



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



2019
INTERIM REPORT

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CHAIRMAN'S STATEMENT

Dear Shareholders and investors,

In 2019, there was an increasing downturn pressure to both domestic and overseas economies with a continuous shrinkage in investment in the nonferrous industry. Confronting with the complex situation of increasing risks and challenges, the Company implemented the high quality development principle to strengthen and reinforce its foundation in order to ride out all difficulties. In the first half of the year, the new management had a repeated in-depth consideration and discussion on the positioning, the situations encountered and the future development direction of the Company, pursuant to which the Company's business development direction was clearly set out. All in all, the Company will continue to make its best endeavors in doing the nonferrous metals industry projects, building construction, highway construction and municipal engineering project construction in the PRC, while incubating new strengths in industrial technology and cultivating the general contracting capacity of engineering so as to explore the overseas business opportunities and expand the aluminum application business.

The Company is undergoing transformation and upgrading as well as development and change. During the reform exercise, there will be short term pain. We have to remain steadfast and plan for the long term. In the second half of 2019, one of the important tasks of the Company is to intensify its reform. Each member company shall explicitly follow the business positioning of "one principal business and one expansion". By focusing our effort and resources and integrating the respective distinctions, we endeavor to be professional and specialized with high quality development. Leveraging its advantages, the Company will enhance its professionalism and lift the overall core competitiveness. The Company will take measures which are beneficial to improve staff motivation, increase work efficiency and enhance corporate effectiveness so as to serve as the starting point and foothold of the reform. Through the reform exercise, the vitality of enterprise will be triggered, the problems of corporate development will be solved and high quality development of enterprise can be achieved.

We will remain true to our original aspiration and be mindful of our mission throughout the way of establishing a world-class engineering technology group. We spare no efforts on our two trump cards, namely "technology" and "go international" and strive firmly for reform and innovation. We are committed to contributing to the country, seeking development opportunities for the enterprise, securing benefits for our employees and creating greater returns for the Company's Shareholders and investors.

Chairman

WU Jianqiang

22 August 2019

CORPORATE PROFILE

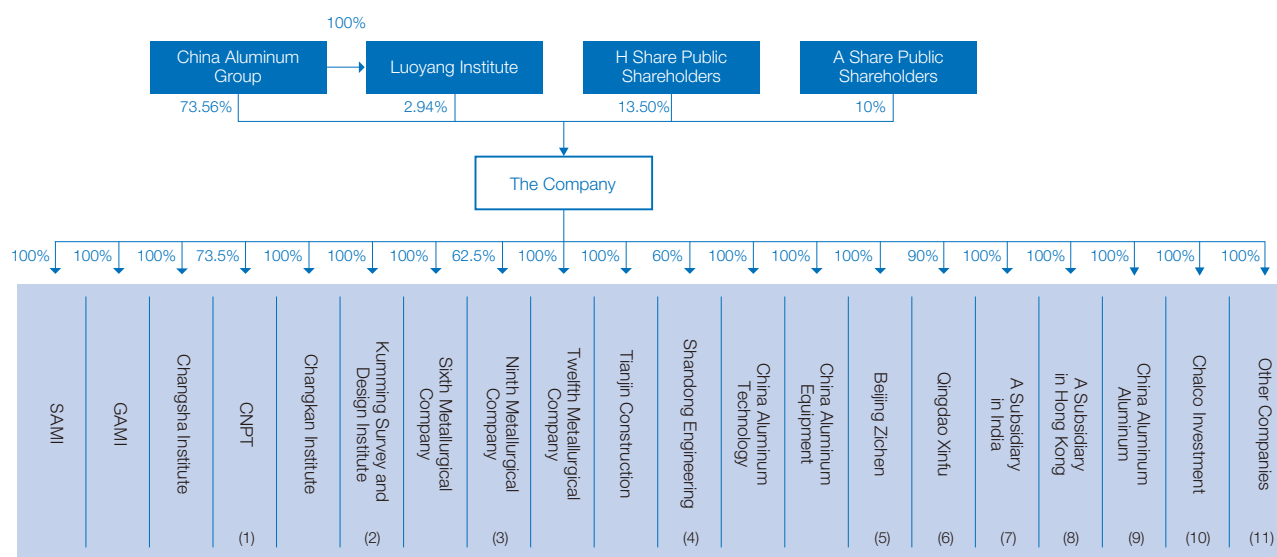
THE ISSUANCE AND LISTING OF THE SHARES

The Company is a subsidiary of China Aluminum Group 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 H Share. The Company listed on the Shanghai Stock Exchange (Stock Code: 601068) on 31 August 2018 with an offering price of RMB3.45 per A Share and 295,906,667 A Shares were issued. As at 30 June 2019, the total number of Shares in issuance of the Company is 2,959,066,667 shares, which is comprised of 399,476,000 H Shares, representing 13.5% of the issued share capital, and 2,559,590,667 A Shares, representing 86.5% of the issued share capital.

BUSINESS OVERVIEW

The Company 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. The Company's 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 Prospecting Design Institute of China Nonferrous Metals Industry Co., Ltd.
- (3) represents Ninth Metallurgical Construction Co., Ltd., the remaining 37.5% of the shares 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 Xinfu Gongchuang Asset Management Company Limited (青島市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 China Aluminum International Aluminum Technological Development Co., Ltd. (中鋁國際鋁材科技產業有限公司)
- (10) represents Chalco Southwest Construction Investment Co. Ltd. (中鋁西南建設投資有限公司)
- (11) represents Duyun Tongda, Wenzhou Tongrun, etc.

FINANCIAL SUMMARY

1. KEY OPERATION RESULTS

	January to June 2019 (RMB'000)	January to June 2018 (RMB'000) (Restated)	Amount of Change (RMB'000)	Percentage of Change %
Revenue	13,516,499	14,120,015	(603,516)	(4.3)
Gross profit	1,256,882	1,327,069	(70,187)	(5.3)
Operating profit	412,677	684,348	(271,671)	(39.7)
Total profit	148,494	457,187	(308,693)	(67.5)
Net profit	129,984	353,108	(223,124)	(63.2)
Net profit attributable to the parent company	39,328	250,608	(211,280)	(84.3)
Basic (losses)/earnings per share (RMB)	(0.00)	0.08		

2. SEGMENT REVENUE

	January to June 2019 (RMB'000)	January to June 2018 (RMB'000) (Restated)	Amount of Change (RMB'000)	Percentage of Change %
Segment revenue				
Engineering design and consultancy	1,234,886	1,294,657	(59,771)	(4.6)
Engineering and construction contracting	8,574,832	9,222,243	(647,411)	(7.0)
Equipment manufacturing	697,895	655,088	42,807	6.5
Trading	3,100,922	3,227,550	(126,628)	(3.9)
Subtotal	13,608,535	14,399,537	(791,002)	(5.5)
Inter-segment elimination	(92,036)	(279,523)		
Total revenue	13,516,499	14,120,015	(603,516)	(4.3)

FINANCIAL SUMMARY

3. ASSETS AND LIABILITIES

	30 June 2019 (RMB'000)	31 December 2018 (RMB'000) (Restated)	Amount of Change (RMB'000)	Percentage of Change %
Total assets	50,190,459	49,069,002	1,121,457	2.3
Total liabilities	37,077,830	35,867,479	1,210,351	3.4
Total equity of owners	13,112,629	13,201,523	(88,894)	(0.7)
Attributable to the equity owners of the parent company	10,045,457	10,158,695	(113,238)	(1.1)

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY OVERVIEW FOR THE FIRST HALF OF 2019

According to the statistics from Ministry of Industry and Information Technology, the overall operation of nonferrous metals industry in China has remained stable in the first half of the year. The production volume of 10 kinds of nonferrous metals amounted to 23.41 million tonnes and had a year-on-year increase of 4%, whereas the production volumes of copper and aluminum amounted to 6.85 million tonnes and 21.98 million tonnes with the year-on-year growth of 11.7% and 6.5%, respectively. The reduction of the industry profit was narrower, and the nonferrous industry has achieved profits of RMB60.74 billion with a year-on-year decrease of 5.5%. Among which, the mining and smelting industries achieved profits of RMB12.72 billion and RMB24.33 billion with the year-on-year decrease of 26.4% and 3.8%, respectively, while the processing industry achieved profits of RMB23.69 billion with a year-on-year increase of 8.9%. In the first half of the year, the investment of the nonferrous metals industry decreased by 9.4% year-on-year, among which the investment in the mining segment decreased by 7.9% year-on-year, and the investment in the smelting and processing segments decreased by 9.7% year-on-year. The Company was mainly affected by the decrease of new construction projects in the PRC, but there was a recovery of the value of newly signed contracts in the overseas nonferrous industry.

In the first half of the year, energy, transport and high-technology industries were the key areas of domestic investment. The production value of the PRC construction industry maintained its strong growth, amounting to RMB10.2 trillion. One of the special features is that the industry hastens its pace of consolidation. Secondly, following the clean-up and regulating of PPP projects by the State, the quality of PPP projects continued to enhance. The PPP projects signed by the Company are being carried out on a normal manner. Thirdly, the State has issued various regulations and measures for the construction industry, which further promote the standardized development of the construction industry and the construction enterprises are required to make greater efforts in transformation and reform.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS OVERVIEW FOR THE FIRST HALF OF 2019

Operation highlight

In the first half of 2019, owing to the tough external operation environment and increasing downward pressures on domestic and overseas economies, the Company continued to create innovative operating systems, seize market opportunities and actively expand its business space.

(I) Expediting and promoting the internal reform of the Company

Clearer positioning of the Company. The Company has determined a clearer positioning by the strategy of “Serving core businesses, staying focused and further developing”. The key advantage (technical advantage) and shortcomings of capacity (new business and EPC) of the Company were identified. As the Company has determined a new business layout of “4+1” (i.e. nonferrous engineering, engineering consultancy supervision, aluminum application engineering, other engineering such as civil buildings and municipal works and overseas engineering project construction), its competitiveness in the submarkets was further enhanced and it has begun tapped into the international technology market.

Continuous innovation through implementing incentive measures. In 2019, the Company has laid more emphasis on the assessment of innovation and efficiency of technology and the overseas projects. The Company encouraged research and development investments, enhanced the remuneration of technical personnel and persistently motivated the innovation capabilities of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Making steady progress in market development

Inception of the “3531” strategy. The Company continued to further implement the “3531” strategy by formulating specific measures in relation to staff, institution, system and other aspects. The concept of regional operations began to develop. Based on its series of project including one undertaken in Panxian, Sixth Metallurgical Company expedited the expansion of regional markets, namely Chengdu, Inner Mongolia, Xi’an and others.

Exploring the nonferrous market. The Company attached great importance on the mining, milling, smelting and processing fields of nonferrous metals, especially for exploration of inventory markets primarily targeting on energy saving, environmental protection, emission reduction and consumption reduction. GAMI has entered into the EPC contracts for electrolytic aluminum and other projects in Anshun, Guizhou; Changsha Institute has reinforced the concept of green development, continually made breakthroughs in clean smelting, green mining and solid waste treatment, and entered into a series of environmental project, including the Nanfang Nonferrous Zinc Oxygen Pressure Leaching Green Manufacturing Project (南方有色鋅氧壓浸出綠色製造項目); Shandong Engineering (山東工程), by making use of technological expertise, has won the EPC contract for Wanrun Project (萬潤項目) for the fourth consecutive times.

Gradually launching the transformed businesses. In the first half of the year, the Company continuously attached importance on the development of the major segments such as local urban complexes, industrial parks and construction projects on municipal transportation infrastructure with a number of key projects for transformation and upgrading having launched gradually: the Company won the bid of Miyu Highway Project (彌玉高速公路項目) as a substantial member of the consortium and signed the PPP projects investment agreement. The successful implementation of the subsequent projects will facilitate the expansion of the Company’s business scale. The Complex Project of Qidian Science and Technology Town in Xianyang (咸陽啟點科技城綜合體項目) entered into by Ninth Metallurgical Company, was the biggest complex project ever signed by Ninth Metallurgical Company since the implementation of the regional development strategy.

Breakthrough in overseas business. In the first half of the year, given full play to its own technical advantages and keeping abreast with the market, the Company successfully signed the EPC contract for the upgrading and reconstruction project of the Italian Portovesme electrolytic aluminum plant. This is the first electrolytic aluminum project implemented by a Chinese company in a European Union country, which will have a positive and profound impact on the development of the electrolytic aluminum industry in Italy and Europe. In addition, the Company also actively promoted market development in Indonesia, Laos, Kazakhstan and other countries.

Continuous promotion of aluminum for industrial use. In order to achieve the downstream extension of the aluminum industry chain, the Company has reorganized aluminum application professional companies of several member companies. The Company strives to create a new profit growth driver through building the entire industry chain of R&D, design, manufacture, installation, maintenance and recycling of aluminum template, aluminum overpasses and other products. In the first half of the year, the Company successfully won the bid for the Chifeng three aluminum overpasses project.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Enhancing project fulfillment

Embarking on project management and control measures. By promoting the project “two systems” (i.e. project manager accountability system and project cost accountability system) extensively in the Company, we have effectively controlled project costs, prevented project risks and improved project management efficiency.

Fulfillment of major projects. Through various methods, the Company paid close attention on project fulfillment management and effectively promoted the fulfillment of major projects of the Company: the Huasheng Project (華升項目) completed the construction below ground before the rainy seasons and the overall progress met the requirements of the plan; the first series of Chifeng Yuntong Project (赤峰雲銅項目) has successfully implemented the test and trial run; the main equipment installation of the production line of the Ruimin Project (瑞閩項目) has been completed and the whole line has entered into the equipment commissioning stage.

Safety production remaining stable. The Company has always adhered to the battles for safety, environmental protection and quality as the backbone and continuously consolidated the foundation of safety management to improve the status of grassroots safety management.

(IV) Strengthening the innovation effort in technology

Awards attained for a number of scientific results. The Company has strengthened technology innovation and invested technology innovation into high-quality development. The “new process for safe and uninterrupted production and maintenance for electrolytic aluminum (鋁電解系列安全不間斷生產與維護新工藝)” by GAMI has won the first prize of 2018 S&T Progress Award in Guizhou Province (貴州省2018年度科技進步一等獎).

Promotion of a large number of achievements in the industry. The Company is closely collaborating with domestic nonferrous metals enterprises to facilitate the promotion and application of the achievement of new technology of alumina, electrolytic aluminum and carbon; Changkan Institute completed from the safety monitoring equipment integration of tailing ponds to the extension of research and manufacture of front-end sensor, which significantly improved the competitiveness of the online monitoring business.

Accelerating development pace by innovation. SAMI was approved to establish a national engineering research center – “The National & Local United Engineering Research Center in Energy-saving and Environment-friendly Technology of Aluminum Industry (鋁工業節能環保技術國家地方聯合工程研究中心)”; Changsha Institute made significant breakthroughs in Mongolia concerning the Study of Pressure Leaching of Copper Smelting with Copper Sulfide Concentrate and Comprehensive Utilization Technology Research project (硫化銅精礦加壓浸出銅冶煉及綜合利用技術研究), which marked the breakthrough of oxygen pressure leaching techniques of copper smelting; Kunming Survey and Design Institute successfully introduced hydraulic fracturing stress measurement technique and filled the technology gap in Yunnan Province in that field.

MANAGEMENT DISCUSSION AND ANALYSIS

Contracts

During January to June 2019, the Company entered into 3,105 contracts in total, the total amount of which was RMB18.577 billion. Details are as followings:

Unit: 100 million Currency: RMB

Types of contract	January to June 2019	
	Number	Amount
Design and advisory of geotechnical investigations	2,289	13.52
Industrial projects	383	88.69
Construction Civil buildings	139	47.34
Highways and municipal works	17	22.25
Manufacture of equipment	277	13.97
Total	3,105	185.77

As at 30 June 2019, the amount of uncompleted contracts of the Company was RMB64.037 billion in aggregate, details of which are as followings:

Unit: 100 million Currency: RMB

Types of contract	As at 30 June 2019	
	Number	Amount
Design and advisory of geotechnical investigations	3,292	21.93
Industrial projects	667	145.00
Construction Civil buildings	363	212.33
Highways and municipal works	107	242.05
Manufacture of equipment	459	19.07
Total	4,888	640.37

MANAGEMENT DISCUSSION AND ANALYSIS

Scientific Research and Awards

As of 30 June 2019, the Company had 6 engineering technical research centers and enterprise technology centers reaching the national level, 2 postdoctoral science research workstations reaching the national level, 13 engineering technical centers and enterprise technology centers reaching the provincial level, 1 engineering laboratory reaching the provincial level and played the main role in the edition and participation of the preparation of more than 130 national and industrial standards or regulations.

Chalieceo was included in the Top 500 Enterprises in China (中國500強企業) by Fortune《財富》. According to Engineering News-Record Magazine of the United States, we were ranked 80th out of the “Top 150 Global Engineering Design Firms (全球工程設計公司150強)” in terms of operating revenue during 2019. And we were ranked 104th out of the “Top 225 International Engineering Design Firms (國際工程設計公司225強)” in terms of overseas revenue. Both rankings improved by 19 places as compared with last year. In the first half of the year, the Company was included in the Central-SOEs Technological Innovation Index Constituents List (央企創新驅動指數成份股清單) which was formulated by China Reform and China Securities Index Co., Ltd. With the guidance of documents such as Outline of the National Strategy of Innovation-Driven Development (《國家創新驅動發展戰略綱要》) issued by the Central Committee of the Communist Party of China and the State Council and 13th Five-Year for the National Scientific and Technological Innovation Planning (「十三五」國家科技創新規劃) issued by the State Council, China Reform calculated the weighting Central-SOEs Technological Innovation Index by using quantitative sampling method. Among over 300 stated-owned listing enterprises, China Reform integrated the factors such as investment in R&D, quality of patents, R&D talents, industrial expertise, growth in revenue and market value to select 100 stocks that conform to innovation-driven direction.

In the first half of 2019, the Company had totally 91 domestic patent applications, with 59 domestic patents authorized and 12 provincial-level industrial methods applied. As at 30 June 2019, the Company has applied for 7,021 domestic patents and 5,175 of which were authorized, while 217 international patents were applied and 153 of which were authorized. A total of 14 national-level industrial methods were granted.

3. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2019

In the second half of the year, the Company will aim at accomplishing operation target for the year, persisting in intensifying reform and conducting precise management, stepping up its efforts on marketing, enhancing contract performance capacity, increasing profit margin and improving cash flow, in a bid to strive for the sustainable development of the Company.

(1) Continuing to step up its efforts on marketing

Reinforcing the establishment of marketing manager team. We will expand marketing team through various ways, such as recruiting external talents and enhancing internal promotion. We will further improve and implement the marketing incentive mechanism and activate the marketing system, so as to promote the engagement of all staff in marketing.

Strengthening marketing plan. We will enhance our management on marketing projects, strengthen process monitoring and control and reinforce the organization of tenders, so as to create differentiated competitive advantages and increase market share.

MANAGEMENT DISCUSSION AND ANALYSIS

Intensifying regional operations. The headquarters of the Company itself will expedite the implementation of major tracking projects in regions such as Beijing-Tianjin-Hebei (Xiongan), Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing Area, etc. The implementation of major projects will promote the establishment of regional organizations and facilitate the progress of the “3531” strategy.

(2) Continuing to strength the project performance

Enhancing the management of labor service and professional subcontracting team. The Company will establish a strategic cooperative partnership between labor service and professional subcontracting through streamlining subcontracting team, expanding sources of labor service and professional subcontracting. The Company can maintain the team stability and enhance the competitiveness of the operational team.

Establishing emergency rectify system. The Company will refine the subcontracting contract and clearly state the implementation details in relation to treatment for failure of performance and dispute resolution. We will build the “strategic spearhead” that involves the three levels, namely the Company, the member companies and the project team, to further enhance the project execution capabilities among different levels of the Company.

Improving the design and construction quality. The Company will improve the design and optimize the structural building with reference to the practices and experience of other domestic and foreign outstanding enterprises. It strives to enhance the design quality and provide superior value and experience for the property owners. The Company aims at enhancing the ability to create valuable projects and facilitating the building of quality brands, so as to create conditions for developing the leading nonferrous metals market for civilian use.

(3) Continuously making efforts to reduce account receivable and inventory

Strengthening the responsibility commitment. We will undertake the Company’s development and existence as our mission and strengthen the responsibility of commitment, so as to further increase the effectiveness of efforts in reducing account receivable and inventory.

Enhancing control at source. The Company will further enhance the quality of marketing projects by improving marketing capability in order to exercise control over the growth of account receivable and inventory of the projects at source.

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Continuing to accelerate overseas expansion

Attaching great importance to key projects. According to the specific progress of overseas tracking projects, the Company will centralize resources allocation and enhance overall planning and process breakthroughs to ensure the implementation of key projects.

Expediting overseas layout. Centered on the countries and regions with sufficient non-ferrous resources along the “Belt and Road”, the Company will expedite the layout of overseas regional market and lay the foundation for overseas regional operation by taking tracking projects as a starting point and leveraging on the past performance of the Company.

(5) Continuing to implement “technology orientation”

Enhancing the breakthroughs of key and core techniques and focusing on improving the competitive advantages as a whole. The Company will give full play to its advantages; implement the “top-down design” of significant scientific research projects; and be initiative to tackle the front-end technical challenges that have hindered the industry development. The Company will continue to focus on the three aspects of “reducing emission and consumption and increasing efficiency in inventory market of core business”, “research and development of major key technologies and equipment of non-ferrous industry” and “breakthrough on iconic technologies in the municipal and environmental protection fields”, with a view to accelerate the formation of a series of core technology that could lead the industry competitors and proactively nurture a number of potentially subversive new technology, so as to facilitate the transformation and upgrade of the Company through innovation.

Optimizing the establishment of scientific research and innovation system and actively facilitating integration of scientific technology resources. Adhering to the guidelines set out in the strategies and policy of the state, the Company will give full play to the spillover effect of scientific technology resources by establishing a vertically interacted R&D system that relies on the R&D center as its core; improving the organizational and institutional establishment of synergetic innovation platforms to strengthen the overall management and control of key scientific research projects by the headquarters of the Company and facilitating the innovation and cooperative power among member companies to promote integration and development of “policy, production, learning, research and application”. To turn a new page for the scientific technology work in a new era, the Company will further optimize the scientific technology incentive mechanism; fully motivate the work enthusiasm among design and R&D personnel; enhance the innovation energy of each entity and focus on creating competitive advantages.

MANAGEMENT DISCUSSION AND ANALYSIS

(6) Continuing to enlarge the extent of reform on enterprises

Accelerating the institutional consolidation. The first thing is to form professional platform companies for aluminum application to accelerate the business consolidation of, among others, the existing aluminum template and aluminum overpasses. The second thing is to establish EPC department which gathers market development and project implementation function to strengthen the management, control and coordination of large-scale EPC projects. The third thing is to form overseas business development center to increase investment in overseas resources, in a bid to create the brand of Chalieco and enhance the level of international operation through leveraging on the technical advantages in nonferrous field, thereby enlarging the share in the international market.

Proactively creating “one center and one platform”. The first thing is to establish the technological R&D and design collaboration center of the Company. The Company shall integrate its strength on R&D resources and collaborate with external institutions to form innovation and cooperative power and direct the innovation resources towards forward-looking, strategic and major fields of scientific technology and innovation for the Company to achieve quality development driven by innovation. Based on big data center, the Company shall create digital asset by sharing resources, technology, talent and market. The second thing is to create a supervisory platform. Through consolidating the supervisory business that are dispersed over China Aluminum Group, the Company can create a comprehensive and unified platform for operation management and production operation for striving to promote the development of engineering consulting services for the entire process which mainly include engineering supervisory and to join the first-class domestic enterprises which specialize in supervisory business in the industry of management and consultancy for engineering project.

Promoting “one principal business and one expansion” gradually. The Company will clarify the scope of principal business and expanded business of its member companies. The Company will guide its member companies to focus on the principal business, optimize the layout and develop new strengths. Through competing in segment market, the Company will achieve the development of differentiation.

MANAGEMENT DISCUSSION AND ANALYSIS

4. FINANCIAL REVIEW

(1) Operation results and discussion

For the six months ended 30 June 2019, the Group realized revenue of RMB13,516.5 million, representing a decrease of RMB603.5 million or 4.3% over the corresponding period of last year. Gross profit was RMB1,256.9 million, representing a decrease of RMB70.2 million as compared to that of the corresponding period of the previous year. Net profit for the period amounted to RMB130.0 million, representing a decrease of RMB223.1 million or 63.2% 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 RMB39.3 million, representing a decrease of RMB211.3 million or 84.3% 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 business.

For the six months ended 30 June 2019, the revenue of the Group was RMB13,516.5 million, representing a decrease of RMB603.5 million or 4.3% over the corresponding period of last year. The decrease was primarily due to the construction schedule of Company's Yunnan Highway Project which planned to be promoted in the first half of 2019 was commenced later than expected, affected by the approval process of projects, and no revenue was contributed. And some of the large-scale construction contracts have almost come to an end, such that the year-on-year decrease of revenue to be realized for the period was substantial.

For the six months ended 30 June 2019, the revenue of the Group generated from domestic and overseas regions amounted to RMB13,267 million and RMB249.5 million, respectively.

2) Cost of sales

For the six months ended 30 June 2019, the cost of sales of the Group amounted to RMB12,259.6 million, representing a decrease of RMB533.3 million or 4.2% over the corresponding period of the previous year, which was mainly due to a reduction in cost in line with the decrease of revenue.

3) Gross profit

For the six months ended 30 June 2019, the gross profit of the Group amounted to RMB1,256.9 million, representing a decrease of RMB70.2 million or 5.3% over the corresponding period of the previous year, which was mainly due to the revenue of the Company decreased resulting in a reduction in gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS

4) Selling and marketing expenses

For the six months ended 30 June 2019, the selling and marketing expenses of the Group amounted to RMB51.1 million, representing an increase of RMB8.0 million or 18.6% over the corresponding period of the previous year, which was mainly due to an increase in the remuneration of salespersons for the current period.

5) Administrative expenses

For the six months ended 30 June 2019, the administrative expenses of the Group amounted to RMB764.4 million, representing an increase of RMB157.1 million or 25.9% over the corresponding period of the previous year, which was mainly due to the Group, as a leading engineering technology enterprise in the nonferrous metals industry, increased its investment in scientific research for the current period and cost of research and development was significantly increased. In the meantime, the expected credit losses recognized for the current period experienced a higher rate of increase due to the aging change of trade receivables.

6) Other income

For the six months ended 30 June 2019, other income of the Group amounted to RMB33.5 million, representing an increase of RMB6.2 million or 22.7% over the corresponding period of the previous year, which was mainly due to a slight increase in the revenue from government grant during the current period.

7) Other (losses)/gains – net

For the six months ended 30 June 2019, other net losses of the Group amounted to RMB11.2 million, representing a decrease of RMB32.5 million over net gains of RMB21.3 million of the corresponding period of the previous year, which was mainly due to recognition of renovation expenses related to “Three Supplies and One Property” during the current period.

8) Operating profit

For the six months ended 30 June 2019, the operating profit of the Group amounted to RMB412.7 million, representing a decrease of RMB271.7 million or 39.7% over the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

9) Finance income

For the six months ended 30 June 2019, the finance income of the Group amounted to RMB119.5 million, representing a decrease of RMB14.1 million or 10.6% over the corresponding period of the previous year, which was mainly due to the gradual adjustment in operation strategies made by the Group, the gradual decrease in advance payment of engineering projects and the decrease in interest income of engineering.

10) Finance expenses

For the six months ended 30 June 2019, the finance expenses of the Group amounted to RMB366.3 million, representing an increase of RMB5.3 million or 1.5% over the corresponding period of the previous year, which was mainly due to an increase in finance cost driven by a larger scale of its interest-bearing liabilities.

11) Income tax expense

For the six months ended 30 June 2019, the income tax expense of the Group amounted to RMB18.5 million, representing a decrease of RMB85.6 million over the corresponding period of the previous year, which was mainly due to a decrease in profit before income tax, and thereby income tax expense for the current period was decreased.

12) Profit for the period

Based on the forgoing, for the six months ended 30 June 2019, the profit for the period of the Group amounted to RMB130 million, representing a decrease of RMB223.1 million or 63.2% over the corresponding period of the previous year.

13) Profit attributable to equity holders of the Company

For the six months ended 30 June 2019, the profit attributable to equity holders of the Company amounted to RMB39.3 million, representing a decrease of RMB211.3 million or 84.3% over the corresponding period of the previous year, which was mainly due to the reduction in revenue resulting in the decrease of gross profit and significant increase of both research and development fees and expected credit losses.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Segment operating results

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

	Revenue		Gross Profit		Gross Profit Margin		Segment Results		Operating Profit Margin	
	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		For the half year ended 30 June	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
	(RMB'000)		(RMB'000)		%		(RMB'000)		%	
Engineering design and consultancy	1,234,886	1,294,657	304,788	333,122	24.7	25.7	55,471	121,935	4.5	9.4
Engineering and construction contracting	8,574,832	9,222,243	802,177	832,838	9.4	9.0	321,836	449,004	3.8	4.9
Equipment manufacturing	697,895	655,088	81,962	84,123	11.7	12.8	(20,321)	45,013	(2.9)	6.9
Trading	3,100,922	3,227,550	72,200	79,146	2.3	2.5	47,865	70,995	1.5	2.2
Subtotal	13,608,535	14,399,538	1,261,127	1,329,229	9.3	9.2	404,851	686,947	3.0	4.8
Inter-segment elimination	(92,036)	(279,523)	(4,245)	(2,160)			7,826	(2,599)		
Total	13,516,499	14,120,015	1,256,882	1,327,069	9.3	9.4	412,677	684,348	3.1	4.8

MANAGEMENT DISCUSSION AND ANALYSIS

1) Engineering design and consultancy

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

	For the half year ended 30 June				
	2019	% of	2018	% of	% of
	(RMB'000)	Segment Revenue	(RMB'000)	Segment Revenue	Change
Segment revenue	1,234,886	100.0	1,294,657	100.0	(4.6)
Cost of sales	(930,098)	(75.3)	(961,535)	(74.3)	(3.3)
Gross profit	304,788	24.7	333,122	25.7	(8.5)
Tax and surcharges	(10,885)	(0.9)	(15,218)	(1.2)	(28.5)
Selling and marketing expenses	(3,435)	(0.3)	(16,117)	(1.2)	(78.7)
Administrative expenses	(244,877)	(19.8)	(187,541)	(14.5)	30.6
Other income and other gains or losses – net	9,880	0.8	7,689	0.6	28.5
Segment results	55,471	4.5	121,935	9.4	(54.5)

Segment revenue. Revenue from the engineering design and consultancy business before inter-segment elimination decreased by RMB59.8 million, or 4.6% over the corresponding period of the previous year, which was mainly due to a decrease in the revenue scale owing to the decline in the amount of orders of engineering design and consultancy business.

Cost of sales. Cost of sales of the engineering design and consultancy business decreased by RMB31.4 million or 3.3% over the corresponding period of the previous year, primarily due to a decrease in subcontracting cost of engineering survey business in line with the reduction in revenue, yet because the cost of that segment was relatively fixed, the decrease in cost was smaller than the reduction in revenue.

Gross profit. Gross profit of the engineering design and consultancy business decreased by RMB28.3 million or 8.5% over the corresponding period of the previous year, and gross profit margin decreased to 24.7% from 25.7% for the corresponding period of the previous year, which was primarily due to a decrease in revenue of the engineering design and consultancy business resulting in a decrease in gross profit margin.

Tax and surcharges. Business tax and surcharges of the engineering design and consultancy business decreased by RMB4.3 million or 28.5% over the corresponding period of the previous year, primarily due to a decrease of tax driven by the decline of revenue.

Selling and marketing expenses. Selling and marketing expenses of the engineering design and consultancy business decreased by RMB12.7 million or 78.7% over the corresponding period of the previous year, primarily due to a reduction in the funds of sales business owing to the fact that the business segment has implemented strict savings.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses. Administrative expenses of the engineering design and consultancy business increased by RMB57.3 million or 30.6% over the corresponding period of the previous year, primarily due to a greater scientific research effort made in the engineering design and consultancy segment for the current period with higher increase in the research and development fees.

Other income and other gains or losses – net. Other income and other net gains from our engineering design and consultancy business increased by RMB2.2 million or 28.5% over the corresponding period of the previous year, primarily due to an increase in investment gains during the current period.

Segment results. Due to the above mentioned causes, segment results for the period from our engineering design and consultancy business decreased by RMB66.5 million or 54.5% over our corresponding period of the previous year.

2) Engineering and Construction Contracting

	For the half year ended 30 June				
	2019	% of	2018	% of	% of
	(RMB'000)	Segment Revenue	(RMB'000) (Restated)	Segment Revenue	Change
Segment revenue	8,574,832	100.0	9,222,243	100.0	(7.0)
Cost of sales	(7,772,655)	(90.6)	(8,389,405)	(91.0)	(7.4)
Gross profit	802,177	9.4	832,838	9.0	(3.7)
Tax and surcharges	(31,909)	(0.4)	(17,321)	(0.2)	84.2
Selling and marketing expenses	(32,399)	(0.4)	(13,698)	(0.1)	136.5
Administrative expenses	(422,531)	(4.9)	(377,170)	(4.1)	12.0
Other income and other gains or losses – net	6,498	0.1	24,355	0.3	(73.3)
Segment results	321,836	3.8	449,004	4.9	(28.3)

Segment revenue. Revenue from the engineering and construction contracting business before inter-segment elimination decreased by RMB647.4 million or 7.0% over the corresponding period of the previous year, primarily due to the construction schedule of Company's Yunnan Highway Project which planned to be promoted in the first half of 2019 was commenced later than expected, affected by the approval process of projects, and no revenue was contributed. And some of the large-scale construction contracts have almost come to an end, such that a substantial year-on-year decrease of revenue was realized for the period.

Cost of sales. Cost of sales of the engineering and construction contracting business decreased by RMB616.8 million or 7.4% over the corresponding period of the previous year, primarily due to a reduction in cost.

Gross profit. Gross profit of the engineering and construction contracting business decreased by RMB30.7 million or 3.7% over the corresponding period of the previous year. The gross profit margin of our engineering and construction contracting business increased from 9.0% for the first half of 2018 to 9.4% for the first half of 2019, which was primarily due to a higher revenue proportion of the nonferrous metal projects undertaken by the Group resulting in an increase in gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Tax and surcharges. Tax and surcharges of the engineering and construction contracting business increased by RMB14.6 million or 84.2% over the corresponding period of the previous year, primarily due to an increase in stamp duty for the current period as compared with the corresponding period of last year.

Selling and marketing expenses. Selling and marketing expenses of the engineering and construction contracting business increased by RMB18.7 million or 136.5% over the corresponding period of the previous year, primarily due to an increase in the remuneration of market development personnel of that segment.

Administrative expenses. Administrative expenses of the engineering and construction contracting business increased by RMB45.4 million or 12% over the corresponding period of the previous year, which was mainly due to an increase in the expected credit losses due to the aging change of trade receivables of the engineering and construction segment.

Other income and other gains or losses – net. Our other income and other net gains decreased by RMB17.9 million or 73.3% over the corresponding period of the previous year, primarily due to recognition of renovation expenses related to “Three Supplies and One Property” during the current period.

Segment results. Due to the above mentioned causes, segment results for the period from the engineering and construction contracting business decreased by RMB127.2 million or 28.3% over the corresponding period of the previous year.

3) Equipment Manufacturing

	For the half year ended 30 June				
	2019	% of	2018	% of	% of
	(RMB'000)	Segment Revenue	(RMB'000)	Segment Revenue	Change
Segment revenue	697,895	100.0	655,088	100.0	6.5
Cost of sales	(615,933)	(88.3)	(570,965)	(87.2)	7.9
Gross profit	81,962	11.7	84,123	12.8	(2.6)
Tax and surcharges	(5,524)	(0.8)	(4,784)	(0.7)	15.5
Selling and marketing expenses	(10,295)	(1.5)	(6,685)	(1.0)	54.0
Administrative expenses	(84,668)	(12.1)	(33,556)	(5.1)	152.3
Other income and other gains or losses – net	(1,796)	(0.3)	5,915	0.9	(130.4)
Segment results	(20,321)	(2.9)	45,013	6.9	(145.1)

Segment revenue. Revenue of the equipment manufacturing business before inter-segment elimination increased by RMB42.8 million or 6.5% over the corresponding period of the previous year, primarily due to the gradual expansion of aluminum application market by the Group. The orders of aluminum overpasses and aluminum template business were rapidly enhanced with a growth in revenue scale.

Cost of sales. Cost of sales of the equipment manufacturing business increased by RMB45.0 million or 7.9% over the corresponding period of the previous year, primarily due to an increase in cost in line with revenue scale, yet the cost has recorded a higher increase due to causes including an increase in price of raw materials such as steel.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit. Gross profit of the equipment manufacturing business decreased by RMB2.2 million or 2.6% over the corresponding period of the previous year, primarily due to an increase in price of raw materials such as steel, and the gross profit was basically the same as the corresponding period of last year.

Tax and surcharges. Tax and surcharges of the equipment manufacturing business increased by RMB0.7 million or 15.5% over the corresponding period of the previous year, primarily due to an increase of tax driven by the growth of revenue.

Selling and marketing expenses. Selling and marketing expenses of the equipment manufacturing business increased by RMB3.6 million or 54.0% over the corresponding period of the previous year, primarily due to an increase in the remuneration of market development personnel of that segment.

Administrative expenses. Administrative expenses of the equipment manufacturing business increased by RMB51.1 million or 152.3% over the corresponding period of the previous year, which was mainly due to an increase in investment in scientific R&D of that segment, for which the cost of research and development was significantly increased.

Other income and other gains or losses – net. Other net income and other net gains from our equipment manufacturing business decreased by RMB7.7 million or 130.4% over the corresponding period of the previous year, primarily due to a decrease in the gain or losses from investment of that segment.

Segment results. Due to the above mentioned causes, segment results for the period from our equipment manufacturing business decreased by RMB65.3 million over the corresponding period of the previous year and was recorded as a loss.

4) Trading

	For the half year ended 30 June				
	2019	% of	2018	% of	% of
	(RMB'000)	Segment Revenue	(RMB'000)	Segment Revenue	
Segment revenue	3,100,922	100.0	3,227,550	100.0	(3.9)
Cost of sales	(3,028,722)	(97.7)	(3,148,404)	(97.5)	(3.8)
Gross profit	72,200	2.3	79,146	2.5	(8.8)
Tax and surcharges	(2,663)	(0.1)	(3,583)	(0.1)	(25.7)
Selling and marketing expenses	(5,005)	(0.2)	(6,581)	(0.2)	(23.9)
Administrative expenses	(16,547)	(0.5)	(13,973)	(0.4)	18.4
Other income and other gains or losses – net	(120)	(0.0)	15,986	0.5	(100.8)
Segment results	47,865	1.5	70,995	2.2	(32.6)

MANAGEMENT DISCUSSION AND ANALYSIS

Segment revenue. Revenue of the trading business before inter-segment elimination decreased by RMB126.6 million or 3.9% over the corresponding period of the previous year, primarily due to the gradual reduction in trading business scale with lower gross profit by the Company.

Cost of sales. Cost of sales of the trading business decreased by RMB119.7 million or 3.8% over the corresponding period of the previous year, primarily due to a reduction in cost in line with revenue.

Gross profit. Gross profit of the trading business decreased by RMB6.9 million or 8.8% over the corresponding period of the previous year, and gross profit margin decreased from 2.5% in the corresponding period of the previous year to 2.3%, which was primarily due to a decrease in gross profit margin owing to the reduction in price of bulk commodities.

Tax and surcharges. Tax and surcharges of the trading business decreased by RMB0.9 million or 25.7% over the corresponding period of the previous year, primarily due to a decrease in the revenue scale.

Selling and marketing expenses. Selling and marketing expenses of the trading business decreased by RMB1.6 million or 23.9% over the corresponding period of the previous year, primarily due to a decrease in the remuneration of market development personnel of that business segment.

Administrative expenses. Administrative expenses of the trading business increased by RMB2.5 million or 18.4% over the corresponding period of the previous year, which was mainly due to an increase in the housing rental expense of that segment for the current period.

Other income and other gains or losses – net. Other net income and other net gains from our trading business decreased by RMB16.1 million over the corresponding period of the previous year, primarily due to a year-on-year decrease of revenue from government grant of that segment revenue.

Segment results. Due to the above mentioned causes, segment results of the period from our trading business decreased by RMB23.1 million or 32.6% over the corresponding period of the previous year.

(3) Liquidity and capital resources

As of 30 June 2019, the bank deposit and cash held by the Group amounted to RMB6,368.3 million, representing a decrease of RMB442.8 million as compared with that as at 31 December 2018, primarily due to a larger settlement of payment of private enterprises and payment of project construction process billing for the current period, which resulted in a reduction in total monetary funds.

The sources of the Group's fund are mainly from operating income, bank borrowings and offering bonds and comprise 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.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2019, the current assets of the Group, exclusive of bank deposit and cash, amounted to RMB37,245.5 million, among which notes and trade receivables, contract assets, prepayments and other receivables and inventories were RMB15,355.2 million, RMB13,931.3 million, RMB4,117.1 million and RMB3,654.3 million, respectively.

As of 30 June 2019, the current liabilities of the Group amounted to RMB32,038.4 million, among which trade and other payables and short-term borrowings were RMB18,530.5 million and RMB10,010.3 million, respectively. As of 30 June 2019, the net current assets of the Group, being the balance between total current assets and current liabilities, amounted to RMB11,575.3 million, representing an increase of RMB1,841.2 million or 18.9% as compared with that as of 31 December 2018.

As of 30 June 2019, the outstanding borrowings of the Group amounted to RMB14,287.3 million, among which short-term borrowings and long-term borrowings due within one year were RMB10,010.3 million, long-term borrowings was RMB4,277.0 million. Total borrowings have increased by RMB1,658.7 million as compared with that as of 31 December 2018, among which short-term borrowings have decreased by RMB395.3 million, long-term borrowings have increased by RMB2,054.0 million.

1) Cash flows

Net cash flows of operating activities. For the six months ended 30 June 2019, net cash outflow generated from operating activities amounted to RMB1,086.9 million, representing an increase of RMB297.5 million or 37.7% 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 for the current period, yet being influenced by a larger settlement of payment of private enterprises and payment of project construction process billing, the operating cash flow for the current period was still recorded as a net outflow.

Net cash flows of investing activities. For the six months ended 30 June 2019, net cash outflow generated from investing activities amounted to RMB144.7 million, representing a decrease of outflow of RMB33.6 million as compared with the net outflow for the same period of the previous year, primarily due to the receipt of transfer gain of certain equity interests in Suzhou Research Institute.

Net cash flows of financing activities. For the six months ended 30 June 2019, net cash generated from our financing activities was net cash inflow which amounted to RMB998.4 million, representing an increasing inflow of RMB1,191.9 million as compared with net outflow for the same period of the previous year, primarily due to a larger scale of interest-bearing liabilities during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

2) Guarantee and pledge of assets

As of the end of the reporting period, the subsidiaries of the Group provided the third party with total guarantee of RMB124.8 million.

During the reporting period, the subsidiaries of the Group had pledged property, plant and equipment to secure borrowings amounting to RMB100 million; borrowings amounting to RMB20 million was pledged by investment properties; and borrowings amounting to RMB498.5 million was pledged by trade receivables. As of the end of the reporting period, the Group secured certain bank deposits of RMB402 million, notes receivable of RMB41 million and property, plant and equipment of RMB18 million for notes payable.

3) Gearing ratio

The Group monitors its 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, contract liabilities and dividends payable 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 interests. The Group's gearing ratios were approximately 74.8% and 73.4% as at 30 June 2019 and 31 December 2018, respectively. The increase of gearing ratio as of 30 June 2019 as compared with that as of 31 December 2018 was primarily due to a larger scale of interest-bearing liabilities of the Group as compared with those at the beginning of the year, yet maintained within the target range controlled by the Group.

4) Capital Expenditure

For the first half of 2019, the Group's capital expenditures amounted to RMB378.3 million, representing an increase of RMB196.7 million as compared to RMB181.6 million for the first half of 2018. Among which, RMB29.9 million was used for the production facilities and equipment procurement of construction engineering design and consultancy business segment; RMB75.0 million was used for the production facilities and equipment procurement of engineering contracting and construction business segment; RMB201.1 million was used for the production facilities and equipment procurement of equipment manufacturing segment; RMB72.3 million was used for the production facilities and equipment procurement of trading segment. Capital resources are mainly from self-owned capital, borrowings from banks and other financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

5) Material Acquisition

- (a) On 28 March 2019, CNPT, a non-wholly-owned subsidiary of the Company, entered into an agreement with Luoyang Institute, pursuant to which, CNPT subscribed for additional registered capital in Luoyang Foyang Decoration Engineering Co., Ltd. (洛陽佛陽裝飾工程有限公司, “Foyang Company”) and acquired its 51.22% equity interests at a consideration of RMB12,915,000. Luoyang Institute is a subsidiary of “China Aluminum Group”, the controlling Shareholder of the Company. CNPT obtained control of Foyang Company in May 2019 and has applied the business combination principle under common control.
- (b) On 26 October 2018, CNPT entered into a transfer agreement regarding the acquisition of the 100% equity interest of Luoyang Kaiying Technology Co., Ltd. (“Kaiying Technology”) from Chinalco Henan Aluminum Fabrication Co., Ltd. (“Chinalco Henan”) at a consideration of approximately RMB205.8 million. The acquisition was completed in January 2019. As the principal activity of Kaiying Technology is holding properties only (including land use rights and buildings) and has no operations since its establishment, the aforementioned acquisition is viewed as assets acquisition from a related party as the Company, Kaiying Technology and Chinalco Henan are controlled by China Aluminum Group.

6) Contingent Liabilities

As of 30 June 2019, the Group did not have any material contingent liabilities.

7) Change in accounting policy

The Group adopted IFRS 16 Leases since 2019. Upon adoption of IFRS 16, the Group as a lessee will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, the Group will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the Group will recognise and measure the lease liability and will recognise the corresponding right-of-use asset. After initial recognition of this asset and liability, the Group will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term.

The Group adopted IFRS 16 Leases using the modified retrospective approach and has recognized the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2019.

For details, please refer to Note 5(b) presented in the consolidated financial statements of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

5. RISK FACTORS

The Company is primarily exposed to policy risks, market risks (including price risks, exchange rate risks and interest rate risks), operational risks, financial risks and overseas operational risks in the ordinary course of business.

1. Policy risks

Our business is subject to a certain extent of the policies and investment expenses of the government on infrastructure construction such as highways, municipal works construction and other public transportation. There will be unpredictable impacts on the Company if the government makes any adjustments to the infrastructure construction policy, PPP project policy, monetary policy, foreign exchange management policy, taxation policy and policy relating to real estate industry.

2. Price risks

The price and supply of materials, subcontracting and labor may have significant fluctuation according to customers' needs, manufacturers' production capacity, market condition, costs of materials and labor costs in different times; and conditions of price changes of energy (including fuel and electricity or water supply) may also affect our business.

3. Exchange rate risks

We conduct our engineering and construction contracting business overseas, and may make significant equity and other investments in overseas projects. Our assets and liabilities denominated in foreign currency are expected to increase significantly as we further expand our overseas business, particularly when undertaking more EPC projects. Changes in the exchange rate could affect our costs denominated in Renminbi, revenues, the prices of our exported products and imported equipment, which in turn would affect our profits.

4. Interest rate risks

Currently, we have a larger financing scale. Changes in interest rate policy will affect our finance expenses and economic benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Operational risks

In recent years, we have rapidly expanded our business scale and involved in more business aspects. As new business models are gradually increasing, project management becomes more difficult and poses challenge to the project safety and quality management, cadre ethics and upholding the stability of the enterprise. We are exposed to certain management operational risks.

6. Financial risks

As we have insufficient assessment on the credit status of property owners, delays in construction settlement and payment by the property owners, or deterioration in property owners' financial position resulted in funding pressure, or unable to collect working capital in a timely manner, these could severely affect the capital use efficiency of the Company, resulting in reducing turnover rate of account receivables. In case we are not able to obtain sufficient fund, the Company's expansion plan and development prospects will be affected.

7. Overseas operational risks

The Company has selectively tapped into various overseas markets and strategically developed overseas business. The Company will continue to earn considerable income and profits from international projects and other overseas business in the foreseeable future. Any changes in the condition of politics, economics, legal and taxation in the countries where the Company operates as well as other emergency issues would affect the Company in fulfilling its business objectives.

To guard against the occurrence of various types of risks, the Company has formulated a comprehensive internal control system. We incorporate risk management into each business process. Pursuant to which, we identify the critical control point of business processes, develop specific control measures, prepare documents for critical control points of procedures, identify the responsibilities of various types of risks and critical control point, work closely with the daily management and control, and control risk factors and elements. In addition, the Company strictly supervises the important control aspects of earlier stage of feasibility study, planning, reviewing, approval and decision-making; enhances process control and risk assessment work; and makes measures and contingency plans to deal with risks, aiming to ensure the Company's overall control on various types of risk.

MANAGEMENT DISCUSSION AND ANALYSIS

6. EMPLOYEES AND REMUNERATION POLICY**Employees**

As of 30 June 2019, the Company had a total of 12,955 employees in service, among which male employees accounted for 10,645 and female employees accounted for 2,310, 82% and 18% respectively. Moreover, the Company has off-post reserved labor force of 1,971.

The following table shows a breakdown of the employees in service by business segment as of 30 June 2019:

	Number of Employees in Service	Percentage in the Total Number
Operation and management personnel	3,945	30
Engineering technicians	6,593	51
Production and operation personnel	2,052	16
Service and other personnel	365	3
Total	12,955	100

The following table shows a breakdown of the employees in service by level of education as of 30 June 2019:

	Number of Employees in Service	Percentage in the Total Number
Postgraduate degree and above	1,175	9
Undergraduate degree	6,315	49
Diploma degree	2,626	20
TAFE (Technical And Further Education) and below	2,839	22
Total	12,955	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 the Company operates, the Company established the pension insurance, medical insurance, unemployment insurance, maternity insurance and workers' injury compensation insurance for employees. In addition, the Company and some of its subsidiaries also set up a corporate annuity system for providing retired employees with further protection. In accordance with applicable PRC laws and regulations, the aforesaid social insurance premiums are contributed as strictly required by the state, provincial, autonomous region and municipal requirements of the PRC. The Company also established an employee housing fund in accordance with applicable PRC regulations.

For the first half of 2019, the Company's employee expenses amounted to RMB737 million. The Company does not have employee's share option scheme currently.

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

The Company has established a labor union to protect employees' rights and encouraged employees to participate in the management of the Company. The Company has not experienced any strikes or other labor disputes which have interfered with its management and operations during the reporting period.

The Company endeavors to provide training for its staff. The scope of its induction and ongoing training programs cover management skills and techniques training, overseas exchange programs and other courses. Through continued payment of education allowance, the Company also encourages its 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

PKF
Accountants &
business advisers

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

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 33 to 82, 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 2019 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

22 August 2019

Wan Tak Shing

Practising Certificate No. P04844

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (restated)
Revenue	7	13,516,499	14,120,015
Cost of sales		(12,259,617)	(12,792,946)
Gross profit		1,256,882	1,327,069
Tax and surcharges		(50,981)	(40,906)
Selling and marketing expenses		(51,134)	(43,081)
Administrative expenses		(764,382)	(607,304)
Other income		33,483	27,293
Other (losses)/gains – net		(11,191)	21,277
Operating profit		412,677	684,348
Finance income		119,500	133,625
Finance expenses		(366,301)	(360,969)
Loss on disposal of a subsidiary	25(b)	(14,857)	–
Share of (losses)/profits of investments accounted for using the equity method	12	(2,525)	183
Profit before taxation		148,494	457,187
Income tax expense	8	(18,510)	(104,079)
Profit for the period		129,984	353,108
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		10,830	14,787
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income (“FVOCI”)		23,436	(22,525)
Remeasurements of post-employment benefit obligations, net of tax		(8)	(26,919)
Other comprehensive income/(loss) for the period, net of tax		34,258	(34,657)
Total comprehensive income for the period		164,242	318,451
Profit for the period attributable to:			
Equity owners of the Company		39,328	250,608
Non-controlling interests		90,656	102,500
		129,984	353,108

UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
		(unaudited)	(restated)
<hr/>			
Total comprehensive income for the period			
attributable to:			
Equity owners of the Company		73,523	216,394
Non-controlling interests		90,719	102,057
		164,242	318,451
<hr/>			
(Loss)/earnings per share for profit attributable to equity owners of the Company		RMB	RMB
			(restated)
– Basic	9	(0.00)	0.08
		(0.00)	0.08
– Diluted	9	(0.00)	0.08
		(0.00)	0.08

The notes on pages 41 to 82 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Assets			
Non-current assets			
Property, plant and equipment	11	2,468,297	2,481,382
Land use rights	11	651,594	700,277
Intangible assets	11	58,037	67,050
Right-of-use assets	11	23,379	–
Investment properties	11	405,528	212,449
Investments accounted for using the equity method	12	506,638	480,523
Financial assets at fair value through other comprehensive income		235,127	207,655
Trade and notes receivables	13	215,946	218,573
Prepayments and other receivables	14	1,335,559	1,476,000
Deferred income tax assets		674,352	676,983
Other non-current assets		2,275	4,671
Total non-current assets		6,576,732	6,525,563
Current assets			
Financial assets at fair value through profit or loss		127,567	156,670
Inventories		3,654,259	3,432,855
Trade and notes receivables	13	15,355,236	15,832,924
Prepayments and other receivables	14	4,117,092	3,998,587
Contract assets		13,931,313	12,266,109
Current income tax prepayments		59,984	45,258
Restricted cash		761,930	979,455
Cash and cash equivalents		5,606,346	5,831,581
Total current assets		43,613,727	42,543,439
Total assets		50,190,459	49,069,002
Equity			
Share capital		2,959,067	2,959,067
Reserves		7,086,390	7,199,628
Consolidated equity attributable to equity owners of the Company		10,045,457	10,158,695
Non-controlling interests		3,067,172	3,042,828
Total equity		13,112,629	13,201,523

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Liabilities			
Non-current liabilities			
Deferred income		45,941	40,814
Long-term borrowings	16	4,277,000	2,223,000
Retirement and other supplemental benefit obligations	15	670,231	713,871
Deferred income tax liabilities		29,895	74,822
Trade and other payables	17	4,303	5,606
Lease liabilities		12,013	–
Total non-current liabilities		5,039,383	3,058,113
Current liabilities			
Financial liabilities at fair value through profit or loss		–	22
Trade and other payables	17	18,530,465	19,425,271
Lease liabilities		12,429	–
Dividends payable	18	182,131	30,000
Contract liabilities		3,128,697	2,716,818
Short-term borrowings	16	10,010,326	10,405,642
Current income tax liabilities		69,189	126,403
Retirement and other supplemental benefit obligations	15	105,210	105,210
Total current liabilities		32,038,447	32,809,366
Total liabilities		37,077,830	35,867,479
Total equity and liabilities		50,190,459	49,069,002
Net current assets		11,575,280	9,734,073
Total assets less current liabilities		18,152,012	16,259,636

The interim condensed consolidated financial information has been approved by the Board of Directors on 22 August 2019 and was signed on its behalf.

Wu Jianqiang
Director

Zhang Jian
Director

The notes on pages 41 to 82 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											Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Remeasurements of post-employment benefit obligations RMB'000	Currency translation differences RMB'000	Special reserve RMB'000	Other equity instruments RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2018	2,663,160	178,522	167,363	(12,246)	158,308	79,140	41,155	1,900,231	4,010,809	9,186,442	2,957,690	12,144,132
Profit for the period	-	-	-	-	-	-	-	-	250,608	250,608	102,500	353,108
Other comprehensive income												
Fair value loss on financial assets at FVOCI – gross	-	-	-	(26,384)	-	-	-	-	-	(26,384)	(116)	(26,500)
Fair value loss on financial assets at FVOCI – 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	-	-	250,608	216,394	102,057	318,451
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	-	-	-	-	-	-	18,527	-	(18,527)	-	-	-
At 30 June 2018	2,663,160	178,522	167,363	(34,672)	131,733	93,927	59,682	1,900,231	4,242,890	9,402,836	2,993,822	12,396,658

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 1 January 2019	2,959,067	854,197	188,914	(51,276)	122,076	126,487	64,768	1,699,802	4,194,660	10,158,695	3,042,828	13,201,523
Profit for the period	-	-	-	-	-	-	-	-	39,328	39,328	90,656	129,984
Other comprehensive income												
Fair value gain on financial assets at FVOCI – gross	-	-	-	27,504	-	-	-	-	-	27,504	68	27,572
Fair value gain on financial assets at FVOCI – tax	-	-	-	(4,126)	-	-	-	-	-	(4,126)	(10)	(4,136)
Remeasurements of post-employment benefit obligations – gross	-	-	-	-	(14)	-	-	-	-	(14)	6	(8)
Remeasurements of post-employment benefit obligations – tax	-	-	-	-	1	-	-	-	-	1	(1)	-
Currency translation differences	-	-	-	-	-	10,830	-	-	-	10,830	-	10,830
Total comprehensive income	-	-	-	23,378	(13)	10,830	-	-	39,328	73,523	90,719	164,242
Dividends to the Company's shareholders	-	-	-	-	-	-	-	-	(91,731)	(91,731)	-	(91,731)
Dividend to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,614)	(1,614)
Dividends to the holders of senior perpetual bond	-	-	-	-	-	-	-	-	-	-	(67,373)	(67,373)
Appropriation to the holders of the 2016 and 2017 renewable corporate bonds	-	-	-	-	-	-	-	-	(90,400)	(90,400)	-	(90,400)
Derecognition of non-controlling interests upon disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(2,018)	(2,018)
Non-controlling interests arising from business combination under common control	-	(4,630)	-	-	-	-	-	-	-	(4,630)	4,630	-
Appropriation of special reserve	-	-	-	-	-	-	29,267	-	(29,267)	-	-	-
At 30 June 2019	2,959,067	849,567	188,914	(27,898)	122,063	137,317	94,035	1,699,802	4,022,590	10,045,457	3,067,172	13,112,629

The notes on pages 41 to 82 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
		2019	2018
Note		RMB'000	RMB'000
		(unaudited)	(restated)
Cash flows from operating activities			
Cash used in operations		(999,902)	(680,958)
Income tax paid		(136,914)	(136,481)
Interest received		49,965	28,097
Net cash used in operating activities		(1,086,851)	(789,342)
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and land use rights		(165,017)	(129,273)
Purchase of investment properties		(180,394)	–
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	(585,449)	(3,215,958)
Consideration paid for business combination under common control		(67,474)	(190,000)
Payment for investments accounted for using the equity method		(28,640)	(8,700)
Financing provided to proprietors		–	(14,525)
Receiving payment of financing provided to proprietors and others		240,389	44,227
Interest received from financing provided to proprietors		17,625	60,283
Financing provided to others		(4,654)	–
Interest received from financial assets at fair value through profit or loss		5,127	9,701
Interest received from time deposits		–	103
Dividend received from financial assets at fair value through other comprehensive income		580	–
Decrease in time deposits		–	20,495
Proceeds from disposal of property, plant and equipment and intangible assets		7,947	1,267
Consideration received from disposal of a subsidiary in prior period		89,771	–
Proceeds from disposal of a subsidiary	25	85	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		100	8,480
Proceeds from disposal of financial assets at fair value through profit loss		525,306	3,241,596
Net cash used in investing activities		(144,698)	(178,304)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (restated)
Cash flows from financing activities			
Borrowings received		5,244,583	6,754,981
Repayment of borrowings		(6,577,087)	(5,223,350)
Borrowings received from fellow subsidiaries and ultimate holding company	16(vi)	5,536,576	2,230,000
Repayment of borrowings received from fellow subsidiaries	16(vi)	(2,031,000)	(2,064,783)
Interest paid		(370,677)	(405,366)
Net proceeds from issuance of short-term bonds		–	1,000,000
Repayment of short-term bonds		–	(1,500,000)
Repayment of long-term bonds		(700,020)	(199,980)
Dividends paid to non-controlling interests		(1,614)	(210)
Dividends paid to the holders of renewable corporate bonds		(30,000)	(30,000)
Dividends paid to the holders of senior perpetual capital securities		(67,373)	(64,174)
Cash outflow arising from notes financing		–	(490,664)
Deposit paid for notes financing		–	(200,000)
Payment of lease liabilities and interest		(5,011)	–
Net cash generated from/(used in) financing activities		998,377	(193,546)
Net decrease in cash and cash equivalents		(233,172)	(1,161,192)
Cash and cash equivalents at beginning of period		5,831,581	6,287,737
Exchange gains/(losses) on cash and cash equivalents		7,937	(6,834)
Cash and cash equivalents at end of period		5,606,346	5,119,711

The notes on pages 41 to 82 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). On 31 August 2018, 295,906,667 shares were issued under the A-share Issuance and listed on the Shanghai Stock Exchange.

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 2019 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 2018, 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 2018, as described in those annual financial statements.

Except for the impact of the adoption of IFRS 16 “Leases” as detailed in Note 5, amendments to other IFRSs effective for the financial year ending 31 December 2019 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 2018.

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

On 28 March 2019, China Nonferrous Metals Processing Technology Co. Ltd. (“CNPT”), a 73.5% owned subsidiary of the Group, entered into the capital injection agreement with Luoyang Foyang Decoration Engineering Co., Ltd. (“Foyang Company”), pursuant to which CNPT has agreed to subscribe for its additional registered capital (representing 51.22% of its equity interest after the completion of capital injection) at a consideration of approximately RMB12,915,000. 80% equity interest of Foyang Company was beneficially owned by Chinalco before the capital injection. The capital injection was completed in 31 May 2019. The Company and Foyang Company are controlled by Chinalco before and after the capital injection and the control is not temporary. Accordingly, the aforementioned capital injection constitutes a business combination under common control and the principle of merger accounting has been applied, under which the condensed consolidated financial statements have been prepared as if Foyang Company had been subsidiary of the Company since the date when they first came under the control of Chinalco.

The Group’s condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2018 include the respective results, changes in equity and cash flows of Foyang Company as if it had been a subsidiary of the Company since 1 January 2018. The Company’s condensed consolidated balance sheet as at 31 December 2018 includes the balance sheet of Foyang Company as if it had been subsidiary of the Company on the same date.

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

Impact on the condensed consolidated statement of comprehensive income for six months ended 30 June 2018:

	For the six months ended 30 June 2018		
	The Group previously reported RMB'000	Adjustment RMB'000	Restated RMB'000
Revenue	14,108,969	11,046	14,120,015
Cost of sales	(12,784,441)	(8,505)	(12,792,946)
Gross profit	1,324,528	2,541	1,327,069
Tax and surcharges	(40,800)	(106)	(40,906)
Selling and marketing expenses	(43,071)	(10)	(43,081)
Administrative expenses	(605,707)	(1,597)	(607,304)
Other income	27,241	52	27,293
Other gains – net	21,277	–	21,277
Operating profit	683,468	880	684,348
Finance income	133,614	11	133,625
Finance expenses	(360,849)	(120)	(360,969)
Share of profits of investments accounted for using the equity method	183	–	183
Profit before income tax	456,416	771	457,187
Income tax expense	(103,743)	(336)	(104,079)
Profit for the period	352,673	435	353,108

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

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

(a) Business combination under common control (Continued)

	For the six months ended 30 June 2018		
	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>			
Currency translation differences	14,787	–	14,787
<i>Items 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)	–	(22,525)
Remeasurements of post-employment benefit obligations, net of tax	(26,919)	–	(26,919)
Other comprehensive loss for the period, net of tax	(34,657)	–	(34,657)
Total comprehensive income for the period	318,016	435	318,451
Profit for the period attributable to:			
Equity owners of the Company	250,350	258	250,608
Non-controlling interests	102,323	177	102,500
	352,673	435	353,108
Total comprehensive income for the period attributable to:			
Equity owners of the Company	216,136	258	216,394
Non-controlling interests	101,880	177	102,057
	318,016	435	318,451
	RMB (restated)	RMB	RMB (restated)
Earnings per share for profit attributable to equity owners of the Company			
– Basic	0.08	–	0.08
– Diluted	0.08	–	0.08

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

Impact on the affected line items of the condensed balance sheet as at 31 December 2018:

Condensed consolidated balance sheet (extract)	As at 31 December 2018		
	The Group Previously Reported RMB'000	Adjustment RMB'000	Restated RMB'000
Non-current assets			
Property, plant and equipment	2,480,553	829	2,481,382
Deferred income tax assets	676,003	980	676,983
Current assets			
Trade and notes receivables	15,822,274	10,650	15,832,924
Contract assets	12,244,506	21,603	12,266,109
Prepayments and other receivables	3,996,687	1,900	3,998,587
Restricted cash	978,857	598	979,455
Cash and cash equivalents	5,830,124	1,457	5,831,581
Current liabilities			
Trade and other payables	19,417,876	7,395	19,425,271
Contract liabilities	2,707,597	9,221	2,716,818
Short-term borrowings	10,400,642	5,000	10,405,642
Current income tax liabilities	126,060	343	126,403
Equity			
Capital reserve	849,757	4,440	854,197
Special reserve	64,441	327	64,768
Retained earnings	4,193,382	1,278	4,194,660
Non-controlling interests	3,032,815	10,013	3,042,828

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)****(b) Accounting policy change of application on IFRS 16 Leases**

IFRS 16 does not impact significantly on the way that the Group, as a lessor, accounts for its rights and obligations under a lease. However, in adopting IFRS 16, the Group, as a lessee, no longer distinguishes between finance leases and operating leases. Instead, subject to practical expedients, the Group accounts for all leases in a similar way to finance lease accounting, i.e. at the commencement date of the lease, the Group recognises and measures a lease liability and recognises a corresponding right-of-use asset. After initial recognition of this asset and liability, the Group recognises interest expense accrued on the outstanding balance of the lease liability and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the Group has elected not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

The Group has applied the practical expedient such that the Group applies IFRS 16 to contracts that were previously identified as lease under the previous accounting standards. Further, the Group does not apply IFRS 16 to contracts that were not previously identified as leases under previous accounting standards and applies IFRS 16 to contracts entered into on or after 1 January 2019. In addition, the Group has elected the practical expedient for not applying the IFRS 16 to short-term leases and leases of low-value assets and only recognised lease liability and right-of-use asset for other leases.

The Group has elected to use the modified retrospective approach for the adoption of IFRS 16 and recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and has not restated the comparative information. Upon the initial adoption of IFRS 16, the Group recognised and measured the lease liabilities of RMB28,223,000 at the present value of remaining lease payments discounted at the Group's incremental borrowing rate as at 1 January 2019 and the corresponding right-of-use assets at the same amount, adjusted by any prepaid or accrued lease payments. Initial direct costs incurred are not included in measuring right-of-use assets at the date of initial application.

The Group's weighted average incremental borrowing rate applied to the lease liabilities recognised at 1 January 2019 is 4.75%.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**5. IMPACT ON ACCOUNTING POLICY CHANGE AND BUSINESS
COMBINATION UNDER COMMON CONTROL (Continued)****(b) Accounting policy change of application on IFRS 16 Leases (Continued)**

The following table shows the impact on adoption of IFRS 16:

Condensed consolidated balance sheet (extract)	As at 1 January 2019		
	Carrying amount after business combination under common control (Note 5(a)) RMB'000	Adjustment RMB'000	Restated RMB'000
Non-current assets			
Right-of-use assets	–	28,531	28,531
Current assets			
Prepayments and other receivables	3,998,587	(308)	3,998,279
Current liabilities			
Lease liabilities	–	11,653	11,653
Non-current liabilities			
Lease liabilities	–	16,570	16,570

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 2018.

There have been no changes in the risk management department since 31 December 2018 or in any risk management policies since 31 December 2018.

6.2 Liquidity risk

Compared to 31 December 2018, 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 2019 and 31 December 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2019				
Financial assets at FVOCI				
– Listed equity securities	186,379	–	–	186,379
– Unlisted equity securities	–	–	48,748	48,748
Financial assets at fair value through profit or loss (“FVPL”)				
– Short-term investments	–	–	127,214	127,214
Derivative assets at FVPL	–	353	–	353
	186,379	353	175,962	362,694
At 31 December 2018				
Financial assets at FVOCI				
– Listed equity securities	158,907	–	–	158,907
– Unlisted equity securities	–	–	48,748	48,748
Financial assets at FVPL				
– Short-term investments	–	–	156,482	156,482
Derivative assets at FVPL	–	188	–	188
Derivative liabilities at FVPL	(22)	–	–	(22)
	158,885	188	205,230	364,303

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 2019:

30 June 2019	Financial assets at FVOCI	Financial assets at FVPL
	Unlisted equity securities RMB'000 (unaudited)	Short-term investments RMB'000 (unaudited)
Beginning of period	48,748	156,482
Addition	–	585,449
Settlement on expiration	(100)	(614,626)
Fair value change for the period	100	–
Exchange realignment	–	(91)
End of period	48,748	127,214

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

30 June 2018	Financial assets at FVOCI	Financial assets at FVPL
	Unlisted equity securities RMB'000 (unaudited)	Short-term investments RMB'000 (unaudited)
Beginning of period	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**7. REVENUE AND SEGMENT INFORMATION****(a) Revenue**

The Group's revenue is set out below:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(restated)
Engineering design and consultancy	1,211,598	1,237,429
Engineering and construction contracting	8,389,517	9,218,572
Equipment manufacturing	821,054	515,495
Trading	3,094,330	3,148,519
	13,516,499	14,120,015

(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, right-of-use assets, financial assets of FVOCI, other non-current assets, financial assets at FVPL inventories, contract assets, trade and notes receivables, prepayments and other receivables, restricted cash, derivative financial instrument 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, land use rights, investment properties and intangible assets (Note 11) and other non-current assets.

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

(i) For the six months ended 30 June 2019:

The segment results for the six months ended 30 June 2019 are as follows:

	Engineering design and consultancy RMB'000	Engineering and construction contracting RMB'000	Equipment manufacturing RMB'000	Trading RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Segment revenue and results						
Segment revenue	1,234,886	8,574,832	697,895	3,100,922	(92,036)	13,516,499
Inter-segment revenue	(23,288)	(53,958)	(8,198)	(6,592)	92,036	-
Revenue	1,211,598	8,520,874	689,697	3,094,330	-	13,516,499
Segment results	55,471	321,836	(20,321)	47,865	7,826	412,677
Finance income	107,664	32,498	1,058	114,986	(136,706)	119,500
Finance expense	(144,312)	(233,908)	(14,893)	(109,894)	136,706	(366,301)
Share of losses of investments accounted for using equity method	(1,660)	(2,797)	1,932	-	-	(2,525)
Loss on disposal of a subsidiary	(10,312)	-	(4,545)	-	-	(14,857)
Profit before income tax	6,851	117,629	(36,769)	52,957	7,826	148,494
Income tax expense						(18,510)
Profit for the period						129,984
Other segment items						
Amortisation	30,442	47,420	61,623	1,758	-	141,243
Depreciation	19,883	15,547	1,339	5,415	-	42,184
Provision for/(reversal of) - credit losses	18,064	22,324	(3,583)	(1,275)	-	35,530

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 30 June 2019 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	21,142,656	26,223,187	3,011,115	4,920,797	(6,348,270)	48,949,485
Unallocated assets						
– Deferred income tax assets						674,352
– Current income tax prepayments						59,984
– Investments accounted for using the equity method						506,638
Total assets						50,190,459
Liabilities						
Segment liabilities	14,894,407	21,499,238	2,016,652	3,989,533	(5,421,084)	36,978,746
Unallocated liabilities						
– Deferred income tax liabilities						29,895
– Current income tax liabilities						69,189
Total liabilities						37,077,830
Capital expenditures	29,906	74,962	201,136	72,271	-	378,275

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:

(restated)	Engineering design and consultancy RMB'000	Engineering and construction contracting RMB'000	Equipment manufacturing RMB'000	Trading RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Segment revenue and results						
Segment revenue	1,294,657	9,222,243	655,088	3,227,550	(279,523)	14,120,015
Inter-segment revenue	(57,228)	(3,671)	(139,593)	(79,031)	279,523	–
Revenue	1,237,429	9,218,572	515,495	3,148,519	–	14,120,015
Segment results	121,935	449,004	45,013	70,995	(2,599)	684,348
Finance income	15,370	187,681	2,418	48,657	(120,501)	133,625
Finance expense	(40,428)	(387,572)	(15,894)	(34,800)	117,725	(360,969)
Share of (losses)/profits of investments accounted for using equity method	(413)	(359)	955	–	–	183
Profit before income tax	96,464	248,754	32,492	84,852	(5,375)	457,187
Income tax expense						(104,079)
Profit for the period						353,108
Other segment items						
Amortisation	15,859	10,385	10,818	–	–	37,062
Depreciation	28,031	42,490	13,526	1,525	–	85,572
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 31 December 2018 and capital expenditure for the six months ended are as follows:

(unaudited and restated)	Engineering design and consultancy RMB'000	Engineering and construction contracting RMB'000	Equipment manufacturing RMB'000	Trading RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Assets						
Segment assets	20,147,931	26,380,072	3,309,431	4,778,828	(6,750,024)	47,866,238
Unallocated assets						
– Deferred income tax assets						676,983
– Current income tax prepayments						45,258
– Investments accounted for using the equity method						480,523
Total assets						49,069,002
Liabilities						
Segment liabilities	14,170,126	21,259,985	2,332,676	4,486,880	(6,583,413)	35,666,254
Unallocated liabilities						
– Deferred income tax liabilities						74,822
– Current income tax liabilities						126,403
Total liabilities						35,867,479
Capital expenditures	72,139	100,294	7,489	1,675	–	181,597

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	
	2019 RMB'000 (unaudited)	2018 RMB'000 (restated)
The PRC	13,266,985	13,900,776
Other countries	249,514	219,239
	13,516,499	14,120,015

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
	The PRC	5,643,284
Other countries	23,969	22,223
	5,667,253	5,640,925

- (vi) Revenue of approximately RMB686 million and RMB811 million were derived from one single largest third party customer for the six months ended 30 June 2019 and 2018, 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	
	2019 RMB'000 (unaudited)	2018 RMB'000 (restated)
Current tax		
PRC enterprise income tax for the period (i)	65,085	95,470
Deferred tax		
(Reversal)/origination of temporary differences	(46,575)	8,609
Income tax expense	18,510	104,079

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 2019 and 2018.

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 2019 is 12% (the estimated average tax rate for the six months ended 30 June 2018 was 23% – restated).

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

9. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share for each of the period is as follows:

	Six months ended 30 June	
	2019 (unaudited)	2018 (restated)
Profit attributable to equity owners of the Company (RMB'000)	39,328	250,608
Less: Distribution to perpetual bond holders (RMB'000)	(45,200)	(50,350)
	(5,872)	200,258
Weighted average number of ordinary shares in issue	2,959,066,667	2,663,160,000
Basic (loss)/earnings per share (RMB)	(0.00)	0.08

(b) Diluted

As the Company had no dilutive ordinary shares for the six months ended 30 June 2019 and 2018, dilutive (loss)/earnings per share for the six months ended 30 June 2019 and 2018 is the same as basic (loss)/earnings per share.

10. DIVIDENDS

Pursuant to the board meeting on 28 March 2019, the directors recommended the payment of final dividend of RMB0.31 (including tax) every 10 shares totalling RMB91,731,000 for the year of 2018. It was approved at the Annual General Meeting of shareholders on 18 June 2019.

No interim dividend was proposed by the Directors of the Company for the six months ended 30 June 2019 and 2018.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**11. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS, INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES**

(a) Upon election of the modified retrospective approach for the adoption of IFRS 16, the Group recognised right-of-use assets of RMB28,531,000 on 1 January 2019.

(b) Acquisition

During the six months ended 30 June 2019, the Group acquired property, plant and equipment, land use right, intangible assets and investment properties of RMB146,570,000, nil, RMB4,678,000 and RMB198,387,000 (30 June 2018: RMB117,028,000, RMB9,035,000, RMB40,834,000 and nil) respectively from other third parties.

(c) Disposals

During the six months ended 30 June 2019, the Group disposed property, plant and equipment, land use right, intangible assets with carrying amounts of RMB62,235,000, RMB26,267,000 and nil (30 June 2018: nil, nil and nil) respectively through disposal of a subsidiary and RMB14,362,000, RMB12,460,000 and RMB254,000 (30 June 2018: RMB25,186,000, nil and RMB1,395,000) respectively to other third parties.

(d) Impairment losses

During the six months ended 30 June 2019, there is no recognition or reversal of impairment loss to the Group's property, plant and equipment, land use rights, intangible assets, right-of-use assets and investment properties.

(e) Loan security

As of 30 June 2019, the Group secured certain property, plant and equipment and investment properties with net carrying amounts of approximately RMB78 million and approximately RMB18 million respectively for borrowings (Note 16) and secured property, plant and equipment with net carrying amount of approximately RMB18 million for notes payable (Note 17).

(f) Ownership certificates

Certain buildings, transportation equipment and land use right with the respective carrying amounts of approximately RMB148 million, RMB1 million and RMB30 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 2019 RMB'000 (unaudited)
Beginning of the period	383,026
Addition	28,640
Share of post-tax losses of associates	(3,873)
End of the period	407,793

(b) Investment in joint venture

	Six months ended 30 June 2019 RMB'000 (unaudited)
Beginning of the period	97,497
Share of post-tax profits of joint venture	1,348
End of the period	98,845

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**13. TRADE AND NOTES RECEIVABLES**

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Trade receivables	16,732,715	17,092,914
Less: Provision for credit losses	(1,598,540)	(1,565,674)
Trade receivables – net	15,134,175	15,527,240
Notes receivable	437,007	524,257
Trade and notes receivables – net	15,571,182	16,051,497
Less: Non-current portion (i)	(215,946)	(218,573)
Current portion	15,355,236	15,832,924

- (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 2019, the non-current trade receivables amounted to RMB216 million.
- (ii) The carrying amounts of the trade and notes receivables approximate their fair values.
- (iii) At 30 June 2019, certain trade receivable amounting to approximately RMB815 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.
- (v) At 30 June 2019, certain notes receivable amounting to approximately RMB41 million were secured for notes payable as disclosed in Note 17.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

13. TRADE AND NOTES RECEIVABLES (Continued)

Ageing analysis of trade receivables is as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Within 1 year	10,916,677	11,588,069
Between 1 and 2 years	2,363,186	1,947,392
Between 2 and 3 years	1,576,331	1,672,866
Between 3 and 4 years	1,118,781	1,122,381
Between 4 and 5 years	280,529	309,817
Over 5 years	477,211	452,389
Trade receivables – gross	16,732,715	17,092,914
Less: Provision for credit losses	(1,598,540)	(1,565,674)
Trade receivables – net	15,134,175	15,527,240

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Prepayments		
Prepayments to suppliers	1,285,079	1,154,444
Prepayment for business combination under common control	–	8,000
Prepayment for acquisition of property, plant and equipment	38,300	38,895
	1,323,379	1,201,339
Other receivables and deposits		
Financing provided to proprietors (i)	2,382,950	2,564,320
Financing provided to suppliers (ii)	184,873	184,873
Amounts due from related parties (iii) (Note 24(b))	107,067	158,222
Proceeds from disposal of a subsidiary	32,200	32,200
Refund of investment	95,600	95,600
Staff advances	24,087	19,802
Deposits paid	921,748	877,039
Payments on behalf	366,957	393,485
Deductible value-added tax	677,188	596,945
Others	43,460	52,556
	4,836,130	4,975,042
Total prepayments and other receivables	6,159,509	6,176,381
Less: Provision for credit losses	(706,858)	(701,794)
Prepayments and other receivables – net	5,452,651	5,474,587
Less: Non-current portion (iv)	(1,335,559)	(1,476,000)
Current portion	4,117,092	3,998,587

- (i) As at 30 June 2019, in connection with the Build-Transfer contract, the Group provided financing amounted to RMB2.4 billion to the owners or contractors to support their construction projects, at an interest rates between 6.15% and 18% per annum.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

14. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

- (ii) On 7 January 2014, the Group entered into a purchase contract with Xinjiang Jiarun Resources Holdings Co. Ltd. (新疆嘉潤資源控股有限公司, “Xinjiang Jiarun”). In accordance with the contract terms, the Group is required to provide financing amounting to RMB300 million at benchmark one to three years lending rate x 1.15 x 1.17 (value-added tax rate) announced by the People’s Bank of China. On 4 January 2016, the Group entered into a supplementary contract with Xinjiang Jiarun, the principal of the financing was agreed to reduce to RMB200 million. As at 30 June 2019, the outstanding principal and the relevant interest receivable aggregating to approximately RMB185 million (31 December 2018: RMB185 million) was secured by machinery held by Xinjiang Jiarun at fair value of approximately RMB421 million as at 31 October 2013 and irrevocably guaranteed by Qingdao Antaixin Group Co. Ltd. (青島安泰信集團有限公司) with maximum amount of RMB400 million.
- (iii) The amounts due from related parties are unsecured, interest-free and repayable on demand.
- (iv) Non-current prepayments and other receivables mainly relate to financing provided to the proprietor or its contractors and the quality assurance.
- (v) The carrying amounts of other receivables approximate their fair values.

Ageing analysis of other receivables is as follows:

	At 30 June 2019 RMB’000 (unaudited)	At 31 December 2018 RMB’000 (unaudited and restated)
Within 1 year	2,769,831	2,906,296
Between 1 and 2 years	331,188	370,342
Between 2 and 3 years	607,327	570,315
Between 3 and 4 years	396,884	425,756
Between 4 and 5 years	636,707	620,283
Over 5 years	94,193	82,050
Other receivables – gross	4,836,130	4,975,042
Less: Provision for credit losses	(706,858)	(701,794)
Other receivables – net	4,129,272	4,273,248

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 2019 and 2018 are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Contributions to state-managed retirement plans	97,876	98,455

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
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Amounts due to state-managed retirement plans included in trade and other payables	7,930	4,304

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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Current portion of defined benefits obligations	105,210	105,210
Non-current portion of defined benefits obligations	670,231	713,871
Present value of defined benefits obligations	775,441	819,081

The movements of the Group's early retirement and supplemental benefit obligations for the six months ended 30 June 2019 and 2018 are as follows:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
At beginning of period	819,081	981,784
For the period		
– interest cost	12,470	18,401
– payment	(56,612)	(62,936)
– re-measurement (gains)/losses	(68)	38,886
– past service cost	–	8,215
– current service cost	570	407
At end of period	775,441	984,757

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 2019 (unaudited)	At 31 December 2018 (audited)
Discount rate	3.25%	3.25%

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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Bank borrowings		
– guaranteed by the Company to its subsidiaries	2,612,316	2,512,567
– secured by property plant and equipment (i)	100,000	110,000
– secured by an investment property (ii)	20,000	20,000
– secured by restricted cash (iii)	–	105,000
– unsecured	6,561,510	7,576,977
Borrowings from financial institutions		
– guaranteed by the Company to its subsidiaries	28,000	93,600
– secured by trade receivables (iv)	–	36,000
Short-term and long-term bonds		
– unsecured (v)	–	717,998
Borrowings from the ultimate holding company (vi) (Note 24(b))		
– unsecured	2,000,000	–
Borrowings from fellow subsidiaries (vi) (Note 24(b))		
– secured by trade receivables (iv)	498,500	243,500
– guaranteed by the Company to its subsidiaries	20,000	–
– unsecured	2,447,000	1,213,000
	14,287,326	12,628,642
Less: Non-current portion	(4,277,000)	(2,223,000)
Current portion	10,010,326	10,405,642

The borrowings are secured by the following:

- (i) As of 30 June 2019, the Group secured certain property, plant and equipment with carrying amount of RMB78 million (31 December 2018: RMB85 million) for borrowings amounting to RMB100 million (31 December 2018: RMB110 million) (Note 11).
- (ii) As of 30 June 2019, the Group secured an investment property with carrying amount of RMB18 million (31 December 2018: RMB19 million) for borrowings amounting to RMB20 million (31 December 2018: RMB20 million) (Note 11).

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

- (iii) As of 30 June 2019, the Group secured certain bank deposits with carrying amount of nil (31 December 2018: RMB60 million) for borrowings amounting to nil (31 December 2018: RMB105 million).
- (iv) As of 30 June 2019, the Group secured certain trade receivables with carrying amount of approximately RMB815 million (31 December 2018: RMB474 million) for borrowings amounting to approximately RMB498.5 million (31 December 2018: RMB279.5 million) (Note 13).
- (v) Short-term and long-term bonds

The Group issued long-term financing bond on 20 June 2016 with issuance amount of RMB900 million with maturity periods of 2 to 3 years. The unit par value is RMB100 with interest rate of 4.70% per annum. 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.

The bonds were fully repaid during the period.

Outstanding bonds as at 31 December 2018 are summarized as follows:

	Face value (RMB'000)/ maturity	Effective interest rate	31 December 2018 (RMB'000)
2016 long-term bonds	700,020/2019	5.65%	717,998
			717,998

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

16. BORROWINGS (Continued)

- (vi) On 8 August 2016, 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 2019, the Group borrowed RMB3,240 million from Chinalco Finance and repaid RMB1,981 million. As of 30 June 2019, RMB2,332 million (31 December 2018: RMB1,073 million) was borrowed from Chinalco Finance, of which RMB550 million, RMB1,232 million, RMB250 million and RMB300 million will be repaid in the second half of 2019, 2020, 2021 and 2022 respectively.

On 18 July 2018, the Group obtained borrowings from Luoyang Institute (洛陽有色金屬加工設計研究院) amounting to RMB5 million at an interest rate of 4.73% per annum. The principal and relevant interest were repaid on 26 June 2019.

On 1 August 2018, 21 September 2018, 5 November 2018, 29 April 2019, 27 June 2019 and 28 June 2019, the Group obtained factoring borrowings from China Aluminum Business Factoring (Tianjiu) Co., Ltd. (中鋁商業保理(天津)有限公司) amounting to RMB3.5 million, RMB95 million, RMB100 million, RMB100 million, RMB100 million and RMB100 million, at an interest rate of 4.99%, 4.7%, 6.7%, 6.5%, 4.5% and 3.3% respectively. The principal and relevant interest will be repaid on 1 August 2019, 21 September 2019, 1 November 2019, 30 April 2020, 30 March 2020 and 30 June 2020 respectively. In addition, during the period, the Group repaid factoring borrowings amounting to RMB45 million which was borrowed from China Aluminum Business Factoring (Tianjin) Co., Ltd. on 20 September 2018.

On 9 July 2018, the Group obtained borrowings from Chinalco Asset Management Co., Ltd. (中鋁資產經營管理公司) amounting to RMB135 million at an interest rate of 4.35% per annum. The principal and relevant interest will be repaid on 8 July 2019.

On 2 April 2019, the Group obtained borrowings from Chinalco amounting to RMB2,000 million at an interest rate of 4.75% per annum. The principal and relevant interest will be repaid on 1 April 2022.

As at 30 June 2019 and 31 December 2018, the Group’s borrowings were repayable as follows:

	At 30 June 2019	31 December 2018
	RMB’000	RMB’000
	(unaudited)	(unaudited and restated)
Within 1 year	10,010,326	10,405,642
Between 1 and 2 years	1,187,000	1,336,000
Between 2 and 5 years	2,890,000	887,000
Over 5 years	200,000	–
	14,287,326	12,628,642

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 1.44% to 6.85% and 3.06% to 8.8% as at 30 June 2019 and 31 December 2018, respectively.

17. TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Trade and notes payables		
Trade payables	14,578,368	15,316,246
Notes payable (i)	639,215	752,426
	15,217,583	16,068,672
Other payables		
Staff welfare payable	128,133	149,915
Tax payable	1,371,123	1,501,436
Deposit payable	945,393	732,279
Temporary receipts	273,324	126,782
Amounts due to related parties (ii) (Note 24(b))	71,460	147,872
Others	527,752	703,921
	3,317,185	3,362,205
Total trade and other payables	18,534,768	19,430,877
Less: Non-current portion	(4,303)	(5,606)
Current portion	18,530,465	19,425,271

Notes:

- (i) As of 30 June 2019, the Group secured certain bank deposits of RMB402 million, notes receivable of RMB41 million (Note 13) and property, plant and equipment of RMB18 million (Note 11) for notes payable.
- (ii) Amounts due to related parties are interest-free, unsecured and repayable on demand.

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 2019 and 31 December 2018 approximate their fair values.

Ageing analysis of trade payables is as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Within 1 year	11,086,002	11,431,561
Between 1 and 2 years	1,745,589	2,195,909
Between 2 and 3 years	814,671	706,626
Over 3 years	932,106	982,150
	14,578,368	15,316,246

18. DIVIDENDS PAYABLE

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Dividends payable to the holders of renewable corporate bonds	90,400	30,000
Dividends payable to the Company's shareholders	91,731	–
	182,131	30,000

19. OTHER EQUITY INSTRUMENTS

The Company approved profit distribution in respect of the year ended 31 December 2018 at the Annual General Meeting of shareholders on 18 June 2019 and such dividend was paid in July 2019. Based on the terms of the 2016 and 2017 renewable corporate bonds, the Company has the obligation to make the 2016 bond's third distribution of RMB60,400,000 and the 2017 bond's third distribution of RMB30,000,000 on 13 October 2019 and 17 March 2020, respectively.

As at 30 June 2019, a total distribution of RMB90,400,000 has been accrued.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**20. SENIOR PERPETUAL CAPITAL SECURITIES**

The 2016 Senior Perpetual Securities with the principal amount of USD350 million represent the opening balance of RMB2,444 million plus the profit of RMB67 million attributable to them and deducted by the distribution of RMB67 million paid for the period ended 30 June 2019 resulting in the closing balance of RMB2,444 million and, are recorded as non-controlling interests.

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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Contracted but not provided for		
– Property, plant and equipment	4,154	10,596
– Investment (i)	858,193	857,900
	862,347	868,946

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 2019.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

21. COMMITMENTS (Continued)

(b) Operating lease commitments

The Group leases various offices 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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 1 year	47	5,640
Between 1 and 5 years	–	5,319
Total	47	10,959

As at 30 June 2019, the commitments were related to the short-term leases and leases of low-value assets.

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 2019, the Group's subsidiary, Ninth Metallurgical Construction issued the joint liability guarantees in respect of a bank loan of RMB95,000,000 (31 December 2018: RMB95,000,000) 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 the closing balance of the guarantee is RMB47,500,000 as at the end of the period (31 December 2018: RMB54,000,000).

As 30 June 2019, the Group's subsidiary, Hanzhong Ninth Metallurgical Construction Co., Ltd. (漢中九冶建設有限公司) issued a joint liability guarantee in respect of a bank loan of RMB100,000,000 (31 December 2018: 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 and the closing balance of the guarantee is RMB77,250,000 as at the end of the period (31 December 2018: RMB81,800,000).

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

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 2019 and 2018, and balances as at 30 June 2019 and 31 December 2018 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	
	2019 RMB'000 (unaudited)	2018 RMB'000 (restated)
Revenue under construction contracts from:		
– Fellow subsidiaries	1,612,238	2,987,455
– Joint ventures	20,766	–
– Associates of ultimate holding company	–	214,722
	1,633,004	3,202,177
Revenue under services contracts from:		
– Fellow subsidiaries	104,468	78,067
– Associates of ultimate holding company	–	75
	104,468	78,142
Revenue under manufacturing contracts from:		
– Fellow subsidiaries	189,955	89,649
Other revenue from:		
– Fellow subsidiaries	1,600	3,270
Purchase of goods and services from		
– Fellow subsidiaries	135,443	160,628
Rental expenses paid to fellow subsidiaries	2,770	2,639
Borrowings from: (Note 16(vi))		
– Fellow subsidiaries	3,540,000	2,230,000
– Ultimate holding company	2,000,000	–
	5,540,000	2,230,000
Interest received from fellow subsidiaries	14,632	12,545
Interest paid to:		
– Fellow subsidiaries	82,026	39,276
– Ultimate holding company	21,111	–
	103,137	39,276
Consideration for business combination under common control (Note 5(a))	12,915	–
Consideration for acquisition of assets – Fellow subsidiaries (Note 25(a))	205,813	–
Consideration for disposal of a subsidiary to a fellow subsidiary (Note 25(b))	166	–

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 (Continued)**

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.

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Trade receivables		
– Associates	46,751	69,535
– Fellow subsidiaries	3,444,338	3,536,823
– Associates of ultimate holding company	516	516
– Joint venture of ultimate holding company	124,371	112,846
	3,615,976	3,719,720
Prepayment for business combination under common control		
– Fellow subsidiary	–	8,000

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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Prepayments to suppliers		
– Joint venture	534	5,009
– Fellow subsidiaries	33,057	15,671
	33,591	20,680
Other receivables (Note 14)		
– Joint ventures	2,846	2,665
– Associates	185	185
– Fellow subsidiaries	103,741	155,217
– Joint ventures of ultimate holding company	295	155
	107,067	158,222
Trade payables		
– Joint ventures	36,173	29,914
– Associates	1,804	2,611
– Fellow subsidiaries	256,686	253,628
	294,663	286,153

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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (unaudited and restated)
Other payables (Note 17)		
– Joint ventures	433	443
– Associates	1,063	1,073
– Fellow subsidiaries	69,964	146,356
	71,460	147,872
Contract liabilities		
– Associates	32,608	49,739
– Fellow subsidiaries	251,067	279,846
– Associates of ultimate holding company	490	2,272
	284,165	331,857
Borrowings (Note 16)		
– Fellow subsidiaries	2,965,500	1,456,500
– Ultimate holding company	2,000,000	–
	4,965,500	1,456,500

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.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

25. ACQUISITIONS AND DISPOSAL

- (a) On 26 October 2018, China Nonferrous Metals entered into a transfer agreement regarding the acquisition of the 100% equity interest of Luoyang Kaiying Technology Co., Ltd. (“Kaiying Technology”) from Chinalco Henan Aluminum Fabrication Co., Ltd. (“Chinalco Henan”) at a consideration of approximately RMB205.8 million. The acquisition was completed in January 2019.

As the principal activity of Kaiying Technology is holding properties only (including land use rights and buildings) and has no operations since its establishment, the aforementioned acquisition is viewed as assets acquisition from a related party as the Company, Kaiying Technology and Chinalco Henan are controlled by Chinalco.

- (b) On 29 April 2019, China Nonferrous Metals and Suzhou Engineering & Research Institute for Nonferrous Metal Research Co. Ltd. (“Suzhou Research Institute”) have entered into the equity transfer agreement with Chinalco Shanghai Company (“Chinalco Shanghai”) and pursuant to which, China Nonferrous Metals and Suzhou Research Institute agreed to transfer 70% and 30% equity interest of Suzhou Nonferrous Metals Materials Science and Technical Development Co. Ltd. (“Suzhou Nonferrous Metals”) to Chinalco Shanghai at the considerations of approximately RMB166,000 and RMB71,000, respectively. All of the Company, Suzhou Research Institute and Chinalco Shanghai are controlled by Chinalco and thus it constitutes related party transaction.

The disposal was completed on 30 June 2019 and are analysed as follows:

	RMB'000
Property, plant and equipment	62,235
Intangible assets	26,267
Inventories	143
Trade and notes receivables	2,758
Prepayments and other receivables	2,232
Cash and cash equivalents	81
Trade and other payables	(34,968)
Tax payable	(111)
Short-term borrowings	(51,908)
Net assets disposed of	6,729
Consideration	166
Net assets disposed of	(6,729)
Non-controlling interests	2,018
Loss on disposal	(4,545)
Waiver of receivable from Suzhou Nonferrous Metals	(10,312)
	(14,857)
Consideration	166
Cash and cash equivalents disposed of	(81)
Net cash inflow on disposal	85

During the period, Suzhou Nonferrous Metals contributed a loss of approximately RMB38,000 to the Group's profit.

NOTES TO THE UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**26. EVENTS AFTER THE BALANCE SHEET DATE**

Other than the subsequent events disclosed below and elsewhere in the unaudited interim condensed consolidated financial information, no other significant subsequent events took place subsequent to 30 June 2019:

- (i) The Company announced that the Company had obtained a “Notification on Acceptance of Registration” (《接受註冊通知書》) from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) (the “NAFMII”) on 25 July 2018, from which the NAFMII confirmed the acceptance of the Company’s registration for the issuance of the ultra short-term financing notes in the People’s Republic of China. The registered amount of the Company’s ultra short-term financing notes amounted to RMB4 billion, and the registered amount shall be valid for a period of 2 years commencing from 25 July 2018. The Company has issued the first tranche of ultra short-term financing notes for the year 2019 in an issuance amount of RMB1 billion on 9 July 2019.
- (ii) Following the approval by the Shareholders at the AGM on 28 June 2019, the Board announced that details relating to payment of final dividend for the year ended 31 December 2018 that the Company distributed a final dividend for the year 2018 of RMB0.31 (tax inclusive) for every 10 Shares in cash to the H Shareholders, totally amounted to RMB91.7 million. The final dividend was paid in July 2019.
- (iii) The Company issued the first tranche of renewable corporate bonds for the year 2016 on 17 October 2016 of an issuance amount of RMB1,208,000,000 with a maturity period of 3+N years. The Company decided not renew the bonds and will redeem the bonds on the first Reset Date of 12 October 2019.

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

As a company listed on the Stock Exchange, the Company has been striving to maintain a high standard of corporate governance. For the six months ended 30 June 2019, 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.

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

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

The Board will examine the corporate governance practices and operations of the Company 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 Company's 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 terms of remuneration and 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 20 August 2019, the Audit Committee reviewed and confirmed the Company's announcement of interim results for the six months ended 30 June 2019, the 2019 interim report and unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

CORPORATE GOVERNANCE

POVERTY ALLEVIATION WORK OF THE COMPANY**1. Precise poverty alleviation planning**

The Company actively responded to the poverty alleviation approach of the State. It took precise poverty alleviation as the principal political mission and fully discharged the corporate social responsibilities of the PRC. In accordance with Administration Measures for Donations of China Aluminum International Engineering Corporation Limited, the Company continued to carry out poverty alleviation work through providing special assistance, conducting investigation and paying visit, making donation and raising funds, as well as constructing infrastructure, public service facilities and beautiful countryside.

2. Summary of precise poverty alleviation during the reporting period

During the first half of the year, CNPT donated RMB53,900 to one of the poverty districts, Xinan County, Luoyang City.

3. Effectiveness of precise poverty alleviation

Unit: RMB0'000 Currency: RMB

Indicator	Number and status
I. Overall situation	
Including: 1. Capital	5.39
2. Supplies expenditure	0
3. Number of registered poor people being lifted out of poverty	277
II. Sub-item investment	
Other items	
Including: 1. Number of projects	4
2. Investment amount	5.39
3. Number of registered poor people being lifted out of poverty	277
III. Awards received (Content and level)	Nil

CORPORATE GOVERNANCE

4. Milestone progress of performing social responsibilities of precise poverty alleviation

CNPT carried out poverty alleviation work in Wang Village of Cangtou Town, Xinan County, Luoyang City. The whole village has a total of 79 registered poor households and 277 individuals (excluding 38 households and 107 individuals effectively liberated from poverty). Until now, there were a total of 73 households and 267 individuals liberated from poverty, with 6 households and 10 individuals still live under poverty. The poverty level of the village had decreased to 0.73%.

5. Ongoing precise poverty alleviation planning

In the second half of 2019, the headquarters of the Company and its subsidiaries will continue to implement poverty alleviation and donation work. They will actively participate in public welfare activities and fulfill their social responsibility.

OTHER INFORMATION

1. EQUITY INTERESTS

As at 30 June 2019, the total share capital of the Company was RMB2,959,066,667, divided into 2,959,066,667 Shares of RMB1.00 each (including 399,476,000 H Shares and 2,559,590,667 A Shares).

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

As at 30 June 2019, 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 SFO, or recorded in the register required to be kept pursuant to Section 336 of the SFO, 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 circumstances 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 (%) (Note 1)	Approximate percentage of shareholding in total share capital (%) (Note 1)
China Aluminum Group (Note 2)	A Shares	Beneficial owner/Interest of controlled corporation	2,263,684,000 (Long position)	88.44	76.50
The Seventh Metallurgical Construction Corp. Ltd.	H Shares	Beneficial owner	69,096,000 (Long position)	17.30	2.34
CNMC Trade Company Limited	H Shares	Beneficial owner	59,225,000 (Long position)	14.83	2.00
Leading Gain Investments Limited (Note 3)	H Shares	Nominee of another person (other than passive trustee)	29,612,000 (Long position)	7.41	1.00
China XD Group	H Shares	Beneficial owner	29,612,000 (Long position)	7.41	1.00
Yunnan Tin (Hong Kong) Yuan Xing Company Limited	H Shares	Beneficial owner	29,612,000 (Long position)	7.41	1.00
Global Cyberlinks Limited	H Shares	Beneficial owner	20,579,000 (Long position)	5.15	0.70

Notes:

- (1) The percentage is calculated by dividing number of relevant class of Shares in issue of the Company as at 30 June 2019 by total number of Shares.
- (2) China Aluminum Group is beneficially interested in 2,263,684,000 A Shares, representing approximately 76.50% of the total share capital of the Company. Luoyang Institute is a wholly-owned subsidiary of China Aluminum Group and is interested in 86,925,466 A Shares, representing approximately 2.94% of the total share capital of the Company. China Aluminum Group is therefore also deemed to be interested in the A Shares held by Luoyang Institute under the SFO.
- (3) 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 2019, 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 SFO which were required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, 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 21 February 2019, due to other work commitments, Mr. HE Zhihui has resigned from his positions as the chairman of the Company, an executive Director, the member and chairman of each of the Risk Management Committee, the Nomination Committee and the Strategy Committee of the third session of the Board of the Company. Mr. HE Zhihui ceased to hold any position in the Company upon his resignation.

On 26 March 2019, due to work redeployment, Mr. HE Bincong has resigned from his positions as the chairman of Supervisory Board and employee representative supervisor of the Company. On the same day, the Company convened the eighth meeting of the third session of the Supervisory Board of the Company and the employee congress, at which Mr. FAN Guangsheng was appointed as the chairman of Supervisory Board and an employee representative supervisor, with the term of office to be expired upon the expiration of third session of the Supervisory Board of the Company.

On 12 April 2019, due to personal career development, Mr. ZHAI Feng has resigned as the secretary to the Board, the company secretary and the authorized representative of the Company in accordance with Rule 3.05 of the Listing Rules, with effect from that date. On the same day, the Board appointed Mr. ZHANG Jian as the authorized representative of the Company to perform the duties of the secretary to the Board, and appointed Mr. ZHANG Jian and Ms. NG Ka Man as the joint company secretaries of the Company for the term of three years.

OTHER INFORMATION

On 16 April 2019, Mr. WU Jianqiang was appointed as the executive Director of the Company at the second extraordinary general meeting of 2019, with the term of office to be expired until the election of next session of the Board. On the same day, Mr. WU Jianqiang has been appointed as the chairman of the Company, the member and chairman of the Risk Management Committee, the member and chairman of the Nomination Committee, and the member and chairman of the Strategy Committee of the Company, for a term up to the expiration of the current session of the Board.

On 31 May 2019, relevant resolutions were considered and approved at the twenty-fourth meeting of the third session of the Board of the Company, in which Mr. ZHANG Jian, non-executive Director and chief financial officer of the Company, has been appointed as the secretary to the Board.

On 22 August 2019, “Resolution in relation to the adjustment of the chairman of Nomination Committee of the third session of the Board of the Company” was considered and approved at the twenty-fifth meeting of the third session of the Board of the Company. According to the relevant requirements of the procedure rules for the Nomination Committee, Mr. WU Jianqiang ceased to hold the duties of the chairman of Nomination Committee of the Company. The Board has appointed Mr. FU Jun as the chairman of Nomination Committee of the Company for a term until the conclusion of the third session of the Board of the Company.

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 and circulars of the Company dated 21 February 2019, 26 March 2019, 12 April 2019 and 16 April 2019, 31 May 2019, and 22 August 2019.

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

As of 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

OTHER INFORMATION

6. LITIGATION AND ARBITRATION OF MATERIAL IMPORTANCE**(1) Litigation and arbitration issues that have been disclosed in the provisional announcements and without subsequent development**

Summary and type of event	Query index
The litigation dispute between the Company and Qinghai Western Hydropower Co., Ltd. (青海西部水電有限公司) arising from EPC contract.	For details, please refer to provisional announcements No.2019-001 and No.2019-056 issued by the Company on 1 January 2019 and 13 August 2019 respectively in the designated information disclosure media
The litigation dispute between China Aluminum International Engineering & Equipment Co., Ltd., a wholly-owned subsidiary of the Company, and Qinghai Western Hydropower Co., Ltd. arising from equipment procurement contract.	For details, please refer to provisional announcements No.2019-001 and No.2019-056 issued by the Company on 1 January 2019 and 13 August 2019 respectively in the designated information disclosure media
The dispute between Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd. (貴陽鋁鎂設計研究院工程承包有限公司), a wholly-owned subsidiary of Guiyang Aluminum and Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院有限公司), a wholly-owned subsidiary of the Company, and Guizhou Construction Group No.7 Construction Engineering Co., Ltd. (貴州建工集團第七建築工程有限責任公司) arising from the engineering and construction contract.	For details, please refer to provisional announcement No.2019-005 issued by the Company on 24 January 2019 in the designated information disclosure media

OTHER INFORMATION

Summary and type of event	Query index
<p>The dispute between Sixth Metallurgical Construction Company of China Nonferrous Metals Industry Co., Ltd. (中國有色金屬工業第六冶金建設有限公司), a wholly-owned subsidiary of the Company, and Xinjiang Qinghua Investment Holdings Co., Ltd. (新疆慶華投資控股有限公司) arising from construction and installation contract.</p>	<p>For details, please refer to provisional announcement No.2019-007 issued by the Company on 20 February 2019 in the designated information disclosure media</p>
<p>The dispute between Ninth Metallurgical Construction Co., Ltd. (九冶建設有限公司), a wholly-owned subsidiary of the Company, and Gree Electrical Appliances (Zhengzhou) Co., Ltd. (格力電器(鄭州)有限公司) arising from engineering and construction contract.</p>	<p>For details, please refer to provisional announcement No.2019-024 issued by the Company on 16 April 2019 in the designated information disclosure media</p>
<p>The dispute between China Aluminum Great Wall Construction Co., Ltd. (中鋁長城建設有限公司), a wholly-owned subsidiary of 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 wholly-owned subsidiary of the Company, and Changge Hongji Weiye Real Estate Development Co., Ltd. (長葛市宏基偉業房地產開發有限公司) arising from engineering and construction contract.</p>	<p>For details, please refer to provisional announcement No.2019-032 issued by the Company on 7 May 2019 in the designated information disclosure media</p>

OTHER INFORMATION

Summary and type of event	Query index
<p>The dispute between Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, a wholly-owned subsidiary of the Company, and Guizhou Gui'an Property Investment Property Co., Ltd. (貴州貴安置業投資有限公司) arising from engineering and construction contract.</p>	<p>For details, please refer to provisional announcement No.2019-050 issued by the Company on 15 July 2019 in the designated information disclosure media</p>
<p>The dispute between Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, a wholly-owned subsidiary of the Company, and Yingkou Zhongwang Aluminum Co., Ltd.(營口忠旺鋁業有限公司) arising from engineering and construction contract.</p>	<p>For details, please refer to provisional announcements No.2019-051 and No.2019-054 issued by the Company on 16 July 2019 and 1 August 2019 respectively in the designated information disclosure media</p>
<p>The dispute between Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd. (貴陽鋁鎂設計研究院工程承包有限公司), a wholly-owned subsidiary of Guiyang Aluminum and Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院有限公司), a wholly-owned subsidiary of the Company, and Guizhou Huada Real Estate Development Co., Ltd. (貴州省華大房地產開發有限公司) arising from EPC and advance payment repayment agreement.</p>	<p>For details, please refer to provisional announcements No.2018-028 and 2019-055 issued by the Company on 24 December 2018 and 7 August 2019 respectively in the designated information disclosure media</p>

OTHER INFORMATION

(2) Litigation and arbitration issues that have not been disclosed in the provisional announcement or with subsequent development

Unit: Yuan Currency: RMB

During the reporting period:

Plaintiff (claimant)	Defendant (respondent)	Joint liability party	Type of litigation or arbitration	Basic status of litigation (arbitration)	Amount involved in litigation (arbitration)	Whether litigation (arbitration) forms estimated liabilities or not and amount	Progress of litigation (arbitration)	Trial result and effect of litigation (arbitration)	Enforcement of judgment of litigation (arbitration)
China Nonferrous Metals Industry's 12th Metallurgical Construction Co., Ltd.	Anhui Wante Investment and Development Co., Ltd. (安徽萬特投資發展有限公司), Lu'an Branch of Anhui Wante Investment and Development Co., Ltd. (安徽萬特投資發展有限公司六安分公司)	None	Litigation	Engineering and construction contract dispute	211.73 million	No	Closed	Note 1	In enforcement
Aluminum International Shandong Construction Co., Ltd.	People's Government of Donghu District, Nanchang, Dongjia Yao Street Office, Donghu District, Nanchang	None	Litigation	Contract dispute	180.38 million	No	Closed	Note 2	Completed
Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd.	Guizhou Shenzhou Technology Development Co., Ltd. (貴州神州科技發展有限公司)	None	Arbitration	Construction projects contract dispute	65.96 million	No	Closed	Note 3	Completed
Ninth Metallurgical Construction Co., Ltd. (九冶建設有限公司)	Shaanxi Huangling Coking Coal Chemical Industry Group Co., Ltd. (陝西黃陵焦化煤化工集團有限責任公司)	None	Litigation	Construction projects contract dispute	68.69 million	No	Closed	Note 4	In enforcement
Sixth Metallurgical Construction Company of China Nonferrous Metals Industry Co., Ltd. (中國有色金屬工業第六冶金建設有限公司)	Zhonghe Anshan Shengshide Realty Limited (中合鞍山盛仕德置業有限公司)	None	Litigation	Construction projects contract dispute	55.00 million	No	In trial	Note 5	None

OTHER INFORMATION

During the reporting period:

Plaintiff (claimant)	Defendant (respondent)	Joint liability party	Type of litigation or arbitration	Basic status of litigation (arbitration)	Amount involved in litigation (arbitration)	Whether litigation (arbitration) forms estimated liabilities or not and amount	Progress of litigation (arbitration)	Trial result and effect of litigation (arbitration)	Enforcement of judgment of litigation (arbitration)
China Aluminum International Engineering Corporation Limited	Qinghai Western Hydropower Co., Ltd.	None	Litigation	Construction projects contract dispute	142.6654 million	No	Closed	Note 6	In enforcement
Challeco (Tianjin) Construction Co., Ltd. (中鋁國際(天津)建設有限公司)	Tianjin Jinghai County Tianzi Yangguang Environmental Protection Co., Ltd. (天津市靜海縣天紫陽光環保有限公司), Tianzi Environmental Protection Investment Holdings Co., Ltd. (天紫環保投資控股有限公司), Tianzi Environmental Protection Equipment Manufacturing (Tianjin) Co., Ltd. (天紫環保裝備製造(天津)有限公司), Gao Weihua (高衛華)	Tianjin Zijinshan Environmental Protection Industry Investment Co., Ltd. (天津紫金山環保產業投資有限公司), Tianjin Wuqing District Tianzi Environmental Protection Co., Ltd. (天津市武清區天紫環保有限公司), Huazhiyuan International Trade (Tianjin) Co., Ltd. (華之源國際貿易(天津)有限公司), Tianzi Environmental Protection Industry Development Co., Ltd. (天紫環保產業開發有限責任公司)	Litigation	Construction projects contract dispute	176.6955 million	No	In trial	Note 7	None

OTHER INFORMATION

During the reporting period:

Plaintiff (claimant)	Defendant (respondent)	Joint liability party	Type of litigation or arbitration	Basic status of litigation (arbitration)	Amount involved in litigation (arbitration)	Whether litigation (arbitration) forms estimated liabilities or not and amount	Progress of litigation (arbitration)	Trial result and effect of litigation (arbitration)	Enforcement of judgment of litigation (arbitration)
Qiu Haijie(仇海傑), Zhang Jun (張軍), Guo Zhiming (郭志明), Zeng Minghai (曾明海)	Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, Hohhot Economic and Technological Development Zone Boyuan Real Estate Company (呼和浩特經濟技術開發區博園房產公司)	None	Litigation	Construction projects contract dispute	60.9549 million	No	In trial Note 8	None	None
Sixth Metallurgical Construction Company of China Nonferrous Metals Industry	Shougang Jingtang United Co., Ltd. (首鋼京唐聯合有限公司)	None	Litigation	Construction projects contract dispute	223.842 million	No	In trial Note 9	None	None
Xinyang Jieming Earthwork and Stonework Construction Co., Ltd. (信陽捷鳴土石方工程有限公司)	Sixth Metallurgical Construction Company of China Nonferrous Metals Industry	Henan New Great Wall Construction Co., Ltd. (河南新長城建設有限公司), Zhengzhou Airport Zone State-owned Assets Operational Management Co., Ltd. (鄭州航空港區國有資產經營管理有限公司)	Litigation	Construction projects contract dispute	72.1279 million	No	In trial Note 10	None	None

OTHER INFORMATION

Note 1: The second instance dismissed the appeal of Anhui Wante Investment and Development Co., Ltd. and Lu'an Branch of Anhui Wante Investment and Development Co., Ltd. to maintain the first instance judgment. They should pay RMB128 million to Twelfth Metallurgical Company, and is currently applying for enforcement.

Note 2: The People's Government of Donghu District, Nanchang paid approximately RMB150.01 million to Aluminum International Shandong Construction Co., Ltd.. The case has been completed.

Note 3: The Intermediate People's Court of Guiyang ruled that certain properties of the Shenzhou Technology Building (神舟科技大厦) will be repaid in kind to Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd., and the amount will be offset. The case has been completed.

Note 4: Both parties reached a settlement, and Shaanxi Huangling Coking Coal Chemical Industry Group Co., Ltd. will pay RMB64 million in installments to Ninth Metallurgical Construction Co., Ltd.. As at July 2019, Shaanxi Huangling Coking Coal Chemical Industry Group Co., Ltd. has fulfilled 5 payments according to the conciliation statement, with a total payment of RMB29 million.

Note 5: In June 2019, the High People's Court of Liaoning Province revoked the first instance judgment of the Intermediate People's Court of Liaoning Province and sent back for retrial.

Note 6: The High People's Court of Qinghai Province made a first instance judgment, ruling that Qinghai Western Hydropower Co., Ltd. should pay China Aluminum International Engineering Corporation Limited the remuneration and cost of approximately RMB131 million, and should pay the interest and liquidated damages of approximately RMB95.79 million (calculated to 22 December 2018, the prosecution date, and will continue to calculate until the date of actual settlement). The current judgment has become effective and is being applied for enforcement.

Note 7: The High People's Court of Tianjin revoked the civil judgment of the Second Intermediate People's Court of Tianjin and sent back for retrial. The Second Intermediate People's Court of Tianjin reconstituted a collegiate panel, and the first trial was held in April 2019.

Note 8: In June 2019, the Intermediate People's Court of Hohhot served the application for the plaintiff's amendment of claim to the Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, and the amount of claim increased from RMB36 million to RMB60.95 million.

Note 9: The first instance ruled that Shougang Jingtang United Co., Ltd. should pay RMB63.49 million and related interest to Sixth Metallurgical Construction Company of China Nonferrous Metals Industry. In May 2019, the second trial was held and the judgment has not been rendered.

Note 10: The first instance ruled that Henan New Great Wall Construction Co., Ltd. should pay RMB51.7567 million to Xinyang Jieming Earthwork and Stonework Construction Co., Ltd. and Sixth Metallurgical Company should undertake the joint liability. Sixth Metallurgical Company has filed an appeal.

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 Company, nor was there any contracts of significance between the Company and the controlling Shareholder or any of its subsidiaries other than the Company in relation to provision of services.

OTHER INFORMATION

8. INTERIM DIVIDEND

The Board has not made any recommendation on the payment of an interim dividend for the six months ended 30 June 2019.

9. RESPONSIBILITY OF DIRECTORS FOR FINANCIAL REPORTING IN RELATION TO THE FINANCIAL STATEMENTS

The Board shall fulfill its duty to prepare the financial statements as of 30 June 2019 for the Company so as to present a true and fair view of the Company'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 submitted to 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 of the Company, that is, events or incidents that may cause significant concern on the on-going operation of the Company.

10. ACCOUNTING POLICIES

The Company adopted IFRS 16 Leases from 2019 using the modified retrospective approach and has recognized the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. For details, please refer to Note 5(c) presented in the consolidated financial statements.

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 Company 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 Share(s)”	the ordinary Shares of the Company with a nominal value of RMB1.00 each which were issued in the PRC and subscribed in RMB and are listed on the Shanghai Stock Exchange
“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
“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
“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
“China Reform”	China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司)
“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 the 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

DEFINITIONS

“Director(s)”	director(s) of the Company
“Duyun Tongda”	Duyun Development Zone Tongda Construction Co., Ltd. (都勻開發區通達建設有限公司), a company incorporated in the PRC with limited liability, the equity interest of which is held by the Company (as to 50%), Sixth Metallurgical Company (as to 30%) and GAMI (as to 20%)
“GAMI”	Guiyang Aluminum and Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company, and (where the context requires) its subsidiaries
“Global Offering”	has the same meaning ascribed thereto in the prospectus
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	the overseas listed foreign invested Shares of RMB1.00 each in the ordinary share capital of the Company, which are subscribed for and traded in Hong Kong dollars and have been approved for the granting of listing, and permission to deal, on the Stock Exchange
“IFRSs”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Iran Contracts”	has the same meaning ascribed thereto in the section headed “Iran Contracts” of the prospectus
“Latest Practicable Date”	30 August 2019
“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 GEM of the Stock Exchange and under parallel operation with the GEM
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules

DEFINITIONS

“Ninth Metallurgical Company” or “Ninth Metallurgical Construction”	No. 9 Metallurgical Construction Co., Ltd. (九冶建設有限公司)
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	A 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Board”	the supervisory board of the Company
“Tianjin Construction”	Chalieco (Tianjin) Construction Co., Ltd. (中鋁國際(天津)建設有限公司)
“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 Tongrun”	Wenzhou Tongrun Construction Co., Ltd. (溫州通潤有限公司)

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. WU Jianqiang

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.chalieco.com.cn

STOCK CODE

2068

INVESTORS' ENQUIRIES

Investors' hotline: 010-82406806

Fax: 010-82406666

E-mail: IR-chalieco@chalieco.com.cn

CORPORATE INFORMATION

THE BOARD

Executive Directors

Mr. WU Jianqiang (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. WU Jianqiang (resigned as the chairman of Nomination Committee on 22 August 2019)
Mr. FU Jun (Chairman, being appointed on 22 August 2019)
Mr. GUI Weihua

Risk Management Committee

Mr. WU Jianqiang (Chairman)
Mr. LI Yihua
Mr. FU Jun

CORPORATE INFORMATION

Strategy Committee

Mr. WU Jianqiang (Chairman)
Mr. ZONG Xiaoping
Mr. GUI Weihua

SUPERVISORS

Mr. FAN Guangsheng (Chairman)
Mr. OU Xiaowu
Mr. LI Wei

JOINT COMPANY SECRETARIES

Mr. ZHANG Jian
Ms. NG Ka Man

AUTHORIZED REPRESENTATIVE

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

AUDITOR

Domestic Auditor

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

International Auditor

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

CORPORATE INFORMATION

LEGAL ADVISORS

As to Hong Kong law

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

As to PRC law

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

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Construction Bank Corporation

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

Bank of China Limited

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

Bank of Communication Co., Ltd.

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

China Minsheng Banking Corp., Ltd.

Beitaipingzhuang Sub-branch
No. 2-5, Xijiekouwai Street, Xicheng District, Beijing
PRC