Xiongan and Southwestern China, and establish regional institutions in Chengyu and Southern China when appropriate. All member companies will strengthen the market expansion in the local area where they operate, and will take the leading role of headquarter market as a starting point to lay a foundation for the implementation of the Group’s overall “3531” strategy by facilitating the materialization of “1+3+x” and “1+5+x” market layout. **The second thing is the propelling effect of projects.** By means of “undertaking a project, setting up a benchmark, creating a brand and expanding a market”, we will promote the expansion of regional market in an orderly manner. **The third thing is policy support.** We will raise the awareness of regional operation, increase efforts in resource allocation, establish a rating scale for regional operation, implement incentive measures and facilitate rapid development with high investment.

4. **Actively expand overseas markets. The first thing is to expand overseas in groups.** In line with Chinalco’s overseas investment strategy, we will focus on the regions or countries overlapped by the “Belt and Road” and non-ferrous industry and expedite “going out”. **The second thing is to expand overseas by means of resource-sharing.** We will seize the constructive opportunity arisen from the “Belt and Road”, put our own strengths into play, strengthen our cooperation with China Export & Credit Insurance Corporation, various kinds of financial institutions as well as governmental and well-known enterprises to realize our model transformation from undertaking projects to creating projects. **The third thing is to strictly control risks.** Adhering to our clear boundary drawn between the must-dos and must-not-dos, we will carefully select countries and markets, and avoid political risks, performance default risks, social risks as well as exchange risks. **The forth thing is to create a brand.** As a result and by means of “undertaking it, accomplishing it”, we will create an image of the enterprise as an international brand, and vigorously expand international market by adopting the development model of building an entity with common interests.

(2) Continuing to enhance precision management of projects

1. **Accelerating the construction of work-in-progress projects.** We will further strengthen the member equipment of the project senior leadership team, optimize the supply chain of the project, guarantee investment of project resources, strengthen process monitoring and control, raise the awareness of contract performance of all staff and constantly increase the project performance rate. We will seize the perfect timing of production and construction, raise the input-output ratio, increase the productivity of all staff and ensure the accomplishment of the annual revenue and profit target.

MANAGEMENT DISCUSSION AND ANALYSIS

- 2. Creating brand project with full strength.** By means of enhancing project planning, ensuring resource investment, emphasizing training on detail-oriented mindset, strictly complying with standard specification and strict process monitoring, we will earnestly complete safety, environment and quality works, strive to build up brand projects and accomplish the target of “promoting market with on-site supervision”.
- 3. Improving information-based management.** We will place emphasis on the entire lifecycle, take BIM promotion as a starting point and implement online central control of aspects including procuring, contract, material, equipment, staff, pre-settlement, financing, engineering archives by way of informationalization to comprehensively improve the Group’s overall capacity in central management.

(3) Continuously conducting the “two reduction” project

- 1. Reducing account receivable and inventory.** We will improve the management system of account receivable and inventory, line up the control procedures of account receivable and inventory from undertaking projects to the end of projects and reaffirm the managing responsibilities at all levels.
- 2. Reducing costs.** We will reduce the non-productive expenses of the managing departments at all levels and lower the operational expenses. We will strengthen the bargaining power in projects with centralized procurement, accelerate the construction progress of work-in-progress projects, strictly control the optimum operating point, enhance the second-operation capacity of projects and enlarge the economic benefits of projects.

(4) Continuing to strengthen capital operation

- 1. Accelerate the return of A-Shares.** In the second half of the year, the Group will accomplish all details in the work at every stage of issuance earnestly, to ensure the establishment of the operation platform for domestic A-Share capital as soon as practicable.
- 2. Increase efforts in financing.** We will widely introduce financial institutions owned by the state, and keep close liaison with institutions such as foundations and trusts to complement resource.
- 3. Promote cooperation between enterprises.** We will deepen our cooperation with external enterprises, enhance the ability of entering new industries and new markets, so as to create favorable conditions for diversified operation.

MANAGEMENT DISCUSSION AND ANALYSIS

(5) Continuing to promote aluminum for industrial use

We will concentrate on developing competitive products when developing aluminum products for industrial use, focus on the development of green cities, green buildings and automobile lightening, in order to achieve the advantage of scale. In respect of aluminum template and aluminum climber business, we will, on the base of risk control, use the business of aluminum template to drive the business of aluminum climber so as to implement the combined development of businesses. In respect of aluminum overpass business, we will analyze and forecast target cities which are feasible to construct aluminum overpass and place emphasis on the cities with existing overpass, increase investment, making aluminum overpass the first-choice of green, eco-friendly and recyclable product for targeted cities. In respect of aluminum trailer business, we will leverage the existing market resources of partnering companies and resources of related enterprises to focus on our cooperation with large-scale associated enterprises in car sales, rental and logistics industries by sharing interests and risks and developing collaboratively. In respect of aluminum dwelling business, at the same time of expanding traditional construction market, we will further enhance our design and production capacity of aluminum dwelling, make efforts on improving its production standards, lower the costs on the premise of ensuring the quality so as to enhance competitiveness.

(6) Insisting in the driver of innovation

- 1. Speed up the output of key R&D projects.** We will step up efforts to make further technological breakthrough in key R&D projects to increase the benefits of technological results of the Group. We will enhance the advance of the experimental comprehensive utilization of the industrialization of low-grade bauxite as well as the experimental research on the disposal of dangerous and hazardous waste from aluminum reduction cell, strengthen the organization and coordination and strive for earlier output.
- 2. Speed up the business expansion driven by design.** We will give full play to design's leading role, drive the business development by design technology, especially drive the expansion of diversified business development including civil business and equipment production, aluminum for industrial use, consulting services in whole process, to realize the positive interactions among techniques, services and markets.
- 3. Speed up the construction of the industrial intellectual platform.** We will focus on implementing the construction of internet platform in aluminum industry, synergetic platform for aluminum product chain and aluminum industry engineering service platform so as to establish the Group's leading position in the intelligentization of non-ferrous technology.

MANAGEMENT DISCUSSION AND ANALYSIS

(7) Continuing to enhance the infrastructural management

- 1. Strengthen comprehensive risk management.** We will improve the risk prevention mechanism, increase the capacity of risk identification, further enhance the risk identification and prevention for investment and financing projects and overseas projects, enhance the monitoring of safety, environment, quality risks as well as all kinds of risks in the enterprise operations so as to ensure the safe and steady operation of the Group.
- 2. Intensify internal reforms.** We will further improve marketing, aluminum for industrial use and project management incentive measures, improve the institutional system of income distribution, implement all kinds of incentive measures for core talents, key members, and outstanding technicians, optimize multi-dimensional integrated performance evaluation system, and further motivate the energy and power of enterprise operation and management.

4. FINANCIAL REVIEW

(1) Operation results and discussion

For the six months ended 30 June 2018, the Group realized revenue of RMB14,109.0 million, representing a decrease of RMB857.8 million or 5.7% over the corresponding period of last year. Gross profit was RMB1,324.5 million, representing a decrease of RMB67.5 million or 4.9% as compared to that of the corresponding period of the previous year. Net profit for the period amounted to RMB352.7 million, representing an increase of RMB41.6 million or 13.4% as compared to that of the corresponding period of the previous year. Among which the net profit for the period attributable to the equity owner of the Company was RMB250.4 million, representing an increase of RMB34.9 million or 16.2% as compared to that of 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 2018, the revenue of the Group was RMB14,109.0 million, representing a decrease of RMB857.8 million or 5.7% over the corresponding period of last year. The decrease was primarily due to the fact that the Company focused on developing the principal business and reduced the scale of the trading business which has lower profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2018, the revenue of the Group generated from China and overseas regions amounted to RMB13,889.7 million and RMB219.2 million, respectively, accounting for 98.4% and 1.6% of the total revenue. The comparison of the data of the corresponding period of the previous year is as below:

| | January to June 2018 (RMB'000) | | January to June 2017 (RMB'000) (restated) | |
|-----------|-----------------------------------|-------|---|-------|
| | | % | | % |
| Domestic | 13,889,730 | 98.4 | 14,602,547 | 97.6 |
| Overseas | | | | |
| Vietnam | 12,527 | 0.1 | 15,474 | 0.1 |
| India | 26,630 | 0.2 | 10,519 | 0.1 |
| Venezuela | 172,820 | 1.2 | 322,512 | 2.1 |
| Others | 7,262 | 0.1 | 15,733 | 0.1 |
| Subtotal | 219,239 | 1.6 | 364,238 | 2.4 |
| Total | 14,108,969 | 100.0 | 14,966,785 | 100.0 |

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

2) Cost of sales

For the six months ended 30 June 2018, the cost of sales of the Group amounted to RMB12,784.4 million, representing a decrease of RMB790.3 million or 5.8% over the corresponding period of the previous year, which was mainly due to a decrease of revenue.

3) Gross profit

For the six months ended 30 June 2018, the gross profit of the Group amounted to RMB1,324.5 million, representing a decrease of RMB67.5 million or 4.9% over the corresponding period of the previous year, which was mainly due to the decrease of profit margin resulted from the decrease of revenue. The gross profit margin for the current period was 9.4%, basically the same as the corresponding period of last year.

4) Selling and marketing expenses

For the six months ended 30 June 2018, the selling and marketing expenses of the Group amounted to RMB43.1 million, representing an increase of RMB2.3 million or 5.6% over the corresponding period of last year, which was mainly due to a slight increase in the remuneration of salespersons.

MANAGEMENT DISCUSSION AND ANALYSIS

5) Administrative expenses

For the six months ended 30 June 2018, the administrative expenses of the Group amounted to RMB605.7 million, representing a decrease of RMB157.5 million or 20.6% over the corresponding period of last year, mainly due to the fact that the Group focused on settling the receivables and impairment allowance reduced significantly in the current period.

6) Other income and other gains or losses – net

For the six months ended 30 June 2018, other income and other gains or losses – net of the Group amounted to RMB48.5 million, representing a decrease of RMB2.8 million or 5.5% over the corresponding period of the previous year, which was mainly due to an increase in exchange loss resulting from the appreciation of USD.

7) Operating profit

For the six months ended 30 June 2018, the operating profit of the Group amounted to RMB683.5 million, representing an increase of RMB89.0 million or 15.0% over the corresponding period of the previous year.

8) Finance Income

For the six months ended 30 June 2018, the finance income of the Group amounted to RMB133.6 million, representing an increase of RMB4.6 million or 3.6% over the corresponding period of the previous year, which was mainly due to the increase in interest income resulted from the growth of the average daily deposit balances.

9) Finance Expenses

For the six months ended 30 June 2018, the finance expenses of the Group amounted to RMB360.8 million, representing an increase of RMB58.2 million or 19.2% over the corresponding period of the previous year, which was mainly due to the increase in capital costs brought from the enlarged scale of interest-bearing liabilities.

10) Income tax expense

For the six months ended 30 June 2018, the Group recorded income tax expense of RMB103.7 million, representing a decrease of RMB12.2 million over the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

11) Profit for the period

For the six months ended 30 June 2018, the profit for the period of the Group amounted to RMB352.7 million, representing an increase of RMB41.6 million or 13.4% over the corresponding period of the previous year.

12) Profit attributable to equity holders of the Company

For the six months ended 30 June 2018, the profit attributable to equity holders of the Company amounted to RMB250.4 million, representing an increase of RMB34.9 million or 16.2% over the corresponding period of the previous year.

13) Impact on accounting policy change and business combinations under common control

a) Accounting policy change of application on IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. In addition, comparative information of the corresponding period continues to be reported under IAS 39.

The specific impacts are set out in Note 5(a) of the consolidated financial statements of this report.

b) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recognises revenue from the following four segments

- Engineering design and consultancy
- Engineering and construction contracting
- Equipment manufacturing
- Trading

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that were not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, and the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable with comparative information prepared under IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The specific impacts are presented in Note 5(b) of the consolidated financial statements of this report.

c) Business combinations under common control

In November 2017, the Group completed its acquisition of the 60% equity interest of Chalco Shandong Engineering Technology Co., Ltd. (“Shandong Engineering”) from Aluminum Corporation of China Limited (“Chalco”) at a consideration of approximately RMB360 million and of the 100% equity interest of Kunming Survey and Design Institute Co., Ltd. of China Nonferrous Metals Industry (“Kunming Survey and Design Institute”) from Yunnan Copper Industry (Group) Co., Ltd. (“Yunnan Copper”) at a consideration of approximately RMB301 million.

Before and after the acquisitions, the Company, Chalco and Yunnan Copper are controlled by Chinalco, and the control is not temporary. Thus, the acquisition of Shandong Engineering and Kunming Survey and Design Institute are considered to be business combinations under common control. The principles of merger accounting have been applied, under which the consolidated financial statements have been prepared as if Shandong Engineering and Kunming Survey and Design Institute had been subsidiaries of the Company since the date when Shandong Engineering and Kunming Survey and Design Institute first came under the control of the Chinalco.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the six months ended 30 June 2017 include the respective assets, changes in equity and cash flows of Shandong Engineering and Kunming Survey and Design Institute as if they had been 60% and 100% owned subsidiaries of the Company since 1 January 2017.

The specific impacts are presented in Note 5(c) of the consolidated financial statements of this report.

(2) Segment operating results

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

| | Revenue | | Gross Profit | | Gross Profit Margin | | Segment Results | |
|--|---------------------------------|------------|---------------------------------|------------|---------------------------------|------------|---------------------------------|------------|
| | For the half year ended 30 June | | For the half year ended 30 June | | For the half year ended 30 June | | For the half year ended 30 June | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | (restated) | | (restated) | | (restated) | | (restated) |
| | (RMB'000) | | (RMB'000) | | % | | (RMB'000) | |
| Engineering design and consultancy | 1,294,657 | 989,754 | 333,122 | 245,952 | 25.7% | 24.8% | 121,935 | 64,882 |
| Engineering and construction contracting | 9,211,197 | 8,787,932 | 830,297 | 985,933 | 9.0% | 11.2% | 448,124 | 465,204 |
| Equipment manufacturing | 655,088 | 638,410 | 84,123 | 48,439 | 12.8% | 7.6% | 45,013 | (35,743) |
| Trading | 3,227,550 | 4,781,889 | 79,146 | 109,440 | 2.5% | 2.3% | 70,995 | 94,088 |
| Subtotal | 14,388,492 | 15,197,985 | 1,326,688 | 1,389,764 | 9.2% | 9.1% | 686,067 | 588,431 |
| Inter-segment elimination | (279,523) | (231,200) | (2,160) | 2,298 | N.A. | N.A. | (2,599) | 6,077 |
| Total | 14,108,969 | 14,966,785 | 1,324,528 | 1,392,062 | 9.4% | 9.3% | 683,468 | 594,508 |

MANAGEMENT DISCUSSION AND ANALYSIS

1) Engineering design and consultancy

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

| | For the half year ended 30 June | | | | |
|--|---------------------------------|-----------------|------------|-----------------|--------|
| | 2018 | % of | 2017 | % of | % of |
| | (RMB'000) | Segment Revenue | (RMB'000) | Segment Revenue | Change |
| | | | (restated) | | |
| Segment revenue | 1,294,657 | 100.0 | 989,754 | 100.0 | 30.8 |
| Cost of sales | (961,535) | (74.3) | (743,802) | (75.2) | 29.3 |
| Gross profit | 333,122 | 25.7 | 245,952 | 24.8 | 35.4 |
| Tax and surcharges | (15,218) | (1.2) | (13,045) | (1.3) | 16.7 |
| Selling and marketing expenses | (16,117) | (1.2) | (20,981) | (2.1) | (23.2) |
| Administrative expenses | (187,541) | (14.5) | (146,594) | (14.8) | 27.9 |
| Other income and other gains or losses – net | 7,689 | 0.6 | (450) | 0.0 | N.A. |
| Segment result | 121,935 | 9.4 | 64,882 | 6.6 | 87.9 |

Segment revenue. Revenue from the engineering design and consultancy business before inter-segment elimination increased by RMB304.9 million, or 30.8% over the corresponding period of the previous year, which was mainly due to the relatively large increase in the revenue scale owing to the substantial growth in the amount of orders on hand of engineering survey business.

Cost of sales. Cost of sales of the engineering design and consultancy business increased by RMB217.7 million or 29.3% over the corresponding period of the previous year, primarily due to the increase in cost expense corresponding to the revenue increase.

Gross profit. Gross profit of the engineering design and consultancy business increased by RMB87.2 million or 35.4% over the corresponding period of the previous year, and gross profit margin increased to 25.7% from 24.8% for the corresponding period of the previous year, which was primarily due to the rapid growth in revenue scale of survey and design, and then the increase in the gross profit.

Tax and surcharges. Tax and surcharges of engineering design and consultancy business increased by RMB2.2 million or 16.7% over the corresponding period of the previous year, primarily due to the increase in tax resulted from the growth of revenue.

Selling and marketing expenses. The selling and marketing expenses of engineering design and consultancy business decreased by RMB4.9 million or 23.2% over the corresponding period of the previous year, primarily due to the fact that the segment has implemented strict savings and that the expenses of sales business decreased.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses. The administrative expenses of engineering design and consultancy business increased by RMB40.9 million or 27.9% over the corresponding period of the previous year, primarily due to the substantial increase in research and development expenditure.

Other income and other gains or losses – net. The other income and other gains – net of engineering design and consultancy business increased by RMB8.1 million over the corresponding period of the previous year, primarily due to the fact that the segment received more subsidies from the government during this period.

Segment results. Due to the above mentioned causes, segment results for the period from engineering design and consultancy business increased by RMB57.1 million or 87.9% over the corresponding period of the previous year.

2) Engineering and Construction Contracting

| | For the half year ended 30 June | | | | |
|--|---------------------------------|---------|-------------|---------|--------|
| | 2018 | % of | 2017 | % of | % of |
| | (RMB'000) | Segment | (RMB'000) | Segment | Change |
| | | Revenue | (restated) | Revenue | |
| Segment revenue | 9,211,197 | 100.0 | 8,787,932 | 100.0 | 4.8 |
| Cost of sales | (8,380,900) | (91.0) | (7,801,999) | (88.8) | 7.4 |
| Gross profit | 830,297 | 9.0 | 985,933 | 11.2 | (15.8) |
| Business tax and surcharges | (17,215) | (0.2) | (20,715) | (0.2) | (16.9) |
| Selling and marketing expenses | (13,688) | (0.1) | (6,938) | (0.1) | 97.3 |
| Administrative expenses | (375,573) | (4.1) | (536,882) | (6.1) | (30.0) |
| Other income and other gains or losses – net | 24,303 | 0.3 | 43,806 | 0.5 | (44.5) |
| Segment results | 448,124 | 4.9 | 465,204 | 5.3 | (3.7) |

Segment revenue. Revenue of engineering and construction contracting business before inter-segment elimination increased by RMB423.3 million or 4.8% over the corresponding period of the previous year, primarily due to the gradual increase in construction orders.

Cost of sales. Cost of sales of engineering and construction contracting business increased by RMB578.9 million or 7.4% over the corresponding period of the previous year, primarily due to the increase in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit. Gross profit of engineering and construction contracting business decreased by RMB155.6 million or 15.8% over the corresponding period of the previous year. The gross profit margin of engineering and construction contracting business decreased from 11.2% for the first half of 2017 to 9.0% for the first half of 2018, which was primarily due to increase in the price of nonferrous metals and significant increase in the cost of materials.

Tax and surcharges. Tax and surcharges of engineering and construction contracting business decreased by RMB3.5 million or 16.9%, primarily due to the increase of deductible input VAT owing to the large purchase of equipment for the contracting projects and the decrease of VAT payables leading to the reduction of surcharge expenses.

Selling and marketing expenses. The selling and marketing expenses of engineering and construction contracting business increased by RMB6.8 million or 97.3% over the corresponding period of the previous year, primarily due to an increase in the number and the remuneration of salespersons to cater for the market expansion.

Administrative expenses. Administrative expenses of engineering and construction contracting business decreased by RMB161.3 million or 30.0% over the corresponding period of the previous year, which was mainly due to the fact that the segment recovered huge receivables during this period and impairment allowance was reduced.

Other income and other gains or losses – net. Other income and other gains – net decreased by RMB19.5 million or 44.5% over the corresponding period of the previous year, primarily due to the exchange loss resulting from the appreciation of USD.

Segment results. Due to the above mentioned causes, segment results of our engineering and construction contracting business during the period decreased by RMB17.1 million or 3.7% over the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

3) Equipment Manufacturing

| | For the half year ended 30 June | | | | |
|--|---------------------------------|-----------------|------------|-----------------|--------|
| | 2018 | % of | 2017 | % of | % of |
| | (RMB'000) | Segment Revenue | (RMB'000) | Segment Revenue | Change |
| | | | (restated) | | |
| Segment revenue | 655,088 | 100.0 | 638,410 | 100.0 | 2.6 |
| Cost of sales | (570,965) | (87.2) | (589,971) | (92.4) | (3.2) |
| Gross profit | 84,123 | 12.8 | 48,439 | 7.6 | 73.7 |
| Tax and surcharges | (4,784) | (0.7) | (4,716) | (0.7) | 1.4 |
| Selling and marketing expenses | (6,685) | (1.0) | (6,721) | (1.1) | (0.5) |
| Administrative expenses | (33,556) | (5.1) | (74,344) | (11.6) | (54.9) |
| Other income and other gains or losses – net | 5,915 | 0.9 | 1,599 | 0.3 | 269.9 |
| Segment results | 45,013 | 6.9 | (35,743) | (5.6) | N.A. |

Segment revenue. Revenue of the equipment manufacturing business before inter-segment elimination increased by RMB16.7 million or 2.6% over the corresponding period of the previous year, primarily due to the increase in the scale of revenue owing to the stable growth of orders of the equipment manufacturing business resulted from the market recovery of the nonferrous metals.

Cost of sales. For the first half of 2018, cost of sales of the equipment manufacturing business amounted to RMB571.0 million, representing a slight change with a decrease of 3.2% compared with RMB590.0 million in the first half of 2017.

Gross profit. Gross profit of the equipment manufacturing business increased by RMB35.7 million or 73.7% over the corresponding period of the previous year, primarily due to the increase of marginal profits resulting from the increase of revenue and a reduction in allowance for impairment on inventories of the segment.

Tax and surcharges. Tax and surcharges of engineering design and consultancy business increased by RMB0.1 million or 1.4% over the corresponding period of the previous year, primarily due to a slight increase of tax resulting from the increase of revenue.

Administrative expenses. Administrative expenses of the equipment manufacturing business decreased by RMB40.8 million or 54.9%, which was mainly due to the recovery of receivables during this year and a reduction in impairment allowance.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and other gains or losses – net. Other income and other gains or losses – net of the equipment manufacturing business increased by RMB4.3 million or 269.9% over the corresponding period of the previous year which was primarily due to the fact that the segment received more subsidies from the government.

Segment results. As a result of the above mentioned, the segment results of our equipment manufacturing business during the period increased by RMB80.8 million over the corresponding period of the previous year.

4) Trading

| | For the half year ended 30 June | | 2017 | % of Segment Revenue | % of Change |
|--|---------------------------------|----------------------|-------------|----------------------|-------------|
| | 2018 | % of Segment Revenue | | | |
| | (RMB'000) | (RMB'000) | (RMB'000) | (restated) | |
| Segment revenue | 3,227,550 | 100.0 | 4,781,889 | 100.0 | (32.5) |
| Cost of sales | (3,148,404) | (97.5) | (4,672,449) | (97.7) | (32.6) |
| Gross profit | 79,146 | 2.5 | 109,440 | 2.3 | (27.7) |
| Tax and surcharges | (3,583) | (0.1) | (6,432) | (0.1) | (44.3) |
| Selling and marketing expenses | (6,581) | (0.2) | (6,147) | (0.1) | 7.1 |
| Administrative expenses | (13,973) | (0.4) | (8,576) | (0.2) | 62.9 |
| Other income and other gains or losses – net | 15,986 | 0.5 | 5,803 | 0.1 | 175.5 |
| Segment results | 70,995 | 2.2 | 94,088 | 2.0 | (24.5) |

Segment revenue. Revenue of trading segment before inter-segment elimination decreased by RMB1,544.3 million or 32.5% over the corresponding period of the previous year, primarily due to the fact that in order to orderly develop trading business, the Company further adjusted the direction of the operation of trading business, to select trading business with more controllable risks and gradually reduce the scale of the trading business.

Cost of sales. Cost of sales of trading segment decreased by RMB1,524.0 million or 32.6% over the corresponding period of the previous year, primarily due to the decrease of revenue.

Gross profit. Gross profit of trading segment decreased by RMB30.3 million or 27.7% over the corresponding period of the previous year. The gross profit margin increased from 2.3% in 2017 to 2.5%, which was primarily due to the increase in gross profit margin of some bulk commodities such as the aluminum ingots during the period.

Tax and surcharges. Tax and surcharges of trading business decreased by RMB2.8 million or 44.3% over the corresponding period of the previous year, primarily due to the decrease in surcharge expenses corresponding to the decrease of revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses. Administrative expenses of trading business increased by RMB5.4 million or 62.9% over the corresponding period of the previous year, primarily due to an increase in the remuneration of management.

Other income and other gains or losses – net. The other income and other gains – net of the trading business increased by RMB10.2 million or 175.5% over the corresponding period of the previous year, primarily due to the increase of exchange gains of trade receivables resulting from the appreciation of USD.

Segment results. As a result of the above mentioned, segment results for the period of trading business decreased by RMB23.1 million or 24.5% over the corresponding period of the previous year.

(3) Liquidity and capital resources

As of 30 June 2018, the bank deposit and cash held by the Group amounted to RMB5,851.5 million, representing a decrease of RMB1,639.1 million as compared with that as at 31 December 2017, primarily due to payment of subcontractors' contract work and settlement of due corporate bonds.

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 2018, the current assets of the Group, exclusive of bank deposit and cash, amounted to RMB30,980.7 million, among which notes and trade receivables, contract assets, prepayments and other receivables and inventories were RMB14,028.4 million, RMB9,125.3 million, RMB4,119.0 million and RMB3,263.9 million, respectively.

As of 30 June 2018, the current liabilities of the Group amounted to RMB30,028.2 million, among which trade and other payables and short-term borrowings were RMB16,106.4 million and RMB11,609.4 million, respectively. As of 30 June 2018, the net current assets of the Group, being the balance between total current assets and current liabilities, amounted to RMB6,804.0 million, representing a decrease of RMB711.9 million or 9.5% as compared with that as of 31 December 2017.

As of 30 June 2018, the outstanding borrowings of the Group amounted to RMB13,577.9 million, among which ultra short-term financing of RMB1,013.2 million, short-term borrowings of RMB9,250.0 million, long-term borrowings due within one year of RMB644.7 million, long-term bonds due within one year of RMB701.5 million and long-term borrowings were RMB1,968.5 million. Total borrowings have increased by RMB971.2 million as compared with that as of 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

1) Cash flows

Cash flows used in operating activities. For the six months ended 30 June 2018, net cash outflow used in operating activities amounted to RMB785.1 million, representing a decrease of outflow of RMB465.6 million or 37.2% as compared with the net outflow for the same period of the previous year, primarily due to the fact that the Group has vigorously recovered receivables, the operating cash flow has improved.

Cash flows used in investing activities. For the six months ended 30 June 2018, net cash outflow used in investing activities amounted to RMB178.2 million, representing a decrease of outflow of RMB283.8 million as compared with the net outflow for the same period of the previous year, primarily due to more expenditure used by the Group to establish long-term assets, such as fixed assets and intangible assets during last period.

Cash flows used in financing activities. For the six months ended 30 June 2018, net cash outflow used in financing activities amounted to RMB193.4 million, representing a decrease of outflow of RMB819.3 million as compared with net outflow of for the same period of the previous year, primarily due to the redemption of the USD300 million senior perpetual securities by the Group last period, resulting in more capital outflow.

2) Security and pledge of assets

Up to the reporting period, the subsidiaries of the Group provided the third party with total guarantee of RMB306.4 million.

During the reporting period, the subsidiaries of the Group had pledged fixed assets and land use rights to secure borrowings amounting to RMB30.0 million; and borrowings amounting to RMB544.2 million was pledged by trade receivables.

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 73.4% and 72.8% as at 30 June 2018 and 31 December 2017, respectively. The slightly increase of gearing ratio as of 30 June 2018 as compared with that as of 31 December 2017 was primarily due to the settlement of due bill payables and payment of subcontractors' contract work, resulting in the decrease of cash balance scale. Although the scale of borrowing balances has increased to some extent, it was still managed within the targeted range of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

4) Capital expenditure

For the first half of 2018, the Group's capital expenditures amounted to RMB181.6 million, representing a decrease of 47.6% compared to RMB346.8 million for the first half of 2017. Capital expenditure comprises additions to property, plant and equipment, land use rights, investment properties, intangible assets, investments accounted for using the equity method, unlisted equity securities and other non-current assets, including additions resulting from acquisitions through business combinations. Among which, RMB72.1 million was used for the construction engineering design and consultancy business segment; RMB100.3 million was used for the engineering contracting and construction business segment; RMB7.5 million was used for the equipment manufacturing segment; RMB1.7 million was used for the trading segment. Capital resources are mainly from self-owned capital, borrowings from banks and other financial institutions.

5) Contingent Liabilities

As of 30 June 2018, the Group did not have any material contingent liabilities.

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.

During the settlement of the international business contract, we adhere to the preferential use of USD, while attempting to use RMB settlement if it is possible to reasonably avoid foreign exchange restrictions. As for foreign currency interest-bearing debt, the interest rate and exchange rate lock-up method is used to avoid foreign exchange risk; In the meantime, we are orderly controlling foreign exchange debt to match foreign exchange assets and minimize foreign exchange risk.

MANAGEMENT DISCUSSION AND ANALYSIS

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 or other financial assets at fair value through profit or loss, which are required to be stated at their fair values.

The Group closely monitors the trends of financial market and appropriately controls the scale of existing equity securities to reduce price risks.

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.

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.

The Company maintains a good cooperative relationship with domestic mainstream commercial banks and Chinalco Finance Company, which provides a large amount of credit business to the Company which can be used when liquidity difficulty occurs. The Company has registered bond issuance quotas for ultra-short-term and sustainable mid-term note, which could be issued when the Company needed capital to deal with corporate liquidity risks.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018, we had a total of 12,548 employees in service, among which male employees accounted for 9,566 and female employees accounted for 2,982, 76% and 24% respectively. Moreover, the Group has off-post reserved labor force of 2,560.

The following table shows a breakdown of the employees in service by business segment as of 30 June 2018:

| | Number of Employees in Service | Percentage in the Total Number |
|------------------------------------|---|---|
| Operation and management personnel | 3,653 | 29 |
| Engineering technicians | 6,049 | 48 |
| Production and operation personnel | 2,378 | 19 |
| Service and other personnel | 468 | 4 |
| Total | 12,548 | 100 |

The following table shows a breakdown of the employees in service by level of education as of 30 June 2018:

| | Number of Employees in Service | Percentage in the Total Number |
|--|---|---|
| Postgraduate degree and above | 1,113 | 9 |
| Undergraduate degree | 5,756 | 46 |
| Diploma degree | 2,858 | 23 |
| TAFE (Technical And Further Education) and below | 2,821 | 22 |
| Total | 12,548 | 100 |

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018, our employee expenses amounted to RMB907.9 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 Group 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

大信梁學濂(香港)會計師事務所有限公司



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**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 33 to 84, 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 2018 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

27 August 2018

Wan Tak Shing

Practising Certificate No. P04844

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|-------------------------------|
| | | 2018 RMB'000 (unaudited) | 2017 RMB'000 (restated) |
| Revenue | 7 | 14,108,969 | 14,966,785 |
| Cost of sales | | (12,784,441) | (13,574,723) |
| Gross profit | | 1,324,528 | 1,392,062 |
| Tax and surcharges | | (40,800) | (44,908) |
| Selling and marketing expenses | | (43,071) | (40,787) |
| Administrative expenses | | (605,707) | (763,196) |
| Other income | | 27,241 | 23,060 |
| Other gains – net | | 21,277 | 28,277 |
| Operating profit | | 683,468 | 594,508 |
| Finance income | | 133,614 | 129,001 |
| Finance expenses | | (360,849) | (302,635) |
| Share of profits of investments accounted for using the equity method | 12 | 183 | 6,022 |
| Gain on bargain purchase from business combination | | – | 134 |
| Profit before taxation | | 456,416 | 427,030 |
| Income tax expense | 8 | (103,743) | (115,941) |
| Profit for the period | | 352,673 | 311,089 |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Fair value losses on available-for-sale financial asset, net of tax | | – | (37,611) |
| Currency translation differences | | 14,787 | (45,214) |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | |
| Fair value losses on financial assets at fair value through other comprehensive income | | (22,525) | – |
| Remeasurements of post-employment benefit obligations, net of tax | | (26,919) | 47,502 |
| Other comprehensive loss for the period, net of tax | | (34,657) | (35,323) |
| Total comprehensive income for the period | | 318,016 | 275,766 |
| Profit for the period attributable to: | | | |
| Equity owners of the Company | | 250,350 | 215,415 |
| Non-controlling interests | | 102,323 | 95,674 |
| | | 352,673 | 311,089 |

UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended 30 June | |
|---|---|---------------------------------|------------|
| | | 2018 | 2017 |
| | | RMB'000 | RMB'000 |
| | | (unaudited) | (restated) |
| Total comprehensive income for the period | | | |
| attributable to: | | | |
| Equity owners of the Company | | 216,136 | 179,449 |
| Non-controlling interests | | 101,880 | 96,317 |
| | | 318,016 | 275,766 |
| Earnings per share for profit attributable to equity owners of the Company | | | |
| | | RMB | RMB |
| – Basic | 9 | 0.09 | 0.08 |
| – Diluted | 9 | 0.09 | 0.08 |

The notes on pages 41 to 84 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|---|------|--|--|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 2,473,174 | 2,484,652 |
| Land use rights | 11 | 726,554 | 727,022 |
| Intangible assets | 11 | 233,951 | 207,985 |
| Investments accounted for using the equity method | 12 | 258,281 | 249,098 |
| Investment properties | | 216,044 | 219,627 |
| Financial assets at fair value through other comprehensive income | | 292,068 | – |
| Available-for-sale financial assets | | – | 318,921 |
| Trade and notes receivables | 13 | 2,168,039 | 1,991,852 |
| Prepayments and other receivables | 14 | 1,588,508 | 1,566,419 |
| Deferred income tax assets | | 608,404 | 608,469 |
| Other non-current assets | | 2,509 | 3,528 |
| Total non-current assets | | 8,567,532 | 8,377,573 |
| Current assets | | | |
| Financial assets at fair value through profit or loss | | 407,798 | – |
| Available-for-sale financial assets | | – | 530,592 |
| Inventories | | 3,263,915 | 3,033,803 |
| Trade and notes receivables | 13 | 14,028,443 | 13,579,920 |
| Prepayments and other receivables | 14 | 4,118,985 | 4,024,297 |
| Contract assets | | 9,125,271 | – |
| Amounts due from customers for contract work | | – | 8,322,206 |
| Current income tax prepayments | | 36,277 | 14,784 |
| Restricted cash | | 724,878 | 1,199,865 |
| Time deposits | | 10,361 | 10,856 |
| Cash and cash equivalents | | 5,116,270 | 6,279,894 |
| Total current assets | | 36,832,198 | 36,996,217 |
| Total assets | | 45,399,730 | 45,373,790 |
| Equity | | | |
| Share capital | | 2,663,160 | 2,663,160 |
| Reserves | | 6,733,895 | 6,515,070 |
| Consolidated equity attributable to equity owners of the Company | | 9,397,055 | 9,178,230 |
| Non-controlling interests | | 2,984,500 | 2,949,341 |

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|--|------|--|--|
| Total equity | | 12,381,555 | 12,127,571 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Deferred income | | 92,431 | 44,007 |
| Long-term borrowings | 16 | 1,968,500 | 2,792,675 |
| Retirement and other supplemental benefit obligations | 15 | 859,912 | 857,358 |
| Deferred income tax liabilities | | 65,061 | 66,251 |
| Trade and other payables | 17 | 4,048 | 5,608 |
| Total non-current liabilities | | 2,989,952 | 3,765,899 |
| Current liabilities | | | |
| Trade and other payables | 17 | 16,106,401 | 18,700,429 |
| Dividends payable | 18 | 1,488 | 30,000 |
| Contract liabilities | | 2,071,216 | – |
| Amounts due to customers for contract work | | – | 677,018 |
| Short-term borrowings | 16 | 11,609,391 | 9,814,047 |
| Current income tax liabilities | | 114,882 | 134,400 |
| Retirement and other supplemental benefit obligations | 15 | 124,845 | 124,426 |
| Total current liabilities | | 30,028,223 | 29,480,320 |
| Total liabilities | | 33,018,175 | 33,246,219 |
| Total equity and liabilities | | 45,399,730 | 45,373,790 |
| Net current assets | | 6,803,975 | 7,515,897 |
| Total assets less current liabilities | | 15,371,507 | 15,893,470 |

The interim condensed consolidated financial information has been approved by the Board of Directors on 27 August 2018 and was signed on its behalf.

He Zhihui
Director

Zhang Jian
Director

The notes on pages 41 to 84 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (restated) | Attributable to equity owners of the Company | | | | | | | | | | | |
|--|--|-----------------|---------------------------|--------------------------------|---|----------------------------------|-----------------|--------------------------|-------------------|-----------|---------------------------|--------------|
| | Share capital | Capital reserve | Statutory surplus reserve | Investment revaluation reserve | Remeasurements of post-employment benefit obligations | Currency translation differences | Special reserve | Other equity instruments | Retained earnings | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2017 | 2,663,160 | 1,058,524 | 130,454 | (1,090) | 75,781 | 158,501 | 15,266 | 1,402,731 | 3,788,040 | 9,291,367 | 4,705,975 | 13,997,342 |
| Profit for the period | - | - | - | - | - | - | - | - | 215,415 | 215,415 | 95,674 | 311,089 |
| 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 | - | - | - | - | 57,282 | - | - | - | - | 57,282 | 756 | 58,038 |
| Remeasurements of post-employment benefit obligations – tax | - | - | - | - | (10,423) | - | - | - | - | (10,423) | (113) | (10,536) |
| Currency translation differences | - | - | - | - | - | (45,214) | - | - | - | (45,214) | - | (45,214) |
| Total comprehensive income | - | - | - | (37,611) | 46,859 | (45,214) | - | - | 215,415 | 179,449 | 96,317 | 275,766 |
| Dividends to equity owners | - | - | - | - | - | - | - | - | (231,695) | (231,695) | - | (231,695) |
| Net proceeds from offering of renewable corporate bonds (Note 19) | - | - | - | - | - | - | - | 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 | - | - | - | - | - | - | - | - | - | - | (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 | - | (231,339) | - | - | - | - | - | - | - | (231,339) | 231,339 | - |
| Non-controlling interests arising from business combination | - | - | - | - | - | - | - | - | - | - | 1,015 | 1,015 |
| Appropriation of special reserve | - | - | - | - | - | - | 13,915 | - | (13,915) | - | - | - |
| At 30 June 2017 | 2,663,160 | 829,183 | 130,454 | (38,701) | 122,640 | 113,287 | 29,181 | 1,900,231 | 3,757,845 | 9,507,280 | 2,931,580 | 12,438,860 |

The notes on pages 41 to 84 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 | | 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 |
| | | | | | RMB'000 | RMB'000 | | | | | | |
| At 31 December 2017 as originally presented | 2,663,160 | 174,082 | 167,363 | (14,935) | 158,308 | 79,140 | 40,935 | 1,900,231 | 4,009,946 | 9,178,230 | 2,949,341 | 12,127,571 |
| Change in accounting policy (Note 5) | - | - | - | 2,689 | - | - | - | - | - | 2,689 | (796) | 1,893 |
| At 1 January 2018 | 2,663,160 | 174,082 | 167,363 | (12,246) | 158,308 | 79,140 | 40,935 | 1,900,231 | 4,009,946 | 9,180,919 | 2,948,545 | 12,129,464 |
| Profit for the period | - | - | - | - | - | - | - | - | 250,350 | 250,350 | 102,323 | 352,673 |
| Other comprehensive income | | | | | | | | | | | | |
| Fair value loss on financial assets at fair value through other comprehensive income – gross | - | - | - | (26,384) | - | - | - | - | - | (26,384) | (116) | (26,500) |
| Fair value loss on financial assets at fair value through other comprehensive income – tax | - | - | - | 3,958 | - | - | - | - | - | 3,958 | 17 | 3,975 |
| Remeasurements of post-employment benefit obligations – gross | - | - | - | - | (32,607) | - | - | - | - | (32,607) | (405) | (33,012) |
| Remeasurements of post-employment benefit obligations – tax | - | - | - | - | 6,032 | - | - | - | - | 6,032 | 61 | 6,093 |
| Currency translation differences | - | - | - | - | - | 14,787 | - | - | - | 14,787 | - | 14,787 |
| Total comprehensive income | - | - | - | (22,426) | (26,575) | 14,787 | - | - | 250,350 | 216,136 | 101,880 | 318,016 |
| Dividends to non-controlling interest of subsidiaries | - | - | - | - | - | - | - | - | - | - | (1,751) | (1,751) |
| Dividend paid to the holders of senior perpetual capital security | - | - | - | - | - | - | - | - | - | - | (64,174) | (64,174) |
| Appropriation of special reserve | - | - | - | - | - | - | 18,420 | - | (18,420) | - | - | - |
| At 30 June 2018 | 2,663,160 | 174,082 | 167,363 | (34,672) | 131,733 | 93,927 | 59,355 | 1,900,231 | 4,241,876 | 9,397,055 | 2,984,500 | 12,381,555 |

The notes on pages 41 to 84 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 | |
|--|------|--------------------------------|-------------------------------|
| | | 2018 RMB'000 (unaudited) | 2017 RMB'000 (restated) |
| Cash flows from operating activities | | | |
| Cash used in operations | | (677,058) | (1,090,662) |
| Income tax paid | | (136,145) | (204,968) |
| Interest received | | 28,085 | 44,958 |
| Net cash used in operating activities | | (785,118) | (1,250,672) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment, intangible assets and land use rights | | (129,216) | (234,961) |
| Purchase of available-for-sale financial assets | 6.3 | – | (2,126,509) |
| Purchase of financial assets at fair value through other comprehensive income | 6.3 | (6,000) | – |
| Purchase of financial assets at fair value through profit or loss | 6.3 | (3,215,958) | – |
| Cash outflow arising from business combination | | – | (8,966) |
| Consideration paid for business combination under common control | | (190,000) | – |
| Payment for investments accounted for using the equity method | | (8,700) | (48,500) |
| Financing provided to proprietors | | (14,525) | (487,670) |
| Receiving payment of financing provided to proprietors | | 44,227 | 371,230 |
| Interest received from financing provided to proprietors | | 60,283 | 30,803 |
| Financing provided to suppliers | | – | (20,146) |
| Financing provided to a related company | | – | (41,650) |
| Interest received from available-for-sale financial assets | | – | 4,503 |
| Interest received from financial assets at fair value through profit or loss | | 9,701 | – |
| Interest received from time deposits | | 103 | 107 |
| Decrease in time deposits | | 20,495 | 2,584 |
| Proceeds from disposal of property, plant and equipment and intangible assets | | 1,267 | 4,397 |
| Proceeds from disposal of available-for-sale financial assets | 6.3 | – | 2,082,764 |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 6.3 | 8,480 | – |
| Proceeds from disposal of financial assets at fair value through profit loss | 6.3 | 3,241,596 | – |
| Refund of futures margins | | – | 10,000 |
| Net cash used in investing activities | | (178,247) | (462,014) |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Six months ended 30 June | |
|---|-------|--------------------------------|-------------------------------|
| | | 2018 RMB'000 (unaudited) | 2017 RMB'000 (restated) |
| Cash flows from financing activities | | | |
| Capital contributions made by non-controlling interests | | – | 27,400 |
| Dividends paid to non-controlling interests | | (210) | (582) |
| Borrowings received | | 6,754,981 | 4,771,093 |
| Repayment of borrowings | | (5,223,350) | (4,989,207) |
| Borrowings received from fellow subsidiaries | 16(v) | 2,230,000 | 2,365,000 |
| Repayment of borrowings received from fellow subsidiaries | 16(v) | (2,064,783) | (740,000) |
| Repayment of borrowing received from a related company | | – | (456,500) |
| Interest paid | | (405,245) | (337,363) |
| Net proceeds from issuance of renewable corporate bonds | | – | 497,500 |
| Net proceeds from issuance of short-term bonds | | 1,000,000 | 2,496,633 |
| Repayment of short-term bonds | | (1,500,000) | (2,500,000) |
| Repayment of long-term bonds | | (199,980) | – |
| Dividends paid to the holders of renewable corporate bonds | | (30,000) | – |
| Redemption of senior perpetual capital securities | | – | (2,059,650) |
| Dividends paid to the holders of senior perpetual capital securities | | (64,174) | (70,801) |
| Issuance fee paid for issuance of senior perpetual capital securities | | – | (6,422) |
| Cash (outflow)/inflow arising from notes financing | | (490,664) | 10,156 |
| Deposit paid for notes financing | | (200,000) | (20,000) |
| Net cash used in financing activities | | (193,425) | (1,012,743) |
| Net decrease in cash and cash equivalents | | (1,156,790) | (2,725,429) |
| Cash and cash equivalents at beginning of period | | 6,279,894 | 7,901,834 |
| Exchange losses on cash and cash equivalents | | (6,834) | (56,408) |
| Cash and cash equivalents at end of period | | 5,116,270 | 5,119,997 |

The notes on pages 41 to 84 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 (中鋁集團, “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.

In 2015, the Company has made application to relevant PRC regulatory authorities for issuing no more than 1,141,000,000 A shares with a nominal value of RMB1.00 each (the “A-share Issuance”). On 8 June 2018, the Company’s application for A-share Issuance has been approved by the Main Board Issuance Approval Committee of the China Securities Regulatory Commission (the “CSRC”) (中國證監會主板發行審核委員會). No more than 295,906,667 shares will be issued under the A-share Issuance, with a validity period of 12 months from the date of approval.

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

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

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**2. BASIS OF PREPARATION**

These unaudited interim condensed consolidated financial information for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3. ACCOUNTING POLICIES

Except for the accounting policy change as detailed in note 5, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

Except for the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* as detailed in note 5, amendments to other IFRSs effective for the financial year ending 31 December 2018 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 2017.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS COMBINATIONS UNDER COMMON CONTROL

(a) Accounting policy change of application on IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets measured at amortised cost would continue with their classification and measurements upon the adoption of IFRS 9. The Group did not have any financial assets designated at FVTPL at 1 January 2018.

With respect to the Group's financial assets classified as "available-for-sale", these were investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to IFRS 9. The Group elected this designation option for any of the investments held on 1 January 2018 and recognised any fair value changes in respect of these investments in other comprehensive income as they arise. This gives rise to a change in accounting policy as certain available-for-sale investments were measured at cost. As a result of the changes in the entity's accounting policy, certain reclassifications and the adjustments are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS
COMBINATIONS UNDER COMMON CONTROL (Continued)****(a) Accounting policy change of application on IFRS 9 Financial Instruments (Continued)**

| Condensed consolidated balance sheet (extract) | IAS39 carrying amount at 31 December 2017 | | | Remeasurement RMB'000 | IFRS9 carrying amount at 1 January 2018 |
|--|--|-----------------------------|--|--------------------------|--|
| | RMB'000 | Reclassification RMB'000 | | | RMB'000 |
| Non-current assets | | | | | |
| Financial assets at fair value through other comprehensive income | – | 318,921 | | 2,227 | 321,148 |
| Available-for-sale financial assets | 318,921 | (318,921) | | – | – |
| Current assets | | | | | |
| Financial assets at fair value through profit or loss | – | 530,592 | | – | 530,592 |
| Available-for-sale financial assets | 530,592 | (530,592) | | – | – |
| Non-current liabilities | | | | | |
| Deferred income tax liabilities | 66,251 | – | | 334 | 66,585 |
| Equity | | | | | |
| Investment revaluation reserve | (14,935) | – | | 2,689 | (12,246) |
| Non-controlling interests | 2,949,341 | – | | (796) | 2,948,545 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

(b) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following four segments:

- Engineering design and consultancy
- Engineering and construction contracting
- Equipment manufacturing
- Trading

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

(b) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

(i) Key changes in accounting policies resulting from application of IFRS 15

FRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

(b) Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

(i) Key changes in accounting policies resulting from application of IFRS 15 (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS
COMBINATIONS UNDER COMMON CONTROL (Continued)****(b) Impacts and changes in accounting policies of application on IFRS 15 Revenue
from Contracts with Customers (continued)****(ii) Summary of effects arising from initial application of IFRS 15**

The adoption of IFRS15 does not have a significant impact on when the Group recognises revenue from four segments. There was also no material impact of transition to IFRS 15 on retained profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

| | Carrying amounts previously reported at 31 December 2017 RMB'000 | Reclassification RMB'000 | Carrying amounts under IFRS 15 at 1 January 2018 RMB'000 |
|--|--|-----------------------------|--|
| Current assets | | | |
| Amounts due from customers for contract work | 8,322,206 | (8,322,206) | – |
| Contract assets | – | 8,322,206 | 8,322,206 |
| Current liabilities | | | |
| Trade and other payables | 18,700,429 | (1,270,756) | 17,429,673 |
| Amounts due to customers for contract work | 677,018 | (677,018) | – |
| Contract liabilities | – | 1,947,774 | 1,947,774 |

Note: As at 1 January 2018, advances from customers of RMB1,270,756,000 in respect of engineering design and consultancy, engineering and construction contracting, equipment manufacturing and trading previously included in other payables and accruals were reclassified to contract liabilities.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)****(c) Business combinations under common control**

In November 2017, the Group completed its acquisition of the 60% equity interest of Chalco Shandong Engineering Technology Co., Ltd. (“Shandong Engineering”) from Aluminum Corporation of China Limited (“Chalco”) at a consideration of approximately RMB360 million and of the 100% equity interest of Kunming Survey and Design Institute Co., Ltd. of China Nonferrous Metals Industry (“Kunming Survey and Design Institute”) from Yunnan Copper Industry (Group) Co., Ltd. (“Yunnan Copper”) at a consideration of approximately RMB301 million.

Before and after the acquisitions, the Company, Chalco and Yunnan Copper are controlled by Chinalco, and the control is not temporary. Thus, the acquisition of Shandong Engineering and Kunming Survey and Design Institute are considered to be business combinations under common control. The principles of merger accounting have been applied, under which the consolidated financial statements have been prepared as if Shandong Engineering and Kunming Survey and Design Institute had been subsidiaries of the Company since the date when Shandong Engineering and Kunming Survey and Design Institute first came under the control of the Chinalco.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)****(c) Business combinations under common control (Continued)**

The Company's condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the six months ended 30 June 2017 include the respective results, changes in equity and cash flows of Shandong Engineering and Kunming Survey and Design Institute as if they had been 60% and 100% owned subsidiaries of the Company since 1 January 2017.

Impact on the condensed consolidated statement of comprehensive income for six months ended 30 June 2017:

| | For the six months ended 30 June 2017 | | |
|--|--|-----------------------|---------------------|
| | The Group previously reported RMB'000 | Adjustment RMB'000 | Restated RMB'000 |
| Revenue | 13,879,646 | 1,087,139 | 14,966,785 |
| Cost of sales | (12,623,059) | (951,664) | (13,574,723) |
| Gross profit | 1,256,587 | 135,475 | 1,392,062 |
| Tax and surcharges | (40,164) | (4,744) | (44,908) |
| Selling and marketing expenses | (37,477) | (3,310) | (40,787) |
| Administrative expenses | (706,988) | (56,208) | (763,196) |
| Other income | 22,657 | 403 | 23,060 |
| Other gains – net | 29,988 | (1,711) | 28,277 |
| Operating profit | 524,603 | 69,905 | 594,508 |
| Finance income | 125,152 | 3,849 | 129,001 |
| Finance expenses | (293,724) | (8,911) | (302,635) |
| Share of profits of investments accounted for using the equity method | 6,022 | – | 6,022 |
| Gain on bargain purchase from business combination | 134 | – | 134 |
| Profit before income tax | 362,187 | 64,843 | 427,030 |
| Income tax expense | (102,182) | (13,759) | (115,941) |
| Profit for the period | 260,005 | 51,084 | 311,089 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

(c) Business combinations under common control (Continued)

| | For the six months ended 30 June 2017 | | |
|--|--|-----------------------|---------------------|
| | The Group previously reported RMB'000 | Adjustment RMB'000 | Restated RMB'000 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Fair value losses on available-for-sale financial assets, net of tax | (37,611) | – | (37,611) |
| Currency translation differences | (45,214) | – | (45,214) |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Remeasurements of post-employment benefit obligations, net of tax | 44,225 | 3,277 | 47,502 |
| Other comprehensive loss for the period, net of tax | (38,600) | 3,277 | (35,323) |
| Total comprehensive income for the period | 221,405 | 54,361 | 275,766 |
| Profit for the period attributable to: | | | |
| Equity owners of the Company | 169,915 | 45,500 | 215,415 |
| Non-controlling interests | 90,090 | 5,584 | 95,674 |
| | 260,005 | 51,084 | 311,089 |
| Total comprehensive income for the period attributable to: | | | |
| Equity owners of the Company | 130,672 | 48,777 | 179,449 |
| Non-controlling interests | 90,733 | 5,584 | 96,317 |
| | 221,405 | 54,361 | 275,766 |
| | RMB | RMB | RMB (restated) |
| Earnings per share for profit attributable to equity owners of the Company | | | |
| – Basic | 0.06 | 0.02 | 0.08 |
| – Diluted | 0.06 | 0.02 | 0.08 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

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 2017.

There have been no changes in the risk management department since 31 December 2017 or in any risk management policies since 31 December 2017.

6.2 Liquidity risk

Compared to 31 December 2017, there was no material change in the contractual undiscounted cash flows for financial liabilities.

6.3 Fair value estimation

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

- 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).

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

6.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value as at 30 June 2018 and 31 December 2017.

| | Level 1 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|--|--------------------|--------------------|------------------|
| At 30 June 2018 | | | |
| Financial assets at fair value through other comprehensive income | | | |
| – Listed equity securities | 171,835 | – | 171,835 |
| – Unlisted equity securities | – | 120,233 | 120,233 |
| Financial assets at fair value through profit or loss | | | |
| – Short-term investments | – | 407,798 | 407,798 |
| | 171,835 | 528,031 | 699,866 |
| At 31 December 2017 | | | |
| Available for-sale financial assets | | | |
| – Listed equity securities | 198,538 | – | 198,538 |
| – Unlisted equity securities | – | 120,383 | 120,383 |
| – Short-term investments | – | 530,592 | 530,592 |
| | 198,538 | 650,975 | 849,513 |

The following table presents the changes in level 3 instruments for the period ended 30 June 2018:

| | Financial assets at fair value through other comprehensive income Unlisted equity securities RMB'000 (unaudited) | Financial assets at fair value through profit or loss Short-term investments RMB'000 (unaudited) |
|---|---|---|
| 30 June 2018 | | |
| At 31 December 2017 | 120,383 | 530,592 |
| Change in accounting policy (Note 5(a)) | 2,227 | – |
| At 1 January 2018 | 122,610 | 530,592 |
| Addition | 6,000 | 3,215,958 |
| Settlement on expiration | (8,580) | (3,355,901) |
| Fair value change for the period | 203 | – |
| Exchange realignment | – | 17,149 |
| End of period | 120,233 | 407,798 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**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 investments RMB'000 (unaudited) | Short-term investments 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 |

7. REVENUE AND SEGMENT INFORMATION**(a) Revenue**

The Group's revenue is set out below:

| | Six months ended 30 June | |
|--|--------------------------------|-------------------------------|
| | 2018 RMB'000 (unaudited) | 2017 RMB'000 (restated) |
| Engineering design and consultancy | 1,237,429 | 923,148 |
| Engineering and construction contracting | 9,207,526 | 8,787,821 |
| Equipment manufacturing | 515,495 | 515,444 |
| Trading | 3,148,519 | 4,740,372 |
| | 14,108,969 | 14,966,785 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

7. REVENUE AND SEGMENT INFORMATION (Continued)

(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.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**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 2017:

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

| (restated) | Engineering design and consultancy RMB'000 | Engineering and construction contracting RMB'000 | Equipment manufacturing RMB'000 | Trading RMB'000 | Inter- segment elimination RMB'000 | Total RMB'000 |
|---|---|--|---------------------------------------|--------------------|---|------------------|
| Segment revenue and results | | | | | | |
| Segment revenue | 989,754 | 8,787,932 | 638,410 | 4,781,889 | (231,200) | 14,966,785 |
| Inter-segment revenue | (66,606) | (111) | (122,966) | (41,517) | 231,200 | - |
| Revenue | 923,148 | 8,787,821 | 515,444 | 4,740,372 | - | 14,966,785 |
| Segment results | 64,882 | 465,204 | (35,743) | 94,088 | 6,077 | 594,508 |
| Finance income | 22,147 | 172,134 | 4,861 | 57,973 | (128,114) | 129,001 |
| Finance expense | (39,275) | (324,186) | (21,597) | (37,605) | 120,028 | (302,635) |
| 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 |
| Profit/(loss) before income tax | 46,590 | 320,532 | (52,539) | 114,456 | (2,009) | 427,030 |
| Income tax expense | | | | | | (115,941) |
| Profit for the period | | | | | | 311,089 |
| Other segment items | | | | | | |
| Amortisation | 21,755 | 18,864 | 2,488 | - | - | 43,107 |
| Depreciation | 37,378 | 50,728 | 19,731 | 836 | - | 108,673 |
| Provision for/(reversal of) | | | | | | |
| - impairment on inventories | - | - | 27,856 | - | - | 27,856 |
| - credit losses | 16,677 | 102,004 | 22,327 | (6,401) | - | 134,607 |
| - foreseeable losses on construction contracts | - | 845 | - | - | - | 845 |
| - impairment on goodwill | 1,497 | - | - | - | - | 1,497 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

- (ii) The segment assets and liabilities as at 31 December 2017 and capital expenditure for the six months ended are as follows:

| | Engineering design and consultancy RMB'000 | Engineering and construction contracting RMB'000 | Equipment manufacturing RMB'000 | Trading RMB'000 | Inter- segment elimination RMB'000 | Total RMB'000 |
|--|---|--|---------------------------------------|--------------------|---|-------------------|
| Assets | | | | | | |
| Segment assets | 5,131,921 | 37,620,166 | 3,103,118 | 4,747,193 | (6,100,959) | 44,501,439 |
| Unallocated assets | | | | | | |
| – Deferred income tax assets | | | | | | 608,469 |
| – Current income tax prepayments | | | | | | 14,784 |
| – Investments accounted for using the equity method | | | | | | 249,098 |
| Total assets | | | | | | 45,373,790 |
| Liabilities | | | | | | |
| Segment liabilities | 3,117,882 | 29,973,661 | 2,153,801 | 4,250,078 | (6,449,854) | 33,045,568 |
| Unallocated liabilities | | | | | | |
| – Deferred income tax liabilities | | | | | | 66,251 |
| – Current income tax liabilities | | | | | | 134,400 |
| Total liabilities | | | | | | 33,246,219 |
| Capital expenditures (restated) | 43,044 | 230,721 | 2,486 | 70,553 | – | 346,804 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**7. REVENUE AND SEGMENT INFORMATION (Continued)****(b) Segment information (continued)**

(iii) The segment results for the six months ended 30 June 2018 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 | 1,294,657 | 9,211,197 | 655,088 | 3,227,550 | (279,523) | 14,108,969 |
| Inter-segment revenue | (57,228) | (3,671) | (139,593) | (79,031) | 279,523 | - |
| Revenue | 1,237,429 | 9,207,526 | 515,495 | 3,148,519 | - | 14,108,969 |
| Segment results | 121,935 | 448,124 | 45,013 | 70,995 | (2,599) | 683,468 |
| Finance income | 15,370 | 187,670 | 2,418 | 48,657 | (120,501) | 133,614 |
| Finance expense | (40,428) | (387,452) | (15,894) | (34,800) | 117,725 | (360,849) |
| Share of (losses)/profits of investments accounted for using equity method | (413) | (359) | 955 | - | - | 183 |
| Profit before income tax | 96,464 | 247,983 | 32,492 | 84,852 | (5,375) | 456,416 |
| Income tax expense | | | | | | (103,743) |
| Profit for the period | | | | | | 352,673 |
| Other segment items | | | | | | |
| Amortisation | 15,859 | 10,385 | 10,818 | - | - | 37,062 |
| Depreciation | 28,031 | 42,425 | 13,526 | 1,525 | - | 85,507 |
| Provision for/(reversal of) | | | | | | |
| – impairment on inventories | (2,862) | - | (5,945) | - | - | (8,807) |
| – credit losses | 7,948 | (15,965) | (8,910) | (385) | - | (17,312) |
| – losses in contracts with customers | - | (7,754) | - | - | - | (7,754) |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

- (iv) The segment assets and liabilities as at 30 June 2018 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 | 5,433,323 | 37,124,796 | 2,930,150 | 4,814,852 | (5,806,353) | 44,496,768 |
| Unallocated assets | | | | | | |
| – Deferred income tax assets | | | | | | 608,404 |
| – Current income tax prepayments | | | | | | 36,277 |
| – Investments accounted for using the equity method | | | | | | 258,281 |
| Total assets | | | | | | 45,399,730 |
| Liabilities | | | | | | |
| Segment liabilities | 3,063,401 | 29,805,118 | 2,033,263 | 4,355,486 | (6,419,036) | 32,838,232 |
| Unallocated liabilities | | | | | | |
| – Deferred income tax liabilities | | | | | | 65,061 |
| – Current income tax liabilities | | | | | | 114,882 |
| Total liabilities | | | | | | 33,018,175 |
| Capital expenditures | 72,139 | 100,278 | 7,489 | 1,675 | – | 181,581 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**7. REVENUE AND SEGMENT INFORMATION (Continued)****(b) Segment information (continued)**

(v) Analysis of information by geographical regions:

Revenue

| | Six months ended 30 June | |
|-----------------|---|-------------------------------|
| | 2018 RMB'000 (unaudited) | 2017 RMB'000 (restated) |
| The PRC | 13,889,730 | 14,602,547 |
| Other countries | 219,239 | 364,238 |
| | 14,108,969 | 14,966,785 |

Non-current assets, other than financial assets at fair value through other comprehensive income, available-for-sale financial assets and deferred tax assets

| | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|-----------------|--|--|
| | The PRC | 7,666,976 |
| Other countries | 84 | 35,680 |
| | 7,667,060 | 7,450,183 |

(vi) Revenue of approximately RMB811 million and RMB1,041 million were derived from one single largest third party customer for the six months ended 30 June 2018 and 2017, respectively. These revenues are attributable to the trading segment.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

8. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|-------------------------------|
| | 2018 RMB'000 (unaudited) | 2017 RMB'000 (restated) |
| Current tax | | |
| PRC enterprise income tax for the period (i) | 95,134 | 123,047 |
| Deferred tax | | |
| Origination/(reversal) of temporary differences | 8,609 | (7,106) |
| Income tax expense | 103,743 | 115,941 |

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 2018 and 2017.

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 2018 is 23% (the estimated average tax rate for the six months ended 30 June 2017 was 27% – restated).

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**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 | |
|--|-----------------------------------|--------------------|
| | 2018 (unaudited) | 2017 (restated) |
| Profit attributable to equity owners of the Company (RMB'000) | 250,350 | 215,415 |
| Weighted average number of ordinary shares in issue | 2,663,160,000 | 2,663,160,000 |
| Basic earnings per share (RMB) | 0.09 | 0.08 |

(b) Diluted

As the Company had no dilutive ordinary shares for the six months ended 30 June 2018 and 2017, dilutive earnings per share for the six months ended 30 June 2018 and 2017 is the same as basic earnings per share.

10. DIVIDENDS

Pursuant to the board meeting on 12 March 2018, the directors did not recommend the payment of any final dividend for the year of 2017.

No interim dividend was proposed by the Directors of the Company for the six months ended 30 June 2018 and 2017.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**11. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND
INTANGIBLE ASSETS****(a) Acquisition**

During the six months ended 30 June 2018, the Group acquired property, plant and equipment, land use rights and intangible assets of nil, nil and nil (30 June 2017: RMB143,000, nil and nil) respectively through business combinations and RMB117,012,000, RMB9,035,000 and RMB40,834,000 (30 June 2017: RMB148,128,000, nil and RMB108,266,000) respectively from other third parties.

(b) Disposals

During the six months ended 30 June 2018, the Group disposed property, plant and equipment, land use right, and intangible assets with carrying amounts of RMB25,186,000, nil and RMB1,395,000 (30 June 2017: RMB7,688,000, RMB520,000 and RMB8,930,000) respectively.

(c) Impairment losses

During the six months ended 30 June 2018, 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 2018, the Group secured certain property, plant and equipment with net carrying amount of approximately RMB38 million (30 June 2017: RMB46 million) for borrowings amounting to approximately RMB30 million (30 June 2017: RMB23 million).

(e) Ownership certificates

Certain buildings, transportation equipment and land use right with the respective carrying amounts of approximately RMB544 million, RMB2 million and RMB64 million (31 December 2017: RMB556 million, RMB5 million and RMB65 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD****(a) Investment in associates**

| | Six months ended 30 June 2018 RMB'000 (unaudited) |
|--|---|
| Beginning of the period | 161,752 |
| Addition | 3,700 |
| Share of post-tax losses of associates | (873) |
| Others | 300 |
| End of the period | 164,879 |

(b) Investment in joint venture

| | Six months ended 30 June 2018 RMB'000 (unaudited) |
|--|---|
| Beginning of the period | 87,346 |
| Addition | 5,000 |
| Share of post-tax profits of joint venture | 1,056 |
| End of the period | 93,402 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

13. TRADE AND NOTES RECEIVABLES

| | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|-----------------------------------|--|--|
| Trade receivables | 16,823,740 | 16,091,744 |
| Less: Provision for credit losses | (1,280,716) | (1,287,809) |
| Trade receivables – net | 15,543,024 | 14,803,935 |
| Notes receivable | 653,458 | 767,837 |
| Trade and notes receivables – net | 16,196,482 | 15,571,772 |
| Less: Non-current portion (i) | (2,168,039) | (1,991,852) |
| Current portion | 14,028,443 | 13,579,920 |

- (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 2018, the non-current trade receivables amounted to RMB2,168 million.
- (ii) The carrying amounts of the trade and notes receivables approximate their fair values.
- (iii) Certain trade receivable amounting to approximately RMB790 million were secured for its borrowings as disclosed in Note 16.
- (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.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**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.

As at 30 June 2018, the Group had no trade receivables that were past due but not impaired (31 December 2017: nil).

Ageing analysis of trade receivables is as follows:

| | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|-----------------------------------|--|--|
| Within 1 year | 9,924,871 | 8,813,164 |
| Between 1 and 2 years | 3,254,335 | 3,605,825 |
| Between 2 and 3 years | 2,063,652 | 2,201,621 |
| Between 3 and 4 years | 884,160 | 868,851 |
| Between 4 and 5 years | 332,480 | 248,875 |
| Over 5 years | 364,242 | 353,408 |
| Trade receivables – gross | 16,823,740 | 16,091,744 |
| Less: Provision for credit losses | (1,280,716) | (1,287,809) |
| Trade receivables – net | 15,543,024 | 14,803,935 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

14. PREPAYMENTS AND OTHER RECEIVABLES

| | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|---|--|--|
| Prepayments | | |
| Prepayments to suppliers | 1,015,621 | 1,043,418 |
| Prepayment for investment (i) | 195,600 | 195,600 |
| Prepayment for acquisition of property, plant and equipment | 6,000 | 6,000 |
| | 1,217,221 | 1,245,018 |
| Other receivables and deposits | | |
| Financing provided to proprietors (ii) | 2,772,050 | 2,781,867 |
| Financing provided to suppliers (iii) | 184,873 | 184,873 |
| Amounts due from related parties (iv) (Note 24(b)) | 116,798 | 125,432 |
| Proceeds from disposal of a subsidiary | 32,200 | 32,200 |
| Retention fund | 144,569 | 134,053 |
| Staff advances | 88,244 | 72,060 |
| Bid security | 485,528 | 444,684 |
| Deposits | 120,559 | 79,563 |
| Payments on behalf of third parties | 324,153 | 290,749 |
| Deductible value-added tax | 540,478 | 558,777 |
| Others | 196,832 | 151,928 |
| | 5,006,284 | 4,856,186 |
| Total prepayments and other receivables | 6,223,505 | 6,101,204 |
| Less: Provision for credit losses | (516,012) | (510,488) |
| Prepayments and other receivables – net | 5,707,493 | 5,590,716 |
| Less: Non-current portion (v) | (1,588,508) | (1,566,419) |
| Current portion | 4,118,985 | 4,024,297 |

- (i) On September 2017, the Group entered into a bid for investing in Hanzhong Aerospace Smart New Town Investment Group Co., Ltd. (漢中航空智慧新城投資集團有限公司) for the construction of public infrastructure in Hanzhong Aerospace Smart New Town. After winning the bid on 25 October 2017, the Group was required to pay the amount of RMB195,600,000 as prepayment for the investment.
- (ii) As at 30 June 2018, in connection with the Build-Transfer contract, the Group provided financing amounted to RMB2.8 billion to the owner or its contractors to support their construction projects, at an interest rates between 6.15% and 18.00% per annum.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**14. PREPAYMENTS AND OTHER RECEIVABLES (Continued)**

- (iii) 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 2018, the outstanding principal and the relevant interest receivable aggregating to approximately RMB185 million (31 December 2017: 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.
- (iv) The amounts due from related parties are unsecured, interest-free and repayable on demand.
- (v) Non-current prepayments and other receivables mainly relate to financing provided to the proprietor or its contractors and the quality assurance.
- (vi) The carrying amounts of other receivables approximate their fair values.

As at 30 June 2018, the Group had no other receivables that were past due but not impaired (31 December 2017: nil)

Ageing analysis of other receivables is as follows:

| | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|-----------------------------------|--|--|
| Within 1 year | 2,480,732 | 1,943,894 |
| Between 1 and 2 years | 1,106,858 | 1,525,806 |
| Between 2 and 3 years | 500,738 | 477,562 |
| Between 3 and 4 years | 811,045 | 813,722 |
| Between 4 and 5 years | 36,010 | 26,149 |
| Over 5 years | 70,901 | 69,053 |
| Other receivables – gross | 5,006,284 | 4,856,186 |
| Less: Provision for credit losses | (516,012) | (510,488) |
| Other receivables – net | 4,490,272 | 4,345,698 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

15. 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 2018 and 2017 are as follows:

| | Six months ended 30 June | |
|---|---------------------------------|------------|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (restated) |
| Contributions to state-managed retirement plans | 98,455 | 93,453 |

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

| | At 30 June | At 31 December |
|--|--------------------|----------------|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (audited) |
| Amounts due to state-managed retirement plans included in trade and other payables | 5,416 | 4,088 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**15. 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 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|---|--|--|
| Current portion of defined benefits obligations | 124,845 | 124,426 |
| Non-current portion of defined benefits obligations | 859,912 | 857,358 |
| Present value of defined benefits obligations | 984,757 | 981,784 |

The movements of the Group's early retirement and supplemental benefit obligations for the six months ended 30 June 2018 and 2017 are as follows:

| | Six months ended 30 June | |
|---------------------------------|---|-------------------------------|
| | 2018 RMB'000 (unaudited) | 2017 RMB'000 (restated) |
| At beginning of period | 981,784 | 1,181,871 |
| For the period | | |
| – interest cost | 18,401 | 16,875 |
| – payment | (62,936) | (68,228) |
| – re-measurement losses/(gains) | 38,886 | (71,055) |
| – past service cost | 8,215 | 10,184 |
| – current service cost | 407 | 490 |
| At end of period | 984,757 | 1,070,137 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

15. 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 2018 | At 31 December 2017 |
|---------------|----------------------------|------------------------|
| Discount rate | 3.50% | 4.00% |

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**16. BORROWINGS**

| | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|--|--|--|
| Bank borrowings | | |
| – guaranteed by the Company to its subsidiaries | 2,564,812 | 2,328,996 |
| – secured by property plant and equipment (i) | 30,000 | 23,000 |
| – secured by trade and notes receivables (ii) | 239,160 | 289,465 |
| – secured by land use rights held by third parties (iii) | 30,000 | 30,000 |
| – unsecured | 6,946,171 | 5,673,295 |
| Borrowings from financial institutions | | |
| – secured by trade and notes receivables (ii) | 180,000 | 100,000 |
| Short-term and long-term bonds | | |
| – unsecured (iv) | 1,714,748 | 2,454,183 |
| Borrowings from fellow subsidiaries (v) (Note 24(b)) | | |
| – guaranteed by the Company to its subsidiaries | 110,000 | – |
| – secured by trade and notes receivables (ii) | 125,000 | 403,783 |
| – unsecured | 1,638,000 | 1,304,000 |
| | 13,577,891 | 12,606,722 |
| Less: Non-current portion | (1,968,500) | (2,792,675) |
| Current portion | 11,609,391 | 9,814,047 |

The borrowings are secured by the following:

- (i) As of 30 June 2018, the Group secured certain property, plant and equipment with carrying amount of RMB38 million (31 December 2017: RMB46 million) for borrowings amounting to RMB30 million (31 December 2017: RMB23 million).

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

16. BORROWINGS (Continued)

- (ii) As of 30 June 2018, the Group secured certain trade and notes receivables with carrying amounts of approximately RMB790 million (31 December 2017: RMB1,076 million) for borrowings amounting to approximately RMB544 million (31 December 2017: RMB793 million) (Note 13).
- (iii) As of 30 June 2018, 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 2017: RMB30 million).
- (iv) Short-term and long-term bonds

The Group issued long-term financing bond and the 2018-first tranche of short-term bonds on 20 June 2016 and 4 April 2018 with issuance amounts of RMB900 million and RMB1,000 million with maturity periods of 2 to 3 years and 240 days respectively. The unit par value is RMB100 with interest rates of 4.70% and 5.28% per annum respectively. Pursuant to the relevant terms “Adjustment to Interest Rate of Corporate Bonds”, the interest rate of 2016 long-term bonds was adjusted to 5.65% per annum. During the period, 199,980 units with amount RMB199,980,000 were re-sold to the Group.

Outstanding bonds as at 30 June 2018 are summarized as follows:

| | Face value (RMB'000)/ maturity | Effective interest rate | 30 June 2018 (RMB'000) |
|-----------------------|--------------------------------------|----------------------------|---------------------------|
| 2016 long-term bonds | 700,020/2019 | 5.65% | 701,548 |
| 2018 short-term bonds | 1,000,000/2018 | 5.28% | 1,013,200 |
| | | | 1,714,748 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**16. BORROWINGS (Continued)**

- (v) 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 2018, the Group borrowed RMB2,230 million (31 December 2017: RMB2,340 million) from Chinalco Finance and repaid RMB1,661 million (31 December 2017: RMB1,251 million). As of 30 June 2018, RMB1,738 million (31 December 2017: RMB1,169 million) was borrowed from Chinalco Finance, of which RMB140 million, RMB1,100 million and RMB498 million will be repaid in the second half of 2018, 2019 and 2020 respectively.

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 were repaid on 9 April 2018.

On 28 December 2016, the Group obtained borrowing from Guiyang Aluminum Magnesium Asset Management Co., Ltd. (貴陽鋁鎂資產管理有限公司) amounting to RMB10 million at an interest rate of 4.75% per annum. The relevant principal and interest will be repaid on 24 December 2018. In addition, during the six months ended 30 June 2018, the Group repaid the borrowing amounting to RMB55 million which was borrowed from Guiyang Aluminum Magnesium Asset Management Co., Ltd. in 2017.

On 26 July 2017 and 27 December 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 RMB30 million and RMB95 million respectively at an interest rate of 6.2% per annum. The principal and relevant interest will be repaid on 26 July 2018 and 27 December 2018 respectively. In addition, during the six months ended 30 June 2018, the Group repaid factoring borrowings amounting to RMB278.8 million which was borrowed from China Aluminum Business Factoring (Tianjin) Co., Ltd in 2017.

As at 30 June 2018 and 31 December 2017, the Group’s borrowings were repayable as follows:

| | At 30 June 2018 RMB'000 (unaudited) | 31 December 2017 RMB'000 (audited) |
|-----------------------|--|---|
| Within 1 year | 11,609,391 | 9,814,047 |
| Between 1 and 2 years | 1,275,000 | 696,000 |
| Between 2 and 5 years | 693,500 | 2,078,675 |
| Over 5 years | – | 18,000 |
| | 13,577,891 | 12,606,722 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

16. BORROWINGS (Continued)

The estimated fair values of borrowings approximate their carrying amounts.

The effective interest rates of borrowings and loans are 3.06% to 8.80% and 3.35% to 7.49% as at 30 June 2018 and 31 December 2017, respectively.

17. TRADE AND OTHER PAYABLES

| | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|--|--|--|
| Trade and notes payables | | |
| Trade payables | 12,748,306 | 13,195,628 |
| Notes payable (i) | 916,692 | 1,590,993 |
| | 13,664,998 | 14,786,621 |
| Other payables | | |
| Advances from customers | – | 1,270,756 |
| Staff welfare payable | 121,215 | 153,922 |
| Tax payable | 724,346 | 960,044 |
| Deposit payable | 663,308 | 607,877 |
| Amounts to be paid by the Group on behalf of other parties | 481,419 | 487,027 |
| Amounts due to related parties (ii) (Note 24(b)) | 138,550 | 131,749 |
| Others (iii) | 316,613 | 308,041 |
| | 2,445,451 | 3,919,416 |
| Total trade and other payables | 16,110,449 | 18,706,037 |
| Less: Non-current portion | (4,048) | (5,608) |
| Current portion | 16,106,401 | 18,700,429 |

Notes:

- (i) As of 30 June 2018, the Group secured certain bank deposits and bills receivables for notes payable.
- (ii) Amounts due to related parties are interest-free, unsecured and repayable on demand.
- (iii) As of 30 June 2018 and 31 December 2017, included in other payables are outstanding consideration of RMB82,469,500 payable in connection with business combinations under common control.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**17. TRADE AND OTHER PAYABLES (Continued)**

The carrying amounts of the Group's trade and other payables at 30 June 2018 and 31 December 2017 approximate their fair values.

Ageing analysis of trade payables is as follows:

| | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|-----------------------|--|--|
| Within 1 year | 9,997,811 | 10,018,138 |
| Between 1 and 2 years | 1,456,078 | 1,623,014 |
| Between 2 and 3 years | 481,987 | 630,927 |
| Over 3 years | 812,430 | 923,549 |
| | 12,748,306 | 13,195,628 |

18. DIVIDENDS PAYABLE

| | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|---|--|--|
| Dividends payable to the holders of renewable corporate bonds | – | 30,000 |
| Dividends payable to non-controlling interest of a subsidiary | 1,488 | – |
| | 1,488 | 30,000 |

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19. 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 of RMB30,000,000 on 19 March 2018 and it was paid during the period.

20. SENIOR PERPETUAL CAPITAL SECURITIES

The 2016 Senior Perpetual Securities, with the principal amount of USD350 million, plus the profit of RMB66 million attributable to them and deducted by the distribution of RMB64 million paid for the period ended 30 June 2018, are recorded as non-controlling interests with an aggregate amounting to RMB2,243 million.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**21. 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 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|---------------------------------|--|--|
| Contracted but not provided for | | |
| – Property, plant and equipment | 4,154 | 54,144 |
| – Investment (i) | 827,075 | 816,775 |
| | 831,229 | 870,919 |

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

21. COMMITMENTS (Continued)

(b) Operating lease commitments

The Group leases various offices, warehouses, residential properties and equipment 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 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|-----------------------|--|--|
| Within 1 year | 11,330 | 18,757 |
| Between 1 and 5 years | 6,493 | 8,985 |
| Over 5 years | 5,222 | 5,857 |
| Total | 23,045 | 33,599 |

22. CONTINGENCIES

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

23. FINANCIAL GUARANTEE

As at 30 June 2018, the Group's subsidiary, Ninth Metallurgical Construction issued the joint liability guarantees in respect of the following loans:

- a bank loan of RMB60,000,000 (31 December 2017: RMB65,000,000) 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 2017: 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. The loan was repaid on 25 July 2018.

As 30 June 2018, 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 RMB86,350,000 (31 December 2017: 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 do not anticipate there are material expected credit losses as the repayments made by the above borrowers were on schedule and the risk of default is remote. As such, no loss allowance was recognised for such financial guarantees.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the six months ended 30 June 2018 and 2017, and balances as at 30 June 2018 and 31 December 2017 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)****(a) Significant related party transactions arising with Chinalco and its subsidiaries**

| | Six months ended 30 June | |
|--|---------------------------------|------------|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (restated) |
| Sales of goods or provision of service to: | | |
| – Fellow subsidiaries | 3,158,227 | 1,927,959 |
| – Associates of ultimate holding company | 214,796 | 886,207 |
| | 3,373,023 | 2,814,166 |
| Purchase of goods and services from | | |
| – Fellow subsidiaries | 160,556 | 70,730 |
| – Associates of ultimate holding company | – | 5,422 |
| | 160,556 | 76,152 |
| Rental expenses paid to fellow subsidiaries | 2,639 | 4,044 |
| Borrowings from fellow subsidiaries (Note 16(v)) | 2,230,000 | 2,365,000 |
| Interest received from fellow subsidiaries | 12,534 | 16,215 |
| Interest paid to fellow subsidiaries | 39,155 | 18,699 |
| Acquisition of a subsidiary from a subsidiary of a joint venture | – | 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.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

24. 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 2018 | At 31 December 2017 |
|---|------------------------|------------------------|
| | RMB'000 (unaudited) | RMB'000 (audited) |
| Trade receivables | | |
| – Associates | 57,237 | 32,083 |
| – Fellow subsidiaries | 1,875,926 | 1,767,536 |
| – Associates of ultimate holding company | 1,070,033 | 582,121 |
| | 3,003,196 | 2,381,740 |
| Prepayments to suppliers | | |
| – Joint venture | 8,891 | 4,996 |
| – Associates | 297 | 576 |
| – Fellow subsidiaries | 37,851 | 28,844 |
| | 47,039 | 34,416 |
| Other receivables (Note 14) | | |
| – Joint ventures | 2,115 | 1,812 |
| – Associates | 56,580 | 56,580 |
| – Fellow subsidiaries | 55,770 | 56,887 |
| – Associates of ultimate holding company | 2,333 | 10,153 |
| | 116,798 | 125,432 |
| Amounts due to customers for contract work | | |
| – Fellow subsidiaries | – | 5,997 |
| Trade payables | | |
| – Joint ventures | 14,883 | 10,094 |
| – Associates | 1,535 | 3,206 |
| – Fellow subsidiaries | 273,779 | 215,766 |
| – Associates of ultimate holding company | 773 | 450 |
| | 290,970 | 229,516 |
| Advance from customers | | |
| – Fellow subsidiaries | – | 43,885 |
| – Associates of ultimate holding company | – | 101,862 |
| | – | 145,747 |
| Other payables (Note 17) | | |
| – Joint ventures | 423 | 423 |
| – Associates | 1,063 | 1,063 |
| – Fellow subsidiaries | 137,064 | 130,263 |
| | 138,550 | 131,749 |

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**24. 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)**

| | At 30 June 2018 | At 31 December 2017 |
|--|--------------------------------|------------------------|
| | RMB'000 (unaudited) | RMB'000 (audited) |
| Contract liabilities | | |
| – Associates | 124 | – |
| – Fellow subsidiaries | 90,507 | – |
| – Associates of ultimate holding company | 8,132 | – |
| | 98,763 | – |
| Borrowings (Note 16) | | |
| – Fellow subsidiaries | 1,873,000 | 1,707,783 |

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.

25. 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 2018:

- (i) The Group set up a wholly-owned subsidiary - 中鋁西南建設投資有限公司 with an registered capital of RMB1 billion in July 2018 and had paid RMB200 million as of the date of this report.
- (ii) The Company redeemed the 2015-first tranche of perpetual medium-term financing notes with an issuance amount of RMB 200 million in July 2018.

CORPORATE GOVERNANCE

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 Group has established a modern corporate governance structure which comprises a number of effectively balanced and independently operated bodies including general meetings of Shareholders, the Board, the Supervisory Board and senior management with reference to the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. The Company has also adopted the Corporate Governance Code as its own corporate governance practices.

As a company listed on the Stock Exchange, the Group 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:

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The 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. Gui Weihua, Mr. Cheung Hung Kwong and Mr. Fu Jun.

CORPORATE GOVERNANCE

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, Mr. Wang Jun (non-executive Director), Mr. Cheung Hung Kwong (independent 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 24 August 2018, the Audit Committee reviewed and confirmed the announcement of interim results for the six months ended 30 June 2018, the 2018 interim report and unaudited interim condensed consolidated financial information for the six months ended 30 June 2018 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

OTHER INFORMATION

1. EQUITY INTERESTS

As at 30 June 2018, 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 2018, 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.

OTHER INFORMATION

3. INTERESTS HELD BY DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As of 30 June 2018, 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, SENIOR MANAGEMENT AND COMMITTEE

On 5 January 2018, due to other work commitments, Mr. Sun Chuanyao has tendered to resign from his positions as an independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of the Nomination Committee of the third session of the Board of the Company, and a member of the Strategic Committee. Upon his resignation, Mr. Sun Chuanyao ceased to hold any position in the Company. The establishment of the Strategic Committee is conditional and effective upon the initial public offering and listing of ordinary A shares by the Company.

On 27 February 2018, Mr. Gui Weihua was appointed as an independent non-executive Director of the Company at the first extraordinary general meeting of 2018, for a term ending on the date of the election of the next session of the Board. On the even date, Mr. Gui Weihua has been appointed as the chairman of the Remuneration Committee and a member of the Nomination Committee of the Board of the Company for a term ending on the date of expiry of this session of the Board of the Company. In addition, the Board has appointed Mr. Gui Weihua as a member of Strategy Committee, effective from the date of the establishment of Strategy Committee to the election date of next session of the Board. The establishment of Strategy Committee is conditional and effective upon the initial public offering and listing of ordinary A Shares by the Company.

On 27 April 2018, Mr. Wang Jun resigned as the joint company secretary of the Company, with effect from that date. Since 27 April 2018, Mr. Zhai Feng will continue to serve and act as the sole company secretary of the Company. Please refer to the announcement of the Company dated 27 April 2018 for details.

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 announcements of the Company dated 5 January 2018 and 27 February 2018.

OTHER INFORMATION

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

As of 30 June 2018, 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 2018, there were no material litigations or arbitrations of material importance. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Company and are of material importance.

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 2018.

9. RESPONSIBILITY OF DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The Board shall fulfill its duty to prepare the financial statements as of 30 June 2018 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 of the Company has provided the Board with the necessary explanation and data to facilitate Directors in the review and approval of the Company's 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.

OTHER INFORMATION

10. ACCOUNTING POLICIES

Except for the changes in accounting policies as detailed in note 5 to the unaudited interim condensed consolidated financial information, the principal accounting policies adopted by the Company in the preparation of the unaudited condensed consolidated financial statements as of 30 June 2018 are consistent with the principal accounting policies adopted in the preparation of the audited consolidated financial statements for the year ended 31 December 2017.

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 |
| “Beijing Zichen” | Beijing Zichen Investment Development Corporation Limited |
| “Board” | the board of Directors of the Company |
| “Chinalco” | Aluminum Corporation of China (中國鋁業集團有限公司), a state-owned enterprise incorporated in the PRC and a controlling Shareholder of the Company |
| “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 |
| “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 |
| “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 |
| “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 |

DEFINITIONS

| | |
|---------------------------|--|
| “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” | 24 August 2018 |
| “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 |

DEFINITIONS

| | |
|---|--|
| “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. |

DEFINITIONS

| | |
|---------------------------------------|---|
| “Wenzhou Tongrun” | Wenzhou Tongrun Construction Co., Ltd. |
| “Kunming Survey and Design Institute” | Kunming Survey and Design Institute Co., Ltd. of China Nonferrous Metals Industry (中國有色金屬工業昆明勘察設計研究院有限公司) |
| “Shandong Engineering” | Chalco Shandong Engineering Technology Co., Ltd. (中鋁山東工程技術有限公司) |
| “Aluminum Company” | China Aluminum International Aluminum Technological Development Co., Ltd. (中鋁國際鋁材科技產業有限公司) |

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

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HEAD OFFICE IN THE PRC

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STOCK CODE

2068

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CORPORATE INFORMATION

THE BOARD

Executive Directors

Mr. He Zihui (Chairman)
Mr. Zong Xiaoping
Mr. Wu Zhigang
Mr. Zhang Jian

Non-executive Directors

Mr. Wang Jun
Mr. Li Yihua

Independent Non-executive Directors

Mr. Gui Weihua
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. Gui Weihua (Chairman)
Mr. Wang Jun
Mr. Fu Jun

Nomination Committee

Mr. He Zihui (Chairman)
Mr. Gui Weihua
Mr. Fu Jun

Risk Management Committee

Mr. He Zihui (Chairman)
Mr. Li Yihua
Mr. Fu Jun

CORPORATE INFORMATION

SUPERVISORS

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

JOINT COMPANY SECRETARY

Mr. Zhai Feng

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PRC

Mr. Zhai Feng
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PRC

AUDITOR

Domestic Auditor

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International Auditor

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

CORPORATE INFORMATION

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As to PRC law

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H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation

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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