CHALIECO
中铝国际

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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2014, the revenue amounted to RMB8,850 million, representing an increase of 25.5% over that of the corresponding period of 2013
- For the six months ended 30 June 2014, profit before taxation amounted to RMB372 million, representing a decrease of 5.2% over that of the corresponding period of 2013
- For the six months ended 30 June 2014, net profit attributable to shareholders/equity holders of the Company amounted to RMB236 million, representing a decrease of 16.1% over that of the corresponding period of 2013
- For the six months ended 30 June 2014, basic earnings per share amounted to approximately RMB0.09

The board of directors (the "**Board**") of China Aluminum International Engineering Corporation Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2014. The audit committee of the Company has reviewed the Group's interim results, which have not been audited.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**8,850,244**	7,053,784
Cost of sales		**(7,835,479)**	(6,048,995)
Gross profit		**1,014,765**	1,004,789
Selling and marketing expenses		**(158,454)**	(173,834)
Administrative expenses		**(417,816)**	(404,707)
Other income		**84,678**	9,460
Other gains – net		**30,103**	899
Operating profit		**553,276**	436,607
Finance income		**70,034**	49,581
Finance costs		**(250,882)**	(92,442)
Share of losses of associates		**(172)**	(1,013)
Profit before taxation		**372,256**	392,733
Income tax expense	*5*	**(99,932)**	(106,812)
Profit for the period		**272,324**	285,921
Items that may be reclassified to profit or loss			
Fair value gains/(losses) on available-for-sale financial assets, net of tax		**30,487**	(14,600)
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations, net of tax		**(44,272)**	(27,544)
Currency translation differences		**12,167**	–
Other comprehensive income for the period, net of tax		**(1,618)**	(42,144)
Total comprehensive income for the period		**270,706**	243,777

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME – CONTINUED

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Equity owners of the Company		**236,361**	281,571
Non-controlling interests		**35,963**	4,350
		272,324	285,921
Total comprehensive income for the period attributable to:			
Equity owners of the Company		**223,216**	239,683
Non-controlling interests		**47,490**	4,094
		270,706	243,777
Earnings per share for profit attributable to equity owners of the Company		***RMB***	*RMB*
– Basic	*6*	**0.09**	0.11
– Diluted	*6*	**0.09**	0.11
Dividends	*7*	**–**	–

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment		**1,698,639**	1,682,332
Land use rights		**823,748**	834,237
Investment properties		**28,349**	28,825
Notes and trade receivables	*8*	**706,318**	1,223,760
Prepayments and other receivables		**1,158,747**	774,672
Intangible assets		**210,285**	221,576
Investments in associates		**35,649**	21,801
Available-for-sale financial assets		**299,896**	259,042
Deferred income tax assets		**313,162**	300,887
Other non-current assets		**13,640**	15,987
Total non-current assets		**5,288,433**	5,363,119
Current assets			
Available-for-sale financial assets		**96,000**	11,000
Inventories		**654,299**	835,206
Notes and trade receivables	*8*	**8,894,524**	7,739,918
Prepayments and other receivables		**4,215,653**	1,493,779
Amounts due from customers for contract work		**6,374,044**	5,989,329
Current income tax prepayments		**6,725**	36,690
Restricted cash		**186,694**	239,678
Time deposits		**7,340**	41,480
Cash and cash equivalents		**4,982,447**	6,456,158
Total current assets		**25,417,726**	22,843,238
Total assets		**30,706,159**	28,206,357
Equity			
Share capital		**2,663,160**	2,663,160
Reserves		**3,586,112**	3,708,696
Consolidated equity attributable to equity owners of the Company		**6,249,272**	6,371,856
Non-controlling interests		**2,138,271**	169,390
Total equity		**8,387,543**	6,541,246

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET – CONTINUED

	Note	**At 30 June 2014** *RMB'000* **(unaudited)**	At 31 December 2013 *RMB'000* (audited)
Liabilities			
Non-current liabilities			
Deferred income		**100,910**	97,066
Long-term borrowings		**1,197,267**	290,152
Retirement and other supplemental benefit obligations		**1,161,339**	1,120,579
Deferred income tax liabilities		**13,368**	11,635
Trade and other payables	*9*	**195,710**	239,444
Total non-current liabilities		**2,668,594**	1,758,876
Current liabilities			
Trade and other payables	*9*	**11,381,142**	10,909,538
Dividends payable		**403,898**	57,240
Amounts due to customers for contract work		**541,585**	726,086
Short-term borrowings		**7,176,465**	7,595,740
Current income tax liabilities		**30,011**	501,010
Retirement and other supplemental benefit obligations		**116,921**	116,621
Total current liabilities		**19,650,022**	19,906,235
Total liabilities		**22,318,616**	21,665,111
Total equity and liabilities		**30,706,159**	28,206,357
Net current assets		**5,767,704**	2,937,003
Total assets less current liabilities		**11,056,137**	8,300,122

NOTES:

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial information for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2013, as described in those annual financial statements.

- The Group has adopted IFRIC-Int 21 'Levies'. IFRIC-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim condensed consolidated financial information for the period ended 30 June 2014. The Group does not expect IFRIC-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.

- Other amendments to IFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group's revenue is set out below:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Engineering design and consultancy	**641,913**	907,260
Engineering and construction contracting	**5,042,354**	5,754,992
Equipment manufacturing	**270,421**	284,801
Trading	**2,895,556**	106,731
	8,850,244	7,053,784

(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.

In accordance with the strategy of full supply chain service of the Company, the business of trading grew rapidly in the six months ended 30 June 2014, and the management of the Company has decided to report the trading business as a single segment in the 2014 interim report, and the comparative segment information has been restated.

The Senior Management considers the business from a product and service perspective, which mainly includes four reportable operating segments: (i) engineering design and consultancy; (ii) engineering and construction contracting; (iii) equipment manufacturing and (iv) trading.

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed among those business segments. Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, intangible assets, investment in associates, other non-current assets, inventories, amounts due from customers for contract work, notes and trade receivables, prepayments and other receivables, restricted cash, time deposits and cash and cash equivalents. Unallocated assets comprise deferred income tax assets and prepaid income tax.

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

Capital expenditure comprises additions to property, plant and equipment (Note 10), land use rights (Note 10), investment properties, intangible assets (Note 10) and other non-current assets, including additions resulting from acquisitions through business combinations.

4. **REVENUE AND SEGMENT INFORMATION – CONTINUED**

(b) Segment information – Continued

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

(i) The segment results for the six months ended 30 June 2013 are as follows:

	Engineering design and consultancy *RMB'000* (unaudited)	Engineering and construction contracting *RMB'000* (unaudited)	Equipment manufacturing *RMB'000* (unaudited)	Trading *RMB'000* (unaudited)	Inter-segment elimination *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Segment revenue and results						
Segment revenue	989,492	5,757,625	391,231	106,731	(191,295)	7,053,784
Inter-segment revenue	(82,232)	(2,633)	(106,430)	–	191,295	–
Revenue	907,260	5,754,992	284,801	106,731	–	7,053,784
Segment result	170,406	254,822	16,051	353	(5,025)	436,607
Finance income	6,508	42,877	194	2	–	49,581
Finance cost	(19,656)	(67,082)	(5,703)	(1)	–	(92,442)
Share of loss of associates	–	(1,013)	–	–	–	(1,013)
Profit before income tax	157,258	229,604	10,542	354	(5,025)	392,733
Income tax expense						(106,812)
Profit for the period						285,921
Other segment items						
Amortisation	20,142	7,501	1,529	–	–	29,172
Depreciation	21,350	27,688	12,692	–	–	61,730
Provision for/(reversal of)						
– impairment on trade and other receivables	5,302	(1,265)	9,214	–	–	13,251
– foreseeable losses on construction contracts	–	(367)	–	–	–	(367)

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

(b) Segment information – Continued

(ii) The segments assets and liabilities as at 31 December 2013 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	4,344,734	25,691,634	1,851,939	89,931	(4,109,458)	27,868,780
Unallocated assets						
– Deferred income tax assets						300,887
– Current income tax prepayments						36,690
Total assets						28,206,357
Liabilities						
Segment liabilities	2,429,682	18,603,587	1,332,620	73,771	(1,287,194)	21,152,466
Unallocated liabilities						
– Deferred income tax liabilities						11,635
– Current income tax liabilities						501,010
Total liabilities						21,665,111

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

(b) Segment information – Continued

(iii) As at and for the six months ended 30 June 2014:

	Engineering design and consultancy *RMB'000* (unaudited)	Engineering and construction contracting *RMB'000* (unaudited)	Equipment manufacturing *RMB'000* (unaudited)	Trading *RMB'000* (unaudited)	Inter-segment elimination *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Segment revenue and results						
Segment revenue	680,221	5,064,444	290,571	2,897,394	(82,386)	8,850,244
Inter-segment revenue	(38,308)	(22,090)	(20,150)	(1,838)	82,386	–
Revenue	641,913	5,042,354	270,421	2,895,556	–	8,850,244
Segment result	37,849	496,257	(3,802)	34,432	(11,460)	553,276
Finance income	4,112	65,722	682	48	(530)	70,034
Finance expenses	(30,816)	(207,866)	(17,265)	(88)	5,153	(250,882)
Share of loss of associates	–	(172)	–	–	–	(172)
Profit before income tax	11,145	353,941	(20,385)	34,392	(6,837)	372,256
Income tax expense						(99,932)
Profit for the period						272,324
Other segment items						
Amortisation	21,439	7,152	1,262	–	–	29,853
Depreciation	27,517	31,022	7,961	14	–	66,514
Provision for						
– impairment on trade and other receivables	455	34,844	680	–	–	35,979
– provision of inventories	–	(9,400)	–	–	–	(9,400)

4. **REVENUE AND SEGMENT INFORMATION – CONTINUED**

(b) **Segment information – Continued**

(iii) As at and for the six months ended 30 June 2014 (Continued):

	Engineering design and consultancy *RMB'000* (unaudited)	Engineering and construction contracting *RMB'000* (unaudited)	Equipment manufacturing *RMB'000* (unaudited)	Trading *RMB'000* (unaudited)	Inter-segment elimination *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Assets						
Segment assets	5,039,174	26,493,118	2,050,310	1,418,189	(4,614,519)	30,386,272
Unallocated assets						
– Deferred income tax assets						313,162
– Current income tax prepayments						6,725
Total assets						30,706,159
Liabilities						
Segment liabilities	2,973,694	18,215,502	1,596,170	1,177,547	(1,687,676)	22,275,237
Unallocated liabilities						
– Deferred income tax liabilities						13,368
– Current income tax liabilities						30,011
Total liabilities						22,318,616
Capital expenditure	27,622	24,189	48,828	36	–	100,675

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

(b) Segment information – Continued

(iv) Analysis of information by geographical regions

Revenue

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The PRC	**7,797,523**	6,298,981
Other countries	**1,052,721**	754,803
	8,850,244	7,053,784

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

	At 30 June	At 31 December
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	
The PRC	**4,655,383**	4,796,043
Other countries	**19,992**	7,147
	4,675,375	4,803,190

Total assets

	At 30 June	At 31 December
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	
The PRC	**30,366,280**	27,861,633
Other countries	**19,992**	7,147
Unallocated assets	**319,887**	337,577
	30,706,159	28,206,357

Note: Total assets are allocated based on the location of the assets.

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

(b) Segment information – Continued

(iv) Analysis of information by geographical regions (Continued)

Capital expenditures

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The PRC	**92,615**	227,305
Other countries	**8,060**	5,807
	100,675	233,112

(v) Revenue of approximately RMB748 million and RMB659 million were derived from one single largest related party and one third party customer for the six months ended 30 June 2014 and 2013, respectively. These revenues are attributable to the engineering and construction contracting segment.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
PRC enterprise income tax for the period	**108,185**	101,861
Deferred tax		
Origination and reversal of temporary differences	**(8,253)**	4,951
Income tax expense	**99,932**	106,812

6. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit attributable to equity owners of the Company *(RMB'000)*	**236,361**	281,571
Weighted average number of ordinary shares in issue	**2,663,160,000**	2,663,160,000
Basic earnings per share *(RMB)*	**0.09**	0.11

(b) Diluted

As the Company had no dilutive ordinary shares for the six months ended 30 June 2014 and 2013, dilutive earnings per share for the six months ended 30 June 2014 and 2013 is the same as basic earnings per share.

7. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends declared by the Company	**346,211**	532,632

Pursuant to a resolution of board of directors on 13 March 2014, the Company has proposed a dividend of RMB0.13 per share totalling RMB346.211 million for the year of 2013, which was approved at the Annual General Meeting on 23 May 2014.

No interim dividend was proposed by the Directors of the Company for the six months ended 30 June 2014 and 2013.

8. NOTES AND TRADE RECEIVABLES

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	
Trade receivables	**9,643,186**	8,752,578
Less: Provision for impairment	**(355,247)**	(328,626)
	9,287,939	8,423,952
Notes receivable	**312,903**	539,726
	9,600,842	8,963,678
Less: Non-current portion	**(706,318)**	(1,223,760)
Current notes and trade receivables	**8,894,524**	7,739,918

The contracts governing provision of the Group's service would not include specific credit terms. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. Trade receivables from sales of goods are with credit terms of 30 to 90 days in accordance with sales contracts.

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

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

Ageing analysis of trade receivables is as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	
Within 1 year	**7,222,879**	6,232,601
Between 1 and 2 years	**1,296,103**	1,420,024
Between 2 and 3 years	**793,287**	764,197
Between 3 and 4 years	**78,240**	88,482
Between 4 and 5 years	**75,462**	126,800
Over 5 years	**177,215**	120,474
Trade receivables – gross	**9,643,186**	8,752,578
Less: Provision for impairment	**(355,247)**	(328,626)
Trade receivables – net	**9,287,939**	8,423,952

9. TRADE AND OTHER PAYABLES

	At 30 June 2014 *RMB'000* (unaudited)	At 31 December 2013 *RMB'000*
Trade and notes payable		
Trade payables	**7,951,376**	8,103,498
Notes payable	**325,554**	315,424
	8,276,930	8,418,922
Other payables		
Payment in advance received from Duyun	**436,179**	429,407
Provision for potential claim	**41,310**	40,622
Advances from customers	**1,366,173**	1,066,219
Staff welfare payable	**126,551**	145,991
Tax payable	**312,508**	295,935
Deposit payable	**540,847**	355,122
Housing funds raised by employees	**1,019**	2,291
Amounts paid by other parties on behalf of the Group	**205,190**	190,014
Equipment payables	**1,678**	2,175
Amounts due to related parties	**91,344**	39,343
Others	**177,123**	162,941
	3,299,922	2,730,060
Total trade and other payables	**11,576,852**	11,148,982
Less: Non-current portion	**(195,710)**	(239,444)
Current portion	**11,381,142**	10,909,538

Ageing analysis of trade payables is as follows:

	At 30 June 2014 *RMB'000* (unaudited)	At 31 December 2013 *RMB'000*
Within 1 year	**5,687,177**	6,365,006
Between 1 and 2 years	**1,473,866**	989,089
Between 2 and 3 years	**565,834**	561,216
Over 3 years	**224,499**	188,187
	7,951,376	8,103,498

10. SENIOR PERPETUAL SECURITIES

On 22 February 2014, the Group's wholly owned subsidiary Chalieco Hong Kong Co., Ltd (the "Issuer") issued senior perpetual capital securities (the "Senior Perpetual Securities") callable in 2017, with a total amount of USD 300 million.

10. SENIOR PERPETUAL SECURITIES – CONTINUED

The Company provided unconditionally and irrevocably guarantee for the Senior Perpetual Securities, and at the same time obliged to distribute at an annual rate of 6.875% semi-annually. The issuer of the Senior Perpetual Securities may elect to defer distribution, and is not subject to any restriction as to the number of times that the distribution can be deferred.

Pursuant to the terms of Senior Perpetual Securities, the Group has no contractual obligation to repay its principal or to pay any distribution. The Senior Perpetual Securities do not meet the definition as financial liabilities according to under the IAS 32 Financial Instruments, and are classified as minority interests and subsequent distribution declared will be treated as profit distribution to equity owners.

According to the terms of Senior Perpetual Securities, the Issuer has no right to defer distribution if the Company announced or distributed dividends during the 3-month period ended on the day before the contractual scheduled Distribution Payment Date. The Annual General meeting approved a dividend to the shareholders of the Company on 23 May 2014 and the Issuer has no right to defer semi-annual distribution on 21 August 2014.

The Senior Perpetual Securities, with an aggregate principal amount of USD300 million are recorded as minority interests amounted at RMB1,862 million net of issuance costs and the distribution payable for the period ended 30 June 2014.

11. COMMITMENTS

(a) Capital commitments

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

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**40,015**	100,434
Authorised but not contracted for		
– Property, plant and equipment	**–**	39,563
	40,015	139,997

(b) Operating leasing commitments

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

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Within 1 year	**3,354**	8,331
1 year to 5 years	**6,156**	5,164
	9,510	13,495

BUSINESS REVIEW FOR THE FIRST HALF OF 2014

I. Unabated efforts on domestic market exploration. Although the external market was tough, our team in the Headquarters and subsidiaries had unwavering faith in achieving the operation targets of the first half of the year. Efforts on market development were unabated. In the first half of the year, about 100 projects in medium and large scale were undertook involving heavy metal smelting, technological transformation, redevelopment of shanty areas, tourism and municipal construction and most of the projects started from the preliminary works. The operation level had been improved. Meanwhile, based on its own knowledge on energy saving and emissions reduction technology, Design Institute (設計院) paid attention to the existing nonferrous metals market and help to formulate technological upgrading and transformation plans for several smelting manufacturing enterprises.

II. Large orders secured in South America. The Company capitalized on the changing market trend in the international arena and actively captured opportunities on project cooperation. In the first half of the year, the Company successfully entered into the EPC contract with Venalum Electrolysis Plant under CVG Group, Venezuela with a contract value of about US$500 million. The act was the second cooperation between China and Venezuela in the field of electrolytic aluminum. The Company has become one of the most popular Chinese enterprises in Venezuela. In the first half of the year, the international business underwent full integration and is operated in accordance with the division-based management approach, realizing the integrated operations of the contract of the overseas project from negotiation to execution.

III. Successfully issued the perpetual securities. Following the initial public offering (IPO) of H Shares in 2012 and the issuance of non-public debt financing instruments with principal amount of RMB2.5 billion in 2013, the Company successfully issued US$300 million senior guaranteed perpetual capital securities in the first half of the year, by which the Company's capital structure was greatly improved. The exercise has provided funding support for the business development of the Company.

IV. More efforts on research and development and promote reform on research system. The R & D concept of the Company made a big change and is toward a more pragmatic and operational approach. In 2014, the Company invested RMB150 million in the special funding for the upgrade of scientific and technological research and development, encouraging enterprises to carry out technical research. Meanwhile, in order to achieve the projected target, the Company also signed the performance appraisal responsibility letter with Design Institute and the project research and development team to support the technology promotion projects, clarifying the rights and obligations of every party.

V. The diversity of project implementation mode. From the initial traditional construction mode to the current BT + development mode, the primary and secondary land acquisition, the business model of the Company became more diversified. With projects such as Luoyang Zhongmai (洛陽中邁) implemented in the first half of the year, its business model is focused on upstream, greatly improving the profitability of the project.

VI. The equipment trading segment sees an early success. In order to take full advantage of the centralized purchasing edge and full supply chain service of the Company, we commenced the equipment and raw material trading business relevant to the core businesses in a trial. After half year of operation, type of trade partners and product ranges of the equipment trading segment are gradually beginning to show. It found a way for rapid development of its own.

VII. Risk control capability is enhancing. Through the implementation of projects over the recent years, the Company's overall capability of risk control, starting from the planning stage to negotiations, subcontract settlement and to the recovery of warranty fund, was greatly improved. The risk warning system was installed in every process and every link in the project implementation with the "firewall" setting to ensure that the project funding are under control within safety range.

Contracts

The aggregated value of contracts newly signed in the first half of the year amounted to RMB19.8 billion, representing an increase of 7.6% as compared with the corresponding period over last year. The contracts backlog of the Group as of 30 June 2014 amounted to RMB70.7 billion, representing an increase of 15.0% over the end of 2013.

Credit ratings

The Company was ranked BB+ issuer rating and BB independent rating by Standard & Poor's.

Research and Development and Awards

Research was conducted smoothly. "Post-doctoral innovation practical base of Liaoning province" of SAMI was approved and listed officially. Significant projects achieved breakthroughs. The key project under the 863 national plan "600kA large pre-baked positive aluminum electrolytic tank technological development" has passed the project technology inspection and technological achievements identification of the Ministry of Science and Technology and China Nonferrous Metals Industry Association. The success of the research and production of 600kA aluminum electrolytic tank meant the Group acquired the aluminum electrolytic tank having the world's largest capacity. Such technology is an innovative large-capacity electrolytic saving technology which possesses intellectual property and the technology, as a whole, reaches leading international standard. The project of "automatic stripping of zinc technology and complete sets of equipment research" was categorized as one of the ten key technologies in nonferrous metals industry and would replace the import equipment, which means a lot to the improvement of zinc smelting industry equipment level of our country. "Key technology research on rolled copper foil production" ran smooth. It enabled the production of copper foil products. The products had basically achieved the design requirements. Meanwhile, relevant control equipment was invented. The complete set of equipment was a pioneer in the country.

For the six months ended 30 June 2014, the Company accumulated 154 applied patents and 125 granted patents, of which 1 is international granted patent. As of 30 June 2014, there are 5,623 applied patents and 3,900 granted patents, of which 135 are international and 44 granted patents.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Operation Results and Discussion

In face of the tough market environment, the Group benefited from the exploration efforts of both domestic and international markets and achieved newly signed contracts with the aggregate value of RMB19.8 billion in the first half of the year, maintaining a good momentum of development. The contracts backlog of the Group as of 30 June 2014 amounted to RMB70.7 billion, representing an increase of 15.0% over the end of 2013, building a solid foundation for future performance. The Group grew steadily in the first half of the year with revenue of RMB8.85 billion, 25.3% up over that of the same period last year.

The first issuance of senior guaranteed perpetual capital securities in the overseas market by the Group made a success. The proceeds of US$300 million is used as a supplemental working capital for its overseas operations to provide the Group with solid funding support to develop the international market. Such exercise enriches the financing means for the Company and opens up a new channel for adjustment of capital structure. The Group has cash of RMB5.18 billion at the end of June, which accounted for 16.9% of the total asset.

For the six months ended 30 June 2014, the Group realized revenue of RMB8,850.2 million, representing an increase of RMB1,796.5 million or 25.5% over the corresponding period of last year. The Group realized gross profit of RMB1,014.8 million, a slightly higher than that of the corresponding period of last year. Net profit amounted to RMB272.3 million, which was basically in line but with a slight decrease when compared with 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 equipment trading businesses.

Under the relevant diverse strategic guidance, in order to strengthen the cost and risk control, the Group implemented the centralized procurement strategy, made appropriate adjustments and broadened the types of business. The Group expanded the equipment and raw materials trading business associated with the core businesses during the process of building the procurement platform. Such type of business is managed under the Equipment Trading Segment.

For the six months ended 30 June 2014, the revenue of the Group was RMB8,850.2 million, representing an increase of RMB1,796.5 million or 25.5% over the same period of the previous year. The revenue before inter-segment elimination of engineering design and consultancy, engineering and construction contracting, equipment manufacturing and equipment trading businesses was RMB680.2 million, RMB5,064.4 million, RMB290.6 million and RMB2,897.4 million, respectively.

For the six months ended 30 June 2014, the revenue generated in China and overseas regions amounted to RMB7,797.5 million and RMB1,052.7 million, respectively, accounting for 88.1% and 11.9% of the total revenue. The comparison with the data for the same period of the previous year is as below:

	For the six months period			
	2014		2013	
	(RMB'000)	*%*	*(RMB'000)*	*%*
China	**7,797,523**	**88.1**	6,298,981	89.3
Overseas				
Vietnam	**185,063**	**2.1**	208,586	3.0
India	**32,480**	**0.4**	108,723	1.5
Venezuela	**759,853**	**8.6**	352,649	5.0
Others	**75,324**	**0.9**	84,845	1.2
Subtotal	**1,052,721**	**11.9**	754,803	10.7
Total	**8,850,244**	**100**	7,053,784	100

Note: Others include revenue from countries (regions) such as Malaysia, Brazil, Guinea and Turkey.

2) *Cost of sales*

For the six months ended 30 June 2014, the cost of sales of the Group amounted to RMB7,835.5 million, representing an increase of RMB1,786.5 million or 29.5% over the same period of the previous year, which was due to an increase in the cost of equipment trading business.

3) *Gross profit*

For the six months ended 30 June 2014, the gross profit of the Group amounted to RMB1,014.8 million, representing an increase of RMB10.0 million or 1.0% over the same period of the previous year, essentially unchanged from the previous year.

4) *Selling and marketing expenses*

For the six months ended 30 June 2014, the selling and marketing expenses of the Group amounted to RMB158.5 million, representing a decrease of RMB15.4 million or 8.9% over the same period of the previous year, which was mainly due to a decrease of business tax brought by the change of taxation.

5) *Administrative expenses*

For the six months ended 30 June 2014, the administrative expenses of the Group amounted to RMB417.8 million, representing an increase of RMB13.1 million or 3.2% over the same period of the previous year, which was primarily due to the cost cutting resulting from the imposition of strict cost control measures by the Group and an increase of bad debt provision.

6) *Other income*

For the six months ended 30 June 2014, the other income of the Group amounted to RMB84.7 million, representing an increase of RMB75.2 million or 795.1% over the same period of the previous year, which was primarily due to the receipt of more capital yield from BT projects.

7) *Other gains – net*

For the six months ended 30 June 2014, the other gains – net of the Group amounted to RMB30.1 million, representing an increase of RMB29.2 million over the same period of the previous year, mainly due to the gains from foreign exchange rate changes.

8) *Operating profit*

For the six months ended 30 June 2014, the operating profit of the Group amounted to RMB553.3 million, representing an increase of RMB116.7 million or 26.7% over the same period of the previous year.

9) *Finance income*

For the six months ended 30 June 2014, the finance income of the Group amounted to RMB70.0 million, representing an increase of RMB20.5 million or 41.3% over the same period of the previous year.

10) *Finance costs*

For the six months ended 30 June 2014, the finance costs of the Group amounted to RMB250.9 million, representing an increase of RMB158.4 million or 171.4% over the same period of the previous year, which is mainly due to an increase in size of borrowing of the Group.

11) Income tax expense

For the six months ended 30 June 2014, the income tax expense of the Group amounted to RMB99.9 million, representing a decrease of RMB6.9 million over the same period of the previous year, which was primarily attributable to a decrease in profit before tax.

12) Profit for the period

For the six months ended 30 June 2014, the profit for the period of the Group amounted to RMB272.3 million, representing a decrease of RMB13.6 million or 4.8% over the same period of the previous year.

13) Profit attributable to equity owners of the Company

For the six months ended 30 June 2014, the profit attributable to equity owners of the Company amounted to RMB236.4 million, representing a decrease of RMB45.2 million or 16.1% over the same period of the previous year.

2. Segment Operation Results

The following table shows revenue, gross profit, gross profit margin, segment result and segment operating profit margin of the business segments of the Group for the periods indicated:

	Revenue For the half year ended 30 June		**Gross Profit For the half year ended 30 June**		**Gross Profit Margin For the half year ended 30 June**		**Segment Result For the half year ended 30 June**		**Segment Result Margin For the half year ended 30 June**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	(RMB'000)	*(RMB'000)*	***(RMB'000)***	*(RMB'000)*	**%**	%	***(RMB'000)***	*(RMB'000)*	**%**	%
Engineering design and consultancy	**680,221**	989,492	**198,873**	393,518	**29.2**	39.8	**37,849**	170,406	**5.6**	17.2
Engineering and construction contracting	**5,064,444**	5,757,625	**756,086**	542,269	**14.9**	9.4	**496,257**	254,822	**9.8**	4.4
Equipment manufacturing	**290,571**	391,231	**26,341**	90,457	**9.1**	23.1	**(3,802)**	16,051	**(1.3)**	4.1
Equipment trading	**2,897,394**	106,731	**38,887**	472	**1.3**	0.4	**34,432**	353	**1.2**	0.3
Subtotal	**8,932,630**	7,245,079	**1,020,187**	1,026,716			**564,736**	441,632		
Inter-segment elimination	**(82,386)**	(191,295)	**(5,421)**	(21,927)			**(11,460)**	(5,025)		
Total	**8,850,244**	7,053,784	**1,014,765**	1,004,789	**11.5**	14.2	**553,276**	436,607	**6.3**	6.2

1) *Engineering design and consultancy*

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

	For the half year ended 30 June				
	2014		2013		
	(RMB'000)	***% of Segment Revenue***	*(RMB'000)*	*% of Segment Revenue*	*% of Change*
Segment revenue	**680,221**	**100.0**	989,492	100.0	(31.3)
Cost of sales	**(481,348)**	**(70.8)**	(595,974)	(60.2)	(19.2)
Gross profit	**198,873**	**29.2**	393,518	39.8	(49.5)
Selling and marketing expenses	**(23,037)**	**(3.4)**	(55,597)	(5.6)	(58.6)
Administrative expenses	**(154,557)**	**(22.7)**	(170,780)	(17.3)	(9.5)
Other income and other gains – net	**16,570**	**2.4**	3,265	0.3	407.5
Segment result	**37,849**	**5.6**	170,406	17.2	(77.8)

Segment revenue. Revenue from the engineering design and consultancy business before intersegment elimination decreased by RMB309.3 million or 31.3% over the same period of the previous year, primarily due to the non-ferrous metal industry adjustment factors resulting in a drop of orders in design and consultancy business.

Cost of sales. Cost of sales of the engineering design and consultancy business decreased by RMB114.6 million or 19.2% over the same period of the previous year, primarily due to a decrease in cost in line with revenue decreased, of which the labor cost was relatively stable with only a slight decline.

Gross profit. Gross profit of the engineering design and consultancy business decreased by RMB194.6 million or 49.5% over the same period of the previous year, primarily due to a decrease in gross profit resulted from the aforesaid reasons.

Selling and marketing expenses. Selling and marketing expenses of the engineering design and consultancy business decreased by RMB32.6 million or 58.6% over the same period of the previous year, which is mainly due to a drop in related costs as a result of business reduction. Meanwhile, the Group adopted more stringent cost control which achieved significant results.

Administrative expenses. Administrative expenses of the engineering design and consultancy business decreased by RMB16.2 million or 9.5% over the same period of the previous year, which is mainly due to the cost reduction resulted from the strict cost control exercise.

Other income and other gains – net. Other income and other gains – net derived from the Group's engineering design and consultancy business increased by RMB13.3 million over the same period of the previous year, which is mainly due to the segment's disposal of intangible assets and gain of equity investment.

Segment result. As a result of the foregoing, segment result for the period from the Group's engineering design and consultancy business decreased by RMB132.6 million or 77.8% over the same period of the previous year.

2) *Engineering and construction contracting*

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

	For the half year ended 30 June				
	2014		2013		
	(RMB'000)	***% of Segment Revenue***	*(RMB'000)*	*% of Segment Revenue*	*% of Change*
Segment revenue	**5,064,444**	**100.0**	5,757,625	100.0	(12.0)
Cost of sales	**(4,308,359)**	**(85.1)**	(5,215,356)	(90.6)	(17.4)
Gross profit	**756,086**	**14.9**	542,269	9.4	39.4
Selling and marketing expenses	**(130,644)**	**(2.6)**	(114,125)	(2.0)	14.5
Administrative expenses	**(229,772)**	**(4.5)**	(177,983)	(3.1)	29.1
Other income and other gains – net	**100,589**	**2.0**	4,661	0.1	2,058.1
Segment result	**496,257**	**9.8**	254,822	4.4	94.7

Segment revenue. Revenue of the engineering and construction contracting business before inter-segment elimination decreased by RMB693.2 million or 12.0% over the same period of the previous year, primarily attributable to the preparation work for the newly contracted business took more time and majority of orders on hand had not yet entered into construction peak seasons, resulting a modest drop in revenue for the first half of the year as compared with the same period last year.

Cost of sales. Cost of sales of the engineering and construction contracting business decreased by RMB907.0 million or 17.4% over the same period of the previous year, primarily due to a slight decrease in revenue of construction-in-progress.

Gross profit. Gross profit of the engineering and construction contracting business increased by RMB213.8 million or 39.4% over the same period of the previous year, primarily due to more municipal construction and social security housing projects with higher yield were undertaken by the Group currently, which have a higher gross profit margin than that of the traditional nonferrous metals engineering contracting projects.

Selling and marketing expenses. Selling and marketing expenses of the engineering and construction contracting business increased by RMB16.5 million or 14.5% over the same period of the previous year, primarily due to an increase in transportation cost of the projects.

Administrative expenses. Administrative expenses of the engineering and construction contracting business increased by RMB51.8 million or 29.1% over the same period of the previous year, primarily due to an increase in operating costs of the new projects.

Other income and other gains – net. The other net income and other gains – net of the Group increased by RMB95.9 million, primarily due to an increase in capital yield from the Company's BT projects.

Segment result. As a result of the above mentioned, segment result for the period of the engineering and construction contracting business increased by RMB241.4 million or 94.7% over the same period of the previous year.

3) *Equipment manufacturing*

The principal segment result data for the Group's equipment manufacturing business is as follows:

	For the half year ended 30 June				
	2014		2013		
	(RMB'000)	***% of Segment Revenue***	*(RMB'000)*	*% of Segment Revenue*	*% of Change*
Segment revenue	**290,571**	**100.0**	391,231	100.0	(25.7)
Cost of sales	**(264,230)**	**(90.9)**	(300,774)	(76.9)	(12.2)
Gross profit	**26,341**	**9.1**	90,457	23.1	(70.9)
Selling and marketing expenses	**(2,186)**	**(0.8)**	(4,089)	(1.0)	(46.5)
Administrative expenses	**(34,398)**	**(11.8)**	(72,750)	(18.6)	(52.7)
Other income and other gains – net	**6,441**	**2.2**	2,433	0.6	164.7
Segment result	**(3,802)**	**(1.3)**	16,051	4.1	(123.7)

Segment revenue. Revenue of the equipment manufacturing business before inter-segment elimination decreased by RMB100.7 million or 25.7% over the same period of the previous year, primarily attributable to market shrinkage of the nonferrous metals processing business in which the Group operates.

Cost of sales. Cost of sales of the equipment manufacturing business decreased by RMB36.5 million or 12.2% over the same period of the previous year, primarily due to a decrease in cost along with orders.

Gross profit. Gross profit of the equipment manufacturing business decreased by RMB64.1 million or 70.9% over the same period of the previous year.

Selling and marketing expenses. Selling and marketing expenses of the equipment manufacturing business decreased by RMB1.9 million or 46.5% over the same period of the previous year, primarily due to a decrease in business and the imposition of cost control measures which brought significant results.

Administrative expenses. Administrative expenses of the equipment manufacturing business decreased by RMB38.4 million or 52.7% over the same period of the previous year, primarily due to the imposition of cost control measures which brought significant results.

Other income and other gains – net. The other income and other gains – net of the Group's equipment manufacturing business increased by RMB4.0 million over the same period of the previous year.

Segment result. As a result of the above mentioned, segment result for the period of the Group's equipment manufacturing business decreased by RMB19.9 million or 123.7% over the same period of the previous year.

4) *Equipment trading*

The principal segment result data for the Group's equipment trading business is as follows:

	For the half year ended 30 June				
	2014		2013		
	(RMB'000)	***% of Segment Revenue***	*(RMB'000)*	*% of Segment Revenue*	*% of Change*
Segment revenue	**2,897,394**	**100.0**	106,731	100.0	2,614.7
Cost of sales	**(2,858,507)**	**(98.7)**	(106,259)	(99.6)	2,590.1
Gross profit	**38,887**	**1.3**	472	0.4	8,133.8
Selling and marketing expenses	**(2,587)**	**(0.1)**	(23)	(0.0)	10,933.8
Administrative expenses	**(1,868)**	**(0.1)**	(96)	(0.1)	1,841.0
Segment result	**34,432**	**1.2**	353	0.3	9,654.1

Upon the adjustment of business segments of the Group, the business of the equipment trading segment grew rapidly. Each of the indicators has increased significantly as compared with the same period of the previous year.

Segment revenue. Revenue of the equipment trading business before inter-segment elimination increased by RMB2,790.7 million or 2,614.7% over the same period of the previous year.

Cost of sales. Cost of sales of the equipment trading business increased by RMB2,752.2 million or 2,590.1% over the same period of the previous year.

Gross profit. Gross profit of the equipment trading business increased by RMB38.4 million or 8,133.8% over the same period of the previous year.

Selling and marketing expenses. Selling and marketing expenses of the equipment trading business increased by RMB2.6 million.

Administrative expenses. Administrative expenses of the equipment trading business increased by RMB1.8 million or 1,841.0% over the same period of the previous year.

Segment result. As a result of the above mentioned, segment result for the period of the Group's equipment trading business increased by RMB34.1 million or 9,654.1% over the same period of the previous year.

3. Financial Review

As at 30 June 2014, the cash and cash equivalents held by the Group amounted to RMB4,982.4 million, representing a decrease of RMB1,473.8 million as compared with that as at 31 December 2013, primarily due to an increase in the initial deployment of capital for the Group's preparation of the BT projects and advance for contracting projects.

As at 30 June 2014, the current assets of the Group, exclusive of cash and cash equivalents, amounted to RMB20,435.3 million, among which notes and trade receivables, amounts due from customers for contract work, prepayments and other receivables, inventories and available-for-sale financial assets were RMB8,894.5 million, RMB6,374.0 million, RMB4,215.7 million, RMB654.3 million and RMB96.0 million, respectively.

As at 30 June 2014, the current liabilities of the Group amounted to RMB19,650.0 million, among which trade and other payables and short-term borrowings were RMB11,381.1 million and RMB7,176.5 million, respectively.

As at 30 June 2014, the net current assets of the Group, being the difference between total current assets and current liabilities, amounted to RMB5,767.7 million, representing an increase of RMB2,830.7 million or 96.4% as compared with that as at 31 December 2013.

As at 30 June 2014, the outstanding borrowings of the Group amounted to RMB8,373.7 million, among which short-term borrowings and long-term borrowings were RMB7,176.5 million and RMB1,197.3 million, respectively, the aggregate amount of which increased by RMB487.8 million as compared with that as at 31 December 2013, comprising of the decrease of RMB419.3 million in short-term borrowings and an increase of RMB907.1 million in long-term borrowings.

(1) Cash flows

Cash flows used in operating activities. For the six months ended 30 June 2014, net cash outflow generated from operating activities amounted to RMB2,290.9 million, representing an increase of RMB1,400.3 million or 157.2% from net cash outflow of the same period in the previous year, primarily due to more operating capital contribution as a result of the commencement of BT projects and advances for contracting business.

Cash flows used in investing activities. For the six months ended 30 June 2014, net cash outflow used in investing activities amounted to RMB1,391.0 million, representing an increase of RMB1,053.6 million or 312.2% from net cash outflow of the same period in the previous year, primarily due to the initial capital contribution of the BT projects and the acquisition of bank wealth management products.

Cash flows generated from financing activities. For the six months ended 30 June 2014, net cash inflow generated from the Group's financing activities amounted to RMB2,198.0 million, representing an increase of RMB883.6 million or 67.2% from net cash inflow of the same period in the previous year, primarily due to an increase in capital from fund raising exercise by the Group to satisfy the operation requirement.

(2) Security

During the reporting period, the subsidiaries of the Group had pledged fixed assets and land use certificate for short-term borrowings amounting to RMB10.0 million; and borrowings amounted to RMB64.0 million was pledged by trade receivables.

(3) Gearing ratio

The Group monitors the Group's capital structure on the basis of gearing ratio. This ratio is calculated by dividing net debt by total capital. Net debt is calculated as the total borrowings and other liabilities (including short-term borrowings, long-term borrowings, trade and other payables shown in the consolidated balance sheet) less 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 less non-controlling interest. The Group's gearing ratios were approximately 67.41% and 71.68% as of 31 December 2013 and 30 June 2014, respectively. The increase of gearing ratio as of 30 June 2014 as compared with that as of 31 December 2013 was primarily due to an increase of RMB2,642.5 million or 20.1% in net debt resulting from an increase of borrowings, trade and total accounts payable and decrease of fund balance. Such changes led to an increase in net gearing ratio but was still within the preset limit of the Group.

Capital expenditure

The Group had capital expenditure of RMB100.7 million in the first half of 2014, representing a decrease of 56.8% from RMB233.1 million in the first half of 2013. In which, RMB27.6 million was for the construction of production facilities of design and consultancy business segment; RMB24.2 million was for the construction of production facilities and purchase of equipment for engineering contracting and construction segment; and RMB48.8 million was for the construction of production facilities and purchase of equipment for equipment manufacturing segment. Capital resources mainly included self-owned funds and borrowings from banks and other financial institutions.

Contingencies

The Group has been involved in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision has been made for the potential losses as a result of such lawsuits when the management can reasonably estimate the outcome of such lawsuits based on its judgments and the legal advice. No provision would be made for pending lawsuits when the outcome of such lawsuits cannot be reasonably estimated or the management does not expect an outflow of resources. Other than such provisions, it is not expected that any material liabilities will arise from the contingent liabilities.

4. Risk Factors

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

Foreign exchange risk

As the Group operates globally with the majority of our operations located in China, Southeast Asia, South Asia and South America, its financial position and results of operations can be affected by movements of currencies relevant to its operations, which mainly include RMB, US dollar and Euro. The Group is exposed to foreign exchange risk primarily through sales and purchases that give rise to receivables and payables, borrowings and cash balances denominated in foreign currencies.

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

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as majority of the Group's borrowings were borrowed at fixed interest rate.

Price risk

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

Credit risk

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

Substantially all of the Group's time deposits and cash and cash equivalents are deposited in the PRC state-owned/controlled banks, the credit risk of which the Directors believe is insignificant.

The Group has policies in place to ensure that services are rendered and products are sold to customers with a sound credit record, and the Group performs credit evaluations on its customers regularly. For businesses which require advance from the Group, the customers are required to provide collaterals with corresponding value. The Directors consider that the Group does not have a significant concentration of credit risk.

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

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

Liquidity risk

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

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

Effects of inflation

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

BUSINESS OUTLOOK FOR THE SECOND HALF OF 2014

I. Breakthrough the traditional model to enhance innovation capability

Under the current tough external environment, the Company must take the initiative to adapt market changes and find innovative business model in order to innovatively improve product and service, to create greater value for customers and to explore new opportunities. It will intensify its efforts to develop the domestic market by focusing on project implementation. Firstly, by building on its presence and services in the nonferrous metals industry, Chalieco will form communication with peers in the industry and build up complementary advantages and an interactive win-win operation mechanism with others. By making fully use of the technology resources in the society and the market-oriented approach, Chalieco will endeavor to expand cooperation with international partners, foster advantageous projects and explore market of emerging industries.

II. Focus on the existing nonferrous market to enhance service value

Excessive production capacity occurred in the nonferrous industry, causing keen competition between enterprises. Cost is crucial in the market competition. As pressure to survival increases, the use of technology as a means to solve the cost problem has become a realistic option for manufacturing enterprises. Meanwhile, from the national level, in order to reduce the consumption of resources and energy, and to achieve energy saving and environmental protection requirements, the relevant administrative departments actively support the upgrade of existing capacity, in addition to establishing a sound market exit mechanism, eliminating backward production capacity. The aluminum electrolytic tank technology developed by the Company can provide the customers with leading transformation services. In the industry chain of nonferrous metals such as copper, lead, zinc and rare earth which involves mining, selecting, smelting and processing, the Company also has enough capacity to add technology content in the areas of consultancy, design and equipment manufacturing, increasing the contribution rate of technology in production level.

III. Capitalizing on its own advantages to expand in the overseas market

In recent years, as the production capacity of global nonferrous metals redeployed and shifted, China's domestic enterprises "going global" open up international business and new opportunities. The Company possesses the world's leading expertise with comprehensive professional equipment, complete industrial chain, cost advantages and major shareholders' support. The Company will take advantage of these favorable conditions as well as the Chinese elements to increase its presence in the overseas market.

The Company has initially established a network of overseas business in emerging markets which cover more than ten countries. With technical output as key, it promotes the development of relevant businesses such as consultancy, design, construction, products and labor services, builds up experience in overseas development, refines the team, cultivates talents and establishes a good reputation. In the aluminum industry, particularly, the Company has become one of the major technology suppliers in the world. Currently, the Company achieved sound results in the market development and project implementation in South America and has incorporated African resources, energy-rich region as target markets. Efforts will be made to deliver new projects.

IV. Enhancement of system reform and technology injection to ensure the technology achievement satisfying the market demand

In the second half of the year, the Company will continue to focus on the demand of the market, strengthen the technology and wisely use the research funds to build a strong presence in the technology field of nonferrous metals. Through the technological transformation effort towards the existing nonferrous metals market such as electrolytic aluminum, alumina, copper, lead and zinc and other nonferrous metals, we continue to enhance our technology advantage in the nonferrous metals field. Design Institute will focus on the existing business to carry out a trial on energy saving technology. Through the application of energy saving and emissions reduction technology and reasonable optimization of processes, the core competitiveness is enhanced.

V. Strengthening risk awareness and enhancing decision-making capability

With the implementation of the strategic reform, transformation of business model and business structure adjustment, the Group encountered more and more risk factors in business development and management. Therefore, when making decision, the Group should place the risk control as the priority. In particular, for the implementation of overseas projects, we must place the safety measures on top priority, earnestly focus on the risk prevention and control, and strengthen the process supervision and risk warning, so as to ensure the risks within the tolerance limits of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

INTERIM DIVIDEND

The Board does not propose any interim dividend for the six months ended 30 June 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company has been striving to maintain a high standard of corporate governance. Saved as disclosed below, for the six months ended 30 June 2014, the Company had complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), and adopted the suggested best practices therein where appropriate.

Regarding the resolution in relation to the change of Directors and supervisors at the 2013 annual general meeting, the Company had clearly stated in the announcement dated 23 May 2014 that it had reminded Shareholders to cast their votes in the box marked "AGAINST" directly at the 2013 annual general meeting if they have any dissenting views toward any of the candidates for Directors and supervisors stated in Resolutions 9 and 10. The Company considers that this practice in fact follows a stricter standard for voting and the difficulty of passing the resolution would not be reduced due to the consolidation of relevant resolutions. The Company is of the opinion that considering that the Company had reminded Shareholders at the 2013 annual general meeting and shares held by Shareholders and their proxies present at the annual general meeting accounted for approximately 93.4% of the total share capital in issue of the Company, the requirement set out in code provision E.1.1 of the Corporate Governance Code, which requires explanation on the reason and effect in the notice of the meeting, had been fulfilled. Jia Yuan Law Offices, the PRC legal advisor of the Company, considers that the aforesaid consolidation of Resolutions 9 and 10 does not violate the articles of association and the requirements of the PRC Laws including the Company Law and the Further Standardizing Operations and Intensifying Reform of Companies Listed outside Opinion of China. The Company believes that details of the candidates for Directors and supervisors and information regarding the re-election had been disclosed to Shareholders before the 2013 annual general meeting, which provided Shareholders with sufficient information and basis for judgment in respect of the voting. The consolidation of Resolutions 9 and 10, for the sake of efficiency of the voting, had not affected the understanding of the Shareholders on the content of such Resolutions.

The Board of the Company is of the view that this deviation from the Corporate Governance Code is in the interest of the Company and its Shareholders and has no negative impact on the interest of the Company and its Shareholders. Considering that this deviation is an exception, the Company will strictly comply with the abovementioned and other code provisions in the future. The Company confirmed that the abovementioned code provisions will be complied with in the future and measures will be taken to enhance internal control and raise the awareness about compliance with the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct and rules governing dealings by all of our Directors and supervisors in the securities of the Company. Having made specific enquiries 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.

AUDIT COMMITTEE

The interim results of the Group and the financial statements for the six months ended 30 June 2014 prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” have been reviewed by the audit committee of the Company.

PUBLICATION OF THE INTERIM RESULTS

This results announcement is published on the website of HKExnews of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.com.hk and the Company’s website at http://www.chalieco.com.cn.

The Group’s interim results for the six months ended 30 June 2014 containing all the information required under the Listing Rules will be despatched to the shareholders and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
China Aluminum International Engineering Corporation Limited
ZHANG Chengzhong
Chairman of the Board

Beijing, PRC, 22 August 2014

As at the date of this announcement, the non-executive Directors are Mr. ZHANG Chengzhong, Mr. ZHANG Zhankui and Mr. WANG Qiang; the executive Directors are Mr. HE Zhihui and Mr. WANG Jun; and the independent non-executive Directors are Mr. SUN Chuanyao, Mr. CHEUNG Hung Kwong and Mr. JIANG Jianxiang.