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中鋁國際工程股份有限公司

China Aluminum International Engineering Corporation Limited

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

(Stock Code: 2068)

2020 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of China Aluminum International Engineering Corporation Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months period ended 30 June 2020. This results announcement, containing the full text of the 2020 Interim Report of the Company, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of interim results and has been reviewed by the audit committee under the Board. The printed version of the 2020 Interim Report of the Company will be dispatched to the holders of H shares of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.chalieco.com.cn in September 2020.

By Order of the Board

China Aluminum International Engineering Corporation Limited

ZHANG Jian

Joint Company Secretary

Beijing, PRC, 26 August 2020

As at the date of this announcement, the non-executive directors are Mr. WANG Jun and Mr. LI Yihua; the executive directors are Mr. WU Jianqiang, Mr. WU Zhigang and Mr. ZHANG Jian; and the independent non-executive directors are Mr. GUI Weihua, Mr. CHEUNG Hung Kwong and Mr. FU Jun.

IMPORTANT NOTE

- I. The Board of Directors, Board of Supervisors, Directors, Supervisors and senior management of the Company guarantee that the contents of the interim report are truthful, accurate and complete, free from any false statement, misleading representation or major omission, and are legally liable therefor on a several and joint basis.
- II. All Directors of the Company attended the Board Meeting.
- III. This interim report is unaudited.
- IV. WU Jianqiang, the Company's principal, ZHANG Jian, the accounting principal, and ZHANG Xiuyin, the accounting function's principal (the person in charge of the accounting function) undertake that: the financial report in this interim report is truthful, accurate and complete.
- V. Proposal for Profit Distribution or Proposal for Converting Capital Reserve into Share Capital for the Reporting Period as Adopted by the Board

No

- VI. Forward-looking Risk Statements

Applicable Not applicable

This report contains some predictive statements based on subjective assumptions and judgments about future policies and economic trends. Subject to many variable factors, actual results or trends may deviate from these predictive statements.

Forward-looking statements such as future plans mentioned in this report do not constitute the Company's substantive undertakings to investors. Investors should be aware of investment risks.

- VII. Any Funds Occupied by the Controlling Shareholder or its Related Parties for Non-operating Purpose?

No

- VIII. Any Guarantee Provided for Any Third Party in Violation of Required Decision Procedures?

No

IMPORTANT NOTE

IX. Material Risk Disclosure

The Company mainly faces the COVID-19 epidemic risk, policy risk, market risk (price risk, exchange rate risk), operational risk, financial risk and overseas business risk. For details, please refer to the section under the heading of “Section 5 Operating Results Discussion and Analysis” – “III. Other Disclosures (II) Potential Risks” of this report. Investor attention is drawn thereto.

X. Other Note

Applicable Not applicable

For the purpose of this report, all amounts are expressed in RMB unless otherwise specified.

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SECTION 1 INTERPRETATIONS

I. INTERPRETATIONS

For the purpose of this report, unless the context otherwise requires, the following terms have the following meanings:

Definition of Terms

| | |
|--|--|
| “Audit Committee” | the audit committee of the Board |
| “Board” | the board of directors of the Company |
| “Board of Supervisors” | the board of supervisors of the Company |
| “Chalco” | Aluminum Corporation of China Limited (中國鋁業股份有限公司), listed on New York Stock Exchange (stock code: ACH), SSE (stock code: 601600) and the Stock Exchange (stock code: 2600) and a subsidiary of Chinalco |
| “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 wholly-owned subsidiary of our 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 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 wholly-owned subsidiary of the Company |
| “Chinalco” | Aluminum Corporation of China (中國鋁業集團有限公司), our controlling shareholder |
| “Chinalco Finance” | Chinalco Finance Company Limited (中鋁財務有限責任公司) |
| “CNPT” | China Nonferrous Metals Processing Technology Co., Ltd. (中色科技股份有限公司), a subsidiary owned as to 73.5% by the Company |
| “Company”, “Chalieco”, “we”, “us”, “our” | China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司) |
| “CSRC” | the China Securities Regulatory Commission |
| “GAMI” | Guiyang Aluminum & 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 |
| “Group” | the Company and its subsidiaries |
| “HK\$” | the lawful currency of Hong Kong |
| “Kunming Survey and Design Institute” | Kunming Survey and Design Institute Co., Ltd. of China Nonferrous Metals Industry (中國有色金屬昆明勘察設計研究院有限公司), a wholly-owned subsidiary of the Company |
| “Latest Practicable Date” | 26 August 2020 |
| “Listing Rules of the Stock Exchange” or “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Luoyang Institute” | Luoyang Engineering & Research Institute for Nonferrous Metals Processing (洛陽有色金屬加工設計研究院有限公司), one of our promoters and shareholders |

SECTION 1 INTERPRETATIONS

| | |
|-------------------------------|--|
| “Renminbi” or “RMB” | 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 wholly-owned subsidiary of the Company |
| “SASAC” | the State-owned Assets Supervision and Administration Commission of the State Council |
| “Shandong Engineering” | Chalco Shandong Engineering Technology Co., Ltd. (中鋁山東工程技術有限公司), a subsidiary as to 60% owned by the Company |
| “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 wholly-owned subsidiary of the Company |
| “SSE” | the Shanghai Stock Exchange |
| “State Council” | the State Council of the People’s Republic of China |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited |
| “Two Guarantees” | to ensure the life safety, physical health, and work safety of all employees, to ensure the smooth progress of the project as planned, and the rapid formation of a leading position |
| “Two Constants” | the annual target and task remain unchanged, and the assessment indicators for each subsidiary remain unchanged |
| “USD” | the lawful currency of the US |

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. CORPORATE INFORMATION

| | |
|---|--|
| Chinese Name of the Company | 中鋁國際工程股份有限公司 |
| Abbreviation of Chinese Name of the Company | 中鋁國際 |
| English Name of the Company | China Aluminum International Engineering Corporation Limited |
| Abbreviation of English Name of the Company | CHALIECO |
| Legal Representative of the Company | WU Jianqiang |

II. CONTACTS AND CONTACT INFORMATION

| | Secretary to the Board | Joint Company Secretaries | Representative for Securities Affairs |
|-----------------|---|---|---|
| Name | ZHANG Jian | ZHANG Jian, WU Jiawen | LI Gang |
| Contact address | Building C, No. 99 Xingshikou Road, Haidian District, Beijing | Building C, No. 99 Xingshikou Road, Haidian District, Beijing | Building C, No. 99 Xingshikou Road, Haidian District, Beijing |
| Tel | 010-82406806 | 010-82406806 | 010-82406806 |
| Fax | 010-82406666 | 010-82406666 | 010-82406666 |
| E-mail | IR-chalieco@chalieco.com.cn | IR-chalieco@chalieco.com.cn | IR-chalieco@chalieco.com.cn |

III. CHANGES IN BASIC INFORMATION

| | |
|---|--|
| Registered address of the Company | Building C, No. 99 Xingshikou Road, Haidian District, Beijing |
| Postal code for registered address of the Company | 100093 |
| Domestic office of the Company | Building C, No. 99 Xingshikou Road, Haidian District, Beijing |
| Postal code for domestic office of the Company | 100093 |
| Hong Kong Office of the Company | Room 4501, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong |
| Website of the Company | http://www.chalieco.com.cn/ |
| E-mail | IR-chalieco@chalieco.com.cn |

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

IV. CHANGES IN THE PLACES FOR INFORMATION DISCLOSURE AND REFERENCE

| | |
|---|---|
| The Company's designated press media for information disclosure | China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily |
| CSRC designated website for the interim report | http://www.sse.com.cn/ |
| The interim report is available at | Board Office of Chalieco at Building C, No. 99 Xingshikou Road, Haidian District, Beijing |

V. STOCK PROFILE

| Share Class | Listed on | Stock Abbreviation | Stock Code |
|-------------|--------------------|--------------------|------------|
| A Share | The SSE | 中鋁國際 | 601068 |
| H Share | The Stock Exchange | CHALIECO | 2068 |

VI. OTHER RELEVANT INFORMATION

Applicable Not applicable

| | | |
|--|--|--|
| Accounting firm engaged by the Company | Name | WUYIGE Certified Public Accountants LLP |
| | Office address | 22F Xueyuan International Tower, No.1 Zhichun Road, Haidian District, Beijing |
| | Names of accountants who signed the review report | Shi Chenqi, Liu Mingzhe |
| Sponsor performing continuous supervision duties during the reporting period | Name | China Merchants Securities Co., Ltd. |
| | Office address | No. 111, Fuhuayuan Road, Futian Sub-district, Futian District, Shenzhen, Guangdong |
| | Names of the sponsor's representatives who signed the report | SHEN Tao, WANG Zhiwei |
| | Period of continuous supervision | From 31 August 2018 to 31 December 2020 |

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

| | | |
|------------------------------------|----------------|---|
| Legal advisor as to PRC laws | Name | Jia Yuan Law Office |
| | Office Address | F408, Ocean Plaza, 158 Fuxing Men Nei Street, Xicheng District, Beijing |
| Legal advisor as to Hong Kong laws | Name | Clifford Chance |
| | Office Address | 27th Floor Jardine House One Connaught Place Central Hong Kong |
| A Share Registrar | Name | China Securities Depository and Clearing Co., Ltd. Shanghai Branch |
| | Office Address | 36/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai |
| H Share Registrar | Name | Computershare Hong Kong Investor Services Limited |
| | Office Address | Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai Hong Kong |

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VII. KEY ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Figures

Unit: Yuan Currency: RMB

| Key Accounting Figures | This reporting period (From January to June) | The corresponding period of last year | Changes for this reporting period as compared with the corresponding period of last year (%) |
|---|--|---------------------------------------|--|
| | As at the end of this reporting period | As at the end of the previous year | Changes for this reporting period as compared with the end of the previous year (%) |
| Revenue | 9,946,610,462.50 | 13,516,498,871.86 | -26.41 |
| Net profit attributable to shareholders of the listed company | -143,153,691.94 | 10,061,243.36 | N/A |
| Net profit attributable to shareholders of the listed company net of non-recurring gain or loss | -200,566,854.27 | 852,216.58 | N/A |
| Net cash flow from operating activities | -1,566,940,887.41 | -1,086,851,099.52 | -44.17 |
| Net assets attributable to shareholders of the listed company | 10,626,746,799.44 | 11,322,059,940.65 | -6.14 |
| Total assets | 54,124,028,453.76 | 55,999,463,120.62 | -3.35 |

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Key Financial Indicators

| Key Financial Indicators | This reporting period (From January to June) | The corresponding period of last year | Changes for this reporting period as compared with the corresponding period of last year (%) |
|---|---|---------------------------------------|--|
| Basic earnings per share (RMB/share) | -0.07 | -0.01 | -600.00 |
| Dilute earnings per share (RMB/share) | - | - | - |
| Basic earnings per share net of non-recurring gain or loss (RMB/share) | -0.09 | -0.01 | -800.00 |
| Weighted average return on net assets (%) | -2.55 | -0.42 | Down by 2.13 percentage points |
| Weighted average rate of return on net assets net of non-recurring gain or loss (%) | -3.24 | -0.53 | Down by 2.71 percentage points |

Explanation of key accounting figures and financial indicators of the Company

Applicable Not applicable

VIII. DIFFERENCES IN ACCOUNTING FIGURES UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

Applicable Not applicable

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

IX. ITEMS AND AMOUNTS OF NON-RECURRING PROFIT OR LOSS✓Applicable Not applicable

Unit: Yuan Currency: RMB

| Non-recurring Profit or Loss | Amount |
|---|----------------------|
| Gain or loss on disposal of non-current assets | 10,122,833.63 |
| Tax return, reduction or exemption arising from ultra vires approval, without official approval document, or on an occasional basis | |
| Government subsidies recorded in current P&L (except government subsidies closely related to business operations granted continuously in a fixed amount or quota according to the unified national standards) | 10,295,329.87 |
| Financing fee income from non-financial enterprises recorded in current P&L | 20,060,005.67 |
| Gain arising from the acquisition of interests in a subsidiary, associate or joint ventures at an investment cost below the share in the fair value of net identifiable assets of the investee at the time of acquisition | |
| Gain or loss on non-monetary asset exchange | |
| Gain or loss on assets under discretionary investment or management | |
| Asset impairment provisions arising from force majeure factors such as natural disasters | |
| Gains or losses on debt restructuring | 158,620.93 |
| Restructuring costs, such as employee settlement cost and integration cost | |
| Gain or loss in excess of fair value arising from transactions at obviously unfair prices | |
| Net profit or loss of a subsidiary arising from business combination under common control for the period from the beginning of the reporting period to the combination date | |
| Gains or losses on contingencies not related to usual operations of the Company | |
| Gains on investment in the fair value of the held-for – trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities held by the Company and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments other than the valid hedging services related to the normal operating activities of the Company | |
| Reversal of impairment provisions on receivables and contract assets tested for impairment individually | 3,227,316.09 |

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

| Non-recurring Profit or Loss | Amount |
|--|-----------------------|
| Gain or loss on entrusted loans | |
| Gain or loss on changes in the fair value of investment property subsequently measured at fair value | |
| Impact of non-off adjustments to current P&L as required by taxation and accounting laws and regulations | |
| Trustee fee income from entrusted operations | |
| Other non-operating revenue and expenses other than above items | 37,350,222.60 |
| Other items falling within the definition of non-recurring gain or loss | |
| Impact of non-controlling interests | -7,767,184.92 |
| Impact of income tax | -16,033,981.54 |
| Total | 57,413,162.33 |

X. OTHER INFORMATION

Applicable Not applicable

SECTION 3 CHAIRMAN'S STATEMENT

Dear shareholders,

At the beginning of the year, the economy of the PRC and the world took a huge blow due to the sudden outbreak of COVID-19 epidemic. As a market entity, the Company could not stand aloof and was exposed to unprecedented pressure. In face of the dual pressure from epidemic prevention and control, as well as production and operation, the Company firmly put forward the general keynote of “two guarantees” and “two constants”. The Company constantly fulfilled its social responsibilities amidst the epidemic, and insisted on putting employees' life safety and physical health first. For 14,000 employees and over 40,000 labors of the Company at home and abroad, none of them were infected. The entire company actively participated in the “fight” against the epidemic, and the Zhuhai Branch of Changkan Institute actively participated in the construction of the Phoenix Mountain Ward of the Fifth Affiliated Hospital of Sun Yat-sen University in Zhuhai and completed the geological survey report within three days. The Company coordinated the resumption of operation and production while conducting epidemic prevention and control, and the construction in progress should be resumed by the end of March, which was acknowledged by property owners and various parties in the society. Our production and operation were faced with tough challenges, but then gradually returned to normal, showing strong resilience.

Currently, the epidemic in the PRC is basically under control, major strategic results have been achieved, and the economy has shown a steady improvement. However, the epidemic is still spreading worldwide and the world economy is still severely challenged and complex. As a result, we will continue to be cautious and do a good job of normalizing the epidemic prevention and control on one hand, and ride on the momentum and enhance confidence, thereby striving to make up for the losses caused by the epidemic. In the second half of the year, the Company's management will consolidate the efforts of all employees, recognize the situation, and spread the sense of unity. Moreover, the management will cultivate new opportunities while facing the crisis, create a new situation amidst changes, adhere to the new concept of high-quality development, transform development momentum, insist on intensive development and refined management, strengthen and establish a market-oriented business philosophy and strengthen the R&D and innovation on the Company's core technology. We will promote stable growth with improved quality and enhanced efficiency, do a good job in preventing and resolving risks, cope with challenges, seek advantages and avoid disadvantages, overcome difficulties, so as to complete our annual objectives with tremendous efforts and strive for the goal of building a first-class nonferrous metal engineering and technology company.

Chairman
WU Jianqiang

SECTION 4 BUSINESS REVIEW

I. DESCRIPTION OF PRINCIPAL BUSINESS AND OPERATION MODES OF THE COMPANY AND INDUSTRY OVERVIEW FOR THE REPORTING PERIOD

(I) Principal business and operation modes

The Group is a leading technology, engineering service and equipment provider in the nonferrous metals industry in China, capable of providing full business-chain integrated engineering solutions for various stages in nonferrous metals industry chain and other industries. The Group's businesses mainly include engineering design and consultancy, engineering and construction contracting, equipment manufacturing and equipment trading. In the first half of 2020, the Company continued to be among the China's Fortune 500 in 2020; meanwhile, in the 2020 "TOP 150 GLOBAL DESIGN FIRMS" and "TOP 225 INTERNATIONAL DESIGN FIRMS" announced by the Engineering News-Record (ENR) Magazine in the US, the Company was shortlisted again and ranked at 94th and 163rd, respectively.

1. Engineering design and consultancy business

Engineering design and consultancy is the Company's traditional key business, covering mining, ore dressing, smelting and processing in the non-ferrous metal industry, geological survey and building construction in the construction industry, as well as engineering design in energy, chemical and environmental protection, etc. The Company's main customers are non-ferrous metal smelting and processing enterprises, and employers in construction and other industries. The Company's technicians have expertise in over 40 professional fields such as process design, equipment design, electrical automation, general layout and transportation design, civil engineering, public facilities construction, environmental protection, project budget and technical economy, and have provided engineering design and consultancy services for over 2,000 key construction projects of the state and various industries as well as over 100 overseas projects.

2. Engineering and construction contracting business

The Company's engineering and construction contracting business covers metallurgy industry, housing construction, highways, building materials, electricity, water conservancy, chemical industry, mining, municipal utilities, steel structure and other fields. The Company adopts a couple of engineering and construction contracting business modes, including EPC, EP, PC and project management contract. Meanwhile, the Company is exploring other engineering contracting modes such as PPP. With its technology and experience, the Company has established a leading position in China's non-ferrous metal industry, particularly in the aluminum contracting industry. In recent years, the Company has undertaken many large-scale EPC projects at home and abroad.

SECTION 4 BUSINESS REVIEW



3. Equipment manufacturing business

Equipment manufacturing is a high-tech industry that the Company develops vigorously. The Company insists on independent technological innovation, and focuses on research and development of new process, new technologies, advanced materials and new equipment of non-ferrous metal, leading the direction of technology development of China's non-ferrous metal industry. The Company's equipment manufacturing segment mainly provide customized core metallurgical and processing equipment, environmental protection equipment, mechanical and electronic equipment, industrial automation systems and mine safety monitoring and emergency response intelligent systems. The Company's products are used in many areas in the non-ferrous metal industry chain, including mining, ore dressing, smelting and metal material processing. The Company is a leading manufacturer of non-ferrous metal rolling mills in China.

4. Trading business

Since 2013, under the guidance of relevant diversification strategy, in order to strengthen cost and risk control, the Company has adopted a centralized procurement approach, while appropriately adjusting and broadening its business scope. In establishing the centralized procurement platform, the Company has expanded the equipment and raw material trading business related to its principal operations, which is managed largely by China Aluminum Equipment.

SECTION 4 BUSINESS REVIEW

**(II) Specific business models for engineering design and consultancy, and engineering and construction contracting**

The Company has long been engaged in survey, design and project contracting in the non-ferrous metal field. With technological innovation and industrialization as its core competitiveness, the Company has its business covering engineering survey and design and consultancy, engineering and construction, equipment manufacturing, trade and other fields, and has established a business model covering full industrial chain of “investment and financing-planning-design-engineering construction asset operation/industrial service”. Among them, the engineering and construction contracting business covers metallurgical industry, housing construction, highways and other fields, and adopts various business modes such as construction contracting and general engineering contracting (including EPC, EP, PC, etc.), of which the traditional construction contracting business, as a main business mode, accounts for 83% and 7% in EPC; By financing mode, investment, finance and construction accounts for 10%.

1. The Company’s engineering design and consultancy business involves compiling relevant technical data and provide technical services based on the engagement of owners, and to carry out engineering consultancy, design and survey service according to the design consultation process to ensure compliance with the requirements stipulated in the contract. Rights and obligations: based on the true and accurate basic information provided by the owner, we have the obligation to provide qualified technical products as agreed in the contract, and also have the right to collect service fees in a timely manner as agreed in the contract. Pricing mechanism: service fees are charged generally by reference to national fee rates for engineering survey and market conditions and based to specific conditions such as the complexity of the project. Relying on the Company’s technical advantages in the non-ferrous metallurgy industry, this business brings a higher profit margin compared with engineering construction projects. As to payment terms in the contract, usually an advance payment of about 10%-20% is required, and the remaining amount is paid in installments according to the amount of work completed (as for engineering design business) or settled in full upon delivery of the consultation report (as for engineering consultancy business). The Company bears the risks associated with product design quality and progress pursuant to the contract. This business segment does not involve financing.

SECTION 4 BUSINESS REVIEW

2. The Company's engineering and construction contracting business covers metallurgical industry, housing construction, highways, mines, municipal utilities and other fields. The Company adopts a number of business modes, including traditional contracting, EPC (including EP and PC), and investment-finance-build (including PPP), etc. Risks: Under the traditional contracting mode, the Company acts as a contractor and is responsible for project construction and equipment installation; Under EPC mode, the Company takes charge of the whole design process, procurement of materials and equipment, construction, equipment installation and testing, and is liable to the proprietor for the quality, safety, on-time delivery and cost of the project. The main risk for the Company involves material difference not higher than a certain rate as agreed in the contract, while the proprietor assumes compliance risks of the project and ensures the availability of project funds; Under PC mode, the Company undertakes the procurement and construction of the project according to the contract, and is liable for the quality, safety, progress and cost of the project. Pricing: through participating in competitive bidding, the Company will conduct detailed research on the proposed project in preparing the bid. Specifically, based on onsite visit as well as technical conditions, commercial conditions and other bidding regulations, the Company calculates the cost of items in the bill of quantities, and then adds proposed gross profit at a certain percentage to get the bid price. Payment collection: mainly project progress payments, settled and collected according to the monthly progress or milestones, and advance payment (if any) is collected according to the contract.
3. According to the direction of national policies, the Company has chosen to undertake some PPP investment-finance-build projects. Risks: Under PPP mode, the Company, as the general contractor and non-government equity investor of the project, mainly undertakes engineering construction and shares operational risks of the project with the government, while the government mainly bears compliance risk and land acquisition and relocation risks. Finance: Under PPP mode, in addition to capital injected by all equity investors, project loans represent a major source of funds for the project. Payment collection: Under PPP mode, the Company, as the general contractor and non-government equity investor of the project, has different sources of income during the construction period and the operation period. During the construction period, income mainly comes from progress payments made by the project company, while during the operation period, income mainly comes from fees paid by users and feasibility gap subsidy from the government. Pricing: Under PPP mode, the pricing is mainly to determine the rate of return on non-governmental investment (including financing), including the annual discount rate and reasonable profit margin, and the government determines the non-governmental investor through public tender. Profit: under PPP mode, the Company, as both an investor and a project contractor, mainly generates profits from construction during the construction period, and from feasibility gap subsidy from the government during the operation period. Rights and obligations: Under PPP mode, the Company has the right of construction during the construction period, and the right to collect fees from users and feasibility gap subsidies from the government as agreed in the contract during the operation period, and the obligation to ensure successful completion and usual operation of the project.

SECTION 4 BUSINESS REVIEW

(III) Industry Overview

As of the end of June 2020, the total electrolytic aluminum production capacity of the PRC was 41.155 million tons per year, representing a year-on-year increase of 3%. The operating capacity was 36.914 million tons per year, representing a year-on-year increase of 1.19%. In the first quarter, due to the impact of the epidemic, the construction efficiency of new projects declined, the completion of production capacity and production commencement were delayed, and the plunge of aluminum prices also caused certain companies to actively arrange maintenance and adjust production. After the second quarter, aluminum prices rebounded sharply, the profitability of the industry continued to increase, and the epidemic in the PRC was effectively controlled, new electrolytic aluminum projects were accelerated and put into production. At the same time, the halted production capacity in the early stage started to resume production, and the operating capacity increased rapidly in the second quarter. The newly invested capacity in the first half of the year was mainly concentrated in southwestern regions such as Yunnan and Sichuan. Driven by the industry's high profit stimulus and local policies, the production of electrolytic aluminum projects will accelerate in the second half of the year, in the third quarter, the performance will be more concentrated. Taking an overview of the nonferrous metal industry, the nonferrous metal industry in the PRC showed a trend of bottoming out and recovering in the first half of the year, and it is expected to maintain a recovering trend in the second half of the year.

In the first half of the year, the growth rate of the construction industry in the PRC was -1.9%, presenting a development trend from low to high. Fixed asset investment decreased by 3.1% year-on-year, of which investment in infrastructure decreased by 2.7% year-on-year. In the post-epidemic era, with the implementation of various measures to stabilize growth, the driving effect of economic growth has been significantly enhanced. The development of China's construction industry has passed its peak and has begun to fluctuate with changes in demand and division in the industry. There is still a great vitality in the market in the field of infrastructure and urbanization. Among them, the construction of urban agglomerations that integrate infrastructure and urbanization will become the "main battlefield" for market competition among key construction enterprises.

II. MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

SECTION 4 BUSINESS REVIEW

III. ANALYSIS OF CORE COMPETITIVENESS FOR THE REPORTING PERIOD

✓Applicable Not applicable

(I) Strong technological and R&D strength

The Group has four design and research institutes with rich history in the nonferrous metal industry, including SAMI, Guiyang Institute, Changsha Institute, and CNPT that took over Luoyang Institute's assets and business, as well as two survey and design institutes, namely Changkan Institute and Kunming Survey and Design Institute, which can provide its clients with full nonferrous metal industrial-chain technological support and service. As of 30 June 2020, the Group accumulated 6 national-level innovation research platforms, with its provincial-level innovation platforms and engineering laboratories increased to 16, and had 2 national-level corporate post-doctoral scientific research stations, and there were around 140 national and industrial standards or regulations wholly or partly formulated by the Group. The Group completed 137 domestic patent applications in the then year, of which 50% were invention patents. It obtained 86 domestic authorized patents and 4 international patents, which accumulated to 171.

In the first half of 2020, two achievements of the Group, including “high-humidity flue gas waste recycle and deep dust removal, desulfurization and denitrification integrated technology” (「高濕煙氣餘熱回收利用與深度除塵脫硫脫硝一體化技術」), have completed the industry's technical achievement evaluation and reached the international advanced level. The project of “Accurately Obtaining Shear Strength of Rock Mass Structure Surface and Evaluation of Slope Stability in Open-pit Mines” (《露天礦山岩體結構面抗剪強度精確獲取與邊坡穩定性評價》) participated by Kunming Survey and Design Institute was awarded with the special prize of the Science and Technology Progress Award of Rock Mechanics and Engineering Society in Zhejiang Province (浙江省岩石力學與工程學會科技進步獎特等獎). SAMI's invention patent, “low-temperature sintering of a retort furnace” (「一種罐式爐低溫煅燒工藝」), won the third place of the first Liaoning Provincial Patent Award (遼寧省專利獎). The national key R&D project, “Research and Development of Key Technologies and Platforms for Refined Control of Nonferrous Metal Smelting Processes and Network Collaborative Manufacturing” (《面向有色金屬冶煉流程精細管控的網絡協同製造關鍵技術與平台研發》), led by Changsha Institute and the national key R&D plan, “Intensive Utilization and Demonstration of Multiple Sources of Inorganic Solid Waste in Typical City Clusters in the Middle Reaches of the Yangtze River” (《長江中游典型城市群多源無機固廢集約利用及示範》), participated by Changsha Institute were approved, while the project, “Research on the Mechanism of Oxygen Pressure Leaching of Bismuth Sulfide Concentrate and the Law of Mineral Phase Transformation” (《硫化鉍精礦氧壓浸出機理與礦相轉化規律研究》) led by Changsha Institute was approved for the first time by the Hunan Provincial Natural Science Youth Fund (湖南省自然科學青年基金) in 2020.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

I. OPERATING RESULTS DISCUSSION AND ANALYSIS

Business overview in the first half of 2020

In the first half of 2020, the Group achieved operating income of RMB9.947 billion, representing a year-on-year decrease of RMB3.57 billion or 26.41%. Net profit attributable to shareholders of the listed company was RMB-143 million, representing a year-on-year decrease of RMB153 million. The operating loss for the first half of the year was mainly due to:

- (I) as affected by the COVID-19 epidemic, the Company's engineering projects were basically suspended from January to February, and construction began at the end of March. The Company actively promoted the resumption of work and production, and accelerated the progress of construction. The Company strived to improve its production and operation, but the overall operating income in the first half of the year still presented a significant year-on-year decline.
- (II) Under the adverse situation of the epidemic, property owners were tight on funds, and the original collection plan for the first half of the year was delayed, and the credit impairment losses accrued during the reporting period increased year-on-year.

(I) Business overview in the first half of the year

In the first half of 2020, in face of the pressure of prevention and control of the COVID-19 epidemic and the challenging production and operation environment, the Company carried out various tasks steadily in accordance with the idea of "to strictly administrate the party in an all-round way, to highlight production and operation, to address and solve historical problems, to reform and adjust". Through concerted efforts, tenacious hard work and rising up to challenges, the Company's epidemic prevention and control, as well as production and operation proceeded smoothly.

1. Epidemic prevention and control

The Company closely followed the changes in the epidemic, and established a three-level epidemic prevention and control and work and production resumption system for its headquarters, members and project frontlines. The Company put forward the overall work requirements of "two guarantees", that is, to ensure the life safety, physical health, and work safety of all employees, and to ensure that the project is carried out smoothly as planned, to devote efforts rapidly, and "two constants", that is, the annual target and task remain unchanged, and the assessment indicators for each subsidiary remain unchanged, thereby coordinating and pushing forward epidemic prevention and control and work and production resumption work. The Company actively procured and reserved epidemic prevention materials

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

and strictly implemented prevention and control measures. Party organizations at all levels, “Party Vanguarders”, “Party Commandos” and “Young Volunteers” played the main role in epidemic prevention and control. The Company actively participated in the fight against the epidemic, and the Zhuhai Branch of the Changkan Institute completed and submitted the investigation report of Phoenix Mountain Ward of the Fifth Affiliated Hospital of Sun Yat-sen University, “Huoshenshan” in Zhuhai within 3 days. In response to the increasingly severe overseas epidemic status, the Company paid close attention to the life safety of overseas personnel, dynamically adjusted the emergency plan, purchased personal accident insurance for all overseas employees, and promptly solved the problems of overseas employees’ families to mitigate their worries.

None of the 830 employees and overseas employees of the Company in 11 overseas countries, nor 14,000 employees and more than 40,000 labors in the PRC were infected. The construction in progress which should be resumed, resumed in full by the end of March, which was recognized by the owners and parties, and was promoted by media outlets such as the official website of the SASAC of the State Council, Beijing Television Station, China Nonferrous Metals News, etc.

2. Project construction

In such trying times, it is important to improve the quality of services provided to owners, walk in their shoes and meet their urgent needs. The Company tracked and guided key projects every week, and managers at all levels directed and solved problems in a timely manner. The Huasheng, Wenshan, Heqing, Zhaotong and Guinea projects undertaken by the Company progressed smoothly, the Yunnan highway project commenced construction in full swing and has entered its peak construction period. A number of projects won the recognition of the owners, and numerous letters of appreciation were given by the owners of projects, such as Bofa Guinea and Wenshan Aluminum, and highly praised the organizational ability and brand image of the Company’s project management.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

3. Market expansion

In the first half of the year, the value of new contracts of the Company amounted to RMB18.258 billion, which was basically the same as that of the same period last year. The Company actively promoted the overseas market, and newly signed overseas contracts amounted to RMB4.563 billion, which was 2 times of that of the same period last year. In January, the Company signed an EPC contract for 1 million tons of alumina in Manpa, West Kalimantan, Indonesia, and was responsible for the implementation of the contract amount of approximately RMB3.7 billion. As one of the breakthroughs in the Company's business transformation, the aluminum application business has made new progress in the development of the aluminum application market, and obtained a number of aluminum contracts for engineering purposes, such as the first large-diameter special-shaped aluminum alloy reticulated shell structure project in the PRC. In the first half of the year, the contract amount of aluminum application reached RMB142 million. The green aluminum application demonstration city construction and ancillary project in Qujing is actively progressing. The green aluminum application demonstration street project in Nanping Street, Kunming is progressing smoothly, and 2 contracts, including the "Commercial facilities in the Night Market" were entered into. Although the amount of certain contracts was insignificant, the demonstration effect was obvious, and the subsequent market potential is large.

4. Quality improvement and efficiency enhancement

In view of the practical difficulties in production and operation, the Company studied and formulated a special work plan for quality improvement and efficiency enhancement to promote the overall improvement of management level. The Company established a centralized procurement system, carried out benchmarking among enterprises, thereby reducing procurement costs, with a year-on-year decrease of 3% in centralized procurement in the first half of the year. The financing structure was adjusted. The financing scale of the Company decreased by RMB2.1 billion from the beginning of the year, and the financing cost decreased by 30 BPs from the beginning of the year. Long-term capital financing has been increased, and the financing structure has become more healthy and stable. The Company actively strived for preferential policies and tax reductions of more than RMB90 million.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

5. Major risk mitigation

Focusing on the key points, the Company paid close attention to project settlement, further improved the settlement rate of projects under construction, and completed the phased control target. For projects with historical problems, the Company has set up a special working group to mitigate relevant risks through case analysis and various measures, such as debt repayment with assets, assets seizure, the launching of auction and equity transfer. Meanwhile, the Company actively devoted efforts to corporate governance and compliance management, which improved its relevant systems, and established a long-term mechanism for internal control and compliance management.

6. Deepening reform

Deepening reform is an important measure to achieve high-quality development and transformation and upgrading. The Company is committed to promoting the market-oriented reform of members and improving its independent innovation capability. Changsha Institute was successfully selected as a “Demonstration Enterprise on Scientific Reform” by the State Council. The Company established the Engineering Cost Technology Center in order to provide technical support to the Company to carry out engineering consulting business in the future. Companies such as, Sixth Metallurgical Company, Guiyang Institute, etc., carried out institutional reform to compress management departments and improve management efficiency.

7. Technological innovation

Innovation has always been an important force for the development of an enterprise, and technology is the profit driver of an enterprise. In the first half of the year, the Company applied for 137 patents, of which invention patents accounted for 50%, and was granted 86 patents. LIU Wenlian of Kunming Survey and Design Institute was elected as a “National Engineering Survey and Design Master” by the Ministry of Housing and Urban-Rural Development. Tong Yizhe of Changsha Institute was awarded the “Outstanding Young Engineer Award” by the China Nonferrous Metals Society. Six additional individuals were entitled to the special government allowance of the State Council. Five individuals were the “Chief Engineer” of Chinalco. National standards such as the “Design Standards for Waste Heat Utilization in the Non-ferrous Metal Industry” compiled by the members of the Company were officially published. A number of projects were awarded the China Nonferrous Metals Industry (ministerial-level) Quality Engineering Award. One project participated by Kunming Survey and Design Institute was awarded the Special Prize of the Provincial Science and Technology Progress Award; one project of SAMI was awarded the first Liaoning Province Patent Award; and two achievements reached the international advanced level.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

(II) Business outlook for the second half of the year

In face of the impact and challenges brought by the COVID-19 epidemic, the Company will identify the situation, adopt unified ideas, adjust thinking, and strive to complete the Company's annual target. In the second half of the year, the Company will focus on "two guarantees" and "two constants", deepen reform, refine management, adopt comprehensive benchmark, identify differences, solve problems, make up for shortcomings, achieve stable and long-term development, and promote the Company to a positive development track.

1. To pay close attention to epidemic prevention and control, as well as safe production

The Group will continue to do a good job in epidemic prevention and control, and will always keep the normalized epidemic prevention and control in mind. Moreover, it will strictly implement various prevention and control measures, conduct risk prevention and control investigations, and implement the responsibility and requirements of prevention and control. Meanwhile, the Company will pay close attention to safety and environmental protection work, carry out the "Three-Year Action Plan for Special Rectification of Safety Production" firmly, strengthen the investigation and management of safety and environmental risks and hidden dangers, deepen the hierarchical risk management and control, focus on organizing safety management training at construction sites to ensure intrinsic safety, and do a good job in environmental protection design and clean and civilized construction of the project, thereby protecting the waters and mountains.

2. To keep a close eye on market expansion

In accordance with the "4+1" business development direction, the Company will take the initiative to expand the results of project acquisition, focus on nonferrous metallurgy and chemical engineering, municipal administration and expansion of aluminum application, and closely track the progress of proposed major projects. Municipal projects will leverage their regional advantages to assert dominance. The Group will strive for breakthroughs in projects such as Qujing, Kunming Aluminum Application and the "Mid-Levels Hotel in Great Dianxi Tourist Circle". The Company will take the optimization of design as the lead, give full play to the synergy advantages of design and construction, and strive for the implementation of relevant projects in the nonferrous industry.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

3. To pay close attention to quality and efficiency improvement

In the second half of the year, the Company will continue to improve quality and efficiency, broaden the sources of income and reduce expenditure in accordance with the predetermined annual work objectives. It will improve the efficiency level, and ensure the normal and orderly production and operation by focusing on its current operation. The Company will pay close attention to its key links such as the implementation rate of newly signed contracts, the conversion rate of contracts under construction and project settlement, and focus on the management of progress, quality, cost and safety from the source of production, so as to promote the construction and completion settlement of key projects such as Huasheng, Wenshan, Zhaotong, Yunnan highway and Baiyinhu with premium quality. Furthermore, the Group will strengthen communication and coordination with property owners and actively promote overseas projects in Indonesia and Italy.

4. To focus on deepening the reform

Reforming is the key to realizing the breakthrough of the Company. The Company will make changes to its mechanism to achieve better marketization, and shift from depending on development through expansion to intensive development. The focus of reform is to solve the “two problems”: firstly, to solve the problem regarding responsibility, rights, and benefits, and to streamline the relationship between the headquarters of the Company and its members; secondly, to solve the problem of vitality, and mobilize the enthusiasm, creativity and initiative of employees to participate in the reform and development. The Company will specifically focus on four key aspects: firstly, to accurately position the relationship between the headquarters of the Company and its members; secondly, to improve the management and control of the headquarters; thirdly, to improve the institutional system; fourthly, to explore and establish a sound market-oriented incentive mechanism.

5. To pay close attention to technical support

The Company will take technological innovation as the key to intensive development, and strive for technological innovation to make up for its shortcomings and overcome its weaknesses. Firstly, we shall shift our focus back to technology. The Company will guide the design institutes to focus on technology and implement special scientific research to solve difficulties, pain points and key points in the production and operation practices of nonferrous metal industry and its related industries; it will focus on building project teams for major breakthroughs and the cultivation of persons-in-charge, build a technical talent pool for the Company, and build a sound and influential team of leading talents in the industry. Secondly, we shall focus on market orientation. With market demand as the direction, and on the premise of creating value, the Company will take the enterprise as the main body to force technological progress and technological innovation under market pressure. Thirdly, we shall focus on technology synergy. The Company will strengthen its scientific and technological management, effectively exert collaborative functions, continuously summarize and improve similar technologies, thereby realizing modular upgrading and application.

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6. To focus on refined management

The Company will take refined management as the focus of intensive development. Based on the rule of law and compliance management, the Company will focus on risk prevention and control, and create value through refined management to enhance its core competitiveness. The Company will implement the requirements of relevant laws and regulations and strictly implement the negative list of production and operation of Chalieco. The Company will strictly implement the “two systems” of project, further improve the relevant systems, clarify the responsibilities, rights and benefits of project managers, strictly implement the reward and punishment system, and focus on the management of progress, quality, cost and safety from the source of production to ensure the efficient performance of projects. The Company will strengthen internal coordination, actively establish a “One-for-all” mechanism, improve the mechanism of information sharing, business transfer and technical cooperation for market-oriented projects among members, exhibit synergistic effect and strive to enhance competitiveness; the Company will optimize regional operations, promote multi-party cooperation, establish strong brand effect and build a solid base. The “best practices” of project construction will be summarized in a timely manner to solidify the experience and transform the concept of refinement into the specific action of employees.

7. To closely monitor the preparation of plan

The Company will prepare the “14th Five-Year” development plan in a scientific manner, which concerns the development of the Company in the next five years or even a longer period, so as to maintain the stability and long-term development of the Company in the future. The Company will prepare plans with high quality and high standards, and draw a blueprint for development. In addition, it will keep abreast of leading peers. By keeping abreast of leading peers, the Company will be able to identify differences, areas of weakness and potential; by analyzing reasons, the Company will be able to identify ways and measures; by forming comparative advantages, the Company will be able to strengthen management, improve efficiency and enhance strength. The Company will clearly define its strategic positioning and carefully study its strategic positioning on the basis of comprehensive benchmarking and identification of the current status of the Company and in accordance with the requirements of intensive development. The Company will facilitate the implementation of strategies, continue to adhere to the “technology + going international” strategy, and implement two-wheel drive of technology and going international.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

(III) Contracts

From January to June 2020, the Company entered into 2,796 contracts in total, the total amount of which was RMB18.258 billion. Details are as follows:

| Type of Contracts | From January to June 2020 | |
|--|----------------------------------|-------------------------|
| | Number | Amount |
| | | (RMB100 million) |
| Engineering survey, design and consultancy | 2,030 | 11.73 |
| Engineering | | |
| construction | | |
| Industrial projects | 323 | 87.48 |
| Civil buildings | 144 | 67.44 |
| Highways and municipal works | 28 | 12.03 |
| Equipment manufacturing | 271 | 3.89 |
| Total | 2,796 | 182.58 |

As of 30 June 2020, the amount of uncompleted contracts of the Company was RMB66.673 billion. Details are as follows:

| Type of Contracts | As of 30 June 2020 | |
|--|---------------------------|-------------------------|
| | Number | Amount |
| | | (RMB100 million) |
| Engineering survey, design and consultancy | 3,800 | 24.47 |
| Engineering | | |
| construction | | |
| Industrial projects | 687 | 183.06 |
| Civil buildings | 462 | 238.35 |
| Highways and municipal works | 142 | 206.12 |
| Equipment manufacturing | 512 | 14.73 |
| Total | 5,603 | 666.73 |

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

(IV) Operation results and discussion

In the first half of 2020, the Group achieved operating income of RMB9.947 billion, representing a year-on-year decrease of RMB3.57 billion or 26.41%. Net profit attributable to shareholders of the listed company was RMB-143 million, representing a year-on-year decrease of RMB153 million. The Group's results suffered a loss in the first half of the year. The main analysis is as follows:

Operating revenue

In the first half of 2020, the Group achieved operating revenue of RMB9.947 billion, representing a decrease of RMB3.57 billion or 26.41% as compared with the same period of last year. Such decrease was mainly due to the impact of the COVID-19 epidemic. The Company's engineering projects were basically suspended from January to February, and constructions successively resumed at the end of March. The Company actively promoted the resumption of work and production and speeded up the construction progress. However, the overall operating revenue for the first half of the year still presented a significant year-on-year decline.

Operating cost

The Group's operating cost for the first half of 2020 was RMB9.017 billion, representing a decrease of RMB3.278 billion or 26.66% as compared with the same period of last year, mainly due to the decrease in operating cost along with the decrease in revenue.

Tax and surcharge

The Group's tax and surcharge for the first half of 2020 was RMB46 million, representing a decrease of RMB5 million as compared with the same period of last year. Such decrease was mainly due to the decrease in tax and surcharge along with the decrease in revenue in the current period.

Sales expense

The Group's sales expense for the first half of 2020 was RMB44 million, representing a decrease of RMB7 million as compared with the same period of last year. Such decrease was mainly due to the decrease in travel expense of sales personnel attributable to the impact of the epidemic.

Administrative expense

The Group's administrative expense for the first half of 2020 was RMB465 million, representing a decrease of RMB61 million as compared with the same period of last year. Such decrease was mainly due to the fact that the Company actively strived for preferential policies for the epidemic in the first half of the year, strived for social security exemptions, job stabilization and epidemic prevention subsidies and other preferential exemptions, as a result, the administrative expense decreased during the reporting period.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

R&D expense

The Group's R&D expense for the first half of 2020 was RMB163 million, representing a decrease of RMB11 million as compared with the same period of last year. The Company continued to invest in scientific and technological research during the reporting period, and R&D expense remained at the original scale.

Financial expense

The Group's financial expense for the first half of 2020 was RMB243 million, representing a decrease of RMB19 million as compared with the same period of last year. Such decrease was mainly due to the fact that the Company made full use of the relatively loose financial policy to adjust its structure, lowered loan interest rates, and controlled the scale of financing during the reporting period, as a result, the financing cost in the first half of the year decreased.

Credit impairment loss

The Group's credit impairment loss for the first half of 2020 was RMB89 million, representing an increase of RMB54 million as compared with the same period of last year. Such increase was mainly due to the tight funds of property owners under the unfavorable situation derived from the epidemic, and the original collection plan for the first half of the year was delayed, as a result, the credit impairment loss accrued during the reporting period increased year-on-year.

Net non-operating income and expenditure

The Group's net non-operating income and expenditure for the first half of 2020 was RMB36 million, representing an increase of RMB49 million as compared with the same period of last year. Such increase was mainly due to the non-operating income transferred from certain outstanding payables upon approval during the reporting period.

Income tax expense

The Group's income tax expense for the first half of 2020 was RMB25 million, representing an increase of RMB6 million as compared with the same period of last year. Such increase was mainly due to the slight increase in income tax expense as a result of the increase in the profits of certain subsidiaries.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

(V) Principal business by sectors and regions

Unit: Yuan Currency: RMB

| By sector | Principal business by sector | | | YoY | YoY | YoY |
|--|------------------------------|------------------|------------------|---------------------------------|------------------------------|--------------------------------|
| | Operating revenue | Operating cost | Gross margin (%) | change of operating revenue (%) | change of operating cost (%) | change of gross margin (%) |
| Engineering design and consultancy | 1,110,576,747.62 | 871,418,134.87 | 21.53 | -10.07 | -6.31 | Down by 3.15 percentage points |
| Engineering and construction contracting | 7,337,792,645.93 | 6,706,852,063.54 | 8.60 | -14.43 | -14.10 | Down by 0.35 percentage points |
| Equipment manufacturing | 567,798,357.16 | 520,629,387.20 | 8.31 | -18.64 | -15.47 | Down by 3.43 percentage points |
| Trading | 1,442,293,018.78 | 1,420,607,003.05 | 1.50 | -53.49 | -53.10 | Down by 0.83 percentage points |
| Inter-segment elimination | -511,850,306.99 | -502,499,926.06 | | - | - | |
| Total | 9,946,610,462.50 | 9,017,006,662.60 | 9.35 | -26.41 | -26.66 | Up by 0.31 percentage point |

① Engineering design and consultancy segment (before elimination of inter-segment transactions)

Unit: Yuan Currency: RMB

| Item | The reporting period | The corresponding period of last year | Growth rate (%) |
|--------------------------------|-------------------------|---------------------------------------|--------------------------------|
| Operating revenue | 1,110,576,747.62 | 1,234,885,767.19 | -10.07 |
| Operating cost | 871,418,134.87 | 930,097,930.49 | -6.31 |
| Gross profit | 239,158,612.75 | 304,787,836.70 | -21.53 |
| Gross margin (%) | 21.53 | 24.68 | Down by 3.15 percentage points |
| Sales expense | 4,095,292.25 | 3,434,872.35 | 19.23 |
| Administrative and R&D expense | 157,141,349.03 | 215,103,483.14 | -26.95 |
| Total profit | 7,075,126.22 | 6,851,866.94 | 3.26 |

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

The Company's engineering design and consulting segment achieved revenue of RMB1,110.5767 million during the reporting period, representing a year-on-year decrease of 10.07%. Such decrease was mainly due to the impact of the COVID-19 epidemic, the operating condition of the nonferrous metal industry was greatly affected, and the number of design consulting business orders decreased, as a result, the revenue declined. Gross margin of this segment was 21.53%, representing a year-on-year decrease of 3.15%, mainly due to the decrease in revenue, and expenses such as labor costs were relatively fixed, resulting in the decrease in gross profit margin.

During the reporting period, the engineering design and consultancy segment realized total profit of RMB7.0751 million, representing a year-on-year increase of 3.26%, mainly due to the decrease in revenue of this segment, while the Company strived for social security exemptions, job stabilization/epidemic prevention subsidies, as a result, expense for the period decreased, and total revenue remained the same as compared to that of the corresponding period of last year.

- ② Engineering and construction contracting segment (before elimination of inter-segment transactions)

Unit: Yuan Currency: RMB

| Item | The reporting period | The corresponding period of last year | Growth rate (%) |
|--------------------------------|-------------------------|---------------------------------------|-------------------------------|
| Operating revenue | 7,337,792,645.93 | 8,574,832,181.13 | -14.43 |
| Operating cost | 6,706,852,063.54 | 7,807,593,489.84 | -14.10 |
| Gross profit | 630,940,582.39 | 767,238,691.29 | -17.76 |
| Gross margin (%) | 8.60 | 8.95 | Down by 0.35 percentage point |
| Sales expense | 29,603,896.17 | 32,399,250.14 | -8.63 |
| Administrative and R&D expense | 403,647,019.92 | 388,481,976.59 | 3.90 |
| Total profit | -18,023,639.49 | 82,689,790.73 | N/A |

The Company's engineering and construction contracting business revenue in the first half of the year was RMB7,337.7926 million, representing a year-on-year decrease of 14.43%. Such decrease was mainly due to the impact of the epidemic, engineering construction projects were basically suspended from late January to February. Moreover, overseas projects were subject to the policies of countries where the projects were located, therefore we were unable to travel to the construction sites. Since the end of March, the Company has successively resumed work and production, but the revenue of this segment still decreased significantly in the first half of the year. The gross profit margin of engineering and construction segment in the first half of the year was 8.6%, representing a slight decrease as compared to that of the corresponding period of last year, mainly due to the sluggish progress of key projects with higher gross profit margin as a result of the impact of the epidemic.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

During the reporting period, the engineering and construction contracting segment recorded total profit of RMB-18.0236 million, representing a loss. Such decrease was mainly due to the greater decline in revenue of this segment and the decrease in gross profit; meanwhile, the credit impairment loss accrued in this business segment during the period increased year-on-year.

③ Equipment manufacturing business (before elimination of inter-segment transactions)

Unit: Yuan Currency: RMB

| Item | The reporting period | The corresponding period of last year | Growth rate (%) |
|--------------------------------|-----------------------|---------------------------------------|--------------------------------|
| Operating revenue | 567,798,357.16 | 697,894,715.98 | -18.64 |
| Operating cost | 520,629,387.20 | 615,933,338.67 | -15.47 |
| Gross profit | 47,168,969.96 | 81,961,377.31 | -42.45 |
| Gross margin (%) | 8.31 | 11.74 | Down by 3.43 percentage points |
| Sales expense | 6,383,807.94 | 10,294,955.65 | -37.99 |
| Administrative and R&D expense | 64,689,954.27 | 87,312,191.30 | -25.91 |
| Total profit | -37,812,282.34 | -36,768,736.31 | -2.84 |

The Company's equipment manufacturing business revenue in the first half of the year was RMB567.7984 million, representing a year-on-year decrease of 18.64%. Such increase was mainly due to the significant decrease in the number of orders for this segment in the first half of the year as affected by the downturn of the nonferrous metal industry and a significant decrease in revenue scale. The gross profit margin of this segment in the first half of the year was 8.31%, representing a year-on-year decrease of 3.44 percentage points, mainly due to the decrease in revenue of this segment, while costs such as labor costs and equipment depreciation were relatively fixed, resulting in the significant decrease in gross profit margin.

During the reporting period, the equipment manufacturing business recorded total profit of RMB-37.8123 million, representing a year-on-year decrease of 2.84% as compared with last year. Such decrease was mainly due to the loss incurred by this segment during the reporting period as a result of the significant decrease in revenue.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

④ Trading business (before elimination of inter-segment transactions)

Unit: Yuan Currency: RMB

| Item | The reporting period | The corresponding period of last year | Growth rate (%) |
|--------------------------------|-------------------------|---------------------------------------|--------------------------------|
| Operating revenue | 1,442,293,018.78 | 3,100,922,534.92 | -53.49 |
| Operating cost | 1,420,607,003.05 | 3,028,721,113.88 | -53.10 |
| Gross profit | 21,686,015.73 | 72,201,421.04 | -69.96 |
| Gross margin (%) | 1.50 | 2.33 | Down by 0.83 percentage points |
| Sales expense | 4,041,774.53 | 5,004,578.06 | -19.24 |
| Administrative and R&D expense | 9,394,503.06 | 12,408,617.33 | -24.29 |
| Total profit | -9,687,303.22 | 52,956,717.54 | N/A |

In the first half of the year, the Company's trading business segment recognized revenue of RMB1.442293 billion, representing a year-on-year decrease of 53.49%, mainly due to the gradual shift in the direction of the Company's trading business to centralized procurement of internal engineering equipment and the reduction of the original business scale. The gross profit margin of this segment was 1.5% during the reporting period, representing a decrease of 0.83 percentage points as compared with that of last year, mainly due to the reduction in revenue and the decrease in gross profit.

During the reporting period, the Company's total profit generated from trading business was RMB-9.6873 million, representing a loss, mainly due to the substantial decrease in gross profit as a result of the decline in revenue in the first half of the year.

- ⑤ In the first half of 2020, the Company's overall gross profit margin was 9.35%, representing an increase of 0.31 percentage points as compared to that of the corresponding period of last year, mainly due to the Company's gradual reduction in the scale of trading business with lower gross profit margin, and the increase in the proportion of revenue from engineering design and consultancy business and construction business with relatively higher gross profit margin.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

II. OPERATING OVERVIEW FOR THE REPORTING PERIOD**(I) Principal Business Analysis****1 Analysis of changes in relevant items on financial statements**

Unit: Yuan Currency: RMB

| Item | Amount for the current period | Amount for the corresponding period of last year | Change in percentage (%) |
|---|-------------------------------------|---|--------------------------------|
| Operating revenue | 9,946,610,462.50 | 13,516,498,871.86 | -26.41 |
| Operating cost | 9,017,006,662.60 | 12,294,555,366.55 | -26.66 |
| Sales expense | 43,997,237.87 | 51,133,656.20 | -13.96 |
| Administrative expense | 465,117,121.96 | 525,882,396.43 | -11.55 |
| Financial expense | 242,706,295.60 | 262,157,109.80 | -7.42 |
| R&D expense | 162,612,950.76 | 173,181,873.60 | -6.10 |
| Net cash flow from operating activities | -1,566,940,887.41 | -1,086,851,099.52 | -44.17 |
| Net cash flow from investing activities | -1,637,430,905.77 | -144,698,045.66 | -1,031.62 |
| Net cash flow from financing activities | -358,889,588.26 | 998,376,733.75 | N/A |
| Credit impairment loss | -89,070,388.11 | -35,528,168.58 | 150.70 |

Explanation of reasons for changes in operating revenue: The Company's engineering projects were basically suspended from January to February mainly due to the impact of the COVID-19 epidemic, and constructions resumed successively at the end of March. The Company actively promoted the resumption of work and production and speeded up the construction progress, but the overall operating revenue in the first half of the year still presented a significant year-on-year decline.

Explanation of reasons for changes in operating cost: Due to the decline in revenue.

Explanation of reasons for changes in sales expense: As affected by the epidemic, travel expenses of sales personnel decreased.

Explanation of reasons for changes in administrative expense: The main reason was that the Company actively strived for preferential policies in respect of the epidemic in the first half of the year, and strived for social security exemptions, job stabilization/epidemic prevention subsidies and other preferential exemptions, as a result, administrative expense decreased during the reporting period.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

Explanation of reasons for changes in financial expense: The Company made full use of the relatively loose financial policy to adjust its structure, lowered loan interest rates, and controlled the scale of financing during the reporting period, as a result, the financing cost decreased.

Explanation of reasons for changes in R&D expense: The Company continued to invest in scientific and technological research during the reporting period, and R&D expense remained at the original scale.

Explanation of reasons for changes in net cash flow from operating activities: In the first half of the year, on one hand, due to the shortage of funds of property owners, the original collection plan was delayed; on the other hand, due to the government's requirement to speed up the payment for construction of private enterprises, etc., the net cash outflow from operating activities during the reporting period increased year-on-year.

Explanation of reasons for changes in net cash flow from investing activities: All funds during the project construction period were included in the cash outflow from investing activities mainly due to the commencement of construction of the Company's Yunnan Miyu Highway PPP project in the second half of 2019, resulting in bigger year-on-year changes in cash flow from investing activities.

Explanation of reasons for changes in net cash flow from financing activities: Mainly due to the redemption of the USD350 million senior USD perpetual bonds issued at the end of 2016 during the reporting period, and at the same time the government's investment in the PPP project of RMB2.3 billion was received.

Explanation of reasons for changes in credit impairment loss: Mainly due to the increase in expected credit loss accrued in the current period attributable to the shortage of funds of property owners under the adverse situation of the epidemic, and the original collection plan for the first half of the year was delayed.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

2 Other

(1) *Detailed notes to the major changes in the Company's profits structure or profits sources*

Applicable Not applicable

(2) *Liquidity capital and capital resources*

As of 30 June 2020, the bank deposit and cash held by the Group amounted to RMB6.063 billion, representing a decrease of RMB3.963 billion as compared with that as at 31 December 2019, primarily due to the acceleration of payment of construction payment in respect of private enterprises and the redemption of the RMB350 million senior USD perpetual bonds issued in 2016 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. The financing channels varied, and the Group had good records of due repayment performance. Cash held are mainly denominated in RMB and USD and borrowings are mainly carried with fixed interest rates. The Group has formulated strict capital management measures to monitor closely on the liquidity position as well as the position of the financial market in order to stipulate appropriate financial strategy.

As of 30 June 2020, the current assets of the Group, exclusive of bank deposit and cash, amounted to RMB35.508 billion, among which notes receivable, receivables, contract assets, prepayments and other receivables and inventories were RMB14.697 billion, RMB12.599 billion, RMB3.236 billion and RMB3.702 billion, respectively.

As of 30 June 2020, the current liabilities of the Group amounted to RMB32.095 billion, among which bills payable and payables were RMB15.021 billion. As of 30 June 2020, the net current assets of the Group, being the balance between current assets and current liabilities, amounted to RMB9.476 billion, representing a decrease of RMB123 million as compared with that as of 31 December 2019.

As of 30 June 2020, the outstanding borrowings of the Group amounted to RMB14.672 billion, among which short-term borrowings and long-term borrowings due within one year were RMB9.238 billion, ultra short-term financing bills of RMB1 billion, and long-term borrowings was RMB4.436 billion. Total borrowings decreased by RMB1.592 billion as compared with that as of 31 December 2019.

At the end of June 2020, the Group's asset-liability ratio was 68.91%, representing a decrease of 3.6 percentage points as compared with 72.51% at the end of 2019. The Group's asset-liability ratio was calculated based on the ratio of total liabilities to total assets.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

1) Cash flows

Net cash flows of operating activities. For the six months ended 30 June 2020, net cash outflow generated from operating activities amounted to RMB1.567 billion, representing an increase in outflow of RMB480 million as compared to that of the same period of the previous year, primarily due to the shortage of funds of property owners under the adverse situation of the epidemic in the first half of the year, and the original collection plan was delayed on one hand; on the other hand, due to the government's requirement to speed up the payment for construction of private enterprises, etc. The net cash outflow from operating activities during the reporting period increased year-on-year.

Net cash flows of investing activities. For the six months ended 30 June 2020, net cash outflow generated from investing activities amounted to RMB1.637 billion, representing an increase of outflow of RMB1.493 billion as compared with the net outflow for the same period of the previous year, primarily due to the act that all funds during the project construction period were included in the cash outflow from investing activities attributable to the commencement of construction of the Company's Yunnan Miyu Highway PPP project, resulting in bigger year-on-year changes in cash flow from investing activities.

Net cash flows of financing activities. For the six months ended 30 June 2020, net cash generated from our financing activities was net outflow amounted to RMB359 million as compared with the net inflow of RMB998 million for the same period of the previous year, primarily due to the redemption of the USD350 million senior USD perpetual bonds issued at the end of 2016 during the reporting period, and at the same time the principal in relation to Yunnan Miyu Highway PPP project in the amount of RMB2.3 billion was received.

2) Pledge of assets

As of 30 June 2020, the Group pledged property, plant and equipment, investment property, account receivables and restricted bank deposits of RMB174.6674 million, RMB25.2416 million, RMB474.3769 million and RMB213.6095 million, respectively, to obtain short-term borrowings, long-term borrowings and bills payable of RMB332.7018 million, RMB32.9594 million and RMB625.8344 million, respectively.

3) Contingent liabilities

As of 30 June 2020, the Group did not have any material contingent liabilities.

(3) Other

Applicable Not applicable

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

(II) Explanation of Material Changes in Profit Caused by Non-principal Business

Applicable Not applicable

(III) Analysis of Assets and Liabilities

Applicable Not applicable

1. Assets and liabilities

Unit: RMB '0000

| Item | Amount at the end of the period | Percentage in total assets at the end of the period (%) | Amount at the end of the corresponding period of last year | Percentage in total assets at the end of the corresponding period of last year (%) | YoY change (%) | Explanation |
|--|---------------------------------|---|--|--|----------------|--|
| Monetary fund | 606,287.18 | 11.20 | 1,002,592.54 | 17.90 | -39.53 | In this period, private enterprise payments were made and the USD350 million USD senior perpetual bonds were redeemed. |
| Derivative financial assets | 1,294.24 | 0.02 | - | - | N/A | Invested in the hedging business of aluminum ingot futures. |
| Bills receivable | 26,771.85 | 0.49 | 56,995.90 | 1.02 | -53.03 | The transfer of the endorsement of the bills receivable was used for construction payment. |
| Prepayment | 51,494.42 | 0.95 | 37,606.55 | 0.67 | 36.93 | Partial advance payment for equipment purchase. |
| Dividends receivable | 343.20 | 0.01 | 181.59 | 0.00 | 88.99 | The recognition of dividend declared by Zhuzhou Tianqiao Crane Co., Ltd. |
| Non-current assets due within one year | 62,403.33 | 1.15 | 40,540.34 | 0.72 | 53.93 | Reclassification of certain long-term receivables due within one year. |

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

| Item | Amount at the end of the period | Percentage in total assets at the end of the period (%) | Amount at the end of the corresponding period of last year | Percentage in total assets at the end of the corresponding period of last year (%) | YoY change (%) | Explanation |
|--------------------------|---------------------------------|---|--|--|----------------|--|
| Right-of-use assets | 1,725.20 | 0.03 | 2,698.64 | 0.05 | -36.07 | The decrease in the Company's rented houses, equipment and other assets during the reporting period. |
| Other non-current assets | 499,537.53 | 9.23 | 344,537.95 | 6.15 | 44.99 | Yunnan Miyu Highway PPP project construction investment continued to increase during the period. |
| Bills payable | 62,583.44 | 1.16 | 95,726.62 | 1.71 | -34.62 | The bills issued by the Company to the subcontractors in the previous period were due for acceptance and payment. |
| Taxes payable | 15,320.34 | 0.28 | 26,705.87 | 0.48 | -42.63 | The income tax expense recognized in 2019 was paid in this period. |
| Other payables | 252,502.52 | 4.67 | 497,914.09 | 8.89 | -49.29 | The redemption of USD350 million perpetual bonds issued at the end of 2016. |
| Dividends payable | 14,777.77 | 0.27 | 3,000.00 | 0.05 | 392.59 | Mainly due to the recognition of dividends on the issued equity instruments |
| Lease liability | 425.93 | 0.01 | 1,390.94 | 0.02 | -69.38 | The Company's assets such as the operating leased houses and equipment decreased, resulting in a decrease in lease payments. |
| Deferred income | 7,140.52 | 0.13 | 5,303.64 | 0.09 | 34.63 | Mainly due to the receipt of government subsidies that have yet to reach the beneficial period. |

Other explanations

No

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

2. Details of significant restricted assets as at end of the reporting period

Applicable Not applicable

Unit: Yuan Currency: RMB

| Item | Book value as at 30 June 2020 | Reasons for restriction |
|-----------------------|----------------------------------|----------------------------|
| Cash | 539,375,298.59 | Deposits and pledged |
| Bills receivable | 56,304,844.39 | Pledged |
| Accounts receivable | 474,376,890.70 | Pledged |
| Fixed assets | 174,667,435.41 | Secured |
| Investment properties | 25,241,637.85 | Secured |
| Total | 1,269,966,106.94 | – |

3. Other explanations

Applicable Not applicable

(IV) Investment Analysis**1. Overall analysis of equity investments**

Applicable Not applicable

As at 30 June 2020, the balance (original value) of long-term equity investment of the Company was RMB845.30 million, representing an increase of RMB74.993 million or 9.74% from the beginning of the year, of which the provision for impairment of long-term equity investment was RMB8.6653 million, representing a decrease of RMB2.4679 million as compared with RMB11.1332 million at the beginning of the year.

(1) Major equity investments

Applicable Not applicable

(2) Significant non-equity investments

Applicable Not applicable

(3) Financial assets measured at fair value

Applicable Not applicable

During the period, the Company's Baiyinhua project used futures contracts to hedge the changes in the market prices of the main products procured, namely aluminum bus bars and steel. The corresponding hedging plan was formulated in accordance with the actual quantity procured by the project department. The hedged items were futures contracts of aluminum ingots and rebar. During the reporting period, the derivative financial assets were valued at RMB12.9424 million.

(V) Disposal of Significant Assets and Equity

Applicable Not applicable

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

(VI) Analysis of principal controlling and investee companies

Applicable Not applicable

| Subsidiary | Business scope | Total assets at the end of the period (RMB '0000) | Net assets at the end of the period (RMB '0000) | Operating income for the period (RMB '0000) | Net profit for the period (RMB '0000) |
|--|--|---|---|---|---------------------------------------|
| Shenyang Aluminum & Magnesium Engineering & Research Institute Co., Ltd. | Engineering survey and design | 135,471.43 | 62,161.60 | 21,721.20 | 954.33 |
| Guiyang Aluminum & Magnesium Design Institute Co., Ltd. | Design and consultancy | 224,926.25 | 71,366.73 | 24,353.01 | -1,260.65 |
| Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy | Survey and design | 264,090.37 | 101,328.70 | 50,841.95 | -32.07 |
| China Nonferrous Metals Processing Technology Co., Ltd. | Engineering design and equipment manufacturing | 2,007,78.56 | 9,379.15 | 33,019.63 | -1,143.87 |
| China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd. | Survey and design | 1,105,76.67 | 39,803.04 | 49,399.90 | 655.67 |
| Kunming Survey and Design Institute Co., Ltd. of China Nonferrous Metals Industry | Engineering survey and design | 113,981.39 | 37,457.79 | 48,320.53 | 988.22 |
| Chalco Shandong Engineering Technology Co., Ltd. | Construction and installation | 143,822.11 | 39,086.34 | 36,384.07 | -413.90 |
| Sixth Metallurgical Construction Company of China Nonferrous Metals Industry | Construction work | 1,259,225.42 | 296,699.96 | 296,993.45 | 6,781.17 |
| Ninth Metallurgical Construction Co., Ltd. | Building and construction | 910,585.34 | 87,186.21 | 191,929.29 | 5,222.30 |
| China Nonferrous Metals Industry's 12th Metallurgical Construction Co., Ltd. | Construction work | 507,042.74 | 96,330.04 | 65,557.99 | 90.68 |
| Chalieco (Tianjin) Construction Co., Ltd. | Construction work | 200,885.78 | 21,827.89 | 39,232.97 | -1,564.77 |
| China Aluminum International Engineering Equipment Co., Ltd. | Construction work | 274,300.37 | 20,158.55 | 132,936.24 | -1,435.18 |

Note: The above net assets is the net assets attributable to owners of the parent; net profit is the net profit attributable to owners of the parent.

(VII) Particulars of structured entities controlled by the Company

Applicable Not applicable

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

III. OTHER DISCLOSURES**(I) Warnings on any potential loss in accumulated net profit for the period from the beginning of the year to the end of next reporting period or any material changes from the corresponding period last year and the explanations therefor**

Applicable Not applicable

(II) Potential Risks

Applicable Not applicable

The Company is primarily exposed to the COVID-19 epidemic risks, policy risks, market risks (including price risks, exchange rate risks), operational risks, financial risks and overseas operational risks in the ordinary course of business.

1. The COVID-19 epidemic risks

In January 2020, the COVID-19 epidemic broke out nationwide, and spread globally in February. The epidemic may lead to the delay in construction projects undertaken by the Company, difficulty in obtaining construction commencement approval, failure to complete on time, increased construction costs, and difficulty in procurement of epidemic prevention materials, which will directly affect the achievement of the Company's annual business objectives.

2. 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.

3. 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.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

4. 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.

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.

SECTION 5 OPERATING RESULTS DISCUSSION AND ANALYSIS

(III) Other disclosures

Applicable Not applicable

1. Contract of significance

Save for disclosed in the section headed “MATERIAL RELATED-PARTY TRANSACTIONS” 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.

2. 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.

SECTION 6 KEY MATTERS

I. SHAREHOLDERS' MEETING

| Session of meeting | Convening date | Websites designated for disclosure of resolutions | Resolutions disclosing date (A Share/H Share) |
|--|-----------------------|--|--|
| The 2019 annual general meeting, the first A share class meeting of 2020 and the first H share class meeting of 2020 of China Aluminum International Engineering Corporation Limited | 23 June 2020 | www.sse.com.cn www.hkexnews.hk | 24 June 2020 23 June 2020 |

Particulars of the general meeting

Applicable Not applicable

On 23 June 2020, the Company convened the 2019 annual general meeting, the first A share class meeting of 2020 and the first H share class meeting of 2020. The 2019 annual general meeting reviewed and approved 16 resolutions, including board of directors' work report for 2019, Board of Supervisors' work report for 2019, the financial report for 2019, the profits distribution plan for 2019, etc. Both the first A share class meeting of 2020 and the first H share class meeting of 2020 reviewed and approved two resolutions in relation to the amendments to the Articles of Association and the amendments to the Rules of Procedures for the Shareholders' General Meeting.

SECTION 6 KEY MATTERS

II. PROPOSAL FOR PROFIT DISTRIBUTION OR FOR CONVERTING CAPITAL RESERVE INTO SHARE CAPITAL**(I) The proposed profit distribution plan or converting capital reserve into share capital plan for the half year**

| | |
|--|----|
| Whether to distribute profit or transfer reserves | No |
| Number of bonus shares for every 10 shares (share) | 0 |
| Amount of dividend for every 10 shares (RMB) (tax inclusive) | 0 |
| Number of shares converted for every 10 shares (share) | 0 |

(II) Details of the implementation or adjustment of the profit distribution plan during the reporting period

The profits distribution plan for 2019 was reviewed and approved at the 2019 annual general meeting of the Company on 23 June 2020, at which a cash dividend of RMB0.036 (tax inclusive) per 10 shares based on the total share capital of 2,959,066,667 shares was declared, totaling RMB10,652,640.00. As of 24 July 2020, the distribution of the above cash dividend had been completed.

SECTION 6 KEY MATTERS

III. PERFORMANCE OF COMMITMENTS

(I) Commitments of the Company and its effective controller, shareholders, related parties, acquirers that were made in or continued into the reporting period

Applicable Not applicable

| Background of commitment | Type of commitment | Party of commitment | Content of commitment | Date and term of commitment | Whether there is time limit for performance | Whether commitment is performed strictly in a timely manner | Specific reasons for any delay in performance | Subsequent plan in case of any delay in performance |
|--------------------------|-----------------------------------|--|---|--|---|---|---|---|
| | Restriction on sales of shares | Chinalco | Commitment on share lockup and intention of reducing shareholding | Three years from the date of A share listing, and two years from expiration of the lockup period | Yes | Yes | N/A | N/A |
| | Restriction on sales of shares | Luoyang Institute | Commitment on share lockup and intention of reducing shareholding | Three years from the date of A share listing, and two years from expiration of the lockup period | Yes | Yes | N/A | N/A |
| | Others | Chinalco, the Company, and our nonindependent directors and senior management | Stock price stabilisation plan | Three years from the date of A share listing | Yes | Yes | N/A | N/A |
| | Others | Our directors and senior management | Making up for diluted return for the current period | Long term | Yes | Yes | N/A | N/A |
| IPO related commitments | Resolving competition among peers | Chinalco | Peer competition | Long term | Yes | Yes | N/A | N/A |
| | Resolving related transactions | Chinalco | Related transaction | Long term | Yes | Yes | N/A | N/A |
| | Resolving related transactions | Chalco Finance | Credit facility service provided by related party | Long term | Yes | Yes | N/A | N/A |
| | Others | Our directors, supervisors and senior management | Qualifications | Long term | Yes | Yes | N/A | N/A |
| | Others | Chinalco | Defect in title of land | Long term | Yes | Yes | N/A | N/A |
| | Others | The Company | Real estate related business (Note) | Long term | Yes | Yes | N/A | N/A |
| | Others | Chinalco, the Company, our directors, supervisors and senior management, sponsor, auditor, legal advisor | Undertakings that the prospectus do not carry any false statement, misleading representation or material omission | Long term | Yes | Yes | N/A | N/A |

Note: In order to safeguard the interests of the Company and its shareholders, Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd., a wholly-owned subsidiary of our subsidiary Guiyang Institute, shall undertake the Shenzhou Science and Technology Park (Zhizao Mansion) Project by way of real estate development and complete the disposal of project assets as soon as possible. The general meeting of the Company agreed to exempt its commitment regarding the Company's real estate development business set out in the A share initial public offering prospectus in respect of the project. For details, please refer to the Company's Announcement No. Pro 2020-033 issued and Announcement No. Pro 2020-041 on the designated media for information disclosure on 28 May 2020 and 24 June 2020, respectively.

SECTION 6 KEY MATTERS

IV. APPOINTMENT AND REMOVAL OF AUDITOR**Explanation of appointment and removal of the auditor**

Applicable Not applicable

As approved at the 2019 annual general meeting of the Company, WUYIGE Certified Public Accountants LLP was re-appointed as the Company's auditor for 2020, responsible for the annual audit and interim review of the financial statements of the Company prepared in accordance with the China Accounting Standard for Business Enterprises. The continuous audit period of this firm is the fifth year, and the interim review cost of the financial statements of this year is RMB1.17 million.

Explanation on change in the auditor during the auditing period

Applicable Not applicable

Explanation of the Company on issuance of a “Non-Standard Auditing Report” by the auditor

Applicable Not applicable

Explanation of the Company on issuance of a “Non-Standard Auditing Report” by the registered accountant in the financial statements of the last year's annual report.

Applicable Not applicable

V. BANKRUPTCY AND REORGANIZATION RELATED ISSUES

Applicable Not applicable

SECTION 6 KEY MATTERS

VI. MATERIAL LITIGATION AND ARBITRATION

- The Company was involved in any material litigation or arbitration during the year.
The Company was not involved in any material litigation or arbitration during the year.

(I) Litigation and arbitration disclosed in provisional announcements and without subsequent development

- Applicable Not applicable

| Summary and type of the issue | Reference |
|--|---|
| Dispute arising from the technical consultancy contract between our Guiyang Branch and Qinghai Western Hydropower Co., Ltd. | For details, please refer to the Company's Announcement No. Pro 2019-071, Announcement No. Pro 2019-096, Announcement No. Pro 2020-001 and Announcement No. Pro 2020-013 issued on 16 October 2019, 18 December 2019, 4 January 2020 and 10 March 2020 respectively on designated media for information disclosure. |
| Disputes arising from engineering construction contract between Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, a wholly-owned subsidiary of the Company, and Kaiyang County Ronghe City Development Investment Co., Ltd. | For details, please refer to the Company's Announcement No. Pro 2020-002 issued by the Company on the designated media for information disclosure on 4 January 2020. |
| Disputes arising from engineering construction contract between Chang Cheng Construction Co., Ltd., a wholly-owned subsidiary of our subsidiary Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, and Changge Hongji Weiye Real Estate Development Co., Ltd. | For details, please refer to Announcement No. Pro 2019-032 and Announcement No. Pro 2020-005 issued by the Company on the designated media for information disclosure on 8 May 2019 and 10 January 2020. |
| Dispute arising from the engineering general contracting and advance repayment agreement between Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd., a wholly-owned subsidiary of our subsidiary Guiyang Aluminum and Magnesium Design Institute Co., Ltd. and Guizhou Huada Real Estate Development Co., Ltd. | For details, please refer to the Company's Announcement No. Pro 2019-061 and Announcement No. Pro 2020-009 issued on 11 September 2019 and 23 January 2020 respectively on the designated media for information disclosure. |

SECTION 6 KEY MATTERS

| Summary and type of the issue | Reference |
|---|--|
| Dispute arising from engineering construction contract between Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, a wholly-owned subsidiary of the Company, and Huimin Advanced Materials Co., Ltd. | For details, please refer to the Company's Announcement No. Pro 2019-091 and Announcement No. Pro 2020-010 issued on the designated media for information disclosure on 29 November 2019 and 23 January 2020. |
| Dispute arising from engineering construction contract between Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, a wholly-owned subsidiary of the Company, and Zouping County Huicai Advanced Materials Technology Co., Ltd. | For details, please refer to the Company's Announcement No. Pro 2019-092 and Announcement No. Pro 2020-010 issued on 29 November 2019 and 23 January 2020 on the designated media for information disclosure. |
| Dispute arising from engineering construction contract between Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, a wholly-owned subsidiary of the Company, and Guizhou Guian Real Estate Investment Co., Ltd. | For details, please refer to the Company's Announcement No. Pro 2019-050, Announcement No. Pro 2019-094, Announcement No. Pro 2020-011 and Announcement No. Pro 2020-052 issued on 16 July 2019, 12 December 2019, 22 February 2020 and 19 August 2020 on the designated media for information disclosure. |
| Dispute arising from engineering construction contract between Ninth Metallurgical Construction Co., Ltd., a controlling subsidiary of the Company, and Gree Electric (Zhengzhou) Co., Ltd. | For details, please refer to the Announcement No. Pro 2019-024 and Announcement No. Pro 2020-014 issued by the Company on 17 April 2019 and 11 March 2020 on the designated media for information disclosure. |
| Dispute arising from guarantee contract between Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd., a wholly-owned subsidiary of our subsidiary Guiyang Aluminum and Magnesium Design Institute Co., Ltd. and Xixiu District Urban Investment Development Co., Ltd. of Anshun City, Guizhou Huada Real Estate Development Co., Ltd. | For details, please refer to the Announcement No. Pro 2020-035 issued by the Company on 3 June 2020 on the designated media for information disclosure. |
| Arbitration in respect of dispute arising from contract between the Company and Qingdao Xinfu Gongchuang Asset Management Company Limited, Shandong Real Estate Development Company Qingdao Company, Qingdao Liangyou Catering Co., Ltd., Liang Yongjian, Wang Xiaoning | For details, please refer to the Announcement No. Pro 2020-036 issued by the Company on 6 June 2020 on the designated media for information disclosure. |

SECTION 6 KEY MATTERS

| Summary and type of the issue | Reference |
|--|--|
| Dispute arising from engineering construction contract between China Nonferrous Metals Industry's Twelfth Metallurgical Construction Co., Ltd., a wholly-owned subsidiary of the Company, and China National Aviation Fuel Northern Storage and Transportation Co., Ltd. | For details, please refer to the Announcement No. Pro 2020-037 issued by the Company on 6 June 2020 on the designated media for information disclosure. |
| Dispute arising from sales and purchase contract between Shanghai China Aluminum International Supply Chain Management Co., Ltd., a wholly-owned subsidiary of the Company, and Shanghai Golden Elephant Aluminium Co., Ltd. | For details, please refer to the Announcement No. Pro 2020-047 issued by the Company on 31 July 2020 on the designated media for information disclosure. |
| Dispute arising from engineering construction contract between Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, a wholly-owned subsidiary of the Company, and Henan Zhongfu Industrial Co., Ltd. | For details, please refer to the Announcement No. Pro 2020-049 issued by the Company on 7 August 2020 on the designated media for information disclosure. |
| Dispute arising from engineering construction contract between Henan Xinchangcheng Construction Engineering Co., Ltd and Xinyang Jieming Earthwork and Stonework Construction Co., Ltd., and Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, a wholly-owned subsidiary of the Company, was deemed as the third party | For details, please refer to the Announcement No. Pro 2020-050 issued by the Company on 7 August 2020 on the designated media for information disclosure. |
| Dispute arising from engineering construction contract between Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, a wholly-owned subsidiary of the Company, and Henan Taixing Real Estate Co., Ltd. | For details, please refer to the Announcement No. Pro 2020-038, Announcement No. Pro 2020-040 and Announcement No. Pro 2020-051 issued by the Company on 10 June 2020, 18 June 2020 and 14 August 2020 on the designated media for information disclosure. |
| Dispute arising from engineering construction contract between Guiyang Aluminum and Magnesium Design Institute Co., Ltd., the Company's wholly-owned subsidiary, Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd., its wholly-owned subsidiary, and Seventh Metallurgical Civil Engineering Co., Ltd. | For details, please refer to the Announcement No. Pro 2020-053 issued by the Company on 20 August 2020 on the designated media for information disclosure. |

SECTION 6 KEY MATTERS

(II) Particulars of litigations and arbitrations not disclosed in provisional announcements or with subsequent development

Applicable Not applicable

Unit: '0000 Yuan Currency: RMB

During the reporting period:

| Plaintiff (Applicant) | Defendant (Respondent) | Party with several and joint liability | Litigation or Arbitration | Basic information of litigation (arbitration) | Amount concerning litigation (arbitration) | Whether estimated liability arose from the litigation (arbitration) and amount | Current status of the litigation (arbitration) | Judgment/ award and impact | Enforcement of judgment (award) |
|---|--|--|---------------------------|--|--|--|--|----------------------------|---------------------------------|
| China Aluminum International Shandong Chemical Industry Co., Ltd. | Shandong Jiatae Plastic Package Co., Ltd., Huang Chungqing, Huang Feng, Lin Yulei, Huang Zhongqing, Huang Shunqing, Zhao Youjie | None | Litigation | Dispute over sales and purchase contract | 7,461.06 | No | Judgment handed down | Note 1 | Under enforcement |
| Xinyang Jieming Earthwork and Stonework Construction Co., Ltd. | Henan Xinchangcheng Construction Engineering Co., Ltd., Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, Zhengzhou Airport Zone State-owned Asset Operation and Management Co., Ltd | Sixth Metallurgical Construction Company of China Nonferrous Metals Industry | Litigation | Dispute over engineering construction contract | 7,212.79 | No | Judgment handed down | Note 2 | Executed and case closed |
| Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy | Zhangjiajie Xinxin Real Estate Development Co., Ltd. | None | Arbitration | Dispute over engineering construction contract | 8,282.37 | No | Judgment handed down | Note 3 | Executed and case closed |

Note 1: 1. The court ruled that Shandong Jiatae should pay RMB72.0137 million for the goods and RMB4.8032 million for liquidated damages within ten days of the effective date of the judgment. 2. Shandong Chemical had the right to use the proceeds from the auction and sale of the pledged equity of Huang Chungqing, Huang Feng, and Lin Yulei in Shandong Jiatae within the range of RMB150 million, with priority in receiving compensation. 3. Huang Chungqing, Huang Feng, Lin Yulei, Huang Zhongqing, Huang Shunqing, and Zhao Youjie shall assume joint and several liability for the settlement of the debts (The payment for goods of RMB72.0137 million and the liquidated damages of RMB4.8032 million) under the abovementioned first payment within the range of RMB150 million.

Note 2: The results of the second-instance judgment of the Higher People's Court of Henan Province are as follows: 1. To uphold the third item (To dismiss other claims of the plaintiff, Xinyang Jieming) of the civil judgment of the Intermediate People's Court of Zhengzhou City, Henan Province (2017) Yu 01 Min Chu No. 5103. 2. To amend the first item (The defendant, Henan Xinchangcheng Construction Engineering Co., Ltd, paid the construction payment of RMB51.7567 million and the interests to the plaintiff, Xinyang Jieming, within ten days after the judgment became effective (the interests was calculated based on RMB51.7567 million and in accordance to the bank loan interest rate for the same period from 28 January 2016 to the date when the principal and interest of the project were settled)) of the civil judgment of the Intermediate People's Court of Zhengzhou City, Henan Province (2017) Yu 01 Min Chu No. 5103, where Henan Xinchangcheng Construction Engineering Co., Ltd. shall pay the project payment of RMB53.6072 million and the interests therein to Xinyang Jieming. 3. Sixth Metallurgical Company assumed joint and several liability for payment in the range of RMB53.6072 million.

Note 3: The Zhangjiajie Intermediate People's Court of Hunan Province ruled that the entire building of the house No. 18 the "Zhangjiajie Future City" project developed by Zhangjiajie Xinxin Real Estate Co., Ltd. of RMB98.3607 million will be used to compensate all debts owed to the Changsha Institute for the project principal, interest, costs for realizing the creditor's rights, arbitration fees, and interest on the debt during the delayed performance period. After paying off the debts, the ownership of the house shall be transferred to Changsha Institute after the service of this ruling.

(III) Other information

Applicable Not applicable

SECTION 6 KEY MATTERS

VII. PUNISHMENTS UPON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, BENEFICIAL OWNER, ACQUIRER AND RECTIFICATIONS

Applicable Not applicable

VIII. CREDIBILITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND EFFECTIVE CONTROLLER DURING THE REPORTING PERIOD

Applicable Not applicable

During the reporting period, the Company, and its controlling shareholder and effective controller were in good credit conditions and did not have any bad credit conditions, such as failure to perform any effective judgment of the court and failure to pay any significant amounts of debts when due.

IX. SHARE OPTION INCENTIVE PLAN, EMPLOYEE STOCK OPTION PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACT**(I) Incentives disclosed in provisional announcements and with no subsequent development or change**

Applicable Not applicable

(II) Incentives not disclosed in provisional announcements or with subsequent development**Particulars of share option incentives**

Applicable Not applicable

Other information

Applicable Not applicable

Particulars of employee stock option plan

Applicable Not applicable

Other incentive measures

Applicable Not applicable

SECTION 6 KEY MATTERS

X. MATERIAL RELATED-PARTY TRANSACTIONS**(I) Related-party transactions related to daily operations****1. Events disclosed in provisional announcements and without subsequent development or change in implementation**

Applicable Not applicable

2. Events disclosed in provisional announcements but with subsequent development or change in implementation

Applicable Not applicable

The daily continuous connected transactions that occurred from January to June 2020 were all within the annual cap and did not exceed the limit. The specific transaction types and amounts are as follows:

Unit: '0000 Yuan Currency: RMB

| Events of connected transactions | Connected persons | Annual cap for 2020 | Actual transaction amount from January to June 2020 |
|--|--|----------------------------|--|
| Provision of engineering services by the Group | Chinalco | 700,000 | 161,914.5 |
| Provision of general services to the Group | Chinalco | 16,000 | 2,001.17 |
| Provision of general services by the Group | Chinalco | 10,000 | 42.32 |
| Provision of commodities by the Group | Chinalco | 80,000 | 25,296.62 |
| Provision of commodities to the Group | Chinalco | 100,000 | 10,755.23 |
| Provision of deposit services to the Group | Chinalco Finance | 280,000 | 279,500.00 |
| Provision of factoring facility services to the Group | Chinalco Commercial Factoring Company | 100,000 | 14,000 |
| Provision of financial services such as financial leasing to the Group | China Aluminum Finance Lease Co., Ltd. | 100,000 ^{Note 1} | – |

Note 1: According to the financial leasing framework cooperation agreement between China Aluminum Finance Lease Co., Ltd. and the Group effective on 30 December 2019, the credit limit was revolving in nature, and the validity period was any point in time during the validity period of the financial leasing cooperation agreement.

SECTION 6 KEY MATTERS

3. Events not disclosed in provisional announcements

Applicable Not applicable

(II) Related-party transactions from acquisition and disposal of assets, equity interests**1. Events disclosed in provisional announcements and without subsequent development or change in implementation**

Applicable Not applicable

2. Events disclosed in provisional announcements but with subsequent development or change in implementation

Applicable Not applicable

3. Events not disclosed in provisional announcements

Applicable Not applicable

4. In case of any guaranteed performance, whether the performance is achieved for the reporting period shall be disclosed.

Applicable Not applicable

(III) Material connected transactions in joint external investments**1. Events disclosed in provisional announcements and without subsequent development or change in implementation**

Applicable Not applicable

2. Events disclosed in provisional announcements but with subsequent development or change in implementation

Applicable Not applicable

3. Events not disclosed in provisional announcements

Applicable Not applicable

SECTION 6 KEY MATTERS

(IV) Amounts due to or from related parties**1. Events disclosed in provisional announcements and without subsequent development or change in implementation**

Applicable Not applicable

2. Events disclosed in provisional announcements but with subsequent development or change in implementation

Applicable Not applicable

3. Events not disclosed in provisional announcements

Applicable Not applicable

Unit: '0000 Yuan Currency: RMB

| Related party | Relationship | Provision of funds to related party | | | Provision of funds to the listed company by related party | | |
|--|---|-------------------------------------|---------|-----------------|---|-------------|-----------------|
| | | Opening balance | Accrual | Closing balance | Opening balance | Accrual | Closing balance |
| Aluminum Corporation of China | Parent | | | | 200,000.00 | -100,000.00 | 100,000.00 |
| Chalieco Finance Company Limited | Wholly-owned subsidiary of the parent | | | | 80,100.00 | 160,400.00 | 240,500.00 |
| China Aluminum Commercial Factoring (Tianjin) Co., Ltd. | Wholly-owned subsidiary of the parent | | | | 43,850.00 | -16,000.00 | 27,850.00 |
| Total | | - | - | - | 323,950.00 | 44,400.00 | 368,350.00 |
| Cause to claims and liabilities between related parties | Amounts provided by related parties for the listed company included entrusted loans, lending and factoring facility | | | | | | |
| Impact of such claims and liabilities between related parties on the Company's operating result and financial position | No material impact | | | | | | |

SECTION 6 KEY MATTERS

(V) Other significant related-party transactions

Applicable Not applicable

(VI) Other

Applicable Not applicable

XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE**1. Custody, contracting and lease**

Applicable Not applicable

2. Guarantees

Applicable Not applicable

Unit: '0000 Yuan Currency: RMB

| The guarantor | Relation of the guarantor to the listed company | The guaranteed | Guarantees provided for external parties (except those for subsidiaries) | | | | | Type of guarantee | Guarantee performed or not | Overdue or not | Overdue amount | Counter guaranteed or not | Related party guarantee or not |
|--|---|---|--|--|-------------------|-------------|---------------------------|-------------------|----------------------------|----------------|----------------|---------------------------|--------------------------------|
| | | | Guaranteed amount | Date of guarantee (agreement signing date) | Commencement date | Ending date | | | | | | | |
| Hanzhong Ninth Metallurgical Construction Co., Ltd. | Controlling subsidiary | Mian County Urban and Rural Infrastructure Construction Co., Ltd. | 6,815 | 2015/10/20 | 2015/10/20 | 2027/10/19 | General guarantee | No | No | 0 | No | No | |
| Ninth Metallurgical Construction Co., Ltd. | Controlling subsidiary | Mian County Urban Development Investment Co., Ltd. | 3,450 | 2013/1/7 | 2013/1/7 | 2023/1/6 | General guarantee | No | No | 0 | No | No | |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Ningyong Expressway Co., Ltd. | 25,716 | 2019/12/18 | 2019/12/30 | 2047/10/30 | General guarantee | No | No | 0 | No | No | |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Ningyong Expressway Co., Ltd. | 21,430 | 2019/12/18 | 2020/3/31 | 2047/10/30 | General guarantee | No | No | 0 | No | No | |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Ningyong Expressway Co. Ltd. | 21,430 | 2019/12/18 | 2019/10/31 | 2047/10/30 | General guarantee | No | No | 0 | No | No | |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Ningyong Expressway Co. Ltd. | 30,002 | 2019/12/18 | 2019/10/31 | 2047/10/30 | General guarantee | No | No | 0 | No | No | |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Linyun Expressway Co., Ltd. | 8,572 | 2019/12/18 | 2020/6/18 | 2047/10/30 | Joint liability guarantee | No | No | 0 | No | No | |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Linyun Expressway Co., Ltd. | 34,288 | 2019/12/18 | 2019/10/31 | 2047/10/30 | Joint liability guarantee | No | No | 0 | No | No | |

SECTION 6 KEY MATTERS

| The guarantor | Relation of the guarantor to the listed company | The guaranteed | Guarantees provided for external parties (except those for subsidiaries) | | | | | | | | Related party guarantee or not | |
|---|---|---------------------------------------|--|--|-------------------|-------------|-------------------|----------------------------|----------------|----------------|--------------------------------|---|
| | | | Guaranteed amount | Date of guarantee (agreement signing date) | Commencement date | Ending date | Type of guarantee | Guarantee performed or not | Overdue or not | Overdue amount | | Counter guaranteed or not |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Linshuang Expressway Co., Ltd. | 9,429.2 | 2020/5/6 | 2018/1/23 | 2047/10/30 | General guarantee | No | No | 0 | No | No |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Linshuang Expressway Co., Ltd. | 8,572 | 2020/5/6 | 2018/3/23 | 2047/10/30 | General guarantee | No | No | 0 | No | No |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Linshuang Expressway Co., Ltd. | 8,572 | 2020/5/6 | 2019/2/14 | 2047/10/30 | General guarantee | No | No | 0 | No | No |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Linshuang Expressway Co., Ltd. | 2,143 | 2020/5/6 | 2019/5/23 | 2047/10/30 | General guarantee | No | No | 0 | No | No |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Linshuang Expressway Co., Ltd. | 10,715 | 2020/5/6 | 2019/9/5 | 2047/10/30 | General guarantee | No | No | 0 | No | No |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Linshuang Expressway Co., Ltd. | 17,144 | 2020/5/6 | 2019/11/7 | 2047/10/30 | General guarantee | No | No | 0 | No | No |
| China Aluminum International Engineering Corporation Limited | Headquarters | Yunnan Linshuang Expressway Co., Ltd. | 12,858 | 2020/5/6 | 2020/1/7 | 2047/10/30 | General guarantee | No | No | 0 | No | No |
| Cumulative amount of guarantees provided during the reporting period (excluding those for subsidiaries) | | | | | | | | | | | | 42,860 |
| Total balance of guarantees at end of the reporting period (A) (excluding those for subsidiaries) | | | | | | | | | | | | 221,136.2 |
| Guarantees provided by the Company to subsidiaries | | | | | | | | | | | | |
| Cumulative amount of guarantees provided for subsidiaries during the reporting period | | | | | | | | | | | | 186,300.00 |
| Total balance of guarantees provided for subsidiaries at end of the reporting period (B) | | | | | | | | | | | | 686,772.40 |
| Total amount of guarantees provided by the Company (including those provided for subsidiaries) | | | | | | | | | | | | |
| Total amount of guarantees (A+B) | | | | | | | | | | | | 907,908.6 |
| Ratio of total amount of guarantees to net assets of the Company (%) | | | | | | | | | | | | 85.44% |
| Including: | | | | | | | | | | | | |
| Amount of guarantees provided for shareholders, effective controller and their related parties (C) | | | | | | | | | | | | |
| Amount of guarantees provided directly or indirectly to secure debts of the guaranteed with a assets-liabilities ratio over 70% (D) | | | | | | | | | | | | 666,772.40 |
| Total amount of guarantees in excess of 50% of net assets (E) | | | | | | | | | | | | |
| Total of the above three types of guarantees (C+D+E) | | | | | | | | | | | | 666,772.40 |
| Explanation on the potential joint liability arising from the immature guarantees | | | | | | | | | | | | |
| Explanation on the guarantees | | | | | | | | | | | | The amount of external guarantee is the actual amount of the bank loan. |

SECTION 6 KEY MATTERS

3. Other material contracts

Applicable Not applicable

| No. | Contract date | Project name | Contract amount (RMB'00 million) | Contracting party | Term of performance |
|-----|-----------------|--|---|---|--|
| 1 | 11 January 2020 | EPC engineering general contracting contract for the metallurgical grade alumina project with an annual output of 1 million tons (expandable) in Indonesia | 49.25 (of which the contract amount that the Company is responsible for implementing is approximately RMB3.694 billion) | PT Borneo Alumina Indonesia, a consortium formed by Chalico (leading party) and PT. PP. (Persero) Tbk | 31 months from the commencement date (inclusive) |

Note: For details, please refer to the Announcement No. Pro 2020-006 issued by the Company on 14 January 2020 on the designated media for information disclosure.

XII. POVERTY ALLEVIATION EFFORTS OF THE LISTED COMPANY

Applicable Not applicable

1. Targeted poverty alleviation plan

Applicable Not applicable

2020 is the year to achieve the goal of building a well-off society in an all-round way, and it is the year to end the war to overcome poverty. The task of consolidating the results of poverty alleviation and preventing the return to poverty is relatively heavy. The Company and its members actively responded to General Secretary, Xi Jinping's general requirements on "Policies, responsibilities, assistance and governance should continue after poverty alleviation". According to the actual situation of the Company's poverty alleviation work, the Company has improved the long-term assistance mechanism after poverty alleviation, and steadily improved the four villages that have already achieved poverty alleviation. The company has taken targeted measures for the remaining households that were still in poverty to ensure that no household or one person will be omitted amidst poverty alleviation, and the task of poverty alleviation will be completed with high quality.

SECTION 6 KEY MATTERS

2. Overview of targeted poverty alleviation efforts for the reporting period

Applicable Not applicable

In the first half of 2020, the four villages designated for assistance by the four tier-2 subsidiaries, including CNPT, Changkan Institute, Changsha Institute, and Guiyang Institute, have all been lifted out of poverty. Except for the remaining 3 households and 4 people in Wangcun Village, Cangtou Town, Xin'an County, Luoyang City, Henan Province have not gotten rid of poverty, the 407 households and 1,576 people from the remaining villages that were registered as poor households have all been lifted out of poverty, and the Company's poverty alleviation work is basically in the stage of consolidation and improvement. In order to further consolidate the results of poverty alleviation and ensure that the remaining poor households get rid of poverty on time, the Company and its members continued to adopt a developmental assistance method that combines "blood transfusion" with "hematopoiesis", and focused on "hematopoiesis" to facilitate various tasks to consolidate the results of poverty alleviation. The Company and its members deployed 4 temporary cadres in total. Three working teams including 9 people were stationed in the villages. RMB209,200 of various kinds was directly invested in those villages, and so were materials worth RMB22,000. They helped targeted poverty alleviation counties introduce a supportive capital of RMB4.23 million and RMB92,000 worth of social donations. They purchased RMB853,500 worth of agricultural products from the poverty-stricken areas and assisted them in selling RMB136,000 worth of agricultural products. 109 people received vocational skill education in each round of training. The Company also encouraged the Party members, leading cadres and employees to donate RMB31,800 and materials worth RMB15,000.

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3. Achievements in targeted poverty alleviation

Applicable Not applicable

Unit: '0000 Yuan Currency: RMB

| Indicators | Quantity and details |
|--|---|
| I. Overview | |
| Specifically, 1. Funds | 20.92 |
| 2. Materials (equivalent in cash) | 2.2 |
| 3. Number of registered poverty-stricken people lifted out from poverty | 0 |
| II. Investment by item | |
| 1. Poverty alleviation through industrial development | |
| Specifically, 1.1 Type of poverty alleviation program through industrial development | <input checked="" type="checkbox"/> Poverty alleviation through agricultural and forestry industry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through e-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through science and technology <input type="checkbox"/> Others |
| 1.2 Number of poverty alleviation programs through industrial development (program) | 2 |
| 1.3 Funds invested in poverty alleviation programs through industrial development | 11 |
| 1.4 Number of registered poverty-stricken people receiving help lifted out from poverty (person) | 0 |
| 2. Poverty alleviation through employment transfer | |
| Specifically, 2.1 Funds invested in vocational skill training | 0.5 |
| 2.2 Number of people receiving vocational skill training (person/time) | 109 |
| 2.3 Number of registered poverty-stricken people receiving help in employment (person) | 18 |

SECTION 6 KEY MATTERS

| Indicators | Quantity and details |
|--|------------------------------|
| 3. Poverty alleviation through relocation | |
| Specifically, 3.1 Number of relocated people receiving help in employment (person) | 36 |
| 4. Poverty alleviation through education | |
| Specifically, 4.1 Funds invested in supporting poverty-stricken students | 1.25 |
| 4.2 Number of subsidized poverty-stricken students | 66 |
| 4.3 Funds invested in improving educational resources in poverty-stricken areas | 0 |
| 5. Poverty alleviation in health domains | |
| Specifically, 5.1 Funds invested in medical and health resources in poverty-stricken areas | 2 |
| 6. Other programs | |
| Specifically, 6.1 Number of program | 2 |
| 6.2 Investment amount | 6.17 |
| 6.3 Number of registered poverty-stricken people receiving help lifted out from poverty (person) | 0 |
| 6.4. Description of other programs | Repairing damaged roads, etc |
| III. Awards Received (content, rank) | |

Zhou Xiong, the leader of the village assistance team of the Changkan Institute, was awarded "Excellent" in the comprehensive assessment of Hunan Province in 2019.

The Cangtuo Town team participated by LU Tingge, the first stationed secretary from CNPT, won the first place in the data entry quality evaluation of the Luoyang Smart Poverty Alleviation System.

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4. Phased progress in performance of social responsibility for targeted poverty alleviation

Applicable Not applicable

The Company and its members performed their duties and fulfilled their responsibilities, and steadily pushed forward the poverty alleviation work. In the first half of 2020, the Company and its members' targeted poverty alleviation work is as follows:

- (1) To fight against the epidemic: Around the Spring Festival, the COVID-19 epidemic swept the country, and the epidemic prevention work was extremely challenging. The village assistance team took the initiative to obtain permission from the Company's president to fight against the epidemic, and quickly went to the village to report duty. The task force specifically formulated epidemic prevention and control work plans and emergency plans. While doing a good job of self-protection, it actively mobilized the majority of Party members, volunteers and the masses to strive for epidemic prevention and control.
- (2) To strive for the resumption of agricultural work and production: While not slacking in the prevention and control of the epidemic, the task force actively promoted the resumption of agricultural work and production in the whole village, and made every effort to secure the income of farmers. The task force rented agricultural machinery to help the people in need loosen the soil, plow fields and plant seeds, and endeavored to overcome the adverse effects of the epidemic, thereby turning crises into opportunities, and fully restoring agricultural production.
- (3) To carry out employment assistance work: In the past six months, the task force actively connected with the local government and organized villagers to participate in online job fairs and on-site job fairs organized by the government in a timely manner. In addition, the task force extensively collected job demand information from all parts of the country, and published it in the WeChat group of registered users in a timely manner to ensure that villagers in poverty can find jobs that meet their own conditions. For a large group of commuters, the task force actively applied to the local government for private shuttle service. For those who take public transportation to commute, the task force distributed epidemic prevention and control materials to them and helped them apply for transportation subsidies in time. At the same time, the Company also leverage its own employment advantages to recruit two willing villagers to work in the Company.

SECTION 6 KEY MATTERS

5. Subsequent targeted poverty alleviation plan

Applicable Not applicable

The Company will continue its work adhering to elevating the annual income of poverty-stricken families above current national standards for poverty alleviation, fully meeting living needs for food and clothing, and guaranteeing compulsory education, basic medical treatment, and housing security, concerning the omission in the registration and elimination of poverty-stricken population, as well as comprehensive poverty incidence, and satisfaction degree of the masses. The Company will always follow General Secretary Xi Jinping's important discourse on poverty alleviation, strictly benchmark against advanced enterprises, strengthen responsibility fulfillment and set up a lofty sense of political responsibility and mission. The Company will continue to work hard regardless of difficulties and win the battle against poverty with firm resolution.

XIII. PARTICULARS OF CONVERTIBLE BONDS

Applicable Not applicable

XIV. ENVIRONMENTAL INFORMATION**(I) Environmental protection information of companies and their important subsidiaries on the watch list of key pollutant discharging units published by the environmental protection authority**

Applicable Not applicable

(II) Explanation of environmental protection information of companies not on the watch list of key pollutant discharging units

Applicable Not applicable

Chalieco adhered to the guidance of Xi Jinping's ecological civilization thought, thoroughly implemented the new development concept, and strictly abided by the national environmental protection laws and regulations. The Company continued to deepen its internal environmental protection work, discharged various pollutants in compliance with laws and regulations, strengthened the prevention and control of pollution at the front line of production and construction, and earnestly fulfilled the main responsibility for environmental protection among enterprises.

The first is to thoroughly study and implement Xi Jinping's thoughts on ecological civilization and the decisions and deployments of the Party Central Committee, the State Council and the Ministry of Ecology and Environment. The Company shall actively carry out the study and promotion of Xi Jinping's new thoughts on ecological civilization construction, and take the "battle for environmental protection" and the "deployment of leaders into teams" as the starting point in order to carry out in-depth integration of Xi Jinping's ecological civilization thoughts and business, thereby achieving consistent learning, promotion, guidance and application.

SECTION 6 KEY MATTERS

The second is to continuously strengthen the construction of the environmental management system, implement the risk management and control system by level, formulate annual internal audit and external audit work plans, and organize the implementation according to the plan. The Company underwent the construction of the CAHSE management system in a comprehensive manner, conscientiously drew inferences about the problems discovered in the audit process in 2019, and earnestly carried out work of “learning by analogy” thereby striving to achieve continuous improvement and steady enhancement of system operation.

The third is to strive to improve the level of essential environmental protection work and strengthen source control. Each design companies of the Company carried out design work in strict accordance with environmental protection standards and regulations, and timely updated the standards implemented during the design process to ensure that the designs of products fulfill environmental protection requirements. The Company encouraged design companies to strengthen the design optimization of energy-saving and emission-reduction technical solutions in the design process, and carry out research on new technologies and new manufacturing processes. Moreover, the Company actively advocated the research and development of new technologies, new materials and new products, and promoted and facilitated environmental protection work in a comprehensive manner.

The fourth is to strengthen the management and control of noise, sewage, waste, dust, and exhaust gas during construction and production, and strictly comply with the requirements of the local government regarding the project to equip with environmental protection equipment and facilities such as dust and noise reduction equipment, spray facilities, water trucks, fog machines, and dust monitoring devices. The Company set up fences and access control systems to achieve complete sealing management. It planned and managed the construction site by partition, and paved both permanent and temporary road surface, so that the road in the site area was completely hardened. Before the excavation of each part of the project, a fog machine was used to reduce dust. The muck was transported to the designated location, and the loess and muck accumulation area were exposed on site. Dust nets were laid to ensure that the waste residue was fully covered. The Company sprinkled the work sites to reduce dust, so that the cleaning of the sprinkling sweeping was completely cleaned. The muck transportation vehicles used airtight containers so that the materials were completely sealed and transported. The Company set up car-wash pools, car-wash stations and other devices at the entrance and exit of the sites to ensure that the vehicles were completely cleaned.

In the first half of 2020, the overall environmental protection situation of Chalieco was promising. There was no sudden environmental incident and no major administrative penalty in respect of environmental protection. The environmental protection awareness among all employees has been continuously improved. Each companies have made significant improvements in environmental protection system construction, environmental risk management and control, solid waste control, and environmental protection investment.

SECTION 6 KEY MATTERS

(III) The reason why companies not on the watch list did not disclose environmental information

Applicable Not applicable

(IV) Explanation of subsequent development or changes of environmental information disclosed in the reporting period

Applicable Not applicable

XV. EXPLANATIONS OF OTHER MATERIAL MATTERS

(I) Compared with the last accounting period, the change of accounting policies, accounting estimates and calculation methods and their reasons and impact

Applicable Not applicable

(II) The correction on significant accounting errors required to be restated, its amount after correction, reasons and impact during the reporting period

Applicable Not applicable

(III) Other

Applicable Not applicable

XVI. CORPORATE GOVERNANCE AND GOVERNANCE OF THE COMPANY

(I) COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has always been committed to improving the level of corporate governance and regards corporate governance as an indispensable part of creating value for shareholders. With reference to the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules, the Company has established a modern corporate governance structure composed of general meetings, the Board, the Board of Supervisors and the senior management that can effectively balance each other's powers and operate independently. The Company has also adopted the Corporate Governance Code as its corporate governance practices.

As a company listed on the Stock Exchange, the Company has been committed to maintaining a high standard of corporate governance practices. For the six months ended 30 June 2020, the Company complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules of the Stock Exchange.

(II) 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 of the Stock Exchange) 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 of the Stock Exchange and to protect Shareholders' interests.

(III) 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.

SECTION 6 KEY MATTERS

(IV) AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the requirements of the Listing Rules of the Stock Exchange. 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.

(V) REVIEW OF INTERIM RESULTS

On 25 August 2020, the Audit Committee reviewed and confirmed the Company's announcement of interim results for the six months ended 30 June 2020, the 2020 interim report and unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 prepared in accordance with China Accounting Standards for Business Enterprises 32 "Interim Financial Reporting".

SECTION 7 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. EQUITY INTERESTS

As at 30 June 2020, 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).

II. CHANGES IN SHARE CAPITAL

(I) Changes in share capital

1. Table of changes in shares

There was no change in the total number of shares and the structure of share capital of the Company during the reporting period.

2. Explanation of changes in shares

Applicable Not applicable

3. Effect of changes in shares on financial indicators such as earnings per share and net assets per share within the period from the end of the Reporting Period to the disclosure date of the interim report (if any)

Applicable Not applicable

4. Other information disclosure which the Company deems necessary or is required by the securities regulatory authority

Applicable Not applicable

(II) Particulars of changes of restricted shares

Applicable Not applicable

(III) PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

As of 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

SECTION 7 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

III. PARTICULARS OF SHAREHOLDERS**(I) 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 SSE (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 2020, 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.

(II) Total number of shareholders

| | |
|--|--------|
| Total Number of ordinary shareholders at end of reporting period | 41,159 |
| Total Number of shareholders of preferred shares with voting right reinstated at end of reporting period | N/A |

SECTION 7 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

(III) Table of Shareholding by top 10 shareholders and top 10 unrestricted shareholders as at end of the reporting period

Unit: Share

| Shareholder name (full name) | Changes in reporting period | Shareholding of top 10 shareholders | | | Pledged or frozen shares | | |
|--|-----------------------------------|---|-------------------|---|--------------------------|--------|-----------------------------|
| | | Number of shares held at end of the year | Percentage (%) | Number of restricted shares held | Status of shares | Number | Nature of shareholder |
| Aluminum Corporation of China Limited | 0 | 2,176,758,534.00 | 73.56 | 2,176,758,534.00 | Nil | 0 | State-owned legal person |
| Hong Kong Securities Clearing Company Nominees Limited | 0 | 399,476,000 | 13.50 | 0 | Unknown | - | Other |
| Luoyang Engineering & Research Institute for Nonferrous Metals Processing | 0 | 86,925,466.00 | 2.94 | 86,925,466.00 | Nil | 0 | State-owned legal person |
| LUAN Meixia | 2,238,887.00 | 7,508,613.00 | 0.25 | 0 | Nil | 0 | Domestic natural person |
| HKSCC | 1,356,599.00 | 4,849,041.00 | 0.16 | 0 | Nil | 0 | Other |
| Song Huafeng | 4,368,200.00 | 4,645,400.00 | 0.16 | 0 | Nil | 0 | Domestic natural person |
| Cao Xiaoluo | 3,931,724.00 | 3,931,724.00 | 0.13 | 0 | Nil | 0 | Domestic natural person |
| Zheng Yuhua | 3,480,000.00 | 3,480,000.00 | 0.12 | 0 | Nil | 0 | Domestic natural person |
| GU Jing | -230,400.00 | 2,556,400.00 | 0.09 | 0 | Nil | 0 | Domestic natural person |
| ZHANG Huaiyun | 175,800.00 | 2,502,700.00 | 0.08 | 0 | Nil | 0 | Domestic natural person |

SECTION 7 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

Shareholding of top 10 unrestricted shareholders

| Shareholder name | Number of unrestricted shares held | Class and number of shares | |
|---|------------------------------------|--------------------------------|----------------|
| | | Class | Number |
| Hong Kong Securities Clearing Company Nominees Limited | 399,476,000.00 | Overseas listed foreign shares | 399,476,000.00 |
| RAN Meixia | 7,508,613.00 | Renminbi ordinary shares | 7,508,613.00 |
| HKSCC | 4,849,041.00 | Renminbi ordinary shares | 4,849,041.00 |
| Song Huafeng | 4,645,400.00 | Renminbi ordinary shares | 4,645,400.00 |
| Cao Xiaoluo | 3,931,724.00 | Renminbi ordinary shares | 3,931,724.00 |
| Zheng Yuhua | 3,480,000.00 | Renminbi ordinary shares | 3,480,000.00 |
| GU Jing | 2,556,400.00 | Renminbi ordinary shares | 2,556,400.00 |
| ZHANG Huaiyun | 2,502,700.00 | Renminbi ordinary shares | 2,502,700.00 |
| Agricultural Bank of China Limited. – CSI 500 Exchange-traded and Open-ended Index Securities Investment Fund | 2,269,669.00 | Renminbi ordinary shares | 2,269,669.00 |
| Bank of Communications Co., Ltd. –GF China Securities Infrastructure Project Index-based Securities Investment Fund | 1,879,560.00 | Renminbi ordinary shares | 1,879,560.00 |

Explanation of related relationship or acting in concert in respect of the above shareholders

Note 1: The number of shares held by Chinalco did not include A shares of the Company indirectly held through its subsidiary Luoyang Institute and H shares of the Company indirectly held through its subsidiary Yunnan Aluminum International Company Limited (雲鋁國際有限公司). Chinalco and its subsidiaries held a total of 2,283,179,000 shares of the Company, including 2,263,684,000 A shares and 19,495,000 H shares, accounting for 77.16% of the total share capital of the Company.

Note 2: The 19,495,000 H shares of the Company held by Aluminum Corporation of China Limited through its subsidiary Yunnan Aluminum International Company Limited (雲鋁國際有限公司) were held by Hong Kong Securities Clearing Company Nominees Limited on its behalf.

Note 3: The 399,476,000 H shares of the Company held by Hong Kong Securities Clearing Company Nominees Limited included the 19,495,000 H shares held by Aluminum Corporation of China Limited through its subsidiary Yunnan Aluminum International Company Limited (雲鋁國際有限公司).

Note 4: Except the above, the Company is not aware that the above shareholders have any related relationship or are acting in concert among each other.

Explanation of shareholders of preferred shares with reinstated voting rights and the number of shares held

Not applicable.

Note: H shares held by Hong Kong Securities Clearing Company Nominees Limited were held on behalf of multiple clients, and A shares held by HKSCC were held on behalf of multiple clients. At the end of the reporting period, Hong Kong Securities Clearing Company Nominees Limited held 399,476,000 shares of the Company, and details on pledge or freeze of shares were unknown.

SECTION 7 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

Number of shares held by top ten restricted shareholders and restriction conditions✓Applicable Not applicable

Unit: Share

| No. | Restricted shareholder name | Number of restricted shares held | Restricted shares admitted for trading | | Restriction conditions |
|-----|---|----------------------------------|--|--|---|
| | | | Admitted listing date | Number of additional shares admitted for listing | |
| 1 | Aluminum Corporation of China Limited | 2,176,758,534 | 31 August 2021 | 0 | Three years from the date of A share listing, and two years from expiration of the lock-up period |
| 2 | Luoyang Engineering & Research Institute for Nonferrous Metals Processing | 86,925,466 | 31 August 2021 | 0 | Three years from the date of A share listing, and two years from expiration of the lock-up period |

Explanation of related relationship or acting in concert in respect of the above shareholders

The number of shares held by Chinalco did not include A shares of the Company indirectly held through its subsidiary Luoyang Institute and H shares indirectly held through its subsidiary Yunnan Aluminum International Company Limited (雲鋁國際有限公司). Chinalco and its subsidiaries held a total of 2,283,179,000 shares of the Company, including 2,263,684,000 A shares and 19,495,000 H shares, accounting for 77.16% of the total share capital of the Company.

(IV) Strategic investors or general legal persons who become top 10 shareholders due to rights issueApplicable ✓Not applicable**(V) Interests and short positions of substantial shareholders in shares and underlying shares**

As at 6 June 2020, 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:

SECTION 7 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

| Name of Shareholder | Class of Shares | Capacity/Nature of interest | Number of Shares Held (Share) | Approximate | Approximate |
|--|-----------------|--|----------------------------------|---|--|
| | | | | percentage of shareholding in relevant class of Shares (%) (Note 1) | percentage of shareholding in total share capital (%) (Note 1) |
| Chinalco (Note 2) | A share | Beneficiary owner/ Interest of controlled corporation | 2,263,684,000 (Long position) | 88.44 | 76.50 |
| The Seventh Metallurgical Construction Corp. Ltd. | H share | Beneficiary owner | 69,096,000 (Long position) | 17.30 | 2.34 |
| CNMC Trade Company Limited | H share | Beneficiary owner | 59,225,000 (Long position) | 14.83 | 2.00 |
| Leading Gain Investments Limited (Note 3) | H share | Nominee of another person (other than passive trustee) | 29,612,000 (Long position) | 7.41 | 1.00 |
| China XD Group | H share | Beneficiary owner | 29,612,000 (Long position) | 7.41 | 1.00 |
| Yunnan Tin (Hong Kong) Yuan Xing Company Limited | H share | Beneficiary owner | 29,612,000 (Long position) | 7.41 | 1.00 |
| National Council for Social Security Fund (Note 4) | H share | Beneficiary owner | 20,599,000 (Long position) | 5.16 | 0.70 |
| Global Cyberlinks Limited | H share | Beneficiary owner | 20,579,000 (Long position) | 5.15 | 0.70 |

Note 1. The percentage is calculated by dividing number of relevant class of Shares in issue of the Company as at 30 June 2020 by total number of Shares.

Note 2. Chinalco 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 Chinalco and is interested in 86,925,466 A Shares, representing approximately 2.94% of the total share capital of the Company. Chinalco is therefore also deemed to be interested in the A Shares held by Luoyang Institute under the SFO.

Note 3. Leading Gain Investments Limited is the nominee holder of Beijing Jundao Technology Development Co., Ltd.

Note 4. The Company was informed in the distribution of annual dividend for 2019 that, as at 30 June 2020, the National Council for Social Security Fund held 20,599,000 H shares.

SECTION 7 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

IV. CHANGES IN CONTROLLING SHAREHOLDER AND EFFECTIVE CONTROLLER

Applicable Not applicable

SECTION 8 PARTICULARS OF PREFERRED STOCK

Applicable Not applicable

SECTION 9 PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. PARTICULARS OF CHANGES IN SHAREHOLDING

(I) Particulars of changes in shareholding of existing and resigned directors, supervisors and senior management during the reporting period

Applicable Not applicable

Descriptions of other information

Applicable Not applicable

(II) Share incentives granted to directors, supervisors and senior management during the reporting period

Applicable Not applicable

Applicable Not applicable

(III) Interests held by directors, supervisors and chief executives

As of 30 June 2020, 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.

SECTION 9 PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable Not applicable

| Name | Position | Change |
|---------------|--|---------------|
| Zong Xiaoping | Director, member of the strategy committee of the Board, president | Resigned |

Descriptions of changes in directors, supervisors and senior management of the company

Applicable Not applicable

Mr. Zong Xiaoping has resigned from his position as a director, member of the strategic committee of the Board and president of the Company due to work redeployment, and resigned from his position as the authorized representative of the Company under Rule 3.05 of the Listing Rules of the Stock Exchange, effective from 15 June 2020. Mr. Zong Xiaoping no longer holds any position in the Company.

Except for the above changes, the Company had no other changes in directors, supervisors and senior management. At the same time, directors, supervisors and senior management confirmed that there is no information that needs to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules of the Stock Exchange.

For details, please refer to the Company's announcement No. Pro 2020-039 dated 15 June 2020.

III. CHANGES IN THE BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

During the reporting period, Mr. Fu Jun, the independent non-executive director of the Company, serves as the arbitrator of the Wenzhou Arbitration Commission since March 2020, and Mr. Bi Xiaoge, the Company's vice president, serves as the executive director of Beijing Zichen Investment Development Corporation Limited since March 2020. The biography of other directors, supervisors and senior management of the Company remained unchanged.

SECTION 9 PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

IV. EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2020, the Company had a total of 14,730 employees in service, among which male employees accounted for 11,284 and female employees accounted for 3,446, 77% and 23% respectively. Moreover, the Company has off-post reserved labor force of 1,658.

The following table shows a breakdown of the employees in service by business segment as of 30 June 2020:

| | Number of employees in service | Percentage in the total number (%) |
|------------------------------------|---|---|
| Operation and management personnel | 3,689 | 25 |
| Engineering technicians | 6,954 | 47 |
| Production and operation personnel | 2,967 | 20 |
| Service and other personnel | 1,120 | 8 |
| Total | 14,730 | 100 |

The following table shows a breakdown of the employees in service by level of education as of 30 June 2020:

| | Number of employees in service | Percentage in the total number (%) |
|--|---|---|
| Postgraduate degree and above | 1,373 | 9 |
| Undergraduate degree | 6,718 | 46 |
| Diploma degree | 2,930 | 20 |
| TAFE (Technical And Further Education) and below | 3,709 | 25 |
| Total | 14,730 | 100 |

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 laws and regulations, the aforesaid social insurance premiums are contributed as strictly required by the state, provincial, autonomous region and municipal requirements. The Company also established an employee housing fund in accordance with applicable regulations.

For the first half of 2020, the Company's total wages amounted to RMB703 million. The Company does not have employee's share option scheme currently.

SECTION 9 PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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 covers management skills and techniques training, overseas exchange programs and other courses. Through continuing payment of education allowance, the Company also encourages its staff to engage in programs to obtain higher academic diploma and employment qualifications.

V. OTHER DESCRIPTIONS

Applicable Not applicable

SECTION 10 INFORMATION ON CORPORATE BONDS

I. BASIC INFORMATION ON BONDS OF THE COMPANY

Applicable Not applicable

Unit: Yuan Currency: RMB

| Bond name | Abbreviation | Code | Date of issuance | Maturing date | Outstanding balance | Interest rate (%) | Repayment terms | Trading place |
|--|------------------|--------|------------------|---------------|---------------------|-------------------|---|---------------|
| 2019 Renewable Corporate Bonds (Tranche 1) | 19 Zhong Gong Y1 | 155867 | 30 Oct 2019 | 3 (year) +N | 1,500,000,000 | 5.29 | Interest paid once year if the issuer does not exercise the option of deferred interest payment | SSE |

Information on payment of principal of and interest on bonds of the Company

Applicable Not applicable

Other information on bonds of the Company

Applicable Not applicable

II. CONTACT PERSON AND CONTACT DETAILS OF CUSTODIAN AND CREDIT RATING AGENCY OF BONDS OF THE COMPANY

| | | |
|----------------------|----------------|---|
| Custodian of bonds | Name | Ping An Securities Co., Ltd. |
| | Office address | 61-64/F, Ping An Financial Center, 5033 Yitian Road, Futian District, Shenzhen |
| | Contacts | PAN Linhui, DONG Jingjing |
| Credit rating agency | Tel | 010-56800164 |
| | Name | United Credit Ratings Co., Ltd. |
| | Office address | 508 Ai Li Yuan Apartment, No. 38, Shuishang Park Avenue (North), Nankai District, Tianjin |

Other explanations:

Applicable Not applicable

SECTION 10 INFORMATION ON CORPORATE BONDS

III. USE OF PROCEEDS OF BOND OFFERING

Applicable Not applicable

Pursuant to the China Aluminum International Engineering Corporation Limited Prospectus for Public Offering of 2019 Renewable Corporate Bonds (Tranche 1) (to Qualified Investors) disclosed by the Company on 30 October 2019, the proceeds of offering of “19 Zhong Gong Y1” bonds, net of offering costs, would be used to supplement the Company’s working capital. The proceeds of offering of this tranche of bonds have been applied for such purposes as disclosed in the prospectus.

IV. CREDIT RATING OF BONDS

Applicable Not applicable

According to its Credit Rating Report (Lian He [2020] No.947) dated 21 May 2020, United Credit Ratings Co., Ltd. gave China Aluminum International Engineering Corporation Limited a long-term issuer rating of AA+ with a stable outlook, and gave its “19 Zhong Gong Y1” bond a credit rating of AAA.

V. CREDIT ENHANCEMENT MECHANISM, REPAYMENT SCHEME AND OTHER RELEVANT INFORMATION OF AND ON BONDS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

According to its overall funding arrangement, the Company will duly honor the principal of and interest on bonds “19 Zhong Gong Y1” in accordance with the agreement. Please refer to the Company’s subsequent announcements for specific payment arrangements.

VI. HOLDING OF BONDHOLDER MEETINGS OF THE COMPANY

Applicable Not applicable

From the date of issuance of corporate bonds to the date of disclosure of the report, the Company has not had any matters falling into the scope of authority of the bondholder meeting, so the custodian of bonds has not convened any bondholder meeting.

VII. DUTY PERFORMANCE BY CUSTODIAN OF BONDS OF THE COMPANY

Applicable Not applicable

The custodian of bonds, i.e. Ping An Securities Co., Ltd. actively performed its duties to timely issue annual reports and provisional reports on custody affairs, and to continuously supervise the Company’s performance of bond-related disclosure obligations.

SECTION 10 INFORMATION ON CORPORATE BONDS

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR DURING THE REPORTING PERIOD AND THE CORRESPONDING PERIOD LAST YEAR)

| Main Indicators | At the end of the reporting period | At the end of last year | Increase or decrease of the end of the Reporting Period as compared with the end of last year (%) |
|---------------------------|------------------------------------|-------------------------|---|
| | Current ratio | 1.30 | 1.27 |
| Quick ratio | 1.18 | 1.18 | -0.38 |
| Asset-liability ratio (%) | 68.91 | 72.51 | -4.96 |
| Loan repayment rate (%) | 100.00 | 100.00 | - |

| Main Indicators | During the reporting period (From January to June) | During the corresponding period of last year | Increase or decrease in the Reporting Period as compared with the corresponding period of last year (%) |
|---------------------------|--|--|---|
| | EBITDA to interest ratio | 1.11 | 1.47 |
| Interest payment rate (%) | 100 | 100 | - |

Note:

- The EBITDA calculation process is as follows:

Unit: RMB

| Item | This reporting period | The corresponding period of last year |
|---|-----------------------|---------------------------------------|
| Net profit ^① | -83,058,965.87 | 95,046,107.89 |
| Add: Income tax expense ^② | 24,610,867.04 | 18,509,916.37 |
| Interest expense paid for the then year, including interests on equity instruments and USD perpetual bonds ^③ | 498,288,119.81 | 469,664,597.22 |
| Depreciation and amortization expenses accrued this year ^④ | 115,449,659.97 | 108,721,648.05 |
| EBITDA ^⑤ =①+②+③+④ | 555,289,680.95 | 691,942,269.53 |

- EBITDA to interest ratio

Unit: RMB

| Item | This reporting period | The corresponding period of last year |
|--|-----------------------|---------------------------------------|
| EBITDA | 555,289,680.95 | 691,942,269.53 |
| Interest expense paid for the then year, including interests on equity instruments and USD perpetual bonds | 498,288,119.81 | 469,664,597.22 |
| EBITDA to interest ratio | 1.11 | 1.47 |

SECTION 10 INFORMATION ON CORPORATE BONDS

IX. EXPLANATION ON THE INDEBTEDNESS THAT HAS FALLEN DUE

Applicable Not applicable

X. INFORMATION ON PAYMENT OF PRINCIPAL OF AND INTEREST ON OTHER BONDS AND DEBT INSTRUMENTS OF THE COMPANY

Applicable Not applicable

The Company has made timely payment of principal of and interest on any other bonds and debt instruments and has disclosed relevant issues as required.

XI. CREDIT LINE GRANTED BY BANKS DURING THE REPORTING PERIOD

Applicable Not applicable

As of the reporting date, the Company had obtained RMB55.6 billion of credit line from banks, and had utilized RMB18.4 billion of credit line, leaving the available balance of credit line being RMB37.2 billion.

XII. PERFORMANCE OF AGREEMENTS OR UNDERTAKINGS IN THE PROSPECTUS FOR BONDS DURING THE REPORTING PERIOD

Applicable Not applicable

During the reporting period, the Company strictly observed relevant agreements or undertakings in the prospectus for bonds of the Company's bonds, and there was no information that shall be disclosed but was undisclosed.

XIII. MATERIAL EVENTS OF THE COMPANY AND THE IMPACT ON OPERATING RESULTS AND SOLVENCY OF THE COMPANY

Applicable Not applicable

SECTION 11 FINANCIAL REPORT



大信會計師事務所
北京市海澱區知春路1號
學院國際大廈15層
郵編100083

WUYIGE Certified Public Accountants.LLP
15/F,Xueyuan International Tower
No.1Zhichun Road,Haidian Dist.
Beijing,China,100083

電話Telephone : +86 (10) 82330558
傳真Fax : +86 (10) 82327668
網址Internet : www.daxincpa.com.cn

Auditor's Report

DA XIN YUE ZI [2020] No. 1-00023

To the Shareholders of China Aluminum International Engineering Corporation Limited,

We have reviewed the accompanying financial statements of China Aluminum International Engineering Corporation Limited (hereinafter referred to as the "Company"), which comprise the consolidated and parent company's statements of financial position as at 30 June 2020, and the consolidated and parent company's statements of comprehensive income, the consolidated and parent company's statements of cash flows and the consolidated and parent company's statements of changes in shareholders' equity from January to June 2020, and notes to the financial statements. The preparation of such financial statements is the responsibility of the management of the Company, and our responsibility is to issue a review report regarding such financial statements based on our review.

We conducted our review in accordance with Chinese Institute of Certified Public Accountants Review Standards No.2101-Review of Financial Statement. This standard requires that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. Review primarily consists of making inquiries of relevant employees within the Company and applying analytical procedures. A review is substantially less in scope than an audit conducted. We did not conduct audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with the Accounting Standards for Business Enterprises, which cannot present fairly, in all material respects, the consolidated and the Company's financial position as at 30 June 2020, operating results and cash flows from January to June 2020.

WUYIGE Certified Public Accountants LLP.

Beijing, China

China Certified Public Accountant: Shi Chenqi

China Certified Public Accountant: Liu Mingzhe

26 August 2020

SECTION 11 FINANCIAL REPORT

CONSOLIDATED BALANCE SHEET

As at 30 June 2020

Unit: RMB

| Item | Note | 30 June 2020 | 1 January 2020 |
|---------------------------------------|------|--------------------------|-------------------|
| Current assets | | | |
| Monetary fund | 5.1 | 6,062,871,800.85 | 10,025,925,365.07 |
| Held-for-trading financial assets | | | |
| Derivative financial assets | 5.2 | 12,942,360.00 | |
| Notes receivable | 5.4 | | 569,959,008.85 |
| Accounts receivable | 5.3 | 14,429,586,647.13 | 14,284,215,819.57 |
| Factoring of receivables | 5.4 | 267,718,520.16 | |
| Prepayments | 5.5 | 514,944,180.92 | 376,065,504.37 |
| Other receivables | 5.6 | 2,720,742,489.04 | 2,353,289,986.09 |
| of which: Interest receivable | | | |
| Dividends receivable | 5.6 | 3,431,957.85 | 1,815,949.86 |
| Inventories | 5.7 | 3,701,876,963.48 | 3,110,392,382.89 |
| Contract assets | 5.8 | 12,598,526,645.30 | 13,008,312,180.99 |
| Held-for-sale assets | | | |
| Non-current asset due within one year | 5.9 | 624,033,323.97 | 405,403,386.22 |
| Other current assets | 5.10 | 637,655,479.37 | 656,337,615.69 |
| Total current assets | | 41,570,898,410.22 | 44,789,901,249.74 |
| Non-current assets: | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | 5.11 | 1,550,980,150.25 | 1,910,972,285.42 |
| Long-term equity investments | 5.12 | 845,299,512.32 | 770,306,732.72 |
| Other equity instrument investments | 5.13 | 41,705,240.25 | 45,422,963.86 |
| Other non-current financial assets | 5.14 | 18,900,000.00 | 18,900,000.00 |
| Investment properties | 5.15 | 509,330,348.32 | 478,102,673.52 |
| Fixed assets | 5.16 | 2,256,673,594.82 | 2,313,832,928.14 |
| Construction in progress | 5.17 | 341,988,798.16 | 300,722,025.12 |
| Bearer biological assets | | | |
| Oil & gas assets | | | |
| Rights-of-use assets | 5.18 | 17,252,001.64 | 26,986,403.95 |
| Intangible assets | 5.19 | 1,156,269,000.88 | 1,086,857,150.91 |
| Development costs | 5.20 | 2,297,253.07 | 2,297,253.07 |
| Goodwill | | | |
| Long-term unamortized expenses | 5.21 | 27,325,525.71 | 27,138,251.28 |
| Deferred income tax assets | 5.22 | 789,733,331.21 | 782,643,655.49 |
| Other non-current assets | 5.23 | 4,995,375,286.91 | 3,445,379,547.40 |
| Total non-current assets | | 12,553,130,043.54 | 11,209,561,870.88 |
| Total assets | | 54,124,028,453.76 | 55,999,463,120.62 |

SECTION 11 FINANCIAL REPORT

| Item | Note | 30 June 2020 | 1 January 2020 |
|---|------|--------------------------|-------------------|
| Current liabilities | | | |
| Short-term borrowings | 5.24 | 8,188,227,259.02 | 7,198,295,269.03 |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | 5.25 | 625,834,357.34 | 957,266,218.53 |
| Accounts payable | 5.26 | 14,394,721,145.00 | 15,737,937,151.26 |
| Advances from customers | | | |
| Contract liabilities | 5.27 | 2,453,221,168.88 | 2,381,391,809.44 |
| Employee benefits payable | 5.28 | 159,572,456.78 | 200,663,502.30 |
| Taxes payable | 5.29 | 153,203,351.87 | 267,058,741.21 |
| Other payables | 5.30 | 2,525,025,196.70 | 4,979,140,933.59 |
| of which: Interest payable | | | |
| Dividends payable | 5.30 | 147,777,692.29 | 30,000,000.00 |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | 5.31 | 1,049,955,506.07 | 872,946,075.66 |
| Other current liabilities | 5.32 | 2,545,291,315.59 | 2,596,562,617.52 |
| Total current liabilities | | 32,095,051,757.25 | 35,191,262,318.54 |
| Non-current liabilities: | | | |
| Long-term borrowings | 5.33 | 4,435,792,573.50 | 4,666,498,225.22 |
| Debentures payable | | | |
| of which: Preferred stock | | | |
| Perpetual bonds | | | |
| Lease liabilities | 5.34 | 4,259,300.73 | 13,909,401.66 |
| Long-term payables | 5.35 | 4,898,377.18 | 4,598,530.23 |
| Long-term employee benefits payable | 5.36 | 612,815,000.00 | 599,488,000.00 |
| Estimated liabilities | | | |
| Deferred income | 5.37 | 71,405,213.71 | 53,036,425.27 |
| Deferred income tax liabilities | 5.22 | 74,897,416.28 | 75,290,268.87 |
| Other non-current liabilities | | | |
| Total non-current liabilities | | 5,204,067,881.40 | 5,412,820,851.25 |
| Total liabilities | | 37,299,119,638.65 | 40,604,083,169.79 |

SECTION 11 FINANCIAL REPORT

| Item | Note | 30 June 2020 | 1 January 2020 |
|--|------|--------------------------|-------------------|
| Shareholders' equity: | | | |
| Share capital | 5.38 | 2,959,066,667.00 | 2,959,066,667.00 |
| Other equity instruments | 5.39 | 2,498,584,905.65 | 2,996,084,905.65 |
| of which: Preferred stock | | | |
| Perpetual bonds | | 2,498,584,905.65 | 2,996,084,905.65 |
| Capital reserve | 5.40 | 866,668,019.15 | 795,341,809.69 |
| Less: treasury stock | | | |
| Other comprehensive income | 5.41 | 247,605,235.56 | 223,826,729.99 |
| Special reserve | 5.42 | 91,727,042.59 | 124,905,233.17 |
| Surplus reserve | 5.43 | 201,586,598.10 | 201,586,598.10 |
| Undistributed profit | 5.44 | 3,761,508,331.39 | 4,021,247,997.05 |
| Total shareholders' equity attributable to the parent | | 10,626,746,799.44 | 11,322,059,940.65 |
| Minority shareholders' interests | | 6,198,162,015.67 | 4,073,320,010.18 |
| Total shareholders' equity | | 16,824,908,815.11 | 15,395,379,950.83 |
| Total liabilities and shareholders' equity | | 54,124,028,453.76 | 55,999,463,120.62 |

Legal representative:
WU Jianqiang

Accounting principal:
ZHANG Jian

Accounting function's principal:
ZHANG Xiuyin

SECTION 11 FINANCIAL REPORT

BALANCE SHEET OF THE PARENT

As at 30 June 2020

Unit: RMB

| Item | Note | 30 June 2020 | 1 January 2020 |
|---------------------------------------|------|--------------------------|-------------------|
| Current assets: | | | |
| Monetary fund | | 1,718,418,990.05 | 2,373,696,059.99 |
| Held-for-trading financial assets | | | |
| Derivative financial assets | | 6,861,900.00 | |
| Notes receivable | | | 139,433,342.34 |
| Accounts receivable | 15.1 | 1,665,223,326.00 | 1,516,735,150.81 |
| Factoring of receivables | | 27,118,017.00 | |
| Prepayments | | 162,096,118.33 | 83,025,087.51 |
| Other receivables | 15.2 | 6,250,816,733.83 | 5,320,321,539.47 |
| of which: Interest receivable | | | |
| Dividends receivable | | 243,861,714.08 | 130,825,077.12 |
| Inventories | | 139,595,451.54 | 156,652,612.17 |
| Contract assets | | 584,519,893.42 | 559,798,235.37 |
| Held-for-sale assets | | | |
| Non-current asset due within one year | | 925,985,752.00 | 1,150,000,000.00 |
| Other current assets | | 81,460,546.37 | 96,188,791.51 |
| Total current assets | | 11,562,096,728.54 | 11,395,850,819.17 |
| Non-current assets: | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | | 1,057,457,487.39 | 1,038,065,453.50 |
| Long-term equity investments | 15.3 | 6,193,481,937.80 | 6,160,668,872.38 |
| Other equity instrument investments | | 18,180,000.00 | 18,180,000.00 |
| Other non-current financial assets | | 18,900,000.00 | 18,900,000.00 |
| Investment properties | | | |
| Fixed assets | | 77,782,365.52 | 80,233,096.11 |
| Construction in progress | | | |
| Bearer biological assets | | | |
| Oil & gas assets | | | |
| Rights-of-use assets | | | |
| Intangible assets | | 144,275,881.15 | 147,688,005.51 |
| Development costs | | | |
| Long-term unamortized expenses | | | |
| Deferred income tax assets | | 89,732,670.51 | 81,208,124.13 |
| Other non-current assets | | | |
| Total non-current assets | | 7,599,810,342.37 | 7,544,943,551.63 |
| Total assets | | 19,161,907,070.91 | 18,940,794,370.80 |

SECTION 11 FINANCIAL REPORT

| Item | Note | 30 June 2020 | 1 January 2020 |
|---|------|--------------------------|-------------------|
| Current liabilities: | | | |
| Short-term borrowings | | 3,748,492,679.44 | 2,849,800,200.00 |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | | 53,215,000.00 | 129,848,202.57 |
| Accounts payable | | 1,854,563,417.08 | 1,899,655,199.50 |
| Advances from customers | | | |
| Contract liabilities | | 727,544,961.58 | 706,997,265.31 |
| Employee benefits payable | | 4,600,506.00 | 5,152,326.82 |
| Taxes payable | | 6,175,249.52 | 7,021,293.26 |
| Other payables | | 1,302,555,448.74 | 1,180,427,289.85 |
| of which: Interest payable | | | |
| Dividends payable | | 90,002,640.00 | 30,000,000.00 |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | | 609,073,055.55 | 740,000,000.00 |
| Other current liabilities | | 1,033,777,125.18 | 1,045,727,361.76 |
| Total current liabilities | | 9,339,997,443.09 | 8,564,629,139.07 |
| Non-current liabilities: | | | |
| Long-term borrowings | | 3,094,000,000.00 | 2,990,000,000.00 |
| Debentures payable | | | |
| of which: Preferred stock | | | |
| Perpetual bonds | | | |
| Lease liabilities | | | |
| Long-term payables | | | |
| Long-term employee benefits payable | | 3,814,000.00 | 3,754,000.00 |
| Estimated liabilities | | | |
| Deferred income | | | |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| Total non-current liabilities | | 3,097,814,000.00 | 2,993,754,000.00 |
| Total liabilities | | 12,437,811,443.09 | 11,558,383,139.07 |

SECTION 11 FINANCIAL REPORT

| Item | Note | 30 June 2020 | 1 January 2020 |
|---|------|--------------------------|-------------------|
| Shareholders' equity: | | | |
| Share capital | | 2,959,066,667.00 | 2,959,066,667.00 |
| Other equity instruments | | 2,498,584,905.65 | 2,996,084,905.65 |
| of which: Preferred stock | | | |
| Perpetual bonds | | 2,498,584,905.65 | 2,996,084,905.65 |
| Capital reserve | | 1,190,696,521.57 | 1,193,196,521.57 |
| Less: treasury stock | | | |
| Other comprehensive income | | 17,566,885.00 | 11,735,970.00 |
| Special reserve | | 843,612.00 | 810,240.05 |
| Surplus reserve | | 201,586,598.10 | 201,586,598.10 |
| Undistributed profit | | -144,249,561.50 | 19,930,329.36 |
| Total shareholders' equity | | 6,724,095,627.82 | 7,382,411,231.73 |
| Total liabilities and shareholders' equity | | 19,161,907,070.91 | 18,940,794,370.80 |

Legal representative:
WU Jianqiang

Accounting principal:
ZHANG Jian

Accounting function's principal:
ZHANG Xiuyin

SECTION 11 FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

From January to June 2020

Unit: RMB

| Item | Note | From January to June 2020 | From January to June 2019 |
|---|------|------------------------------|------------------------------|
| I. Operating revenue | 5.45 | 9,946,610,462.50 | 13,516,498,871.86 |
| Less: operating cost | 5.45 | 9,017,006,662.60 | 12,294,555,366.55 |
| Taxes and surcharges | 5.46 | 46,223,717.19 | 50,981,259.22 |
| Sales expense | 5.47 | 43,997,237.87 | 51,133,656.20 |
| Administrative expense | 5.48 | 465,117,121.96 | 525,882,396.43 |
| R&D expense | 5.49 | 162,612,950.76 | 173,181,873.60 |
| Finance expense | 5.50 | 242,706,295.60 | 262,157,109.80 |
| of which: Interest expense | | 310,655,807.61 | 353,906,746.61 |
| Interest income | | 98,842,810.55 | 119,500,230.46 |
| Add: other gains | 5.51 | 38,554,451.01 | 6,103,533.24 |
| Gain on investment (“-” for loss) | 5.52 | -23,173,017.33 | -6,343,498.25 |
| of which: Share of investment gain of profits of associates and joint ventures | | -2,972,919.15 | -2,525,244.67 |
| Gain on de-recognition of financial assets measured at amortized cost (“-” for loss) | | -21,011,252.42 | |
| Gain on exposure netting (“-” for loss) | | | |
| Gain on fair value change (“-” for loss) | 5.53 | | 164,450.00 |
| Credit impairment loss (“-” for loss) | 5.54 | -89,070,388.11 | -35,528,168.58 |
| Asset impairment loss (“-” for loss) | | | |
| Gains on disposal of assets (“-” for loss) | 5.55 | 10,018,573.55 | 3,496,137.16 |
| II. Operating profit (“-” for loss) | | -94,723,904.36 | 126,499,663.63 |
| Add: non-operating income | 5.56 | 38,872,680.64 | 17,163,224.31 |
| Less: non-operating expense | 5.57 | 2,596,875.11 | 30,106,863.68 |
| III. Total profit (“-” for total loss) | | -58,448,098.83 | 113,556,024.26 |
| Less: income tax expense | 5.58 | 24,610,867.04 | 18,509,916.37 |
| IV. Net profit (“-” for net loss) | | -83,058,965.87 | 95,046,107.89 |
| (I) Classified on a going concern basis: | | | |
| 1. Net profit from continuing operations (“-” for net loss) | | -83,058,965.87 | 95,046,107.89 |
| 2. Net profit from discontinued operations (“-” for net loss) | | | |
| (II) Classified according to the ownership: | | | |
| 1. Net profit attributable to owners of the parent company (“-” for net loss) | | -143,153,691.94 | 10,061,243.36 |
| 2. Profit and loss attributable to minority shareholders (“-” for net loss) | | 60,094,726.07 | 84,984,864.53 |

SECTION 11 FINANCIAL REPORT

| Item | Note | From January to June 2020 | From January to June 2019 |
|--|------|------------------------------|------------------------------|
| V. Other comprehensive income, net of tax | | 23,791,556.97 | 34,258,788.26 |
| (I) Other comprehensive income attributable to shareholders of the parent, net of tax | | 23,778,505.57 | 34,195,410.67 |
| 1. Items that may not be reclassified to profit or loss | | -3,205,216.47 | 23,365,405.60 |
| (1) Change on remeasurement of defined benefit plan | | -28,709.18 | -13,356.50 |
| (2) Other comprehensive income under equity method that may not be transferred to profit or loss | | | |
| (3) Change in fair value of other equity instrument investment | | -3,176,507.29 | 23,378,762.10 |
| (4) Fair value change arising from credit risk of the Company | | | |
| 2. Items that will be reclassified subsequently to profit loss | | 26,983,722.04 | 10,830,005.07 |
| (1) Other comprehensive income under equity method that may be transferred to profit or loss | | | |
| (2) Change in fair value of other debt investments | | | |
| (3) Amount recorded in other comprehensive income upon financial assets reclassification | | | |
| (4) Credit impairment provision for other debt investment | | | |
| (5) Cash flow hedge reserve | | 10,392,960.00 | |
| (6) Exchange difference on translation of financial statements in foreign currency | | 16,590,762.04 | 10,830,005.07 |
| (7) Others | | | |
| (II) Other comprehensive income attributable to minority shareholders, net of tax | | 13,051.40 | 63,377.59 |
| VI. Total comprehensive income | | -59,267,408.90 | 129,304,896.15 |
| (I) Total comprehensive income attributable to shareholders of the parent | | -119,375,186.37 | 44,256,654.03 |
| (II) Total comprehensive income attributable to minority shareholders | | 60,107,777.47 | 85,048,242.12 |
| VII. EPS | | | |
| (I) Basic | | -0.07 | -0.01 |
| (II) Diluted | | - | - |

Legal representative:
WU Jianqiang

Accounting principal:
ZHANG Jian

Accounting function's principal:
ZHANG Xiuyin

SECTION 11 FINANCIAL REPORT

INCOME STATEMENT OF THE PARENT

From January to June 2020

Unit: RMB

| Item | Note | From January to June 2020 | From January to June 2019 |
|---|------|------------------------------|------------------------------|
| I. Operating revenue | 15.4 | 525,678,666.49 | 319,789,341.90 |
| Less: operating cost | 15.4 | 500,340,072.63 | 277,775,377.21 |
| Taxes and surcharges | | 2,078,149.45 | 1,834,585.23 |
| Sales expense | | 14,753,045.33 | 16,957,798.50 |
| Administrative expense | | 77,428,175.63 | 63,837,755.32 |
| R&D expense | | 15,991,870.05 | 19,837,768.03 |
| Finance expense | | 31,672,586.21 | 107,541,700.77 |
| of which: Interest expense | | 186,268,609.52 | 285,664,743.21 |
| Interest income | | 157,128,158.63 | 185,264,271.68 |
| Add: other gains | | 866,074.99 | 277,985.08 |
| Gain on investment (“-” for loss) | 15.5 | 122,338,531.77 | 205,195,718.16 |
| of which: Share of investment gain of associates and joint ventures | | 3,759,073.41 | -949,718.57 |
| Gain on de-recognition of financial assets measured at amortized cost (“-” for loss) | | | |
| Gain on exposure netting (“-” for loss) | | | |
| Gain on fair value change (“-” for loss) | | | |
| Credit impairment loss (“-” for loss) | | -64,434,922.76 | -25,016,364.05 |
| Asset impairment loss (“-” for loss) | | | |
| Gains on disposal of assets (“-” for loss) | | | |
| II. Operating profit (“-” for loss) | | -57,815,548.81 | 12,461,696.03 |
| Add: non-operating income | | 264,629.12 | 182,428.35 |
| Less: non-operating expense | | 10,040.38 | 49,927.77 |
| III. Total profit (“-” for total loss) | | -57,560,960.07 | 12,594,196.61 |
| Less: income tax expense | | -9,967,042.93 | -6,102,027.10 |
| IV. Net profit (“-” for net loss) | | -47,593,917.14 | 18,696,223.71 |
| (I) Net profit from continuing operations (“-” for net loss) | | -47,593,917.14 | 18,696,223.71 |
| (II) Net profit from discontinued operations (“-” for net loss) | | | |

SECTION 11 FINANCIAL REPORT

| Item | Note | From January to June 2020 | From January to June 2019 |
|---|------|------------------------------|------------------------------|
| V. Other comprehensive income, net of tax | | 5,830,915.00 | 23,349,615.46 |
| (I) Items that may not be reclassified to profit or loss | | -1,700.00 | 23,349,615.46 |
| 1. Change on remeasurement of defined benefit plan | | -1,700.00 | -1,700.00 |
| 2. Other comprehensive income under equity method that may not be transferred to profit or loss | | | |
| 3. Change in fair value of other equity instrument investment | | | 23,351,315.46 |
| 4. Fair value change arising from credit risk of the Company | | | |
| (II) Items that will be reclassified subsequently to profit loss | | 5,832,615.00 | |
| 1. Other comprehensive income under equity method that may be transferred to profit or loss | | | |
| 2. Change in fair value of other debt investments | | | |
| 3. Amount recorded in other comprehensive income upon financial assets reclassification | | | |
| 4. Credit impairment provision for other debt investment | | | |
| 5. Cash flow hedge reserve | | 5,832,615.00 | |
| 6. Exchange difference on translation of financial statements in foreign currency | | | |
| 7. Others | | | |
| VI. Total comprehensive income | | -41,763,002.14 | 42,045,839.17 |
| VII. EPS | | | |
| (I) Basic | | | |
| (II) Diluted | | | |

Legal representative:
WU Jianqiang

Accounting principal:
ZHANG Jian

Accounting function's principal:
ZHANG Xiuyin

SECTION 11 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS

From January to June 2020

Unit: RMB

| Item | Note | From January to June 2020 | From January to June 2019 |
|--|------|------------------------------|------------------------------|
| I. Cash flows from operating activities: | | | |
| Cash received from sales of goods or rendering of services | | 10,720,584,781.08 | 12,060,059,218.99 |
| Tax rebate received | | 22,277,592.17 | 21,505,031.26 |
| Other cash received relating to operating activities | | 571,790,944.23 | 459,039,246.98 |
| Subtotal of cash inflows from operating activities | | 11,314,653,317.48 | 12,540,603,497.23 |
| <hr/> | | | |
| Cash paid for sales of goods or rendering of services | | 11,198,030,493.92 | 11,538,236,487.26 |
| Cash paid to and for employees | | 1,049,082,352.05 | 1,166,691,668.71 |
| Taxes paid | | 393,505,426.79 | 440,616,206.52 |
| Other cash paid relating to operating activities | | 240,975,932.13 | 481,910,234.26 |
| Subtotal of cash outflows from operating activities | | 12,881,594,204.89 | 13,627,454,596.75 |
| Net cash flows from operating activities | | -1,566,940,887.41 | -1,086,851,099.52 |
| <hr/> | | | |
| II. Cash flows from investing activities | | | |
| Refund of investments | | 115,333,933.92 | 765,795,875.34 |
| Gain on investment received | | 29,864,553.49 | 23,332,754.73 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | | 1,169,873.93 | 7,946,769.23 |
| Net proceeds from disposal of a subsidiary and other business unit | | | 89,855,835.11 |
| Other cash received relating to investing activities | | 50,000,000.00 | |
| Subtotal of cash inflows from investing activities | | 196,368,361.34 | 886,931,234.41 |
| <hr/> | | | |
| Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets | | 1,596,147,833.82 | 165,017,087.41 |
| Payment for investments | | 137,626,014.73 | 618,743,653.06 |
| Net cash paid for acquisition of a subsidiary and other business unit | | 25,418.56 | 247,868,539.60 |
| Other cash paid relating to investing activities | | 100,000,000.00 | |
| Subtotal of cash outflows from investing activities | | 1,833,799,267.11 | 1,031,629,280.07 |
| Net cash flows from investing activities | | -1,637,430,905.77 | -144,698,045.66 |

SECTION 11 FINANCIAL REPORT

| Item | Note | From January to June 2020 | From January to June 2019 |
|--|------|------------------------------|---------------------------------|
| III. Cash flows from financing activities: | | | |
| Capital contributions received | | 2,300,000,000.00 | |
| of which: Capital contributions received by subsidiaries from minority shareholders | | 2,300,000,000.00 | |
| Borrowings received | | 12,656,835,977.77 | 10,781,159,148.17 |
| Other cash received relating to financing activities | | | |
| Subtotal of cash inflows from financing activities | | 14,956,835,977.77 | 10,781,159,148.17 |
| Repayment of debts | | 11,858,000,000.00 | 9,308,106,823.09 |
| Distribution of dividends or profit or payment of interest of which: Dividends or profits paid by subsidiaries to non- controlling interests | | 498,288,119.81 | 469,664,597.22 68,987,253.17 |
| Other cash paid relating to financing activities | | 2,959,437,446.22 | 5,010,994.11 |
| Subtotal of cash outflows from financing activities | | 15,315,725,566.03 | 9,782,782,414.42 |
| Net cash flows from financing activities | | -358,889,588.26 | 998,376,733.75 |
| IV. Impact of exchange rate on cash and cash equivalents | | | |
| | | -33,737,566.46 | 7,936,775.95 |
| V. Net increase in cash and cash equivalents | | | |
| | | -3,596,998,947.90 | -225,235,635.48 |
| Add: Cash and cash equivalents at beginning of the period | | 9,120,495,450.16 | 5,831,581,515.94 |
| VI. Cash and cash equivalents at end of the period | | | |
| | | 5,523,496,502.26 | 5,606,345,880.46 |

Legal representative:
WU Jianqiang

Accounting principal:
ZHANG Jian

Accounting function's principal:
ZHANG Xiuyin

SECTION 11 FINANCIAL REPORT

STATEMENT OF CASH FLOWS OF THE PARENT

From January to June 2020

Unit: RMB

| Item | Note | From January to June 2020 | From January to June 2019 |
|--|------|------------------------------|------------------------------|
| I. Cash flows from operating activities: | | | |
| Cash received from sales of goods or rendering of services | | 989,085,001.19 | 525,628,734.76 |
| Tax rebate received | | | |
| Other cash received relating to operating activities | | 416,357,671.87 | 98,550,826.89 |
| Subtotal of cash inflows from operating activities | | 1,405,442,673.06 | 624,179,561.65 |
| <hr/> | | | |
| Cash paid for sales of goods or rendering of services | | 1,344,003,623.59 | 836,824,551.07 |
| Cash paid to and for employees | | 115,162,106.07 | 131,482,513.16 |
| Taxes paid | | 5,415,818.56 | 11,412,982.89 |
| Other cash paid relating to operating activities | | 28,366,111.48 | 741,355,874.31 |
| Subtotal of cash outflows from operating activities | | 1,492,947,659.70 | 1,721,075,921.43 |
| <hr/> | | | |
| Net cash flows from operating activities | | -87,504,986.64 | -1,096,896,359.78 |
| <hr/> | | | |
| II. Cash flows from investing activities: | | | |
| Refund of investments | | 2,188,600,000.00 | 3,588,860,000.00 |
| Gain on investment received | | 176,170,364.13 | 344,272,815.96 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | | | |
| Net proceeds from disposal of a subsidiary and other business unit | | | |
| Other cash received relating to investing activities | | | |
| Subtotal of cash inflows from investing activities | | 2,364,770,364.13 | 3,933,132,815.96 |
| <hr/> | | | |
| Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets | | 242,428.99 | 1,928,853.96 |
| Payment for investments | | 2,956,900,000.00 | 3,904,325,779.80 |
| Net cash paid for acquisition of a subsidiary and other business unit | | 30,670,000.00 | |
| Other cash paid relating to investing activities | | 10,000,000.00 | |
| Subtotal of cash outflows from investing activities | | 2,997,812,428.99 | 3,906,254,633.76 |
| <hr/> | | | |
| Net cash flows from investing activities | | -633,042,064.86 | 26,878,182.20 |

SECTION 11 FINANCIAL REPORT

| Item | Note | From January to June 2020 | From January to June 2019 |
|---|------|------------------------------|------------------------------|
| III. Cash flows from financing activities: | | | |
| Capital contributions received | | | |
| Borrowings received | | 9,034,627,777.77 | 7,300,000,000.00 |
| Other cash received relating to financing activities | | | |
| Subtotal of cash inflows from financing activities | | 9,034,627,777.77 | 7,300,000,000.00 |
| <hr/> | | | |
| Repayment of debts | | 8,170,000,000.00 | 6,198,496,823.09 |
| Distribution of dividends or profit or payment of interest | | 247,478,014.31 | 271,926,069.81 |
| Other cash paid relating to financing activities | | 500,225,536.28 | |
| Subtotal of cash outflows from financing activities | | 8,917,703,550.59 | 6,470,422,892.90 |
| <hr/> | | | |
| Net cash flows from financing activities | | 116,924,227.18 | 829,577,107.10 |
| <hr/> | | | |
| IV. Impact of exchange rate on cash and cash equivalents | | -18,909,145.62 | 12,421.20 |
| <hr/> | | | |
| V. Net increase in cash and cash equivalents | | -622,531,969.94 | -240,428,649.28 |
| Add: Cash and cash equivalents at beginning of the period | | 2,319,883,981.64 | 2,184,186,118.60 |
| <hr/> | | | |
| VI. Cash and cash equivalents at end of the period | | 1,697,352,011.70 | 1,943,757,469.32 |

Legal representative:
WU Jianqiang

Accounting principal:
ZHANG Jian

Accounting function's principal:
ZHANG Xiuyin

SECTION 11 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From January to June 2020

Unit: RMB

| Item | Share capital | Other equity instrument | | Capital reserve | Attributable to shareholders of the parent | | Special reserve | Surplus reserve | Undistributed profit | Subtotal | Minority shareholders' interests | Total shareholders' interests |
|--|------------------|-------------------------|------------------|-----------------|--|----------------------|-----------------|------------------|----------------------|------------------|----------------------------------|-------------------------------|
| | | Preferred stock | Perpetual bonds | | Others | Less: treasury stock | | | | | | |
| I. Balance at end of last year | 2,559,066,667.00 | | 2,996,084,905.65 | 795,341,809.69 | 223,826,729.99 | 124,905,233.17 | 201,586,598.10 | 4,021,247,997.05 | 11,322,059,940.65 | 4,073,320,010.18 | 15,395,379,950.83 | |
| Add: Change in accounting policies | | | | | | | | | | | | |
| Correction of prior-year errors | | | | | | | | | | | | |
| Business combination under common control | | | | | | | | | | | | |
| Others | | | | | | | | | | | | |
| II. Balance at beginning of the year | 2,559,066,667.00 | | 2,996,084,905.65 | 795,341,809.69 | 223,826,729.99 | 124,905,233.17 | 201,586,598.10 | 4,021,247,997.05 | 11,322,059,940.65 | 4,073,320,010.18 | 15,395,379,950.83 | |
| III. Increases in the year ("-" for decrease) | | | -497,500,000.00 | 71,326,209.46 | 23,778,505.57 | -33,178,190.58 | | -259,739,665.66 | -696,313,141.21 | 2,124,642,005.49 | 1,429,528,864.28 | |
| (I) Total comprehensive income | | | | | 23,778,505.57 | | | -143,163,691.94 | -119,375,186.37 | 60,107,777.47 | -59,267,408.90 | |
| (II) Increase and decrease in capital contribution from shareholders | | | -497,500,000.00 | 71,326,209.46 | | | | | -426,173,790.54 | 2,197,352,189.76 | 1,771,178,389.22 | |
| 1. Capital contribution from ordinary shareholders | | | | | | | | | | 2,269,330,000.00 | 2,269,330,000.00 | |
| 2. Capital contribution from other equity instrument holders | | | | | | | | | | | | |
| 3. Increase in owners' equity arising from share-based payment | | | | | | | | | | | | |
| 4. Others | | | -497,500,000.00 | 71,326,209.46 | | | | | -426,173,790.54 | -71,977,810.24 | -498,151,600.78 | |
| (III) Profit distribution | | | | | | | | -116,385,973.72 | -116,385,973.72 | -119,980,552.31 | -236,566,526.03 | |
| 1. Appropriation to surplus reserve | | | | | | | | | | | | |
| 2. Distribution to shareholders | | | | | | | | | | | | |
| 3. Others | | | | | | | | | | | | |
| (IV) Transfers within shareholders' equity | | | | | | | | | | | | |
| 1. Capital reserve transferred to share capital | | | | | | | | | | | | |
| 2. Surplus reserve transferred to share capital | | | | | | | | | | | | |
| 3. Surplus reserve used to make up loss | | | | | | | | | | | | |
| 4. Change in DBP transferred to retained earnings | | | | | | | | | | | | |
| 5. Other comprehensive income transferred into retained earnings | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | | | |
| 1. Appropriation to special reserve | | | | | | | | | | | | |
| 2. Use of special reserve | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | |
| IV. Balance at end of the period | 2,559,066,667.00 | | 2,498,584,905.65 | 866,666,019.15 | 247,605,235.56 | 91,727,042.59 | 201,586,598.10 | 3,761,508,331.39 | 10,626,746,799.44 | 6,198,162,015.67 | 16,824,909,815.11 | |

Legal representative:
WU JianqiangAccounting principal:
ZHANG JianAccounting function's principal:
ZHANG Xiuyin

SECTION 11 FINANCIAL REPORT

STATEMENT OF CHANGES IN EQUITY OF THE PARENT

From January to June 2020

Unit: RMB

| Item | Share capital | Preferred stock | | Other equity instrument | | Capital reserve | From January to June 2020 | | Surplus reserve | Undistributed profit | Total shareholders' interests |
|--|------------------|-----------------|--------|--|-------|------------------|---------------------------|----------------------------|-----------------|----------------------|-------------------------------|
| | | Perpetual stock | Others | Attributable to shareholders of the parent | Less: | | treasury stock | Other comprehensive income | | | |
| I. Balance at end of last year | 2,959,066,667.00 | | | 2,996,094,905.65 | | 1,193,196,521.57 | 11,735,970.00 | 810,240.05 | 201,566,598.10 | 19,930,929.36 | 7,382,411,231.73 |
| Add: Change in accounting policies | | | | | | | | | | | |
| Correction of prior-year errors | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Balance at beginning of the year | 2,959,066,667.00 | | | 2,996,094,905.65 | | 1,193,196,521.57 | 11,735,970.00 | 810,240.05 | 201,566,598.10 | 19,930,929.36 | 7,382,411,231.73 |
| III. Increases in the year ("-" for decrease) | | | | -487,500,000.00 | | -2,500,000.00 | 5,830,915.00 | 33,371.95 | | -164,179,890.86 | -686,815,603.91 |
| (I) Total comprehensive income | | | | | | | 5,830,915.00 | | | -47,593,917.14 | -41,763,002.14 |
| (II) Increase and decrease in capital contribution from shareholders | | | | -487,500,000.00 | | -2,500,000.00 | | | | | -500,000,000.00 |
| 1. Capital contribution from ordinary shareholders | | | | | | | | | | | |
| 2. Capital contribution from other equity instrument holders | | | | | | | | | | | |
| 3. Increase in owners' equity arising from share-based payment | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| (III) Profit distribution | | | | -487,500,000.00 | | -2,500,000.00 | | | | | -500,000,000.00 |
| 1. Appropriation to surplus reserve | | | | | | | | | | | |
| 2. Distribution to shareholders | | | | | | | | | | | |
| 3. Others | | | | | | | | | | | |
| (IV) Transfers within shareholders' equity | | | | | | | | | | | |
| 1. Capital reserve transferred to share capital | | | | | | | | | | | |
| 2. Surplus reserve transferred to share capital | | | | | | | | | | | |
| 3. Surplus reserve used to make up loss | | | | | | | | | | | |
| 4. Change in DBP transferred to retained earnings | | | | | | | | | | | |
| 5. Other comprehensive income transferred into retained earnings | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | | |
| 1. Appropriation to special reserve | | | | | | | | | | | |
| 2. Use of special reserve | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | |
| IV. Balance at end of the period | 2,959,066,667.00 | | | 2,498,594,905.65 | | 1,190,696,521.57 | 17,566,885.00 | 843,612.00 | 201,566,598.10 | -144,249,961.50 | 6,724,095,627.82 |

Legal representative:
WU JianqiangAccounting principal:
ZHANG JianAccounting function's principal:
ZHANG Xiuyin

SECTION 11 FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in RMB unless otherwise indicated herein)

1. GENERAL INFORMATION

(1) Place of incorporation, organizational form and head office.

China Aluminum International Engineering Corporation Limited (hereinafter referred to as “Chalieco”), formerly known as China Aluminum International Engineering Co., Ltd., was established on 16 December 2003 with a capital contribution of RMB200,000,000.00 from China Aluminum Group Limited (hereinafter referred to as “China Aluminum Group”) and China Aluminum International Trade Co., Ltd. (hereinafter referred to as “China Aluminum International Trade”), with China Aluminum Group and China Aluminum International Trade holding 95% and 5% equity in Chalieco respectively.

In December 2010, China Aluminum International Trade transferred its 5% equity in the Company to China Aluminum Group, whereupon Chalieco became a wholly-owned subsidiary of China Aluminum Group.

Chalieco was reorganized in 2011 and was incorporated as a joint stock company in Beijing in June 2011 with a registered capital of RMB2,300,000,000.00.

In July 2012, Chalieco offered 363,160,000 shares (H shares) to overseas investors on the main board of the Stock Exchange. The stock abbreviation is “Chalieco” and the stock code is “2068”. In H share offering, under relevant approval, China Aluminum Group and Luoyang Institute converted their 36,316,000 state-owned domestic, equivalent to 10% of the number of H shares under public offering, into H shares on a 1:1 basis and transferred them to the National Council of Social Security Funds on the basis of 1:1 on the day of listing. Upon consummation of the above offering, the total share capital increased to RMB2,663,160,000.00.

As approved by the Approval in Relation to the Initial Public Offering of Shares by China Aluminum International Engineering Corporation Limited (Zheng Jian Xu Ke [2018] No. 934) issued by the China Securities Regulatory Commission, the stock abbreviation is “中鋁國際” and the stock code is “601068”. On 27 August 2018, the Company issued 295,906,667 ordinary shares in Renminbi to the public (at a face value of RMB1 per share), increasing its registered capital by RMB295,906,667.00. The enlarged registered capital is RMB2,959,066,667.00.

Chalieco’s registered address is Building C, No. 99 Xingshikou Road, Haidian District, Beijing, PRC, with a unified social credit code of 911100007109323200.

The ultimate controller of Chalieco is China Aluminum Group Limited.

SECTION 11 FINANCIAL REPORT

1. GENERAL INFORMATION (Continued)**(2) Business nature and principal operations.**

The industry in which the Company operates: metals and steel-production/trading.

Principal business activities: engineering technology, design and consultancy, engineering construction and installation, equipment manufacturing and trading.

(3) Approver of the financial report and the date of approval.

The financial statements were approved by the board of Directors of the Company on 26 August 2020.

(4) Scope of consolidation of financial statements for the year

Consolidated financial statements for the current reporting period covers China Aluminum International Engineering Corporation Limited and its subsidiaries. See Note 7(1) for details.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- (1) Basis of preparation: The financial statements have been prepared on the going concern basis of actual transactions and events in accordance with “the Accounting Standards for Business Enterprises – Basic Standards” and relevant specific standards (together “the Accounting Standards for Business Enterprises”) issued by the Ministry of Finance, and based on the following significant accounting policies and accounting estimates.
- (2) Going concern: The Company has the ability to continue as a going concern at least over the next 12 months from the end of reporting period and there is no material event that may affect the Company’s ability to operate as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(1) Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements prepared by the Company give a true and complete view of financial position of the Company as at 30 June 2020, and operating results and cash flows of the Company from January to June 2020 in accordance with the Accounting Standards for Business Enterprises.

(2) Accounting Period

The Company’s accounting year is the calendar year, from 1 January to 31 December each year. The accounting period of these financial statements is from 1 January 2020 to 30 June 2020.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(3) Operating cycle

The Company takes a 12-months year as a usual operating cycle, and uses an operating cycle to as the standard to determine the liquidity of assets and liabilities.

(4) Functional currency

The Company's functional currency is RMB.

(5) Business combination

1. Business combination under common control

If the acquirer of long-term equity investment arising from business combination under common control pays the consideration of combination by payment of cash, transfer of noncash assets or assumption of debts, the Company records the initial cost of long-term equity investment based on the share of the acquiree's owners' equity in the consolidated financial statements of the ultimate controller on the combination date. If the acquirer pays the consideration of combination by issuance of equity instruments, the total face value of the issued shares is recorded as share capital. The capital reserve is adjusted for the difference between the initial investment cost of long-term equity investment and the carrying value of the consideration of combination (or the total face value of the issued shares). If the capital reserve is not sufficient, any excess reduces retained earnings.

2. Business combination not under common control

For business combination not under common control, the combination cost is the sum of the fair value of assets, liabilities incurred or assumed and equity securities issued by the acquirer in order to obtain control over the acquiree on the acquisition date. The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the recognition conditions and are acquired in the business combination not under common control are measured at their fair value on the acquisition date. The excess of the acquirer's combination cost over the share of fair value of net identifiable assets of the acquiree obtained in the combination is reflected in the value of goodwill. If the acquirer's combination cost is lower than the share of fair value of net identifiable assets of the acquiree obtained in the combination, and the difference remains after view, then the difference is recorded in non-operating income for the current period.

SECTION 11 FINANCIAL REPORT

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(6) Method for preparing consolidated financial statements

1. Scope of consolidated financial statements

The Company includes all subsidiaries (including separate entities controlled by the Company) in the scope of consolidated financial statements, including companies controlled by the Company, separable parts of the investee and structured entities.

2. Unifying accounting policies, balance sheet date and accounting period of the parent and subsidiaries

If the accounting policy or accounting period adopted by a subsidiary is inconsistent with that adopted by the Company, the subsidiary's financial statements are adjusted for the Company's accounting policy or accounting period as necessary in preparing the consolidated financial statements.

3. Offset matters in the consolidated financial statements

The Company prepares consolidated financial statements based on balance sheets of the Company and its subsidiaries, having eliminated all transactions between the Company and its subsidiaries and among subsidiaries. The share of owners' equity of a subsidiary not attributable to the Company is recorded as non-controlling interests, and presented in "noncontrolling interests" under owners' equity in the consolidated balance sheet. If a subsidiary holds long-term equity investment in the Company, the same is deemed treasury stock of the Group, reduces owners' equity and is presented as "less: treasury stock" under owners' equity in the consolidated balance sheet.

4. Accounting Treatment of Subsidiaries Acquired through Merger

For a subsidiary acquired through business combination under common control, its assets, liabilities, operating results and cash flows are included in the consolidated financial statements from the beginning of the current period, as if the business combination occurred when the ultimate controller started to control the subsidiary. For a subsidiary acquired through business combination not under common control, for the purpose of preparing the consolidated financial statements, its individual financial statements are adjusted to the fair value of its net identifiable assets on the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Classification of joint arrangements and accounting treatment of joint operations

1. Classification of joint arrangements

Joint venture arrangements are classified as either joint operations or joint ventures. A joint arrangement not reached by a separate entity is classified as a joint operation. Separate entities refer to entities with separately identifiable financial structure, including separate incorporated entities, and unincorporated entities recognized by law. A joint arrangement reached through a separate entity is usually classified as a joint venture. If changes in relevant facts and circumstances lead to changes in the rights and obligations of a joint venture to the joint arrangement, the joint venture should reassess the classification of the joint arrangement.

2. Accounting for joint operations

As a participant in a joint operation, the Company recognizes the following items in relation to its share of interests in the joint operation, and accounts for the same according to requirements of relevant accounting standards for enterprises: separately held assets or liabilities, share of jointly held assets or liabilities, revenue from sales of the share of output of the joint venture, share of revenue generated from the sales of output of the joint venture, separately incurred expenses, and share of expenses incurred by the joint operation.

As a participant that does not have joint control over the joint operation, the Company accounts for its investment by reference to requirements applicable to a joint venture if it enjoys relevant assets and assumes relevant liabilities of the joint operation, or it accounts for the investment in accordance with requirements of relevant accounting standards for business enterprises.

3. Accounting for joint ventures

The Company, as a joint venture, accounts for its investment in the joint venture in accordance with requirements of the “Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment”. If not a joint venture, the Company accounts for its investment based on degree of its influence on the joint venture.

(8) Determination of cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash refers to cash on hand and deposits held at all with banks. For the purpose of preparing the statement of cash flows, cash equivalents refer to short-term highly liquid investments that can be readily converted into known amount of cash with insignificant risk of change in value.

SECTION 11 FINANCIAL REPORT

**3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)****(9) Foreign currency transactions and translation of foreign currency financial statements****1. Translation of foreign currency transactions**

The Company translates foreign currency transactions into functional currency at the spot exchange rate prevailing on the date of transaction. On the balance sheet date, foreign currency monetary items are converted at the spot exchange rate prevailing on the balance sheet date. Exchange gain or loss arising from the difference between the spot exchange rate prevailing on that date and the spot exchange rate prevailing at the time of initial recognition or the previous balance sheet date is recognized in the profit or loss, except that exchange differences on foreign currency special loans qualified for capitalization are capitalized and included in the cost of related assets during the capitalization period. Foreign currency non-monetary items measured at historical cost are still converted at the spot exchange rate prevailing on the transaction date, and the amount in its functional currency is not changed. Foreign currency non-monetary items measured at fair value are converted at the spot exchange rate prevailing on the date when the fair value is determined. The difference between the converted amount in functional currency and the original amount in functional currency is treated as fair value change (including exchange rate change) and in profit or loss or in other comprehensive income.

2. Translation of foreign currency financial statements

If any subsidiary, joint venture and associate of the Company adopts a functional currency different from that of the Company, its foreign currency financial statements are translated before accounting and preparation of consolidated financial statements. Assets and liabilities items in the balance sheet are translated at the spot exchange rate prevailing on the balance sheet date. Except for "undistributed profit", other owners' equity items are translated at the spot exchange rate prevailing at the time of occurrence. Income and expense items in the income statement are translated at the spot exchange rate on the transaction date. The translation difference on foreign currency statements resulting from the translation is shown within other comprehensive income in owners' equity in the balance sheet. Foreign currency cash flows are translated at the spot exchange rate prevailing on the date when the cash flow occurs. The impact of exchange rate changes on cash is shown separately in the statement of cash flows. When an overseas operation is disposed of, the translation difference on foreign currency statements related to the overseas operation is recorded in profit or loss for the period in which the disposal occurs in whole or at the percentage of overseas operation disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments

1. Recognition and derecognition of financial instruments

The Company recognizes a financial asset, financial liability or equity instrument when it becomes a party to a financial instrument contract.

For the purchase or sale of a financial asset by conventional means, the Company recognizes the asset to be received or the liability to be assumed for this purpose on the transaction day, or derecognize the sold asset on the transaction day recognizes the gain or loss on disposal as well as the receivables due from the buyer.

A financial asset that meets any one of the following conditions is derecognized:

- (1) The contractual right to receive cash flows from the financial asset is terminated.
- (2) The financial asset has been transferred, and the transfer meets the requirements for derecognition of financial assets.

If the present obligation of a financial liability (or part thereof) has been discharged, the Company derecognizes the financial liability (or part thereof).

If the Company (as the borrower) and the lender enters into an agreement to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability deviated materially from the original financial liability, the Company derecognizes the original financial liability and recognizes a new financial liability.

If the Company makes any substantial revision to the contract terms of the original financial liability (or part thereof), the original financial liability is derecognized and a new financial liability is recognized in accordance with the revised terms.

If a financial liability (or part thereof) is derecognized, the Company records the difference between its book value and the consideration paid (including non-cash assets transferred or liabilities assumed) in the profit or loss.

If the Company repurchases part of a financial liability, the book value of the financial liability is allocated between the derecognized portion and the remaining portion in proportion to their respective fair values on the repurchasing date. The difference between the book value allocated to the derecognized portion and the consideration paid (including non-cash assets transferred or liabilities assumed) is included in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments (continued)

2. Transfer of financial assets

Transfer of a financial asset refers to that the Company (as the transferor) transfers or delivers the financial asset (or its cash flows) to another party (transferee) other than the issuer of the financial asset.

Transfer of a financial asset includes the following two circumstance:

- (1) The Company transfers the contractual right to receive cash flows from the financial asset to another party.
- (2) The Company retains the contractual right to receive cash flows from the financial asset, but undertakes the contractual obligation to pay the received cash flows to one or more ultimate beneficiaries, and the following conditions are satisfied:
 - A. The Company is obliged to pay the ultimate beneficiary only when it receives equivalent cash flows from the financial asset. This condition is deemed satisfied if the Company provides advances but has the right to fully recover the advance and charge interest at the market interest rate.
 - B. Although the transfer contract prohibits the Company from selling or mortgaging the financial asset, the Company can use it as a guarantee of the obligation to pay cash flows to the ultimate beneficiary.
 - C. The Company has the obligation to transfer all cash flows collected on behalf of the ultimate beneficiary to the ultimate beneficiary in a timely manner without any undue delay. The Company has no right to reinvest the cash flows, but this condition is deemed satisfied if the Company invests such cash flows in cash or cash equivalents for the short settlement period between the collection date and the transfer date required by the ultimate beneficiary and pays the gain on such investment to the ultimate beneficiary as agreed in the contract.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments (continued)

2. Transfer of financial assets (continued)

When a financial asset is transferred, the Company assesses the degree of risks and rewards in retaining the ownership of the financial asset and treats it as follows:

- (1) If the Company has transferred almost all risks and rewards in the ownership of the financial asset, the financial asset is derecognized, and the rights and obligations generated or retained in the transfer are separately recognized as assets or liabilities.
- (2) If the Company has retained almost all risks and rewards in the ownership of the financial asset, it continues to recognize the financial asset.
- (3) If the Company neither transfers nor retains almost all risks and rewards in the ownership of the financial asset, the Company treats it as follows depending on whether it retains control over the financial asset:
 - A. If the Company does not retain control over the financial asset, the financial asset is derecognized, and the rights and obligations arising from or retained in the transfer are separately recognized as assets or liabilities.
 - B. If the Company retains control over the financial asset, it recognizes relevant financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes relevant liabilities accordingly.

3. Classification of financial assets

The Company classifies financial assets into the following three categories depending on its business mode of managing financial assets and the characteristics of contractual cash flows from financial assets:

- (1) Financial assets at amortized cost.
- (2) Financial assets at fair value through other comprehensive income (FVTOCI).
- (3) Financial assets at fair value through profit or loss (FVTPL).

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments (continued)

3. Classification of financial assets (continued)

Financial assets that meet all of the following conditions are classified as financial assets at amortized cost:

- (1) The Company's business mode of managing the financial asset is to collect the contractual cash flows.
- (2) The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is solely the payment of principal and interest based on the amount of outstanding principal.

Financial assets that meet all of the following conditions are classified as financial assets at FVTOCI:

- (1) The Company's business mode of managing the financial asset aims at both collecting the contractual cash flow and selling the financial asset.
- (2) The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is solely the payment of principal and interest based on the amount of outstanding principal.

The Company classifies all financial assets other than those at amortized cost and those at FVTOCI as financial assets at FVTPL.

On initial recognition, the Company may elect to designate equity instrument investments not for trading purpose as financial assets at FVTOCI, and designation is not cancellable once made.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments (continued)

3. Classification of financial assets (continued)

If a financial asset or financial liability meets any of the following conditions, it indicates that the Company holds the financial asset or assumes the financial liability for trading purpose:

- (1) The purpose of acquiring relevant financial asset or assuming relevant financial liability is mainly for sale or repurchase in the near future.
- (2) Relevant financial asset or financial liability is part of the identifiable portfolio of financial instruments under centralized management at the time of initial recognition, and there is objective evidence that there is a short-term profit pattern in the near future.
- (3) Relevant financial assets or financial liabilities are derivative instruments. However, derivatives that meet the definition of financial guarantee contracts and derivatives designated as effective hedging instruments are excluded.

On initial recognition, if accounting mismatch can be eliminated or significantly reduced, the Company may elect to designate financial assets as financial assets at FVTPL. The designation is not revocable once made.

4. Classification of financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities at amortized cost:

- (1) Financial liabilities at FVTPL include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss.
- (2) Financial liabilities resulting from the transfer of financial assets that do not meet the conditions for derecognition or from continuing involvement in the transferred financial asset.

If a financial liability arises from contingent consideration recognized by the Company as the acquirer in a business combination not under common control, the financial liability is measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments (continued)

4. Classification of financial liabilities (continued)

On initial recognition, in order to provide more relevant accounting information on initial recognition, the Company may elect to designate a financial liability at FVTPL provided that any of the following conditions is satisfied:

- (1) The designation can eliminate or significantly reduce accounting mismatch.
- (2) Pursuant to the Company's risk management or investment strategy set out in an official written document, the management and performance evaluation of the financial liability portfolio or the portfolio of financial assets and financial liabilities are conducted at fair value, and reported to key management within the Company on this basis.

The designation is not revocable once made.

5. Reclassification of financial instruments

When the Company changes its business mode of managing financial assets, it reclassifies all relevant financial assets affected thereby.

The Company does not reclassify any financial liability.

In case of reclassification of financial assets, the Company adopts the prospective method for relevant accounting treatment from the reclassification date, and does not retroactively adjust previously recognized gains, losses (including impairment losses or gains) or interests.

If the Company reclassifies a financial asset at amortized cost to a financial asset at FVTPL, it measures the asset at its fair value on the reclassification date. The difference between the original book value and the fair value is recorded in profit or loss.

If the Company reclassifies a financial asset at amortized cost to a financial asset at FVTOCI, it measures the financial asset at its fair value on the reclassification date. The difference between the original book value and the fair value is recorded in other comprehensive income. The reclassification of this financial asset does not affect the measurement of its effective interest rate and expected credit loss.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments (continued)

5. Reclassification of financial instruments (continued)

If the Company reclassifies a financial asset at FVTOCI to a financial asset at amortized cost, it reverses the accumulated gains or losses previously recorded in other comprehensive income, adjusts the fair value of the financial asset on the reclassification date and uses the adjusted amount as its new book value, as if the financial asset has been measured at amortized cost from the very beginning. The reclassification of the financial asset does not affect the measurement of its effective interest rate and expected credit loss.

If the Company reclassifies a financial asset at FVTOCI to a financial asset at FVTPL, it continues to measure the financial asset at fair value. Meanwhile, the Company transfers accumulated gains or losses previously recorded in other comprehensive income from other comprehensive income to profit or loss.

If the Company reclassifies a financial asset at FVTPL to a financial asset at amortised cost, it uses the fair value on the reclassification date as the new book balance.

If the Company reclassifies a financial asset at FVTPL to a financial asset at FVTOCI, it continues to measure the financial asset at fair value.

6. Measurement of financial instruments

The Company measures financial assets or financial liabilities at fair value on initial recognition. For financial assets and financial liabilities at FVTPL, relevant transaction costs are directly recorded in profit or loss; for other financial assets or financial liabilities, relevant transaction costs are recorded in the initial recognition amount. However, if accounts receivable initially recognized by the Company do not contain significant financing component or if the financing component of a contract for a term not exceeding one year is not considered, the financial asset or financial liability is initially measured at the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments (continued)

6. Measurement of financial instruments (continued)

The amortized cost of a financial asset or financial liability is determined on the basis of its initially recognized amount adjusted as follows:

- (1) Deducting any repaid principal.
- (2) Adding or subtracting the accumulated amortization of the difference between the amount initially recognized and the amount on the maturity date using the effective interest rate method.
- (3) Deducting accumulated allowance for loss (in case of a financial asset).

The Company recognizes interest income using the effective interest rate method. Interest income is calculated and determined by multiplying the book balance of a financial asset by the effective interest rate, except for the following:

- (1) For a purchased or originated financial asset that is credit-impaired, the Company calculates and determines its interest income by multiplying the amortized cost of the financial asset by the credit adjusted effective interest rate from the initial recognition.
- (2) For a purchased or originated financial asset that is not credit-impaired but is credit-impaired subsequently, the Company calculates and determines the interest income by multiplying the amortized cost by the effective interest rate in the subsequent period. Where the Company calculates the interest income by applying the effective interest rate method to the amortised cost of a financial asset as aforesaid, if the financial instrument is no longer credit-impaired subsequently due to improvement of its credit risk, and such improvement can be objectively related to an event occurring after the above provisions are applied (such as an upgrade to the debtor's credit rating), the Company then calculates and determines the interest income by multiplying the book balance of the financial asset by the effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments (continued)

6. Measurement of financial instruments (continued)

A financial asset is credit-impaired when one or more events that have adverse impact on expected future cash flows of the financial asset. Evidences that a financial asset is credit-impaired include the following observable information:

- (1) The issuer or debtor has material financial difficulties;
- (2) The debtor violates the contract, such as default or overdue payment of interest or principal, etc.;
- (3) Creditors grant concessions that would not otherwise be granted to the debtor due to economic or contractual considerations related to the debtor's financial difficulties;
- (4) The debtor is likely to go bankrupt or undergo other financial reorganization;
- (5) An active market for the financial asset disappears as a result of financial difficulties of the issuer or debtor;
- (6) A financial asset is purchased or originated at a substantial discount which reflects the fact that credit loss has occurred.

If the Company revises or renegotiates the contract with the counterparty, which does not result in derecognition of the financial asset but results in a change in cash flows of the contract, the Company recalculates the carrying amount of the financial asset and records relevant gain or loss in profit or loss.

If the Company no longer reasonably expects contractual cash flows of a financial asset to be fully or partially recoverable, the book balance of the financial asset is directly written down. Such write-down constitutes derecognition of relevant financial asset.

The Company measures investments in equity instruments and contracts associated with such investments at fair value. However, under limited circumstances, if there is insufficient recent information to determine the fair value or a possible estimate of the fair value covers a wide range, and the cost represents the best estimate of the fair value within the range, then the cost may represent an appropriate estimate of the fair value within the range.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments (continued)

7. Gain and loss

The Company recognises gain or loss on a financial asset or financial liability measured at fair value in profit or loss, unless the financial asset or financial liability fall under any of the following circumstances:

- (1) It is part of qualifying hedge.
- (2) It is an investment in equity instruments not for trading purpose, and the Company has designated it as a financial asset at FVTOCI.
- (3) It is a financial liability designated at FVTPL and changes in its fair value arising from credit risk of the Company are recorded in other comprehensive income.
- (4) It is classified as a financial asset at FVTOCI, and changes in its fair value other than impairment loss or gain and exchange gain or loss are recorded in other comprehensive income.

The Company recognizes dividend income in profit or loss only if all of the following conditions are met:

- (1) The Company's right to receive the dividends has been established;
- (2) Economic benefits related to the dividends are likely to flow into the company;
- (3) The amount of dividends can be measured reliably.

Gains or losses arising from a financial asset that is measured at amortized cost and is not part of any hedging are recorded in profit or loss on derecognition, reclassification, amortization using the effective interest rate method or recognition of impairment according to the provisions of these standards.

Gains or losses arising from a financial liability that is measured at amortized cost and is not part of any hedging are recorded in profit or loss upon derecognition or upon amortization using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Financial instruments (continued)

7. Gain and loss (continued)

Gains or losses arising from a financial liability designated at FVTPL are treated as follows:

- (1) Changes in fair value of the financial liability caused by changes in credit risk of the Company is recorded in other comprehensive income;
- (2) Other changes in fair value of the financial liability are recorded in profit or loss.

If the above treatment of the impact of changes in credit risk of the financial liability would cause or expand accounting mismatch in profit or loss, the Company records all gains or losses on the financial liability (including the impact of changes in credit risk of the Company) in profit or loss.

Upon derecognition of a financial liability, all accumulated gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income to retained earnings.

Upon derecognition of an equity instrument investment not held for trading purpose that is designated at FVTOCI, all accumulated gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income to retained earnings.

All gains or losses (other than impairment loss or gain and exchange gain or loss) on a financial asset classified at FVTOCI, are recorded in other comprehensive income till its derecognition or reclassification. However, interest income from the financial asset calculated using the effective interest rate method is recorded in profit or loss. The amount recorded in profit or loss of each period is equal to the amount recorded in profit or loss of such period assuming the financial asset has been measured at amortised cost. Upon derecognition of the financial asset, all accumulated gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Determination and accounting of expected credit loss

1. Expected credit loss

The Company accounts for impairment and recognizes loss allowance for the following items based on expected credit loss:

- (1) Financial assets at amortized cost and financial assets at FVTOCI.
- (2) Lease receivables.
- (3) Contract assets.

Expected credit loss refers to the average of credit loss on financial instruments weighted by the risk of default.

For financial assets classified at FVTOCI, the Company recognizes loss allowance in other comprehensive income, and records impairment loss or gain in profit or loss without reducing the book value of the financial assets shown in the balance sheet.

The Company's method for measuring expected credit loss on finance instruments reflects the following elements:

- (1) Unbiased probability weighted average determined by evaluating a series of possible results.
- (2) Time value of money.
- (3) Reasonable and reliable information on past events, current situation and future economic forecast that are available on the balance sheet date without unnecessary extra costs or efforts.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Determination and accounting of expected credit loss (continued)

2. Purchased or originated financial assets that are credit-impaired

For purchased or originated financial assets that are credit impaired, the Company recognizes accumulated changes in expected credit loss solely for the lifetime since initial recognition as loss allowance on the balance sheet date. On each balance sheet date, the Company takes the change in lifetime expected credit loss as impairment loss or gain and records it in profit or loss. Even if the lifetime expected credit loss determined on the balance sheet date is less than the amount of expected credit loss reflected in estimated cash flow at the time of initial recognition, the Company recognizes favorable changes in expected credit loss as impairment profit.

3. Purchased or originated financial assets that are not credit impaired

- (1) For each of the following items, the Company always measures its loss allowance at an amount equivalent to the lifetime expected credit loss:
 - A. Receivables or contract assets arising from transactions under the Accounting Standards for Business Enterprises No.14 – Revenue, whether or not they contain any significant financing component;
 - B. Lease receivables arising from transactions under the Accounting Standards for Business Enterprises No.21 – Lease, including receivables under finance lease and receivables under operating lease.

SECTION 11 FINANCIAL REPORT

**3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)****(11) Determination and accounting of expected credit loss (continued)****3. Purchased or originated financial assets that are not credit impaired (continued)**

- (2) For purchased or originated financial assets (such as other receivables) that are not credit impaired other than those under (1) above, the Company evaluates whether the credit risk of relevant financial instruments has increased significantly since initial confirmation on each balance sheet date, and measures their loss allowance and recognizes their expected credit loss and changes thereof as follows:
- A. If the credit risk of the financial asset has increased significantly since initial confirmation, the Company measures its loss allowance at an amount equivalent to lifetime expected credit loss of the financial asset.
 - B. If the credit risk of the financial asset has not increased significantly since initial confirmation, the Company measures its loss allowance at an amount equivalent to expected credit loss of the financial asset over the next 12 months.

Any increase in or reversal of loss allowance arising on the basis of expected credit loss is recorded in profit or loss as impairment loss or gain.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Determination and accounting of expected credit loss (continued)

4. Receivables arising from transactions under the Accounting Standards for Business Enterprises No.14 – Revenue

On the balance sheet date, if expected credit loss can be evaluated for receivables individually significant (a receivable is individually significant if it reaches RMB5 million) and some receivables not individually significant without unnecessary extra costs or efforts, the Company tests them for impairment and recognizes loss allowance on an individual basis. For the remaining receivables (excluding those among member companies covered under the consolidated financial statements), expected credit loss is estimated and loss allowance is recognized by aging on a collective basis at the following percentages, taking into consideration past experience, current conditions and future forecast:

(1) Accounts receivable

| Aging | Accounts receivable proportion (%) |
|---------------------------|---|
| Within 1 year (inclusive) | 0.50 |
| Between 1-2 years | 10.00 |
| Between 2-3 years | 20.00 |
| Between 3-4 years | 30.00 |
| Between 4-5 years | 50.00 |
| Over 5 years | 100.00 |

(2) Long-term receivables

| Aging | Proportion (%) |
|------------------------|---------------------------|
| Before due | 0.50 |
| Within 1 year past due | 10.00 |
| 1-2 years past due | 20.00 |
| 2-3 years past due | 30.00 |
| 3-4 years past due | 50.00 |
| Over 4 years past due | 100.00 |

SECTION 11 FINANCIAL REPORT

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Determination and accounting of expected credit loss (continued)

5. Contract assets arising from transactions under the Accounting Standards for Business Enterprises No.14 – Revenue

On the balance sheet date, if expected credit loss can be evaluated for contract assets individually significant (a contract asset is individually significant if it reaches RMB5 million) and some contract assets not individually significant without unnecessary extra costs or efforts, the Company tests them for impairment and recognizes loss allowance on an individual basis (“the specific identification method”). The remaining contract assets are divided into two groups taking into consideration past experience, current conditions and future forecast, and expected credit loss is estimated and loss allowance is recognized as follows respectively:

- (1) Group 1: Contract assets not delivered to customers for use

For these contract assets, the Company recognizes loss allowance for contract assets at 0.5% of the balance.

- (2) Group 2: Contract assets delivered to customers for use

The Company recognizes loss allowance for the contract assets on the basis of aging analysis. The aging is calculated from the date of delivery and the loss allowance percentage is as follows:

| Aging | Proportion (%) |
|---------------------------|---------------------------|
| Within 1 year (inclusive) | 0.50 |
| Between 1-2 years | 10.00 |
| Between 2-3 years | 20.00 |
| Between 3-4 years | 30.00 |
| Between 4-5 years | 50.00 |
| Over 5 years | 100.00 |

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(12) Inventory

1. Inventory classification

Inventory refers to finished products or commodities held for sale, work in progress of production, and materials consumed in the process of production or rendering of service in daily activities of the Company. It mainly includes contract assets, raw materials, work in process, commodity stock, revolving materials, spare parts and property development costs, which are measured at the lower of cost and net realizable value. Revolving materials include low-value consumables and packaging materials.

2. Measurement of outgoing inventories

The weighted average method is used to determine the actual cost of outgoing inventories.

3. Provision for impairment of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realizable value, and provision for impairment of inventories is recognized on an individual basis, but provision for impairment of inventories in large quantity and low unit price is made by the category of inventories.

4. Inventory system

The Company adopts the perpetual inventory system.

5. Amortization method for low-value consumables and packaging materials

Low-value consumables and packaging materials are amortized on a one-off basis.

SECTION 11 FINANCIAL REPORT

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(13) Contract assets and contract liabilities

1. Contract assets

The Company presents as contract assets the right to receive consideration for goods or services that have been transferred to customers (and this right depends on factors other than the lapse of time). Loss allowance for contract assets are recognized based on expected credit loss. See Note 3.11 for details on determination and accounting treatment of expected credit loss on contract assets.

2. Contract liabilities

Contract liabilities refer to the obligation to transfer goods or services to customers for the consideration received or receivable from customers. Contract assets and contract liabilities under the same contract are shown on a net basis.

(14) Long-term equity investment

1. Determination of initial investment cost

The initial investment cost of a long-term equity investment, if acquired in business combination under common control, is determined based on the share of book value of owners' equity of the acquiree in the consolidated financial statements of the ultimate controller on the acquisition date, and if acquired in business combination not under common control, is determined based on the combination cost on the acquisition date. The initial investment cost of a long-term equity investment acquired by payment of cash is the acquisition price actually paid; the initial investment cost of a long-term equity investment acquired by issuance of equity securities is the fair value of the equity securities issued; the initial investment cost of a long-term equity investment acquired through debt restructuring is determined according to relevant provisions of the Accounting Standards for Business Enterprises No. 12 – Debt Restructuring; the initial investment cost of a long-term equity investment acquired through non-monetary asset exchange is determined according to relevant provisions of the Accounting Standards for Business Enterprises No. 7 – Nonmonetary Asset Exchange.

2. Subsequent measurement and gain or loss recognition

The Company accounts for long-term equity investments using the cost method if it can exercise control over the investee and accounts for long-term equity investments in associates and joint ventures using the equity method. The Company's equity investments in associates, if indirectly held through venture capital firms, mutual funds, trust companies or similar entities including investment-linked insurance funds, are accounted for according to the Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments whether or not the above entities have a significant influence on such investments, and are accounted for using the equity method if otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Long-term equity investment (continued)

3. Basis for determining joint control over and significant influence on the investee

Joint control over the investee means that any decision on activities having significant influence on the return of an arrangement is subject to prior unanimous consent of participants sharing the control, including the sales and purchase of goods or services, the management of financial assets, the acquisition and disposal of assets, research and development activities and financing activities. Significant influence on the investee means holding 20% to 50% voting capital of the investee, or (if holding less than 20% voting capital of the investee) falling into any of the following circumstances: being represented in the board of directors or similar authority of the investee; participating in policy-making of the investee; sending management personnel to the investee; being relied on by the investee for technology or technical data; occurrence of material transactions with the investee.

(15) Investment property

The Company's investment properties are classified into land use rights for lease, buildings for lease, and land use rights held for transfer after appreciation. Investment property is initially measured at cost, and subsequent measured using the cost model.

Among investment property of the Company, buildings for lease are depreciated on a straight line basis, details of which are the same as those for fixed assets. Among investment property of the Company, buildings for lease, and land use rights held for transfer after appreciation are depreciated on a straight line basis, details of which are the same as those for intangible assets.

(16) Fixed assets

1. Determination of fixed assets

Fixed assets refer to tangible assets held for the sake of production of goods, rendering of services, lease or business management, with a service life of more than one financial year. A fixed asset is recognized when economic benefits related to the fixed asset are likely to flow into the Company and the cost of this fixed asset can be measured reliably.

SECTION 11 FINANCIAL REPORT

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(16) Fixed assets (continued)

2. Classification and depreciation of fixed assets

The Company's fixed assets are mainly classified into houses and buildings, machinery and equipment, electronic equipment, and transportation equipment. Fixed assets are depreciated on a straight-line basis. Service life and estimated net residual value of fixed assets are determined based on the nature and usage of fixed assets, determine the. The service life, estimated net residual value and depreciation method of the fixed assets are reviewed at the end of each year, and adjusted accordingly if there is any difference from original estimates. The Company depreciates all fixed assets, except fixed assets that have been fully depreciated but are still in use and the land that is separately measured and recorded.

Estimated service life, estimated net residual value rate and annual depreciation rate of each fixed asset category are set out as follows:

| Asset category | Estimated service life (year) | Estimated net residual value rate (%) | Annual depreciation rate (%) |
|-------------------------------|--------------------------------------|--|-------------------------------------|
| Housing and buildings | | | |
| General housing and buildings | 8–45 | 3.00, 5.00 | 2.11–12.13 |
| Temporary facilities | 2–3 | | 33.33–50.00 |
| Machinery and equipment | 8–20 | 3.00, 5.00 | 4.75–12.13 |
| Transportation equipment | 5–14 | 3.00, 5.00 | 6.79–19.40 |
| Office equipment and others | 4–10 | 3.00, 5.00 | 9.50–24.25 |

3. Determination and measurement of fixed assets under finance lease

As for a fixed asset under finance lease, it is a lease that all risks and rewards in the ownership of the asset have been essentially transferred. Fixed assets under finance lease are initially recorded at the lower of the fair value of the leased asset and the present value of minimum lease payment at the lease commencement date. Subsequently, depreciation and impairment provision of fixed assets under finance lease follows the same policies for owned fixed assets of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(17) Construction in progress

The Company's construction in progress is divided into projects under construction by the proprietor and projects under construction by the contractor. Construction in progress is transferred to fixed assets when the construction is completed and the conditions for intended use are reached. Reaching the conditions for intended use means any of the following circumstances: the substantial construction (including installation) has been finished completely or substantially; the result of trial production or operation shows that the asset can run normally or produce quality products stably or that the asset can function or operate normally; the fixed asset under construction incurs very little or essentially no further capital expenditure; the fixed asset purchased or built has reached or basically reached the designed or contractual requirements.

(18) Borrowing costs

1. Principles for capitalised of borrowing costs

Borrowing costs incurred by the Company, which are directly attributable to the purchase, construction or production of qualifying assets, are capitalized into the cost of relevant assets; other borrowing costs are expensed when incurred. Qualifying refer to fixed assets, investment properties, inventories and other assets that require purchase, construction or production activities over a very long period to reach the conditions for intended use.

2. Calculation of capitalised amount

Capitalization period refers to the period from the time point when borrowing costs start capitalization to the time point when capitalization stops, excluding the period during which capitalization of borrowing costs is suspended. The capitalization of borrowing costs are suspended if purchase, construction or production activities are interrupted abnormally for more than 3 consecutive months.

Interest on specific-purpose borrowings is determined based on actual interest expenses incurred for the specific-purpose loan for the current period, minus interest income from depositing the unused portion with the bank or gain on temporary investment. If any general-purpose borrowing is used, interest is determined by multiplying the weighted average excess of accumulated asset expenditures over the amount of specific-purpose borrowings by the capitalization rate of utilized general-purpose borrowings. The capitalization rate is the weighted average interest rate of general-purpose borrowings. In case of discount or premium on the borrowing, the discount or premium is amortised during each financial period using the effective interest rate method and the interest amount for each amount is adjusted accordingly.

The effective interest rate method is a method to calculate the amortized discount or premium or interest expense at the effective interest rate of the loan. The effective interest rate is the rate that is used to discount expected future cash flows of the loan over its life to current book value of the loan.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(19) Intangible assets

1. Measurement of intangible assets

Intangible assets are initially measured at cost. For purchased intangible assets, the actual cost is the actually paid price and related expenses. For intangible assets injected by investors, the actual cost is determined at the value agreed in the investment contract or agreement, or if the value agreed in the contract or agreement is unfair, at the fair value. The cost of intangible assets developed by the Company is the total expenditure incurred before reaching the conditions for intended use.

Subsequent measurement of intangible assets: The Company amortises intangible assets with a limited service life using the straight-line method, reviews the service life and amortization method of intangible assets at the end of each year, and makes adjustments if there is any difference from the original estimate. The Company does not amortise intangible assets with an indefinite service life, but reviews the service life at the end of each year, and estimates its service life and amortizes it on a straight-line basis if there is conclusive evidence that the service life is limited.

2. Basis for determining an indefinite service life

If the period over which an intangible asset will bring economic benefits to the Company is not foreseeable, or the service life is indefinite for an intangible asset, the Company determines that the intangible asset has an indefinite service life. Basis for determining an indefinite service life: the intangible asset comes from contractual rights or other legitimate rights, but there is no definite service life stipulated in the contract or the law; It is still impossible to determine the time period over which the intangible assets can bring economic benefits to the Company based on peer conditions or relevant expert opinions.

At the end of each year, the service life of intangible assets with an indefinite service life is reviewed mainly on a bottom-up basis, with the department using the intangible asset to perform basic review for any change in the basis for determining its indefinite service life.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(19) Intangible assets (continued)

3. Specific criteria for defining research stage and development stage of in-house research and development projects, and specific criteria for development stage costs eligible for capitalization

Specific criteria for defining research stage and development stage of in-house research and development projects:

Research stage costs of in-house research and development projects are charged to the current profit or loss when incurred.

Development stage costs satisfying all of the following conditions are recognized as intangible assets:

- (1) It is feasible technically to prepare the intangible asset for use or sale;
- (2) Management has the intention to finish the intangible asset for use or sale;
- (3) It can be proved how the intangible asset will generate economic benefits;
- (4) The Company has sufficient technical, financial and other resources to complete development of the intangible asset and has the ability to use or sell the intangible asset;
- (5) Development stage costs attributable to the intangible asset can be reliably measured.

SECTION 11 FINANCIAL REPORT

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(19) Intangible assets (continued)

3. Specific criteria for defining research stage and development stage of in-house research and development projects, and specific criteria for development stage costs eligible for capitalization (continued)

Development stage costs not satisfying the above conditions are charged to the current profit or loss when incurred. Development costs expensed in prior period will not be recognized as an asset in subsequent period. Capitalised development stage costs are shown as development costs in the balance sheet and transferred to intangible asset from the date on which it reaches the conditions for intended use.

Specific criteria for dividing research stage and development stage of in-house research and development projects: the development stage is defined as the planned study phase for acquiring new technologies and knowledge, which is characterized by planning and exploration. The development stage is defined as the stage before commercial production or use during which research results or other knowledge are applied to a certain plan or design to produce new or substantially improved materials, devices and products, and is characterized by and other stages, which are identified as the development stage. This stage has the characteristics of pertinence and greater possibility of generating results.

(20) Impairment of long-term assets

Long-term equity investments, investment properties measured using the most model, fixed assets, construction in progress, intangible assets, goodwill and other long-term assets are tested for impairment if they show signs of impairment on the balance sheet date. If the result of impairment test shows that the recoverable amount of the asset is lower than its book value, the Company recognizes impairment provisions and impairment loss based on the difference.

The recoverable amount is the higher of the fair value of the asset net of disposal expenses and the present value of estimated future cash flows of the asset. Asset impairment provision is calculated and recognized on an asset-by-asset basis. If it is difficult to estimate the recoverable amount of a single asset, the Company estimate the recoverable amount of the asset group to which the asset belongs. An asset group is the smallest group of assets that can generate cash inflow independently.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Impairment of long-term assets (continued)

Goodwill separately shown in the financial statements is tested for impairment at least annually, regardless of whether there is sign of impairment. In the impairment test, the book value of goodwill is allocated to the asset group or asset group combination expected to benefit from the synergy effect of business combination. If the test results show that the recoverable amount of the asset group or the asset group combination containing the allocated goodwill is lower than its book value, impairment loss is recognized accordingly. The amount of impairment loss is firstly offset against the book value of goodwill allocated to the asset group or asset group combination, and then offset against the book value of other assets other than goodwill in the asset group or asset group combination in proportion to their book value.

Once recognized, impairment loss on the above-mentioned assets cannot be reversed to the extent that their value are recovered in future period.

(21) Long-term unamortized expenses

Long-term unamortized expenses refer to expenses that have been paid but have a benefiting period longer than one year (one year exclusive). Long-term unamortized expenses are amortized over the period benefiting from the expenses. If the long-term unamortized expense cannot benefit subsequent financial period, the amortized value of the item is fully charged to current profit or loss.

(22) Employee benefits

Employee benefits refer to all kinds of remuneration or compensation paid by the Company for services provided by employees or for separation of employment. Employee benefits mainly include short-term compensation, post-service benefits, separation benefits and other long-term employee benefits.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(22) Employee benefits (continued)

1. Short-term compensation

Over the financial period when employees provide services, the Company recognizes actually incurred short-term compensation as a liability and charge it to current profit or loss, except where the same is included in the cost of an asset as required or permitted by the Accounting Standards for Business Enterprises. Actual employee benefits are charged to current profit or loss or included in the cost of relevant asset when incurred. Non-monetary benefits are measured at fair value. Contribution to social security schemes including medical insurance, work injury insurance, and maternity insurance and housing provident fund for employees, as well as appropriation to trade union funds and employee education funds are calculated on required basis and at required percentage, recognized as relevant liability and charged to current profit or loss or included in the cost of relevant asset over the period when employees provide services.

2. Post-service benefits

Over the financial period when employees provide services, the Company recognizes a liability based on the amount payable under the defined contribution plan and record it in current profit or loss or in the cost of related asset. Benefit obligations arising under the defined benefit plan are attributed to the period over which employees provide services using the project unit credit method, and recorded in current profit or loss or in the cost of related asset.

3. Termination benefits

When providing termination benefits to employees, the Company recognizes employee benefits payable arising from termination benefits and charges it to current profit or loss on the earlier of the following: When the Company cannot unilaterally withdraw termination benefits provided on the separation plan or the reduction proposal; When the Company recognizes the costs or expenses of reorganization involving the payment of termination benefits.

4. Other long-term employee benefits

Other long-term employee benefits provided by the Company for employees that meet the conditions for defined contribution plan are treated in accordance with relevant regulations on defined contribution plan. In addition, net liabilities or net assets of other long-term employee benefits are recognized and measured according to relevant regulations on defined benefit plans.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(23) Estimated liabilities

When the Company assumes a present obligation related to a contingency, the performance of the obligation is likely to result in outflow of economic benefits, and the amount of the obligation can be measured reliably, the obligation is recognized as an estimated liability. The Company makes initial measurement based on best estimate of the amount required to perform relevant present obligation. If there is a continuous range of the amount and all results within the range carry the same probability, the median of the range is determined as the best estimate. If multiple items are involved, the best estimate is calculated and determined based on all possible results and relevant probabilities.

The book value of estimated liabilities is reviewed on the balance sheet date. If there is conclusive evidence that the book value cannot truly reflect the currently best estimate, the book value is adjusted to the currently best estimate.

(24) Share-based payment

Share-based payment includes equity-settled share-based payment and cash-settled share-based payment. Equity-settled share-based payments in exchange for services provided by employees, are measured at the fair value of equity instruments granted to employees. If there is an active market, the fair value is determined on the basis quotations in the active market; If there is no active market, the fair value is determined using valuation techniques shall be used to determine, including reference to the prices in recent market transactions between knowledgeable and willing parties, reference to the current fair values of other substantially identical financial instruments, discounted cash flow method, and option pricing model.

On each balance sheet date, based on latest information on changes in the number of vesting employees and the achievement of performance indicators, the Company revises the estimated number of exercisable stock options and then determine the amount of expenses allocable to each period. Option expenses that span over multiple financial periods are generally be allocated at the proportion of the length of the waiting period in a certain financial period to the length of the entire waiting period of the option.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Preferred shares, perpetual bonds and other financial instruments

1. Division of financial liabilities and equity instruments

Preferred shares, perpetual bonds (such as long-term option-embedded MTNs), stock options and convertible corporate bonds issued by the Company are classified as financial liabilities or equity instruments on the following principles:

- (1) Settlement through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. If the Company cannot unconditionally avoid performing a contractual obligation by delivering cash or other financial assets, the contractual obligation satisfies the definition of a financial liability.
- (2) Settlement through its own equity instruments. If the financial instrument issued must be settled with or may be settled with equity instrument as a substitute for cash or other financial assets, the instrument constitutes a financial liability of the issuer. The instrument is the issuer's equity instrument if it is intended to enable the holder of the instrument to enjoy residual interests in the issuer's assets net of all liabilities.
- (3) Distinguish between derivative instruments and non-derivative instruments for the classification of financial instruments that need to be settled with or may be settled with equity instruments of the Company in the future. For a non-derivative instrument, if the issuer is not obligated to deliver a variable number of its own equity instruments for settlement in the future, the non-derivative instrument is an equity instrument; otherwise, the non-derivative instrument is a financial liability. For a derivative instrument, if the issuer can only settle it delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets, the derivative instrument is an equity instrument; If the issuer exchanges a fixed amount of its own equity instruments for a variable amount of cash or other financial assets, or exchanges a variable amount of its own equity instruments for a fixed amount of cash or other financial assets, or exchanges a variable amount of its own equity instruments for a variable amount of cash or other financial assets with the conversion price fixed, the derivative instrument is recognized as a financial liability or financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Preferred shares, perpetual bonds and other financial instruments (continued)

2. Accounting treatment of preferred shares and permanent bonds

The issuer accounts for financial instruments classified as financial liabilities in “debentures payable”, accruing interest and adjusting interest adjustment on the book over the life of the instrument in accordance with relevant regulations on financial instruments. The issuer accounts for financial instruments classified as equity instruments in “other equity instruments” and dividends (including interest on instruments classified as equity instruments) distributed over its life are treated as profit distribution.

(26) Revenue

1. Recognition of revenue

The Company recognizes revenue when it has performed its contractual obligation, i.e. when the customer obtains control over relevant goods or services (hereinafter referred to as “goods”). Obtaining control over relevant goods means being able to dominate the use of the goods and obtain almost all the economic benefits therefrom. Contractual obligation refers to the Company’s commitment to transfer clearly distinguishable goods to the customer in the contract.

If the contract between the Company and the customer meets all of the following conditions at the same time, the Company recognizes revenue when the customer obtains the control over relevant goods:

- (1) Parties to the contract have approved the contract and promised to perform their respective obligations;
- (2) The contract specifies the rights and obligations of the parties related to the goods transferred or services rendered (hereinafter referred to as “goods transferred”);
- (3) The contract has clear payment terms related to the goods transferred;
- (4) The contract has commercial substance, that is, the performance of the contract will change the risk, time distribution or amount of the future cash flow of the Company;
- (5) The consideration that the Company is entitled to due to the transfer of goods to customers is likely to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Revenue (continued)

1. Recognition of revenue (continued)

For contracts that do not conform to the aforesaid conditions on the contract commencement date, the Company will continuously evaluate them and make accounting treatment when they satisfy the conditions.

For contracts that do not conform to the above conditions, the Company recognizes the consideration received as revenue only when it no longer has the residual obligation to transfer goods to the customer and the consideration received from the customers does not need to be returned. Otherwise, the consideration received is accounted for as a liability. No revenue is recognized on non-monetary asset exchange without commercial substance.

Two or more contracts entered into by the Company and the same customer (or related parties to the customer) at the same time or successively at similar times are consolidated into one contract for accounting treatment in any of the following circumstances:

- (1) The two or more contracts are concluded for the same commercial purpose and constitute a package deal.
- (2) The amount of consideration under either of the two or more contracts depends on the pricing or performance of the other contracts.
- (3) The goods under the two or more contracts (or some goods under each contract) constitute a separate contractual obligation.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Revenue (continued)

1. Recognition of revenue (continued)

The Company accounts for contract changes by the following three circumstances:

- (1) If clearly distinguishable goods and contract price are added, and the additional contract price reflects separate selling price of the additional goods, the contract change is treated as a separate contract.
- (2) If the contract change does not fall under circumstances (1), and the goods or services already transferred (hereinafter referred to as “transferred goods”) and the goods or services not transferred (hereinafter referred to as “untransferred goods”) can be clearly distinguished on the date of contract change, the original contract is deemed to be terminated, and the unperformed part of the original contract and the contract change are merged into a new contract for the purpose of accounting treatment.
- (3) If the contract change does not fall under circumstances (1), and the transferred goods and the untransferred goods cannot be clearly distinguished on the date of contract change, and there is no clear distinction between the transferred goods and the non-transferred goods on the contract change date, the contract change is treated as an integral part of the original contract, and the revenue is adjusted for the impact of the contract change on the contract change date.

In any of the following circumstances, the contractual obligation is one performed within a certain period of time; or, it is a contractual obligation performed at a certain point in time:

- (1) While the Company performs the contractual obligation, the customer obtains and consumes economic benefits therefrom at the same time.
- (2) The customer can control the goods in progress while the Company performs the contractual obligation.
- (3) The goods produced by the Company in the performance of the contract have irreplaceable purposes, and the Company is entitled to payment for the portion performed to date over the entire term of the contract.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Revenue (continued)

1. Recognition of revenue (continued)

For a contractual obligation performed within a certain period of time, the Company recognizes revenue by the progress in performance over that period of time, except where the progress cannot be reasonably determined. Given the nature of goods, the Company adopts the output method or the input method to determine the progress in performance.

If the progress in performance cannot be reasonably determined, but the incurred costs are expected to be compensated, revenue is recognized on the basis of the incurred costs till the progress in performance can be reasonably determined.

For a contractual obligation performed at a certain point in time, the Company recognizes revenue when the customer obtains control over relevant goods. In determining whether the customer has obtained control over the goods, the Company considers the following signs:

- (1) The Company has the present right to receive payment for the goods, that is, the customer has the present obligation to pay for the goods.
- (2) The Company has transferred the legal ownership of the goods to the customer, that is, the customer has obtained the legal ownership of the goods.
- (3) The Company has physically transferred the goods to the customer, that is, the customer has physically taken possession of the goods.
- (4) The Company has transferred major risks and rewards in ownership of the goods to the customer, that is, the customer has obtained major risks and rewards in ownership of the goods.
- (5) The customer has accepted the goods.
- (6) Other signs indicating that the customer has obtained control over the goods.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Revenue (continued)

2. Measurement of revenue

The Company measures revenue based on the transaction price allocated to each individual contractual obligation.

Transaction price refers to the amount of consideration that the Company is expected to be entitled to for the transfer of goods to customers. Sums collected by the Company on behalf of third parties and sums expected to be returned to customers by the Company are treated as liabilities and are not included in the transaction price.

The Company determines the transaction price according to contract terms and taking into consideration past practices. In determining the transaction price, the Company takes into account the influence of variable consideration, significant financing component in the contract, non-cash consideration, consideration payable to customers and other factors.

If there is variable consideration under the contract, the Company determines the best estimate of variable consideration on the basis of the expected value or the most likely amount, but the transaction price including variable consideration should not exceed the accumulated recognized revenue that is highly probable not to be significantly reversed when relevant uncertainties are eliminated. The Company considers the possibility of revenue reversal and its proportion when evaluating whether it is highly probable that the accumulated recognized income will not be significantly reversed. On each balance sheet date, the Company should re-estimate the variable consideration amount to be included in the transaction price.

If there is a significant financing component in the contract, the Company determines the transaction price on the basis of the amount payable by the customer assuming that it makes payment in cash upon obtaining control over the goods. The difference between the transaction price and the contractual consideration is amortized using the effective interest rate method over the contract term.

The major financing components in the contract is not considered if on the commencement date of the contract, the Company expects the customer to payment within one year after it obtains control over the goods.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Revenue (continued)

2. Measurement of revenue (continued)

If the customer pays non-cash consideration, the Company determines the transaction price at the fair value of non-cash consideration. If the fair value of non-cash consideration cannot be reasonably estimated, the Company indirectly determines the transaction price by reference to the separate selling price at which it promises to transfer the goods to the customer. Any change in the fair value of non-cash consideration due to reasons other than the form of the consideration is treated as variable consideration.

If the Company needs to pay consideration to the customer (or a third party that purchases the goods of the Company from the customer), the transaction price is reduced by the consideration payables, and the revenue for the current period is also reduced by the consideration payable when relevant revenue is recognized or when the Company pays (or undertakes to pay) the consideration, whichever is later, except where the consideration is payable to the customer for obtaining other clearly distinguishable goods from the customer.

If the contract contains two or more contractual obligations, the Company on the commencement date of the Contract, allocates the transaction price to each single contractual obligation in proportion to its separate selling price promised by the Company.

Contractual discount is allocated to each single contractual obligation in proportion. If there is conclusive evidence that the contractual discount is related solely to one or more (but not all) contractual obligations, the Company allocates the contractual discount solely to such one or more contractual obligations.

For variable consideration and its subsequent changes, the Company allocate it to one or more relevant contractual obligations, or to one or more items among a series of clearly distinguishable goods that constitutes a single contractual obligation. For a contractual obligation that has been performed, revenue for the current period is adjusted by the amount of subsequent change in the variable consideration allocated to the contractual obligation.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Revenue (continued)

3. Application of gross basis and net basis

The Company judges whether it is acting as the principal or the agent when engaged in the transaction by whether it has control over the goods before transferring it to the customer. If the Company is able to control the goods before transferring it to the customer, the Company is the principal and recognizes the total amount of consideration received or receivable as the revenue; Otherwise, the Company acts as an agent and recognizes as revenue the amount of commissions or service fees that the Company is entitled to, which is determined by the amount of total consideration received or receivable net of the price payable to other relevant parties, or by the prescribed amount of percentage of commission.

The Company has control over the goods before transferring them to the customer in the following circumstances:

- (1) The Company obtains the control over the goods or other assets from a third party before transferring it to the customer.
- (2) The Company can dominate a third party to provide services to the customer on behalf of the Company.
- (3) After the control over the goods from a third party, the Company combines the goods with other goods into a combination output by providing significant service and transfers it to the customer.

In determining whether the Company has control over the goods before transferring it to the customer, the Company take into overall account of all relevant facts and circumstances, including:

- (1) The Company bears the main responsibility for transferring goods to the customer.
- (2) The Company assumes inventory risk of the goods before or after the transfer of the goods.
- (3) The Company has the discretion to set the price of the goods.
- (4) Other relevant facts and circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Revenue (continued)

4. Specific revenue recognition policies for different types of engineering business

The Company's engineering and construction contracting business covers metallurgical industry, housing construction, highways, municipal works and other fields, and adopts multiple business modes including EPC, EP, PC, BT (Build Transfer) and PPP. For different business modes, the Company formulates rationalised revenue recognition policies for different business modes in accordance with requirements of the Accounting Standards for Business Enterprises No.14 – Revenue.

Under EPC, EP and PC business modes, if the customer invites bids for E (Engineering), P (Procurement) and C (Construction) separately, and the tendering result of one project is completely independent of other projects, the Company identifies each of E, P and C as a separate contractual obligation respectively. In other cases, the Company regards all of E, P and C as one contractual obligation.

Under BT mode, the Company deems that the contractual obligation contains a significant financing component.

Under PPP mode, the Company undertakes two contractual obligations, i.e. construction and operation, and allocates the contractual consideration in proportion to their fair value.

Under different business modes, for the contractual obligation of construction or an integrated contractual obligation containing construction, since the customer can control the goods in progress during the Company's performance, the Company regards it as a contractual obligations performed within a certain period of time, and uses the input method to determine the progress in performance at the percentage of accumulated actual contract cost in the total estimated contract cost.

In the engineering and construction contracting industry, it is a preferred choice to determine the progress in performance at the percentage of accumulated actual contract cost in the total estimated contract cost. The Company's method of determining the progress in performance is consistent with industry practice.

SECTION 11 FINANCIAL REPORT

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Revenue (continued)

4. Specific revenue recognition policies for different types of engineering business (continued)

Determining the progress in performance requires a lot of estimates and judgments from the Company, including estimating total revenue, total cost, quantities of work, material or equipment consumption and unit price. In order to collect basic data for these estimates and judgments, the Company has been committed to establishing and maintaining a series of effective internal control systems, such as accounting methods, accounting practice standards, and financial management methods for projects, so as to strike a balance between ensuring quality of accounting information and reducing uncertainties in estimates and judgments and maintaining reasonable maintenance costs.

The contracts or agreements signed between the Company and the proprietor/customer, the confirmation by the proprietor/customer's representative and supervisor of the quantities of work and settlement amount, and the project settlement data between the Company and subcontractors are all important external evidences for the Company to determine the percentage of completion.

Determination of estimated total revenue: after the contract or agreement is signed, the financial department works operation departments to determine the initial estimated total revenue based on the amount agreed in the contract or agreement. Total contract revenue is adjusted for contract changes, claims and awards in execution of the project based on documents or supplementary agreements issued by the proprietor.

Determination of the estimated total cost: The Company's contract costs include direct labor, equipment or materials, subcontractor costs and machinery usage costs. At the beginning of bidding for the project, the Company estimates the estimated total cost of the project and evaluate its profit prospects by reference to tendering documents and past experience. After the contract or agreement is signed, the financial department works with the procurement department to review and confirm the estimated total cost based on information including the subcontracting contract or agreement, engineering or equipment design drawings, equipment or material suppliers' quotations and labor cost budget and submit it for approval step by step. In the construction process, the engineering control department, in conjunction with the financial department, the procurement department, the construction department and the manufacturing department, revises the detailed cost items as appropriate based on the confirmation of engineering or equipment changes, makes adjustments to the estimated total cost by reference to the recent price changes, and then submit it for approval step by step according to corresponding procedures.

SECTION 11 FINANCIAL REPORT

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(26) Revenue (continued)

4. Specific revenue recognition policies for different types of engineering business (continued)

Collection of actual contract costs: the procurement department, together with the financial department, determines qualified suppliers and subcontractors through tendering for major outsourced cost items for construction of the project or equipment. Procurement staff signs contracts or orders with qualified suppliers according to the approved procurement plan. The warehousing department organizes the acceptance of physical items and the user department confirms the actual use of outsourced labor services. The construction department and manufacturing department applies for materials or equipment according to the approved production plan. The engineering control department and other departments settle accounts with subcontractors regularly or at important nodes to determine subcontractor cost for the current period. The project administration department prepares the labor cost budget according to the Company's remuneration policy, which subject to approval, is used as the standard for daily salary and bonus payment. The financial department, together with the warehousing department, the construction department and the manufacturing department, takes inventory of all kinds of materials onsite on a regular basis. After reviewing relevant original vouchers, the financial department records actual contract costs incurred in the current period.

Calculation of progress in progress and revenue and cost: At the end of each month, the financial department calculates progress in performance based on the reviewed estimated total revenue, estimated total cost and actual contract cost, prepares the revenue and cost calculation table, and after it is duly approved, recognize revenue and cost for the month. Under special circumstances where the progress in performance cannot be reasonably determined, the financial department, in conjunction with relevant departments, prudently assess whether the incurred costs are expected to be compensated. After the assessment result is duly approved according to the corresponding procedures, the financial department recognizes revenue and cost for the current month accordingly.

The Company believes that its current internal control system and accounting system are reasonably designed and operate effectively, and combined with important external evidence that are available, can ensure that the Company determines the progress in performance in a prudent and reasonable manner.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Contract cost

The cost incurred by the Company in performing the contract, which does not fall under other accounting standards for business enterprises other than “the Accounting Standards for Business Enterprises No.14 – Revenue” and meets all of the following conditions, is treated as contract performance cost and recognized as an asset:

1. The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs definitely borne by the customer and other costs incurred solely as a result of the contract;
2. The cost increases the Company’s resources for performing its contractual obligations in the future;
3. The cost is expected to be recovered

Incremental cost incurred by the Company in obtaining the contract, if expected to be recovered, are is treated as contract acquisition cost and recognized as an asset. However, if the amortization period of the asset does not exceed one year, it is charged to the current profit or loss when incurred.

Assets related to the contract cost are amortized on the same basis on which revenue from goods related to the asset is recognized, and charged to current profit or loss.

The excess of the book value of the asset related to the contract cost over the difference between the following two items, is recognized as asset impairment loss and impairment provision is also recognized accordingly:

1. The remaining consideration that the Company is expected to obtain due to the transfer of goods related to the asset;
2. Estimated costs to be incurred for the transfer of the relevant goods.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Contract cost (Continued)

If due to subsequent changes in factors leading to impairment in prior period, the difference between (1) and (2) above is higher than the book value of the asset, the accrued asset impairment provision is reserved and recorded in current profit or loss, provided that the book value after reversal does not exceed the book value of the asset on the reversal date assuming that no impairment provision is accrued.

In determining impairment loss of the asset related to the contract cost, the Company first determines the impairment loss of other assets related to the contract recognized in accordance with other relevant accounting standards for business enterprises other than the Accounting Standards for Business Enterprises No.14 – Revenue, and then determines the impairment loss of the asset related to the contract cost following the aforesaid method.

(28) Government subsidy

1. Types of government subsidy

Government subsidy refers to monetary assets or non-monetary assets (excluding capital injected by the government as an owner) obtained by the Company free of charge from the government, which are mainly classified into government subsidy related to assets and government subsidy related to income.

2. Accounting for government subsidy

Government subsidies related to assets are recognized as deferred income. The amount recognized as deferred income is charged to current profit or loss in a reasonable and systematic method over the service life of the relevant asset. Among them, those related to daily activities of the Company are included in other income, while those unrelated to daily activities of the Company are included in non-operating income.

Government subsidies measured in nominal amount are directly charged to current profit or loss.

Government subsidies related to income are treated as follows: Government subsidies intended to cover related expenses or losses to be incurred by the Company in future periods are recognized as deferred income, and charged to current profit or loss for the period when the related expenses are recognized. Government subsidies intended to cover related expenses or losses already incurred by the Company are directly charged to current profit or loss. Those related to daily activities of the Company are included in other income, while those unrelated to daily activities of the Company are included in non-operating income.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(28) Government subsidy (continued)

3. Specific criteria for distinguishing asset-related government subsidies from revenue-related government subsidies

Government subsidies obtained by the Company for purchasing, constructing or otherwise forming long-term assets are recognized as government subsidies related to assets, and government subsidies other than those related to assets are recognized as government subsidies related to income.

4. Time point for determining government subsidy

Government subsidy measured at receivable amount is recognized at the end of the period when conclusive evidence shows that the Company can satisfy relevant conditions set forth in the fiscal support policy and expects to receive the subsidy. Other government subsidies other than those measured at receivable amount are recognized when the subsidy amount is actually received.

5. Accounting treatment of interest subsidies for policy-related preferential loans

- (1) If the fiscal authority allocates the subsidy for interest to the lending bank which grants loan to the Company at a preferential policy rate, the Company records the borrowing at the amount actually received from the bank and calculates relevant borrowing costs based on the principal of the loan and the preferential policy rate.
- (2) If the fiscal authority directly allocates the subsidy for interest to the Company, the Company offsets it against relevant borrowing costs.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(29) Deferred income tax assets and deferred income tax liabilities

1. Based on the difference between the book value of assets and liabilities and their tax basis (if tax basis of items not recognized as assets or liabilities can be determined according to the tax law, the tax basis is determined as the difference), deferred income tax assets or deferred income tax liabilities are calculated and recognized at the tax rate applicable to the period during which the assets or liabilities are expected to be recovered or settled.
2. Deferred income tax assets is recognized to the extent that taxable income is likely to be available to offset against deductible temporary differences. On the balance sheet date, deferred income tax assets not recognized in prior period are recognized if there is conclusive evidence that sufficient taxable income is likely to be obtained in the future period to offset against deductible temporary differences. If it is likely that sufficient taxable income will not be available to utilize against deferred income tax assets in the future period, the book value of the deferred income tax assets is written down.
3. Deferred income tax liabilities are recognized for taxable temporary differences related to investments in subsidiaries and associates, unless the Company can control the timing of reversal of temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences related to investments in subsidiaries and associates when the temporary differences are likely to be reversed in the foreseeable future and taxable income is likely to be available in future to offset against the deductible temporary differences.

(30) Lease

1. The accounting treatment of the Company as lessee

On the lease commencement date, the Company recognizes the right of use asset and lease liabilities for the lease, except for short-term leases and low-value asset leases subject to simplified treatment.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Lease (continued)

1. The accounting treatment of the Company as lessee (continued)

- (1) The right of use assets is initially measured at cost. The cost includes:
 - A. Initial measured amount of the lease liabilities;
 - B. In case of any lease incentive for lease payment made on or before the lease commencement date, the amount of lease incentive is deducted;
 - C. Initial direct expenses incurred by the lessee;
 - D. Costs expected to be incurred by the lessee for dismantling and removing the leased asset, restoring the premise where the leased asset is located to its original conditions or restoring the leased asset to the conditions agreed upon in the lease terms.

After the lease commencement date, the Company depreciates the right of use assets in accordance with regulations on depreciation specified in Note 3.15.

In accordance with provisions of the “Accounting Standards for Business Enterprises No.8 – Asset Impairment”, the Company determines whether the right of use asset is impaired, and accounts for any impairment loss identified.

- (2) Lease liabilities is initially measured at the present value of lease payments unpaid on the lease commencement date.

In calculating the present value of the lease payment, the Company adopts the interest rate on incremental loan as the discount rate.

The Company calculates interest expense of the lease liabilities for each period in the lease term at the above discount rate, and charges it to current profit or loss.

- (3) The Company elects not to recognize right of use assets and lease liabilities for short-term lease and low-value asset lease.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Lease (continued)

2. The accounting treatment of the Company as lessor

(1) Lessor's accounting for finance lease

On the lease commencement date, the Company recognizes a receivable under finance and derecognizes the asset under finance lease.

The Company initially measures the receivable under finance lease at the net lease investment.

The net rental investment is the sum of the unsecured residual value and the present value of the lease receipts that have not yet been received on the lease commencement date discounted at the interest rate implicit in lease.

The Company calculates and recognizes interest income for each period in the lease term at the above discount rate.

(2) Lessor's accounting for operating lease

Over each period in the lease term, the Company recognizes lease receipts from operating leases as rental income using the straight-line method or other systematic and reasonable methods.

Initial direct expenses incurred by the Company in connection with operating leases are capitalized and allocated and expensed over the lease term on the same basis that rental income is recognized.

The Company depreciates fixed assets under operating lease following depreciation policies for similar assets, and depreciates assets under operating lease in a systematic and reasonable manner according to accounting standards applicable to such assets.

The Company determines whether the asset under operating lease is impaired and accounts for the impairment according to provisions of the Accounting Standards for Business Enterprises No.8 – Asset Impairment”.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(31) Segment information

The Company determines business segments based on its internal organizational structure, management requirements and internal reporting system, and determines reporting segments and discloses segment information on the basis of business segments.

An operating segment refer to a component of the Company that meet all of the following conditions:

- (1) This component can generate income and incur expenses in daily activities;
- (2) Management can regularly evaluate operating results of this component, so as to decide to allocate resources to it and evaluate its performance;
- (3) Financial conditions, operating results, cash flows and other relevant accounting information of the component are available.

If two or more business segments share similar economic characteristics and meet certain conditions, they are combined into one business segment.

(32) Special reserve

According to provisions of the Notice on Printing and Issuing the Measures for Management of Appropriation to and Use of Production Safety Fund of Enterprises issued by the Ministry of Finance and the State Administration of Work Safety, the Company makes appropriation to production safety fee which is ear marked for improving production safety conditions of the Company.

According to relevant national regulations, the Company makes appropriation to production safety fee and other fees of similar nature, which is separately shown within “special reserve” between “less: treasury stock” and “surplus reserve” in owners’ equity. Production safety fee is included in the cost of related products or charged to profit or loss when incurred, and special reserves is increased accordingly. When the Company uses production safety fee, expensed items directly reduces the special reserves, while capitalized items are collected in construction in progress and recognized as fixed asset when the safety project is completed reaches the conditions for intended use. Meanwhile, the special reserve is reduced by the capitalized amount of production safety fee and depreciation is recognized in the same amount. The fixed asset will not be depreciated in future periods.

SECTION 11 FINANCIAL REPORT

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(33) Non-monetary asset exchange

Non-monetary asset change are measured on the basis of fair value if the exchange has commercial substance and the fair value of incoming assets or outgoing assets can be measured reliably. The difference between the consideration obtained upon derecognition of the outgoing asset and its book value is recorded in current profit or loss.

Non-monetary asset exchange not satisfying conditions for measurement on the basis of fair value are measured at book value. Incoming assets are initially measured at the book value of outgoing assets and plus relevant taxes payable. No gain or loss is recognized on derecognition of outgoing assets.

(34) Held-for-sale and discontinued operation

The Company classifies non-current assets or disposal groups that meet all of the following conditions as held-for-sale: First, they are ready for sale in current conditions based on the practice of selling such assets or disposal groups in similar transaction; Secondly, the disposal is very likely to happen, that is, the Company has already made resolution on a disposal plan and has obtained a definite purchase promise, and the disposal is expected to be completed within one year. If relevant regulations require prior approval from relevant authority or regulator of the disposal, such disposal should have been obtained.

Upon initial measurement or re-measurement of a held-for-sale non-current asset or disposal group, if its book value is higher than its fair value net of disposal expenses, the book value is written down to the fair value net of disposal expenses, and the write-down amount is charged to current profit or loss, and impairment provision is recognized for the held-for-sale asset.

Non-current assets held for sale or assets in the disposal group held for sale are shown as held-for-sale assets in the balance sheet, and liabilities in the disposal group held for sale are shown as held-for-sale liabilities.

A discontinued operation is a separately distinguishable component that meets any one of the following conditions and has been disposed of or classified as held for sale by the Company:

1. This component represents an independent major business or a separate major business region;
2. This component is part of an associated plan to dispose of an independent major business or a separate major business region;
3. This component is a subsidiary acquired specifically for resale.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(35) Key assumptions and uncertainties used in important judgements and accounting estimates made in applying accounting policies

In applying the accounting policies described in Note 3, the Company needs to make judgements, estimates and assumptions in relation to the book value of financial statement items that cannot be accurately measured. These judgments, estimates and assumptions are based on management's past experience and other relevant factors. The actual results may deviate from the Company's estimates. Key assumptions and uncertainties in the Company's accounting estimates that are likely to lead to significant adjustments to the book value of assets and liabilities in future periods are set out below:

1. Revenue recognition on engineering construction contract work

The Company recognized revenue from engineering construction in proportion to the progress in performance, while the progress in performance is determined by the accumulative actual contract cost to the total estimated contract cost. Determining the estimated total revenue and estimated total cost of these contracts requires a lot of estimates and judgments from management, including estimating the transaction price adjustment caused by contract changes, estimating the work of quantities to occur, and estimating consumption and unit price of materials or equipment. In executing the contract, management revises their estimates of estimated total revenue and the estimated total cost from time to time based on the latest available information. Adjustments to these estimates may result in an increase or decrease in revenue or costs for the current and future periods and be reflected in the income statement for the corresponding periods.

2. Receivable and contract asset impairment provision

The Company accounts for impairment of and makes loss allowance for receivables and contract assets based on expected credit risks. When they are assessed for impairment loss on a collective basis, the amount of provision is determined based on historical loss pattern of assets with similar credit risk characteristics, observable data reflecting current conditions and reasonable prediction of the future. The Company regularly reviews the methods and assumptions used to estimate the amount and timing of future cash flows of related assets and continuously revises the estimation of expected credit risks. If there are unexpected material changes in credit status of important debtors or customers, it may have a significant impact on operating performance for the relevant period in the future.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(35) Key assumptions and uncertainties used in important judgements and accounting estimates made in applying accounting policies (continued)

3. Income tax

The Company's determination of income tax involves judgment on future tax treatment of certain transactions. In view of the fact that the Company pays corporate income tax in many regions, the Company will prudently assess the tax impact of various transactions and make provision for income tax. The Company regularly reevaluates the tax impact of these transactions in accordance with updated tax regulations. The recognition of deferred income tax assets requires the Company to judge the possibility of obtaining future taxable income. The Company continuously reviews its judgment on deferred income tax, and recognizes deferred income tax assets on deductible temporary differences and deductible tax losses only if it expects that it is likely to obtain utilisable taxable income in future. Nevertheless, there remains the risk of significant differences between the ultimate tax impact and management's judgment.

4. Retirement and early retirement benefits liabilities

Retirement and retirement benefit plans recognized by the Company as liabilities are measured based on various assumptions, including expected life, discount rate, wage growth rate post early retirement, medical expense growth rate and other factors. Management continuously maintains the rationality of these assumptions by engaging professional actuarial institutions and other methods, but it is still possible to make significant adjustments to these assumptions as external economic situation changes, thus affecting the balance of liabilities, profits and other comprehensive income for the relevant period.

(36) Description of changes in major accounting policies and accounting estimates

There are no changes in accounting policies or accounting estimates in the current period.

SECTION 11 FINANCIAL REPORT

4. TAXES**(1) Major taxes and tax rates**

| Tax | Tax basis | Tax rate |
|--|--|---|
| Value added tax (VAT) | Taxable value added (equals to the product of taxable sales and applicable tax rate minus VAT input deductible for the current period) | 3%, 5%, 6%, 9%, 13% |
| Urban maintenance and construction tax | The sum of VAT actually paid | 1%, 5% and 7% |
| Educational surcharge | The sum of VAT actually paid | 3%, 2% |
| Corporate income tax | Taxable income | 16.50% (HK), 25% (except preferential treatments set out in Note 4.2) |

Taxpayers of the Company subject to different corporate income taxes and their applicable income tax rates are set out below:

| Taxpayer | Income tax rate |
|--|------------------------|
| China Aluminum International Engineering Corporation Ltd. | 15.00% |
| China Nonferrous Metals Processing Technology Co., Ltd. | 15.00% |
| Luoyang Jincheng Construction Supervision Co., Ltd. | 10.00% |
| Luoyang Foyang Decoration Engineering Co., Ltd. | 25.00% |
| Suzhou Nonferrous Metal Materials Deyuan Environmental Protection Co., Ltd. | 25.00% |
| Sixth Metallurgical Construction Company of China Nonferrous Metals Industry | 15.00% |
| Sixth Metallurgical Luoyang Construction Co., Ltd. | 25.00% |
| Sixth Metallurgical Luoyang Mechanical and Electrical Installation Co., Ltd. | 25.00% |
| Sixth Metallurgical (Zhengzhou) Technology Heavy Industry Co., Ltd. | 25.00% |
| Henan Sixth Metallurgical Trading Co., Ltd. | 25.00% |
| Panzhou Haohong Project Management Co., Ltd. | 25.00% |
| Tongchuan Hao Tong Construction Co., Ltd. | 25.00% |
| China Aluminum Great Wall Construction Co., Ltd. | 25.00% |
| Huaian Tong Yun Construction Co., Ltd. | 25.00% |
| Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy | 15.00% |
| Changsha Clinqsoft Info Tech Co., Ltd. | 15.00% |
| Hunan Huachu Project Management Co., Ltd. | 25.00% |
| Hunan Changye Construction Drawing Examination Co., Ltd. | 25.00% |
| Huachu High-Tech (Hunan) Co., Ltd. | 25.00% |

SECTION 11 FINANCIAL REPORT

4. TAXES (Continued)**(1) Major taxes and tax rates (Continued)**

| Taxpayer | Income tax rate |
|--|------------------------|
| China Aluminum International South Engineering Co., Ltd. | 25.00% |
| Wenzhou Tongrun Construction Co., Ltd. | 25.00% |
| Wenzhou Tonghui Construction Co., Ltd. | 25.00% |
| Ninth Metallurgical Construction Co., Ltd. | 15.00% |
| Henan Ninth Metallurgical Construction Co., Ltd. | 25.00% |
| Zhengzhou Ninth Metallurgical Sanwei Chemical Machinery Co., Ltd. | 15.00% |
| Hanzhong Ninth Metallurgical Construction Co., Ltd. | 25.00% |
| Ankang Ninth Metallurgical Changjiali Concrete Co., Ltd. | 25.00% |
| Xinjiang Ninth Metallurgical Construction Co., Ltd. | 25.00% |
| Xianyang Ninth Metallurgical Steel Structure Co., Ltd. | 25.00% |
| Mian County Ninth Metallurgical Kindergarten | 25.00% |
| Ninth Metallurgical Hanzhong Construction Design Institute Co., Ltd. | 25.00% |
| Shaanxi Zhong Mian Investment Company Limited | 25.00% |
| Shenyang Aluminum & Magnesium Design Institute Co., Ltd. | 15.00% |
| Shenyang Boyu Technology Co., Ltd. | 15.00% |
| Shenyang Aluminum & Magnesium Technology Co., Ltd. | 15.00% |
| Shenyang Aluminum & Magnesium Engineering & Research Institute Construction Supervision Co., Ltd. | 25.00% |
| Beijing Huayu Aerospace Control High-Tech Co., Ltd. | 15.00% |
| China Nonferrous Metals Industry's Twelfth Metallurgical Construction Co., Ltd. | 15.00% |
| China Nonferrous Metals Industry's Twelfth Metallurgical Chongqing Energy Savings Technology Co., Ltd. | 15.00% |
| Shanxi Nonferrous Metal Twelfth Metallurgical Supplies Co., Ltd. | 25.00% |
| Shanxi Longye Construction Labor Service Co., Ltd. | 10.00% |
| China Aluminum International 12MCC Construction Co., Ltd. | 25.00% |
| China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd. | 15.00% |
| Shenzhen Changkan Survey and Design Co., Ltd. | 25.00% |
| Changsha Tongxiang Construction Co., Ltd. | 25.00% |
| Hunan Tongdu Investment and Development Co., Ltd. | 25.00% |
| China Aluminum International Engineering & Equipment Co., Ltd. | 25.00% |
| China Aluminum International Shandong Chemical Industry Co., Ltd. | 25.00% |
| China Aluminum International Logistic (Tianjin) Co., Ltd. | 25.00% |

SECTION 11 FINANCIAL REPORT

4. TAXES (Continued)**(1) Major taxes and tax rates (Continued)**

| Taxpayer | Income tax rate |
|---|----------------------------|
| Shanghai China Aluminum International Supply Chain Management Co., Ltd. | 25.00% |
| Chalieco Hong Kong Corporation Limited | 16.50% |
| Chalieco Malaysia Sdn. Bhd. | 25.00% |
| Shanghai Chalieco Fengyuan Equity Investment Fund Partnership (Limited Partner) | 25.00% |
| China Aluminum International Investment Management (Shanghai) Co., Ltd. | 25.00% |
| Chalieco (Tianjin) Construction Co., Ltd. | 25.00% |
| Xinchengtong (Tianjin) Construction Engineering Co., Ltd. | 25.00% |
| China Aluminum International Technology Development Co., Ltd. | 15.00% |
| China Aluminum International Engineering (India) Private Limited | 30.00% |
| Beijing Zichen Investment Development Corporation Limited | 25.00% |
| Duyun Development Zone Tongda Construction Co., Ltd. | 15.00% |
| Guiyang Aluminum and Magnesium Design Institute Co., Ltd. | 15.00% |
| Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd | 25.00% |
| Guiyang Zhenxing Aluminum & Magnesium Technological Development Co., Ltd. | 15.00% |
| Guizhou Light Metal Innovation Research and Equipment Process Co., Ltd. | 15.00% |
| Guiyang Xinyu Construction Supervision Co., Ltd. | 10.00% |
| Guizhou Yundu Properties Company Limited | 25.00% |
| Guizhou Shunan Mechanical and Electric Equipment Co., Ltd. | 15.00% |
| Guangxi Tongrui Investment Construction Co., Ltd. | 25.00% |
| China Aluminum International Aluminum Technological Development Co., Ltd. | 25.00% |
| Shanxi Nonferrous Metal Twelfth Metallurgical Advanced Materials Co., Ltd. | 25.00% |
| Qingdao Xinfu Gongchuang Asset Management Company Limited | 25.00% |
| Chalco Shandong Engineering Technology Co., Ltd. | 15.00% |
| Chalco Wancheng Shandong Construction Co., Ltd. | 25.00% |
| Kunming Survey and Design institute Co., Ltd. of China Nonferrous Metals industry | 15.00% |
| Kunming Technology Development Co., Ltd. | 10.00% |
| Chinalco Southwest Construction Investment Co., Ltd. | 25.00% |
| Yunnan Miyu Expressway Investment and Development Co., Ltd. | 25.00% |

SECTION 11 FINANCIAL REPORT

4. TAXES (Continued)**(2) Important tax preferences and approval documents****1. Tax preferences applicable to high-tech companies**

- (1) China Aluminum International Engineering Corporation Limited received the High-tech Enterprise Certificate on 15 July 2019 (Certificate number: GR201911000702, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (2) Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy received the High-tech Enterprise Certificate on 3 December 2018 (Certificate number: GR201843001648, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (3) Changsha Cinqsoft Info Tech Co., Ltd. (formerly known as "Changsha Hua Heng Yuan Info Tech Co., Ltd.", formalities for renaming completed on 21 November 2019) received the High-tech Enterprise Certificate on 3 December 2018 (Certificate number: GR201843001122, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (4) China Nonferrous Metals Processing Technology Co., Ltd. received the High-tech Enterprise Certificate on 1 December 2017 (Certificate number: GF201741001058, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (5) Guiyang Aluminum and Magnesium Design Institute Co., Ltd. received the High-tech Enterprise Certificate on 29 September 2019 (Certificate number: GR201952000376, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (6) Guizhou Shunan Mechanical and Electric Equipment Co., Ltd. received the High-tech Enterprise Certificate on 1 August 2018 (Certificate number: GR201852000341, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.

4. TAXES (Continued)

(2) Important tax preferences and approval documents (Continued)

1. Tax preferences applicable to high-tech companies (Continued)

- (7) Guiyang Zhenxing Aluminum & Magnesium Technological Development Co., Ltd. received the High-tech Enterprise Certificate on 1 August 2018 (Certificate number: GR201852000125, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (8) Guizhou Light Metal Innovation Research and Equipment Process Co., Ltd. received the High-tech Enterprise Certificate on 1 August 2018 (Certificate number: GR201852000306, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (9) Shenyang Aluminum & Magnesium Design Institute Co., Ltd. received the High-tech Enterprise Certificate on 8 August 2017 (Certificate number: GR201721000245, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (10) Shenyang Boyu Technology Co., Ltd. received the High-tech Enterprise Certificate on 12 October 2018 (Certificate number: GR201821000333, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (11) Shenyang Aluminum & Magnesium Technology Co., Ltd. received the High-tech Enterprise Certificate on 1 December 2017 (Certificate number: GR201721000728, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (12) Beijing Huayu Aerospace Control High-Tech Co., Ltd. received the High-tech Enterprise Certificate on 2 December 2019 (Certificate number: GR201911005085, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.

SECTION 11 FINANCIAL REPORT

4. TAXES (Continued)**(2) Important tax preferences and approval documents (Continued)****1. Tax preferences applicable to high-tech companies (Continued)**

- (13) China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd. received the High-tech Enterprise Certificate on 3 December 2018 (Certificate number: GR201843001632, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (14) Shenzhen Changkan Survey and Design Co., Ltd. received the High-tech Enterprise Certificate on 31 October 2017 (Certificate number: GR201744201825, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (15) Sixth Metallurgical Construction Company of China Nonferrous Metals Industry received the High-tech Enterprise Certificate on 31 October 2019 (Certificate number: GR201941000377, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (16) Ninth Metallurgical Construction Co., Ltd. received the High-tech Enterprise Certificate on 7 November 2019 (Certificate number: GR201961000427, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (17) China Aluminum International Technology Development Co., Ltd. received the High-tech Enterprise Certificate on 6 December 2017 (Certificate number: GR201711008284, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (18) China Nonferrous Metals Industry's Twelfth Metallurgical Construction Co., Ltd. received the High-tech Enterprise Certificate on 29 November 2019 (Certificate number: GR201914000748, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.

4. TAXES (Continued)

(2) Important tax preferences and approval documents (Continued)

1. Tax preferences applicable to high-tech companies (Continued)

- (19) Kunming Survey and Design institute Co., Ltd. of China Nonferrous Metals Industry received the High-tech Enterprise Certificate on 14 November 2018 (Certificate number: GR201853000051, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.
- (20) Chalco Shandong Engineering Technology Co., Ltd. received the High-tech Enterprise Certificate on 30 November 2018 (Certificate number: GR201837000515, valid for three years), which complies with Article 93 of the Regulations on Application of the Income Tax Law of the People's Republic of China. As is a high-tech enterprise vigorously supported by the State, the Company is entitled to a preferential corporate income tax at 15% for 2019 and 2020.

2. VAT

- (1) Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Bringing Railway Transportation and Postal Service into the Pilot Program of Changing Business Tax to VAT (Cai Shui [2013] No.106), China Aluminum International Engineering Corporation Ltd. is exempted from VAT on revenue from technology transfer.
- (2) Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Bringing Railway Transportation and Postal Service into the Pilot Program of Changing Business Tax to VAT (Cai Shui [2013] No.106), China Nonferrous Metals Processing Technology Co., Ltd. is exempted from VAT on revenue from technology transfer.
- (3) Pursuant to Notice on VAT Policies for Software Products issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2011] No. 100), Guiyang Zhenxing Aluminum & Magnesium Technological Development Co., Ltd. is entitled to the preferential VAT policy of refund upon levy in respect of the portion of VAT levied after actual tax burden on sales of software produced by itself reaches 3%.
- (4) Pursuant to Notice on VAT Policies for Software Products issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2011] No. 100), Guizhou Light Metal Innovation Research and Equipment Process Co., Ltd. is entitled to the preferential VAT policy of refund upon levy in respect of the portion of VAT levied after actual tax burden on sales of software produced by itself reaches 3%.

SECTION 11 FINANCIAL REPORT

4. TAXES (Continued)**(2) Important tax preferences and approval documents (Continued)****2. VAT (Continued)**

- (5) China Nonferrous Metals Industry's Twelfth Metallurgical Construction Co., Ltd. completed the formalities for registration of simplified taxation for general VAT payers on 1 May 2016. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Fully Pushing Forward the Pilot Program of Changing Business Tax to VAT (Cai Shui [2016] No. 36), as of 1 May 2016, it may elect to apply the preferential policy of simplified taxation for construction services for projects with materials supplied by Party A, engineering construction service provided for old projects and sales of real estate obtained prior to 30 April 2016.
- (6) China Nonferrous Metals Industry's Twelfth Metallurgical Construction Co., Ltd. completed the formalities for registration for tax exemption for cross border taxable activities of general VAT payers in May 2017. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Fully Pushing Forward the Pilot Program of Changing Business Tax to VAT (Cai Shui [2016] No. 36), domestic entities and individuals are exempted from VAT in rendering construction services overseas.
- (7) Shanxi Longye Construction Labor Service Co., Ltd. ("Longye") completed the formalities for registration of simplified taxation for general VAT payers on 1 October 2016. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Fully Pushing Forward the Pilot Program of Changing Business Tax to VAT (Cai Shui [2016] No. 36), Longye may elect to apply the preferential policy of simplified taxation for construction service provided under clear contracting agreement.
- (8) Pursuant to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Policy of Applying Low VAT Rates and Simplified VAT Levy Measures to Some Goods (Cai Shui [2009] No. 9)" and the "Notice of the Ministry of Finance and the State Administration of Taxation on the Policy of Simplifying VAT Rates (Cai Shui [2014] No. 57)", in disposing its fixed assets reaching retirement conditions in 2019, China Aluminum International South Engineering Co., Ltd. is entitled to the preferential policy that "in selling fixed assets having been used by itself, a general VAT payer is entitled to a reduced levy rate of 2% in respect of the 3% levy rate under the simplified taxation measures".

4. TAXES (Continued)

(2) Important tax preferences and approval documents (Continued)

3. Tax preferences applicable to the western development program

- (1) Guiyang Xinyu Construction Supervision Co., Ltd. complies with provisions of the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues Concerning the Further Implementation of the Western Development Strategy (Cai Shui [2011] No. 58), pursuant to which enterprises need to complete formalities for registration for corporate income tax reduction and exemption and encouraged enterprises incorporated in western region are entitled to a preferential income tax rate of 15% from May 2018.
- (2) Pursuant to the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues Concerning the Further Implementation of the Western Development Strategy (Cai Shui [2011] No. 58) and the Announcement on Corporate Income Tax Issues in Further Implementation of the Western Development Strategy (Announcement of the State Administration of Taxation No. 12 of 2012), as of 15 April 2012, Duyun Development Zone Tongda Construction Co., Ltd. (“Duyun Company”) needs to complete formalities for registration for a reduced corporate income tax rate at 15%. Duyun Company had completed such formalities and is entitled to the preferential rate of 15% for 2019.

4. Tax preferences for small and micro enterprises

- (1) Shanxi Longye Construction Labor Service Co., Ltd. complies with the provisions of the Notice on Applying Inclusive Tax Relief Policies to Small and Micro Enterprises (Cai Shui [2019] No.13), pursuant to which for the period from 1 January 2019 to 31 December 2021, for small and micro enterprises, the portion of annual taxable income not exceeding RMB1 million is subject to a corporate tax rate of 20% on the basis of 25% of this portion of its taxable income, and the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million is subject to corporate tax rate of 20% on the basis of 50% of this portion of its taxable income.
- (2) Guiyang Xinyu Construction Supervision Co., Ltd. complies with the provisions of the Notice on Applying Inclusive Tax Relief Policies to Small and Micro Enterprises (Cai Shui [2019] No.13), pursuant to which for the period from 1 January 2019 to 31 December 2021, for small and micro enterprises, the portion of annual taxable income not exceeding RMB1 million is subject to a corporate tax rate of 20% on the basis of 25% of this portion of its taxable income, and the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million is subject to corporate tax rate of 20% on the basis of 50% of this portion of its taxable income.

SECTION 11 FINANCIAL REPORT

4. TAXES (Continued)**(2) Important tax preferences and approval documents (Continued)****4. Tax preferences for small and micro enterprises (Continued)**

- (3) Kunming Technology Development Co., Ltd. complies with the provisions of the Notice on Applying Inclusive Tax Relief Policies to Small and Micro Enterprises (Cai Shui [2019] No.13), pursuant to which for the period from 1 January 2019 to 31 December 2021, for small and micro enterprises, the portion of annual taxable income not exceeding RMB1 million is subject to a corporate tax rate of 20% on the basis of 25% of this portion of its taxable income, and the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million is subject to corporate tax rate of 20% on the basis of 50% of this portion of its taxable income.
- (4) Luoyang Jincheng Construction Supervision Co., Ltd. complies with the provisions of the Notice on Applying Inclusive Tax Relief Policies to Small and Micro Enterprises (Cai Shui [2019] No.13), pursuant to which for the period from 1 January 2019 to 31 December 2021, for small and micro enterprises, the portion of annual taxable income not exceeding RMB1 million is subject to a corporate tax rate of 20% on the basis of 25% of this portion of its taxable income, and the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million is subject to corporate tax rate of 20% on the basis of 50% of this portion of its taxable income.
- (5) Hunan Huachu Project Management Co., Ltd. complies with the provisions of the Notice on Applying Inclusive Tax Relief Policies to Small and Micro Enterprises (Cai Shui [2019] No.13), pursuant to which for the period from 1 January 2019 to 31 December 2021, for small and micro enterprises, the portion of annual taxable income not exceeding RMB1 million is subject to a corporate tax rate of 20% on the basis of 25% of this portion of its taxable income, and the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million is subject to corporate tax rate of 20% on the basis of 50% of this portion of its taxable income.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(1) Monetary fund**

| Category | 30 June 2020 | 1 January 2020 |
|--|-------------------------|-----------------------|
| Cash | 969,865.00 | 4,371,601.61 |
| Bank deposit | 5,590,434,009.29 | 9,169,931,009.29 |
| Other monetary fund | 471,467,926.56 | 851,622,754.17 |
| Total | 6,062,871,800.85 | 10,025,925,365.07 |
| Including: total amount deposited abroad | 79,013,188.92 | 2,704,259,965.57 |

Notes:

1. As at 30 June 2020, monetary funds included restricted cash of RMB539,375,298.59, including bank deposits secured for bank guarantees and acceptance bills and frozen deposits;
2. As at 30 June 2020, the Company had a total amount of RMB2,120,351,434.24 deposited with Chinalco Finance Company Limited ("Chinalco Finance"), a related non-banking financial institution under common control of China Aluminum Group.

(2) Derivative financial assets

| Category | 30 June 2020 | 1 January 2020 |
|-----------------|----------------------|-----------------------|
| Futures | 12,942,360.00 | |
| Total | 12,942,360.00 | |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(3) Accounts receivable****1. Accounts receivable disclosed by category**

| Category | 30 June 2020 | | | |
|--|-------------------|----------------|------------------------|----------------|
| | Carrying balance | | Provision for bad debt | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Accounts receivable tested for provision for bad debt on an individual basis | 780,347,882.29 | 4.76 | 292,993,279.38 | 37.55 |
| Accounts receivable tested for provision for bad debt on a collective basis | 15,620,790,294.41 | 95.24 | 1,678,558,250.19 | 10.75 |
| Including, Group 1: aging analysis group | 15,620,790,294.41 | 95.24 | 1,678,558,250.19 | 10.75 |
| Subtotal | 15,620,790,294.41 | 95.24 | 1,678,558,250.19 | 10.75 |
| Total | 16,401,138,176.70 | 100.00 | 1,971,551,529.57 | 12.02 |

| Category | 1 January 2020 | | | |
|--|-------------------|----------------|------------------------|----------------|
| | Carrying balance | | Provision for bad debt | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Accounts receivable tested for provision for bad debt on an individual basis | 498,565,838.27 | 3.08 | 225,581,334.55 | 45.25 |
| Accounts receivable tested for provision for bad debt on a collective basis | 15,681,985,515.16 | 96.92 | 1,670,754,199.31 | 10.65 |
| Including, Group 1: aging analysis group | 15,681,985,515.16 | 96.92 | 1,670,754,199.31 | 10.65 |
| Subtotal | 15,681,985,515.16 | 96.92 | 1,670,754,199.31 | 10.65 |
| Total | 16,180,551,353.43 | 100.00 | 1,896,335,533.86 | 11.72 |

Note: As at 30 June 2020, the amount of pledged accounts receivable was RMB474,376,890.70.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(3) Accounts receivable (Continued)****1. Accounts receivable disclosed by category (Continued)**

- (1) Accounts receivable tested for provision for bad debt on an individual basis as of 30 June 2020

| Debtor | Carrying balance | Provision for bad debt | Percentage (%) | Reason for the provision |
|-----------|------------------|------------------------|----------------|--|
| Debtor 1 | 212,855,167.01 | 46,509,365.45 | 21.85 | In dispute. Expected not to be recoverable in full The counterparty went bankrupt and reorganized. Expected not to be recoverable in full |
| Debtor 2 | 207,220,405.02 | 25,316,407.12 | 12.22 | |
| Debtor 3 | 70,813,668.67 | 28,325,467.47 | 40.00 | In dispute. Expected not to be recoverable in full The counterparty went bankrupt and reorganized. Expected not to be recoverable in full |
| Debtor 4 | 47,159,128.46 | 21,621,728.23 | 45.85 | |
| Debtor 5 | 26,395,567.31 | 13,197,783.66 | 50.00 | Party A in bad operating conditions. Requested repayment repeatedly but failed. Expected not to be recoverable in full |
| Debtor 6 | 24,378,464.00 | 24,378,464.00 | 100.00 | Party A in bad operating conditions. Requested repayment repeatedly but failed. Expected not to be recoverable in full |
| Debtor 7 | 18,900,000.00 | 94,500.00 | 0.50 | Balance of continuing involvement in ABS |
| Debtor 8 | 18,507,525.30 | 3,701,505.06 | 20.00 | In dispute. Expected not to be recoverable in full |
| Debtor 9 | 17,755,000.00 | 17,755,000.00 | 100.00 | In dispute. Expected not to be recoverable Party A in bad operating conditions. Requested repayment repeatedly but failed. Expected not to be recoverable in full |
| Debtor 10 | 13,481,782.88 | 6,740,891.44 | 50.00 | |
| Total | 657,466,708.65 | 187,641,112.43 | - | - |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(3) Accounts receivable (Continued)****1. Accounts receivable disclosed by category (Continued)**

(2) Accounts receivable tested for provision for bad debt on a collective basis

Group 1: aging analysis group

| Aging | 30 June 2020 | | | 1 January 2020 | | |
|-------------------|-------------------|----------------|------------------------|-------------------|----------------|------------------------|
| | Carrying balance | Percentage (%) | Provision for bad debt | Carrying balance | Percentage (%) | Provision for bad debt |
| Within 1 year | 9,069,456,886.21 | 0.50 | 45,345,022.13 | 9,345,313,338.82 | 0.50 | 46,726,349.28 |
| Between 1-2 years | 3,289,985,999.27 | 10.00 | 329,006,561.57 | 3,241,282,352.75 | 10.00 | 324,128,235.35 |
| Between 2-3 years | 1,106,656,703.83 | 20.00 | 221,331,340.72 | 872,078,017.05 | 20.00 | 174,415,603.31 |
| Between 3-4 years | 1,070,231,277.48 | 30.00 | 321,069,383.33 | 1,121,126,642.77 | 30.00 | 336,337,992.92 |
| Between 4-5 years | 645,306,970.84 | 50.00 | 322,653,485.66 | 626,078,291.19 | 50.00 | 313,039,145.87 |
| Over 5 years | 439,152,456.78 | 100.00 | 439,152,456.78 | 476,106,872.58 | 100.00 | 476,106,872.58 |
| Total | 15,620,790,294.41 | - | 1,678,558,250.19 | 15,681,985,515.16 | - | 1,670,754,199.31 |

(3) Changes in provision for bad debt

| Item | Ending balance | Opening balance |
|--------------------------------------|-------------------------|------------------|
| Balance at the beginning of the year | 1,896,335,533.86 | 1,597,741,714.31 |
| Provision for the year | 91,752,571.99 | 440,259,565.01 |
| Reversal for the year | -7,514,616.09 | -15,711,109.71 |
| Write off for the year | -1,688,816.00 | -51,669,230.26 |
| Other changes | -7,333,144.19 | -74,285,405.49 |
| Balance at the end of the year | 1,971,551,529.57 | 1,896,335,533.86 |

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

2. Provision, recovery or reversal of provision for bad debt from January to June 2020

From January to June 2020, the provision for bad debt was RMB91,752,571.99; and the recovered or reversed provision for bad debt was RMB7,514,616.09.

Significant recovered or reversed provision for bad debt for the period:

| Entity | Reversed or recovered amount | Recovery method |
|----------|---------------------------------|---|
| Debtor 1 | 1,967,320.94 | The outstanding amount has been recovered |
| Debtor 2 | 1,275,300.00 | The outstanding amount has been recovered |
| Debtor 3 | 1,040,000.00 | The outstanding amount has been recovered |
| Debtor 4 | 958,802.00 | The outstanding amount has been recovered |
| Debtor 5 | 692,000.00 | The outstanding amount has been recovered |
| Total | 5,933,422.94 | – |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(3) Accounts receivable (Continued)****3. Significant accounts receivable written off from January to June 2020**

Accounts receivable written off from January to June 2020 amounted to RMB1,688,816.00.

Significant provision for bad debt written off for the period:

| Entity | Nature | Amount written off | Reason for write-off | Write-off procedures | Arising from connected transaction or not |
|---------------|-------------------|---------------------------|---|-----------------------------|--|
| Debtor 1 | Project payment | 886,375.00 | Written off according to the judgment | GM regular meeting | No |
| Debtor 2 | Equipment payment | 800,000.00 | The outstanding amount took to long to be recovered | GM regular meeting | No |
| Debtor 3 | Equipment payment | 2,441.00 | The outstanding amount took to long to be recovered | GM regular meeting | No |
| Total | - | 1,688,816.00 | - | - | - |

4. Top five debtors of accounts receivable as at the end of the period

| Entity | Closing balance | Percentage in total accounts receivable (%) | Balance of provision for bad debt |
|---------------|------------------------|--|--|
| No. 1 | 566,562,936.67 | 3.45 | 21,647,757.57 |
| No. 2 | 541,798,364.19 | 3.30 | 32,307,366.13 |
| No. 3 | 467,154,975.51 | 2.85 | 24,613,503.44 |
| No. 4 | 433,731,059.66 | 2.64 | 106,772,026.94 |
| No. 5 | 335,735,264.89 | 2.05 | 2,655,856.51 |
| Total | 2,344,982,600.92 | 14.30 | 187,996,510.59 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(3) Accounts receivable (Continued)****5. Receivables derecognized on financial assets transfer**

During the reporting period, the Company sold part of its accounts receivable (hereinafter referred to as “underlying assets”) to an ABS plan, and the Company a portion of subordinated asset-backed securities therein. As the asset manager, the Company provided service for the ABS plan, including asset management, asset recovery, change in underlying assets and other service. From January to June 2020, the balance of accounts receivable sold by the Company to the ABS plan was RMB600,359,231.66, resulting in a loss of RMB21,011,252.42.

As it does not have substantial control over the ABS plan, the Company does not need to consolidate the ABS plan into its financial statements. Meanwhile, since the Company neither transferred nor retained almost all risks and rewards in the ownership of the underlying assets, the Company continues to recognize relevant financial asset to the extent of its continuing involvement in the underlying asset, and recognizes relevant liability accordingly. As of 30 June 2020, the Company had recognized asset of RMB18,900,000.00 in relation to the continuing involvement.

(4) Factoring of receivables/notes receivable

| Category | 30 June 2020 | 1 January 2020 |
|------------------------------|-----------------------|-----------------------|
| Bank’s acceptance bills | 259,228,628.18 | 569,959,008.85 |
| Commercial acceptance bills | 8,489,891.98 | |
| Less: provision for bad debt | | |
| Total | 267,718,520.16 | 569,959,008.85 |

Notes:

- From January to June 2020, the Company’s business model for managing notes receivable includes both collection of contractual cash flow as the target and sales as the target. Therefore, the Company’s notes receivable measured at fair value and financial assets where changes are included in other comprehensive income shall be included in the factoring of receivables;
- As of 30 June 2020, the Company had no accounts receivable transferred from notes receivable due to drawer’s failure to perform the obligation;
- As of 30 June 2020, bank’s acceptance bills pledged but not yet due amounted to RMB56,304,844.39;
- As of 30 June 2020, bank’s acceptance bills discounted but not yet due amounted to RMB88,107,257.05;
- As of 30 June 2020, bank’s acceptance bills endorsed but not yet due amounted to RMB754,741,820.26.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(5) Prepayments****1. Prepayments presented by aging**

| Aging | 30 June 2020 | | 1 January 2020 | |
|-------------------|-----------------------|----------------|-----------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 1 year | 451,664,877.01 | 87.71 | 309,883,486.47 | 82.40 |
| Between 1-2 years | 48,447,516.18 | 9.41 | 60,835,502.56 | 16.18 |
| Between 2-3 years | 10,598,215.30 | 2.06 | 3,247,250.64 | 0.86 |
| Above 3 years | 4,233,572.43 | 0.82 | 2,099,264.70 | 0.56 |
| Total | 514,944,180.92 | 100.00 | 376,065,504.37 | 100.00 |

Significant prepayments aged over 1 year

| Creditor | Debtor | 30 June 2020 | Aging | Reason for unsettlement |
|--|------------|----------------------|----------------------|---|
| China Aluminum International Shandong Chemical Industry Co., Ltd. | Supplier 1 | 22,363,256.37 | Between 1-2 years | Goods have not been delivered yet |
| China Aluminum International Shandong Chemical Industry Co., Ltd. | Supplier 2 | 18,646,871.20 | Between 1-2 years | Goods have not been delivered yet |
| China Aluminum International Engineering Corporation Limited | Supplier 3 | 6,872,000.00 | Between 2-3 years | Goods have not been delivered yet |
| Total | - | 47,882,127.57 | - | - |

2. Top five entities in terms of prepayments

| Entity | 30 June 2020 | Percentage in total prepayments (%) |
|--------------|-----------------------|---|
| No. 1 | 62,683,879.70 | 12.17 |
| No. 2 | 26,437,112.35 | 5.13 |
| No. 3 | 22,942,400.00 | 4.46 |
| No. 4 | 22,363,256.37 | 4.34 |
| No. 5 | 18,646,871.20 | 3.62 |
| Total | 153,073,519.62 | 29.72 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(6) Other receivables**

| Category | 30 June 2020 | 1 January 2020 |
|------------------------------|-------------------------|-----------------------|
| Interests receivable | | |
| Dividends receivable | 3,431,957.85 | 1,815,949.86 |
| Other receivables | 3,514,712,339.82 | 3,128,012,009.73 |
| Less: provision for bad debt | 797,401,808.63 | 776,537,973.50 |
| Total | 2,720,742,489.04 | 2,353,289,986.09 |

1. Dividends receivable

Classification of dividends receivable

| Item | 30 June 2020 | 1 January 2020 |
|--------------|---------------------|-----------------------|
| Investee 1 | 199,941.87 | 199,941.87 |
| Investee 2 | 3,232,015.98 | 1,616,007.99 |
| Total | 3,431,957.85 | 1,815,949.86 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(6) Other receivables (Continued)****2. Other receivables**

| Category | 30 June 2020 | | | |
|---|------------------|----------------|------------------------|----------------|
| | Carrying balance | | Provision for bad debt | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Other receivable tested for provision for bad debt on an individual basis | 899,184,494.84 | 25.58 | 380,072,730.81 | 42.27 |
| Other receivable tested for provision for bad debt on a collective basis | 2,615,527,844.98 | 74.42 | 417,329,077.82 | 15.96 |
| Including, Group 1: aging analysis group | 2,615,527,844.98 | 74.42 | 417,329,077.82 | 15.96 |
| Subtotal | 2,615,527,844.98 | 74.42 | 417,329,077.82 | 15.96 |
| Total | 3,514,712,339.82 | 100.00 | 797,401,808.63 | 22.69 |

| Category | 1 January 2020 | | | |
|---|------------------|----------------|------------------------|----------------|
| | Carrying balance | | Provision for bad debt | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Other receivable tested for provision for bad debt on an individual basis | 899,506,250.48 | 28.76 | 379,953,934.72 | 42.24 |
| Other receivable tested for provision for bad debt on a collective basis | 2,228,505,759.25 | 71.24 | 396,584,038.78 | 17.80 |
| Including, Group 1: aging analysis group | 2,228,505,759.25 | 71.24 | 396,584,038.78 | 17.80 |
| Subtotal | 2,228,505,759.25 | 71.24 | 396,584,038.78 | 17.80 |
| Total | 3,128,012,009.73 | 100.00 | 776,537,973.50 | 24.83 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(6) Other receivables (Continued)****2. Other receivables (Continued)**

- (1) Other significant receivables tested for provision for bad debt on an individual basis as at the end of the period

| Debtor | Carrying balance | Provision for bad debt | Percentage (%) | Reason for the provision |
|---------------|-------------------------|-------------------------------|-----------------------|--|
| Debtor 1 | 672,621,550.00 | 302,815,050.00 | 45.02 | The counterparty was in bad operating conditions. Expected not to be recoverable in full |
| Debtor 2 | 184,873,251.81 | 54,737,746.09 | 29.61 | The counterparty was in bad operating conditions. Expected not to be recoverable in full |
| Debtor 3 | 29,783,850.23 | 11,913,540.09 | 40.00 | The counterparty was in bad operating conditions. Expected not to be recoverable in full |
| Total | 887,278,652.04 | 369,466,336.18 | - | - |

- (2) Other receivables tested for provision for bad debt on a collective basis

Group 1: aging analysis portfolio

| Aging | 30 June 2020 | | | 1 January 2020 | | |
|-------------------|-------------------------|-----------------------|-------------------------------|-------------------------|-----------------------|-------------------------------|
| | Carrying balance | Percentage (%) | Provision for bad debt | Carrying balance | Percentage (%) | Provision for bad debt |
| Within 1 year | 1,305,554,174.37 | 0.50 | 6,526,520.97 | 1,043,235,331.06 | 0.50 | 5,216,821.42 |
| Between 1-2 years | 420,258,256.79 | 10.00 | 42,025,040.73 | 279,206,877.45 | 10.00 | 27,920,687.79 |
| Between 2-3 years | 260,547,375.71 | 20.00 | 52,109,475.12 | 249,425,531.58 | 20.00 | 49,885,106.26 |
| Between 3-4 years | 401,385,623.31 | 30.00 | 120,415,687.01 | 433,745,087.87 | 30.00 | 130,123,526.40 |
| Between 4-5 years | 63,060,121.79 | 50.00 | 31,530,060.98 | 78,910,068.96 | 50.00 | 39,455,034.58 |
| Over 5 years | 164,722,293.01 | 100.00 | 164,722,293.01 | 143,982,862.33 | 100.00 | 143,982,862.33 |
| Total | 2,615,527,844.98 | - | 417,329,077.82 | 2,228,505,759.25 | - | 396,584,038.78 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(6) Other receivables (Continued)****2. Other receivables (Continued)**

(3) Changes in provision for bad debt

| Provision for bad debt | Stage 1 Expected credit loss in the next 12 months | Stage 2 Expected credit loss for the entire duration of the life (no credit impairment) | Stage 3 Expected credit loss for the entire duration of the life (credit-impaired) | Total |
|---|---|--|---|----------------|
| Balance as at 1 January 2020 | 5,216,821.42 | 77,805,794.05 | 693,515,358.03 | 776,537,973.50 |
| During the period, provision for bad debt of other receivables as at 1 January 2020 | | | | |
| - transfers to stage 2 | -2,101,291.28 | 2,101,291.28 | | |
| - transfers to stage 3 | | -80,277,124.66 | 80,277,124.66 | |
| - transfers back to stage 2 | | | | |
| - transfers back to stage 1 | | | | |
| Provision for the period | 3,410,990.83 | 94,504,555.18 | -76,826,598.61 | 21,088,947.40 |
| Reversal for the period | | | -56,977.67 | -56,977.67 |
| Write off for the period | | | -168,134.60 | -168,134.60 |
| Other changes | | | | |
| Balance as at 30 June 2020 | 6,526,520.97 | 94,134,515.85 | 696,740,771.81 | 797,401,808.63 |

(4) Recovery or reversal of provision for bad debt from January to June 2020

From January to June 2020, provision for bad debt was RMB21,088,947.40, and the recovered or reversed provision for bad debt was RMB56,977.67.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Other receivables (Continued)

2. Other receivables (Continued)

- (5) Significant other receivables written-off from January to June 2020

From January to June 2020, other receivables of RMB168,134.60 were written off.

- (6) Other receivables by nature

| Nature | 30 June 2020 | 1 January 2020 |
|---|-------------------------|------------------|
| Financing provided to Party A and its related parties | 1,276,866,543.75 | 1,255,458,501.81 |
| Retention funds and deposits | 1,015,813,994.57 | 932,587,727.91 |
| Advance | 1,038,776,227.75 | 754,790,808.83 |
| Imprest | 42,874,373.71 | 37,791,005.63 |
| Others | 140,381,200.04 | 147,383,965.55 |
| Subtotal | 3,514,712,339.82 | 3,128,012,009.73 |
| Less: provision for bad debt | 797,401,808.63 | 776,537,973.50 |
| Total | 2,717,310,531.19 | 2,351,474,036.23 |

Note: In order to actively expand the market and share a win-win result with proprietors, the Company signs a capital arrangement agreement with some proprietors of the engineering contracting projects. In addition to general engineering construction services, the Company also provide the proprietors with a certain amount of financing in support of their completion of designated construction projects. Meanwhile, the Company charges a financing fee at agreed interest rate. As of 30 June 2020, the Company had failed to collect the financing fee or principal due on several capital arrangement agreements, and is actively negotiating with the proprietors and relevant parties. The Company has made judgment based on current progress of relevant construction contracting projects, guarantees provided by the proprietors and relevant parties, as well as negotiations between the Company and the proprietors and relevant parties, and has accrued loss allowance for relevant receivables. The Company believes that such provisions fully reflect the expected credit loss.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(6) Other receivables (Continued)****2. Other receivables (Continued)**

(7) Top five debtors of other receivables as at the end of the period

| Debtor | Closing balance | Aging | Percentage in total other receivables at end of the period (%) | Balance of provision of bad debt |
|---------------|-------------------------|-------------------|---|---|
| No. 1 | 672,635,250.00 | Within 5 years | 19.14 | 302,815,878.50 |
| No. 2 | 419,613,166.20 | Between 2-5 years | 11.94 | 102,079,627.28 |
| No. 3 | 184,873,251.81 | Over 2 years | 5.26 | 54,737,746.09 |
| No. 4 | 139,771,212.20 | Between 1-2 years | 3.98 | 13,977,121.22 |
| No. 5 | 102,717,685.55 | Within 1 year | 2.92 | 9,595,588.43 |
| Total | 1,519,610,565.76 | – | 43.24 | 483,205,961.52 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(7) Inventories****1. Classification of inventories**

| Category | Carrying balance | 30 June 2020 | |
|-------------------------------------|-------------------------|---------------------------|-------------------------|
| | | Provisions for impairment | Book value |
| Raw materials | 362,512,803.29 | 2,840,957.06 | 359,671,846.23 |
| Work-in-process | 1,373,079,912.42 | 74,779,798.07 | 1,298,300,114.35 |
| Inventories | 1,682,765,164.49 | 31,619,690.66 | 1,651,145,473.83 |
| Revolving materials and spare parts | 132,590,262.71 | | 132,590,262.71 |
| Real estate development costs | 260,169,266.36 | | 260,169,266.36 |
| Total | 3,811,117,409.27 | 109,240,445.79 | 3,701,876,963.48 |

| Category | Carrying balance | 1 January 2020 | |
|-------------------------------------|-------------------------|---------------------------|-------------------------|
| | | Provisions for impairment | Book value |
| Raw materials | 219,442,424.87 | 2,840,957.06 | 216,601,467.81 |
| Work-in-process | 1,339,456,781.82 | 74,779,798.07 | 1,264,676,983.75 |
| Inventories | 1,157,061,592.23 | 31,619,690.66 | 1,125,441,901.57 |
| Revolving materials and spare parts | 211,431,546.46 | | 211,431,546.46 |
| Real estate development costs | 292,240,483.30 | | 292,240,483.30 |
| Total | 3,219,632,828.68 | 109,240,445.79 | 3,110,392,382.89 |

2. Additions and reductions to provision for impairment of inventories

| Category | Opening balance | Provision for the period | Reduction for the period | | Closing balance |
|-----------------|-----------------------|--------------------------|--------------------------|-----------|-----------------------|
| | | | Reversal | Write-off | |
| Raw materials | 2,840,957.06 | | | | 2,840,957.06 |
| Work-in-process | 74,779,798.07 | | | | 74,779,798.07 |
| Inventories | 31,619,690.66 | | | | 31,619,690.66 |
| Total | 109,240,445.79 | | | | 109,240,445.79 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(8) Contract assets****1. Particulars of contract assets**

| Item | Carrying balance | 30 June 2020 Provisions for impairment | Book value |
|--|-------------------|--|-------------------|
| Contract assets tested for provision for impairment on an individual basis | 960,506,389.68 | 108,490,073.40 | 852,016,316.28 |
| Contract assets tested for provision for impairment on a collective basis | 11,872,953,424.68 | 126,443,095.66 | 11,746,510,329.02 |
| Group 1: contract assets not delivered to customers for use | 11,609,038,697.05 | 58,039,349.84 | 11,550,999,347.21 |
| Group 2: contract assets delivered to customers for use | 263,914,727.63 | 68,403,745.82 | 195,510,981.81 |
| Total | 12,833,459,814.36 | 234,933,169.06 | 12,598,526,645.30 |

| Item | Carrying balance | 1 January 2020 Provisions for impairment | Book value |
|--|-------------------|--|-------------------|
| Contract assets tested for provision for impairment on an individual basis | 855,618,081.11 | 110,629,983.11 | 744,988,098.00 |
| Contract assets tested for provision for impairment on a collective basis | 12,399,791,056.91 | 136,466,973.92 | 12,263,324,082.99 |
| Group 1: contract assets not delivered to customers for use | 12,121,569,710.14 | 60,608,129.51 | 12,060,961,580.63 |
| Group 2: contract assets delivered to customers for use | 278,221,346.77 | 75,858,844.41 | 202,362,502.36 |
| Total | 13,255,409,138.02 | 247,096,957.03 | 13,008,312,180.99 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(8) Contract assets (Continued)****2. Provision for impairment of contract assets**

| Item | 1 January 2020 | Additions for the year | Reductions for the year | 30 June 2020 |
|--|-----------------------|---------------------------|----------------------------|-----------------------|
| Contract assets tested for provision for impairment on an individual basis | 110,629,983.11 | 1,478,662.70 | 3,618,572.41 | 108,490,073.40 |
| Contract assets tested for provision for impairment on a collective basis | 136,466,973.92 | -10,023,878.26 | | 126,443,095.66 |
| Group 1: contract assets not delivered to customers for use | 60,608,129.51 | -2,568,779.67 | | 58,039,349.84 |
| Group 2: contract assets delivered to customers for use | 75,858,844.41 | -7,455,098.59 | | 68,403,745.82 |
| Total | 247,096,957.03 | -8,545,215.56 | 3,618,572.41 | 234,933,169.06 |

3. Reclassification of impairment of contract assets

| Item | 30 June 2020 | 1 January 2020 |
|--|-----------------------|----------------|
| Provision for impairment of contract assets | 240,888,857.83 | 253,024,921.71 |
| Less: Reclassification to other non-current assets | 5,955,688.77 | 5,927,964.68 |
| Closing balance | 234,933,169.06 | 247,096,957.03 |

4. Changes in provision for impairment of contract assets

| Item | 30 June 2020 | 1 January 2020 |
|--------------------------------------|-----------------------|----------------|
| Balance at the beginning of the year | 253,024,921.71 | 173,441,899.62 |
| Provision for the year | -8,517,491.47 | 81,617,098.70 |
| Reversal for the year | -3,618,572.41 | -22,472.50 |
| Write off for the year | | -1,601,318.90 |
| Other changes | | -410,285.21 |
| Closing balance | 240,888,857.83 | 253,024,921.71 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(9) Non-current assets due within a year**

| Item | 30 June 2020 | 1 January 2020 |
|---|-----------------------|----------------|
| Long-term receivables due within a year | 652,383,713.88 | 430,833,366.90 |
| Less: provision for bad debt | 28,350,389.91 | 25,429,980.68 |
| Total | 624,033,323.97 | 405,403,386.22 |

(10) Other current-assets

| Item | 30 June 2020 | 1 January 2020 |
|----------------------|-----------------------|----------------|
| Deductible VAT input | 591,557,458.06 | 612,425,331.95 |
| Prepaid income tax | 46,098,021.31 | 43,912,283.74 |
| Total | 637,655,479.37 | 656,337,615.69 |

(11) Long-term receivables**1. Particulars of long-term receivables**

| Item | 30 June 2020 | 1 January 2020 |
|--|-------------------------|------------------|
| Repurchase payment under BT contract | 688,204,575.95 | 666,804,575.95 |
| Long-term receivables from customers | 1,578,518,453.33 | 1,745,344,124.39 |
| Less: provision for bad debt | 91,709,555.06 | 95,773,028.70 |
| Total book value | 2,175,013,474.22 | 2,316,375,671.64 |
| Including: long-term receivables due within one year | 624,033,323.97 | 405,403,386.22 |
| Presented in long-term receivables | 1,550,980,150.25 | 1,910,972,285.42 |

Note: Pursuant to the engineering project contracting agreement or financing agreement signed between the Company and the proprietor or its related parties, the Company, in addition to general engineering construction service, provides a certain amount of financing to the proprietor and its related parties in support of their preliminary expenditures of designated construction projects. The above-mentioned financing will be repaid within a certain period of time.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(11) Long-term receivables (Continued)****2. Changes in provision for impairment of long-term receivables**

| Item | 30 June 2020 | 1 January 2020 |
|---------------------------------------|----------------------|----------------|
| Balance at the beginning of the year | 95,773,028.70 | 24,665,700.53 |
| Provision for the year | -4,063,473.64 | 72,247,951.56 |
| Reversal for the year | | |
| Write off for the year | | |
| Other changes | | -1,140,623.39 |
| Balance at the end of the year | 91,709,555.06 | 95,773,028.70 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Long-term equity investment

| Investee | Initial investment cost | 1 January 2020 | Increase in investments | Decrease in investment | Adjustment in profit and loss | Increase for the period | | | Others | 30 June 2020 | Provision for impairment Closing balance |
|---|-------------------------|----------------|-------------------------|------------------------|-------------------------------|---|----------------------|-----------------------------------|--------|---------------|--|
| | | | | | | Adjustments to other comprehensive income | Other equity changes | Cash dividends or profit declared | | | |
| 1. Joint ventures | | | | | | | | | | | |
| Shanghai Fergong Equity Investment Fund Partnership (Limited Partner) | 40,000,000.00 | 8,939,897.38 | | 46,327.64 | | | | | | 8,986,225.02 | |
| Zhongji Sunward Technology Co., Ltd. | 26,905,600.00 | 36,193,840.92 | | -4,491,676.65 | | | | | | 31,702,164.27 | |
| Subtotal | 66,905,600.00 | 45,133,738.30 | | -4,445,349.01 | | | | | | 40,688,389.29 | |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(12) Long-term equity investment (Continued)**

Notes:

- (1) Shanghai Fengtong Equity Investment Fund Partnership (Limited Partner) (hereafter “Shanghai Fengtong Fund”) was established by Shanghai Ample Harvest Equity Investments Management Company Limited (hereafter “Harvest Equity”) as a general partner in late 2013. Harvest Equity made capital contribution of RMB10,000,000.00; The parent company of Harvest Equity, Harvest Capital Management Company Limited (“Harvest Capital”) as a limited partner, made capital contribution of RMB2,000,000,000.00; the Company as a limited partner, made capital contribution of RMB40,000,000.00; Another limited partner made capital contribution of RMB50,000,000.00. During the year of 2014, the Company signed a series of supplemental contracts with other relevant parties and obtained jointly control over Shanghai Fengtong Fund because that the decision about the main activities of the partnership required the unanimous consent of the Company and the other parties. As agreed, Harvest Capital will withdraw its capital contribution within three years. During the three-year investment period of Harvest Capital, return on investment will be distributed in the following order: Shanghai Fengtong Fund will give priority to the payment of interest at 8.30% annualized rate of return to Harvest Capital, and then distribute expected return at 8.30% annualized rate to limited partners. Any residual return upon Harvest Capital’s withdrawal will be distributed to Harvest Equity and the Company on a 1:1 basis as to debt investments and on a 3:7 basis as to equity investments. If Shanghai Fengtong Fund fails to pay the principal and expected return to Harvest Capital as agreed above, the Company must immediately make up for the unpaid portion, upon which the Company has the right to receive liquidity support from Harvest Equity. As of the reporting date of this report, Shanghai Fengtong Fund has returned the capital contribution of Harvest Capital, and the Company has been discharged from the obligation to make up for any deficiency. Meanwhile, The Group is considering the withdrawal from Shanghai Fengtong Fund whereas the relevant work is in progress. The Company measures the long-term equity investment at the end of the period at the best estimate of the share of assets expected to be received upon its withdrawal from the partnership.
- (2) In February 2015, Zhongji Sunward Technology Co., Ltd. (“Zhongji Sunward”) was jointly established by the Company and Sunward Intelligent Equipment Co., Ltd. The Company holds 49% equity and voting right in Zhongji Sunward. According to the articles of association of Zhongji Sunward, decisions on its major issues and activities require two-third majority approval at the board of directors and the general meeting, so the Company has joint control over Zhongji Sunward.
- (3) In October 2016, the Company and Fujian South Aluminum Engineering Corporation Limited (“Fujian South Aluminum”) established China Aluminum South Aluminum (Fujian) Aluminum Structure Technology Co., Ltd. (“China Aluminum South Aluminum”). The Company paid in capital contribution of RMB50,000,000.00 in January 2018 and held 50% equity and voting right in it. In June 2020, Fujian South Aluminum contributed capital to China Aluminum South Aluminum by way of intangible assets investment. Upon capital contribution, its shareholding ratio reached 66.5%, and the Company’s shareholding ratio and voting rights ratio declined to 33.5%, as a result, it was regarded as an associate.
- (4) Though holding less than 20% equity in Luoyang Hua Zhong Aluminum Co., Ltd., the Company has assigned one or more directors and has significant influence over it. So, Luoyang Hua Zhong Aluminum Co., Ltd. is regarded as an associate of the Company.
- (5) Mr. WANG Yonghong, Vice President of the Company, has been a director of Zhuzhou Tianqiao Crane Co., Ltd. since November 2019. As the Company can exert a significant influence on it, the Company shifts to the equity method to account for its equity investment.
- (6) In 2019, the Company appointed Beijing Zhongtonghua Asset Evaluation Co., Ltd. to assess the market value of 19 patented technologies of its subsidiary Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy. The appraised value was RMB24 million (Appraisal Report No.: Zhong Tong Hua Ping Bao Zi (2019) No.020874). The Company made capital contribution with the above patented technologies to establish Chinalco Environmental Protection and Energy Saving Technology (Hunan) Co., Ltd. jointly with Chinalco Environmental Protection and Energy Saving Group. The Company holds 49% equity and voting rights and has significant influence, so it is an associate of the Company.
- (7) In 2019, the Company appointed Woxen (Beijing) International Asset Evaluation Co., Ltd. to assess market value of the intelligent information asset group of its subsidiary, China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd.. The appraised value was RMB11.0132 million (Appraisal Report No.: Woxen Ping Bao Zi [2019] No.1052). The Company made capital contribution with the above asset group to establish Chinalco Intelligent (Hangzhou) Safety Science Research Institute Co., Ltd. jointly with Chinalco Intelligent Technology Development Co., Ltd. The Company holds 49% equity and voting rights and has significant influence, so it is an associate of the Company.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(12) Long-term equity investment (Continued)**

Notes: (Continued)

- (8) In 2019, the Company appointed Beijing Zhongtonghua Asset Evaluation Co., Ltd. to assess the market value of some electronic equipment and intangible assets of its subsidiary Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy. The appraised value was RMB7.3507 million (Appraisal Report No.: Zhong Tong Hua Ping Bao Zi (2019) No.020967). The Company made capital contribution with the ownership over the above assets to establish Chinalco Environmental Protection and Ecological Technology (Hunan) Co., Ltd. jointly with Chinalco Environmental Protection and Energy Saving Group. The Company holds 49% equity and voting rights and has significant influence, so it is an associate of the Company.

The impact of non-monetary capital contribution in the above (6), (7) and (8) and inter-company unrealized profit involving associates was eliminated in proportion to our shareholding when adjusting profit or loss using the equity method.

- (9) The Company and Shenzhen OCT Industrial Equity Investment Fund Management Co., Ltd. (“Shenzhen OCT”) entered into a partnership agreement at the end of December 2019 to jointly fund the establishment of Guangdong Qiaolv Chuangxiang Equity Investment Partnership (Limited Partner) (“Guangdong Qiaolv”). Shenzhen OCT, as an executive partner, is entitled to represent Guangdong Qiaolv in entering into contracts and reaching other agreements, commitments and appointing managers to provide assistance in the management and execution of the above-mentioned matters. The Company, as a limited partner, is entitled to distribute profits and bear losses according to the proportion of capital contributions, therefore it is calculated using equity method.
- (10) Panzhou Haohong Project Management Co., Ltd. (hereinafter referred to as “Panxian Haohong”) was jointly established by Sixth Metallurgical Construction Co., Ltd. (hereinafter referred to as “Sixth Metallurgical Company”), a wholly-owned subsidiary of the Company, and another shareholder, Panxian Panzhou Ancient City Development and Management Co., Ltd. (hereinafter referred to as “Panzhou Ancient City Development”), which was held as to 30% and 70% by Sixth Metallurgical Company and Panzhou Ancient City Development, respectively. The articles of association of Panxian Haohong stipulates that the resolutions of the shareholders meeting to amend the articles of association, the increase or decrease in the registered capital, and merging, splitting, dissolving or changing of the form of the company must be approved by shareholders representing more than two-thirds of the voting rights. For resolutions regarding other matters, they must be approved by shareholders representing more than half of the voting rights. Sixth Metallurgical Company has 70% of the voting rights in the shareholders’ meeting, and Panzhou Ancient City Development has 30% of the voting rights. Resolutions of the board of directors must be passed by more than two-thirds of all directors. Panxian Haohong has 3 board members, including 2 directors appointed by Sixth Metallurgical Company and 1 director appointed by Panzhou Ancient City Development. Therefore, the Company can control Panxian Haohong, and it was consolidated into the Company’s financial statements.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(13) Other equity instrument investments**

| Item | 30 June 2020 | | | 1 January 2020 | | |
|---|----------------------|--------------------------|----------------------|------------------|--------------------------|---------------|
| | Carrying balance | Provision for impairment | Book value | Carrying balance | Provision for impairment | Book value |
| Guizhou Aerospace Wujiang Electromechanical Equipment Co., Ltd. | 15,062,255.58 | | 15,062,255.58 | 14,781,358.91 | | 14,781,358.91 |
| Others | 26,642,984.67 | | 26,642,984.67 | 30,641,604.95 | | 30,641,604.95 |
| Total | 41,705,240.25 | | 41,705,240.25 | 45,422,963.86 | | 45,422,963.86 |

(14) Other non-current financial assets

| Category | 30 June 2020 | 1 January 2020 |
|--|----------------------|----------------|
| Subordinated shares in China Securities – CHALIECO 2019 Accounts Receivable ABS Plan | 18,900,000.00 | 18,900,000.00 |
| Total | 18,900,000.00 | 18,900,000.00 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(15) Investment property****1. Investment property measured at cost**

| Item | Housings and buildings | Land use right | Total |
|--|---------------------------|----------------|----------------|
| I. Original value | | | |
| 1. 1 January 2020 | 392,696,589.65 | 181,822,148.79 | 574,518,738.44 |
| 2. Additions for the period | 43,000,000.00 | | 43,000,000.00 |
| (1) Outsourcing | | | |
| (2) Transferred from inventories, fixed assets or CIP | 43,000,000.00 | | 43,000,000.00 |
| (3) Arising from business combination | | | |
| 3. Reductions for the period | 3,945,889.00 | | 3,945,889.00 |
| (1) Disposal | | | |
| (2) Transferred out | 3,945,889.00 | | 3,945,889.00 |
| 4. 30 June 2020 | 431,750,700.65 | 181,822,148.79 | 613,572,849.44 |
| II. Accumulated depreciation and accumulated amortization | | | |
| 1. 1 January 2020 | 70,091,414.34 | 26,324,650.58 | 96,416,064.92 |
| 2. Additions for the period | 5,596,384.07 | 2,230,052.13 | 7,826,436.20 |
| (1) Provision or amortization | 3,381,206.62 | 1,165,787.52 | 4,546,994.14 |
| (2) Arising from business combination | 2,215,177.45 | 1,064,264.61 | 3,279,442.06 |
| 3. Reductions for the period | | | |
| (1) Disposal | | | |
| (2) Transferred out | | | |
| 4. 30 June 2020 | 75,687,798.41 | 28,554,702.71 | 104,242,501.12 |
| III. Provision for impairment | | | |
| 1. 1 January 2020 | | | |
| 2. Additions for the period | | | |
| (1) Provision | | | |
| 3. Reductions for the period | | | |
| (1) Disposal | | | |
| (2) Transferred out | | | |
| 4. 30 June 2020 | | | |
| IV. Book value | | | |
| 1. As at end of the period | 356,062,902.24 | 153,267,446.08 | 509,330,348.32 |
| 2. As at beginning of the period | 322,605,175.31 | 155,497,498.21 | 478,102,673.52 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(16) Fixed assets**

| Category | 30 June 2020 | 1 January 2020 |
|--------------------------------|-------------------------|-----------------------|
| Fixed assets | 2,257,731,811.72 | 2,314,891,145.04 |
| Fixed assets pending disposal | | |
| Less: provision for impairment | 1,058,216.90 | 1,058,216.90 |
| Total | 2,256,673,594.82 | 2,313,832,928.14 |

1. Particulars of fixed assets

| Item | Housings and buildings | Machinery equipment | Transportation vehicles | Office equipment and others | Total |
|---|-------------------------------|----------------------------|--------------------------------|------------------------------------|------------------|
| I. Original value | | | | | |
| 1. 1 January 2020 | 2,487,301,916.37 | 849,849,013.89 | 251,205,638.64 | 375,083,749.51 | 3,963,440,318.41 |
| 2. Additions for the period | 4,944,659.73 | 5,257,574.79 | 7,827,268.48 | 7,512,975.91 | 25,542,478.91 |
| (1) Purchased | 4,690,284.41 | 5,257,574.79 | 7,439,643.24 | 7,512,975.91 | 24,900,478.35 |
| (2) Transferred from CIP | 254,375.32 | | | | 254,375.32 |
| (3) Arising from business combination | | | | | |
| (4) Other additions | | | 387,625.24 | | 387,625.24 |
| 3. Reductions for the period | 341,776.00 | 3,084,879.05 | 3,599,420.52 | 2,036,257.41 | 9,062,332.98 |
| (1) Disposal or scraping | 341,776.00 | 3,084,879.05 | 3,048,079.81 | 2,036,257.41 | 8,510,992.27 |
| (2) Deduction from disposal of subsidiaries | | | | | |
| (3) Other reductions | | | 551,340.71 | | 551,340.71 |
| 4. 30 June 2020 | 2,491,904,800.10 | 852,021,709.63 | 255,433,486.60 | 380,560,468.01 | 3,979,920,464.34 |
| II. Accumulated depreciation | | | | | |
| 1. 1 January 2020 | 621,354,556.32 | 597,344,762.93 | 178,497,247.92 | 251,352,606.20 | 1,648,549,173.37 |
| 2. Additions for the period | 36,427,691.38 | 20,434,194.60 | 9,319,360.26 | 14,698,054.31 | 80,879,300.55 |
| (1) Provision | 36,427,691.38 | 20,434,194.60 | 9,319,360.26 | 14,698,054.31 | 80,879,300.55 |
| 3. Reductions for the period | 203,675.57 | 2,570,424.57 | 3,130,100.24 | 1,335,620.92 | 7,239,821.30 |
| (1) Disposal or scraping | 203,675.57 | 2,570,424.57 | 2,847,593.97 | 1,335,620.92 | 6,957,315.03 |
| (2) Other reductions | | | 282,506.27 | | 282,506.27 |
| 4. 30 June 2020 | 657,578,572.13 | 615,208,532.96 | 184,686,507.94 | 264,715,039.59 | 1,722,188,652.62 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(16) Fixed assets (Continued)****1. Particulars of fixed assets (Continued)**

| Item | Housings and buildings | Machinery equipment | Transportation vehicles | Office equipment and others | Total |
|----------------------------------|------------------------|---------------------|-------------------------|-----------------------------|------------------|
| III. Provision for impairment | | | | | |
| 1. 1 January 2020 | 231,752.96 | 685,113.94 | 141,350.00 | | 1,058,216.90 |
| 2. Additions for the period | | | | | |
| 3. Reductions for the period | | | | | |
| 4. 30 June 2020 | 231,752.96 | 685,113.94 | 141,350.00 | | 1,058,216.90 |
| IV. Book value | | | | | |
| 1. As at end of the period | 1,834,094,475.01 | 236,128,062.73 | 70,605,628.66 | 115,845,428.42 | 2,256,673,594.82 |
| 2. As at beginning of the period | 1,865,715,607.09 | 251,819,137.02 | 72,567,040.72 | 123,731,143.31 | 2,313,832,928.14 |

2. Fixed asset for which the title certificate has not been obtained

| Item | Book value | Reasons for not obtaining the title certificate |
|-------------------------|----------------|---|
| Housings and buildings | 133,074,470.96 | In progress |
| Transportation vehicles | 78,376.57 | In progress |
| Total | 133,152,847.53 | – |

3. Fixed assets fully depreciated but still in use

| Category | Original value | Accumulated depreciation | Provision for impairment | Book value |
|-----------------------------|----------------|--------------------------|--------------------------|---------------|
| Housings and buildings | 71,694,826.39 | 69,306,333.50 | 231,752.96 | 2,156,739.93 |
| Machinery equipment | 298,134,468.27 | 284,937,889.96 | 685,113.94 | 12,511,464.37 |
| Transportation vehicles | 80,240,824.59 | 76,318,135.87 | | 3,922,688.72 |
| Office equipment and others | 121,074,451.92 | 115,253,019.29 | | 5,821,432.63 |
| Total | 571,144,571.17 | 545,815,378.62 | 916,866.90 | 24,412,325.65 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Construction in progress

| Category | 30 June 2020 | 1 January 2020 |
|--------------------------------|-----------------------|----------------|
| CIP items | 341,988,798.16 | 300,722,025.12 |
| Construction materials | | |
| Less: provision for impairment | | |
| Total | 341,988,798.16 | 300,722,025.12 |

1. CIP items

(1) Basic information of CIP

| Item | 30 June 2020 | | | 1 January 2020 | | |
|------------------------------|-----------------------|--------------------------|-----------------------|------------------|--------------------------|----------------|
| | Carrying balance | Provision for impairment | Book value | Carrying balance | Provision for impairment | Book value |
| Yue Liang Wan Health Project | 306,138,757.36 | | 306,138,757.36 | 269,584,039.83 | | 269,584,039.83 |
| Others | 35,850,040.80 | | 35,850,040.80 | 31,137,985.29 | | 31,137,985.29 |
| Total | 341,988,798.16 | | 341,988,798.16 | 300,722,025.12 | | 300,722,025.12 |

(2) Significant changes in CIP

| Project | Budget amount | Opening balance | Additions for the period | Transferred to fixed assets | Transferred to intangible assets | Other reductions | Closing balance |
|------------------------------|----------------|-----------------|--------------------------|-----------------------------|----------------------------------|------------------|-----------------|
| Yue Liang Wan Health Project | 498,000,000.00 | 269,584,039.83 | 36,554,717.53 | | | | 306,138,757.36 |
| Total | 498,000,000.00 | 269,584,039.83 | 36,554,717.53 | | | | 306,138,757.36 |

| Project | Percentage of project investment to budget (%) | Project progress (%) | Accumulated capitalized interest | Including: interest capitalized for the period | Capitalization rate of interest for the period (%) | Source of funds |
|------------------------------|--|----------------------|----------------------------------|--|--|-----------------------|
| Yue Liang Wan Health Project | 61.47 | 61.47 | | | | Funded by the Company |
| Total | - | - | | | | - |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(18) Right-of-use assets**

| Item | 1 January 2020 | Additions for the period | Reductions for the period | 30 June 2020 |
|--|----------------|-----------------------------|------------------------------|---------------|
| I. Total original value | 39,261,548.81 | 1,270,452.39 | 7,761,374.52 | 32,770,626.68 |
| Including: Housings and buildings | 38,745,228.31 | 1,270,452.39 | 7,683,121.07 | 32,332,559.63 |
| Machines and transportation and office equipment | 516,320.50 | | 78,253.45 | 438,067.05 |
| II. Total accumulated depreciation and accumulated amortization | 12,275,144.86 | 5,429,487.06 | 2,186,006.88 | 15,518,625.04 |
| Including: Housings and buildings | 12,072,960.07 | 5,328,394.66 | 2,186,006.88 | 15,215,347.85 |
| Machines and transportation and office equipment | 202,184.79 | 101,092.40 | | 303,277.19 |
| III. Total carrying amount of right-of- use assets | 26,986,403.95 | - | - | 17,252,001.64 |
| Including: Housings and buildings | 26,672,268.24 | - | - | 17,117,211.78 |
| Machines and transportation and office equipment | 314,135.71 | - | - | 134,789.86 |
| IV. Total provision for impairment of right-of-use assets | | | | |
| Including: Housings and buildings | | | | |
| Machines and transportation and office equipment | | | | |
| V. Total book value of right-of-use assets | 26,986,403.95 | - | - | 17,252,001.64 |
| Including: Housings and buildings | 26,672,268.24 | - | - | 17,117,211.78 |
| Machines and transportation and office equipment | 314,135.71 | - | - | 134,789.86 |

Note: The Company charged short-term lease expense and low-value asset lease expense totaling RMB15,566,731.40 to profit or loss.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Intangible assets

Particulars of intangible assets

| Item | Land use right | Patent right | Software | Others | Total |
|---|----------------|----------------|----------------|----------------|------------------|
| I. Original value | | | | | |
| 1. 1 January 2020 | 868,568,673.65 | 260,873,749.26 | 130,908,956.78 | 360,841,081.45 | 1,621,192,461.14 |
| 2. Additions for the period | 565,392.00 | 4,235.00 | 4,673,878.72 | 101,797,878.99 | 107,041,384.71 |
| (1) Purchased | 565,392.00 | 4,235.00 | 4,673,878.72 | | 5,243,505.72 |
| (2) In-house R&D | | | | | |
| (3) Arising from business combination | | | | | |
| (4) Other additions | | | | 101,797,878.99 | 101,797,878.99 |
| 3. Reductions for the period | 17,928,731.28 | | | | 17,928,731.28 |
| (1) Disposal | 17,928,731.28 | | | | 17,928,731.28 |
| (2) Reduction from disposal of subsidiaries | | | | | |
| (3) Other reductions | | | | | |
| 4. 30 June 2020 | 851,205,334.37 | 260,877,984.26 | 135,582,835.50 | 462,638,960.44 | 1,710,305,114.57 |
| II. Accumulated amortization | | | | | |
| 1. 1 January 2020 | 177,581,498.20 | 245,038,742.52 | 98,774,754.11 | 12,940,315.40 | 534,335,310.23 |
| 2. Additions for the period | 9,990,549.01 | 8,500,656.37 | 3,802,003.45 | 950,558.86 | 23,243,767.69 |
| (1) Provision | 9,990,549.01 | 8,500,656.37 | 3,802,003.45 | 950,558.86 | 23,243,767.69 |
| (2) Arising from business combination | | | | | |
| 3. Reductions for the period | 3,542,964.23 | | | | 3,542,964.23 |
| (1) Disposal | 3,542,121.83 | | | | 3,542,121.83 |
| (2) Reduction from disposal of subsidiaries | | | | | |
| (3) Other reductions | 842.40 | | | | 842.40 |
| 4. 30 June 2020 | 184,029,082.98 | 253,539,398.89 | 102,576,757.56 | 13,890,874.26 | 554,036,113.69 |
| III. Provision for impairment | | | | | |
| 1. 1 January 2020 | | | | | |
| 2. Additions for the period | | | | | |
| 3. Reductions for the period | | | | | |
| 4. 30 June 2020 | | | | | |
| IV. Book value | | | | | |
| 1. As at end of the period | 667,176,251.39 | 7,304,851.08 | 33,039,812.23 | 448,748,086.18 | 1,156,269,000.88 |
| 2. As at beginning of the period | 690,987,175.45 | 15,835,006.74 | 32,134,202.67 | 347,900,766.05 | 1,086,857,150.91 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(20) Development cost**

| Item | 1 January 2020 | Additions for the period | | Reductions for the period | | 30 June 2020 |
|---|----------------|---------------------------|--------|----------------------------|---------------------------------|--------------|
| | | Internal development cost | Others | Included in profit or loss | Recognized as intangible assets | |
| Spare product and spare part service platform | 1,994,362.33 | | | | | 1,994,362.33 |
| Attached Steel and Aluminum Scaffold Project | 302,890.74 | | | | | 302,890.74 |
| Total | 2,297,253.07 | | | | | 2,297,253.07 |

(21) Long-term unamortized expenses

| Category | 1 January 2020 | Additions for the period | Amortization for the period | Other reductions | 30 June 2020 |
|--|----------------|--------------------------|-----------------------------|------------------|---------------|
| Rental cost of the underground garage of Twelfth Metallurgical Company | 9,749,133.40 | | 124,988.88 | | 9,624,144.52 |
| Others | 17,389,117.88 | 5,497,764.20 | 5,185,500.89 | | 17,701,381.19 |
| Total | 27,138,251.28 | 5,497,764.20 | 5,310,489.77 | | 27,325,525.71 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(22) Deferred tax assets and deferred tax liabilities****1. Deferred tax assets and deferred tax liabilities, not on a netting basis**

| Item | 30 June 2020 | |
|--|--|--|
| | Deferred tax assets/liabilities | Deductible/ taxable temporary differences |
| Deferred tax assets: | | |
| Retirement and termination benefits | 126,776,565.87 | 652,656,000.00 |
| Asset impairment provisions | 630,428,677.00 | 3,125,794,027.37 |
| Deductible loss | 35,334,293.78 | 175,626,579.88 |
| Changes in fair value of other equity instrument investment | 2,330,552.30 | 15,537,015.33 |
| Others | 45,805,027.82 | 298,057,222.68 |
| Subtotal | 840,675,116.77 | 4,267,670,845.26 |
| Deferred tax liabilities: | | |
| Appreciation on asset evaluation | 72,850,982.26 | 374,943,645.43 |
| Changes in fair value of other equity instrument investment | 763,439.35 | 5,089,595.58 |
| Others | 52,224,780.23 | 509,696,162.30 |
| Subtotal | 125,839,201.84 | 889,729,403.31 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(22) Deferred tax assets and deferred tax liabilities (Continued)****1. Deferred tax assets and deferred tax liabilities, not on a netting basis (Continued)**

| Total | 1 January 2020 | |
|--|------------------------------------|---|
| | Deferred tax assets/liabilities | Deductible/ taxable temporary differences |
| Deferred tax assets: | | |
| Retirement and termination benefits | 131,116,515.22 | 679,935,000.00 |
| Asset impairment provisions | 624,637,922.98 | 3,048,672,369.54 |
| Deductible loss | 28,209,344.96 | 147,126,784.60 |
| Changes in fair value of other equity instrument investment | 1,730,759.26 | 11,538,395.05 |
| Others | 45,620,384.75 | 296,620,140.51 |
| Subtotal | 831,314,927.17 | 4,183,892,689.70 |
| Deferred tax liabilities: | | |
| Appreciation on asset evaluation | 73,564,855.47 | 378,787,509.38 |
| Changes in fair value of other equity instrument investment | 721,304.85 | 4,808,698.91 |
| Others | 49,675,380.23 | 496,753,802.30 |
| Subtotal | 123,961,540.55 | 880,350,010.59 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(22) Deferred tax assets and deferred tax liabilities (Continued)****2. Deferred tax assets and deferred tax liabilities, on a netting basis**

| Item | Netting of deferred tax assets or liabilities as at end of the period | Deferred tax assets or liabilities as at 30 June 2020, on a netting basis | Netting of deferred tax assets or liabilities as at beginning of the period | Deferred tax assets or liabilities as at 1 January 2020, on a netting basis |
|--------------------------|--|--|--|--|
| Deferred tax assets | 50,941,785.56 | 789,733,331.21 | 48,671,271.68 | 782,643,655.49 |
| Deferred tax liabilities | 50,941,785.56 | 74,897,416.28 | 48,671,271.68 | 75,290,268.87 |

3. Particulars of unrecognized deferred tax assets

| Item | 30 June 2020 | 1 January 2020 |
|---------------------------------|-------------------------|-----------------------|
| Deductible temporary difference | 112,181,416.95 | 105,272,742.53 |
| Deductible loss | 1,447,304,525.95 | 983,317,998.69 |
| Total | 1,559,485,942.90 | 1,088,590,741.22 |

4. Deductible loss on unrecognized deferred tax assets will be due in:

| Year | 30 June 2020 | 1 January 2020 | Remarks |
|-------------|-------------------------|-----------------------|----------------|
| 2020 | 44,676,929.94 | 59,459,377.33 | |
| 2021 | | | |
| 2022 | 32,061,940.20 | 32,061,940.20 | |
| 2023 | 259,261,223.54 | 259,261,223.54 | |
| 2024 | 632,535,457.62 | 632,535,457.62 | |
| 2025 | 478,768,974.65 | | |
| Total | 1,447,304,525.95 | 983,317,998.69 | |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(23) Other non-current assets**

| Item | 30 June 2020 | 1 January 2020 |
|---|-------------------------|------------------|
| Investment in construction of Highway PPP project | 3,985,570,685.64 | 2,505,671,962.22 |
| VAT input deductible after one year | 155,573,528.97 | 107,004,700.82 |
| Prepayment for property purchase | 54,581,060.00 | 38,581,060.00 |
| Prepaid investment | | |
| Others | 130,469.16 | 130,469.16 |
| Long-term contract asset | 805,475,231.91 | 799,919,319.88 |
| Less: provision for bad debt | 5,955,688.77 | 5,927,964.68 |
| Total | 4,995,375,286.91 | 3,445,379,547.40 |

Notes:

1. The highway project operated in PPP form by our subsidiary Yunnan Miyu Expressway Investment and Development Co., Ltd. remained in a construction and investment stage as at 30 June 2020.
2. As of 30 June 2020, the Company had made prepayment for property purchase of RMB54,581,060.00 to Shandong Qianhong Industrial Park Development Co., Ltd.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(24) Short-term loans****1. Classification of short-term loans**

| Terms of loan | 30 June 2020 | 1 January 2020 |
|---|-------------------------|------------------|
| Bank loans | | |
| Including: pledged loans | | 150,000,000.00 |
| mortgage loans | 50,000,000.00 | 250,000,000.00 |
| guaranteed loans | 1,469,732,040.45 | 1,354,004,560.55 |
| credit loans | 5,258,060,200.00 | 4,439,160,200.00 |
| Subtotal | 6,777,792,240.45 | 6,193,164,760.55 |
| Loans from non-bank financial institutions | 1,402,701,777.58 | 1,000,517,480.01 |
| Inter-enterprise entrusted loans | | |
| Subtotal | 8,180,494,018.03 | 7,193,682,240.56 |
| Interest expenses that are not yet due and accrued before the contractual interest payment date | 7,733,240.99 | 4,613,028.47 |
| Total | 8,188,227,259.02 | 7,198,295,269.03 |

Notes:

- As of 30 June 2020, mortgage loans from banks amounted to RMB50,000,000.00, with mortgage over property of the Company;
- As of 30 June 2020, guaranteed loans from banks amounted to RMB1,469,732,040.45, for which the Company and its subsidiaries have provided joint liability guarantee;
- As of 30 June 2020, the Company received pledged loan of RMB278,500,000.00 from Chinalco Commercial Factoring (Tianjin) Co., Ltd. (a non-bank financial institution), with pledge over accounts receivable of RMB437,215,740.77. The Company received pledged loan of RMB4,201,777.58 from Shenzhen Bailinhui Commercial Factoring Co., Ltd. (a non-bank financial institution), with pledge over accounts receivable of RMB4,201,777.58.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(25) Bills receivable**

| Item | 30 June 2020 | 1 January 2020 |
|----------------------------|-----------------------|-----------------------|
| Bank's acceptance bill | 590,437,771.04 | 930,726,218.53 |
| Commercial acceptance bill | 35,396,586.30 | 26,540,000.00 |
| Total | 625,834,357.34 | 957,266,218.53 |

(26) Accounts payable**(1) By aging**

| Item | 30 June 2020 | 1 January 2020 |
|---------------------------|--------------------------|-----------------------|
| Within 1 year (inclusive) | 10,189,426,686.88 | 11,250,983,352.35 |
| Over 1 year | 4,205,294,458.12 | 4,486,953,798.91 |
| Total | 14,394,721,145.00 | 15,737,937,151.26 |

(2) Significant accounts payable aged over 1 year

| Creditor | 30 June 2020 | Reason for outstanding balance |
|-----------------|-----------------------|--|
| Creditor 1 | 305,904,260.00 | Payment conditions have not been satisfied yet |
| Creditor 2 | 220,914,884.11 | Payment conditions have not been satisfied yet |
| Creditor 3 | 78,447,448.76 | Payment conditions have not been satisfied yet |
| Creditor 4 | 54,578,127.54 | Payment conditions have not been satisfied yet |
| Creditor 5 | 45,584,219.12 | Payment conditions have not been satisfied yet |
| Creditor 6 | 43,877,461.47 | Payment conditions have not been satisfied yet |
| Creditor 7 | 35,744,728.40 | Payment conditions have not been satisfied yet |
| Creditor 8 | 32,464,647.84 | Payment conditions have not been satisfied yet |
| Creditor 9 | 28,270,281.95 | Payment conditions have not been satisfied yet |
| Creditor 10 | 28,031,903.88 | Payment conditions have not been satisfied yet |
| Total | 873,817,963.07 | – |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(27) Contract liabilities**

| Item | 30 June 2020 | 1 January 2020 |
|---------------------------|-------------------------|-----------------------|
| Within 1 year (inclusive) | 2,282,022,362.98 | 2,216,769,397.00 |
| Over 1 year | 171,198,805.90 | 164,622,412.44 |
| Total | 2,453,221,168.88 | 2,381,391,809.44 |

Significant contract liabilities aged over 1 year

| Creditor | Closing balance | Reason for not being carried forward |
|-----------------|------------------------|--|
| Customer 1 | 52,880,905.38 | Advance has been received from customers, but the goods under contract have not been transferred yet |
| Customer 2 | 52,166,560.26 | Advance has been received from customers, but the goods under contract have not been transferred yet |
| Customer 3 | 30,662,749.46 | Advance has been received from customers, but the goods under contract have not been transferred yet |
| Customer 4 | 21,503,952.73 | The project has not been settled |
| Customer 5 | 19,974,000.00 | Advance has been received from customers, but the goods under contract have not been transferred yet |
| Total | 177,188,167.83 | – |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(28) Employee compensation payable****1. Employee compensation payable by category**

| Item | 1 January 2020 | Additions for the period | Reductions for the period | 30 June 2020 |
|---|-----------------------|-------------------------------------|--------------------------------------|-----------------------|
| Short-term remuneration | 113,580,823.02 | 918,564,000.63 | 924,456,144.34 | 107,688,679.31 |
| Post-service benefits-defined contribution plans | 6,635,679.28 | 66,827,446.73 | 61,420,348.54 | 12,042,777.47 |
| Termination benefits | 80,447,000.00 | 2,311,320.10 | 42,917,320.10 | 39,841,000.00 |
| Other benefits due within one year | | | | |
| Total | 200,663,502.30 | 987,702,767.46 | 1,028,793,812.98 | 159,572,456.78 |

2. Short-term employee compensation

| Item | 1 January 2020 | Additions for the period | Reductions for the period | 30 June 2020 |
|---|-----------------------|-------------------------------------|--------------------------------------|-----------------------|
| Salary, bonus, allowance and subsidy | 82,004,539.63 | 693,272,832.52 | 707,363,199.41 | 67,914,172.74 |
| Employee welfare | | 29,196,539.81 | 29,196,539.81 | |
| Contribution to social security funds Including: medical insurance premium | 3,961,310.91 | 50,163,924.41 | 47,760,992.32 | 6,364,243.00 |
| Work injury insurance premium | 237,311.03 | 2,726,275.71 | 2,500,561.37 | 463,025.37 |
| Maternity insurance premium | 121,939.04 | 1,018,192.85 | 836,574.94 | 303,556.95 |
| Housing provident fund | 3,806,614.91 | 70,973,333.74 | 64,272,806.39 | 10,507,142.26 |
| Trade union fee and employee education fee | 18,822,710.92 | 12,842,027.29 | 13,629,320.49 | 18,035,417.72 |
| Non-monetary benefits | | 12,530,938.42 | 12,530,938.42 | |
| Other short-term compensation | 4,985,646.65 | 49,584,404.44 | 49,702,347.50 | 4,867,703.59 |
| Total | 113,580,823.02 | 918,564,000.63 | 924,456,144.34 | 107,688,679.31 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(28) Employee compensation payable (Continued)****3. Defined contribution plan**

| Item | 1 January 2020 | Additions for the period | Reductions for the period | 30 June 2020 |
|--------------------------------|-----------------------|-------------------------------------|--------------------------------------|----------------------|
| Basic pension insurance | 4,607,804.02 | 48,081,188.17 | 42,383,222.19 | 10,305,770.00 |
| Unemployment insurance premium | 680,799.44 | 1,734,588.49 | 1,444,714.30 | 970,673.63 |
| Corporate annuity payment | 1,347,075.82 | 17,011,670.07 | 17,592,412.05 | 766,333.84 |
| Total | 6,635,679.28 | 66,827,446.73 | 61,420,348.54 | 12,042,777.47 |

(29) Taxes payable

| Tax | 30 June 2020 | 1 January 2020 |
|--|-----------------------|-----------------------|
| VAT | 64,794,327.15 | 71,302,289.53 |
| Corporate income tax | 56,270,863.19 | 153,317,654.02 |
| House property tax | 2,090,250.03 | 1,694,760.41 |
| Land use tax | 1,713,374.66 | 1,296,336.27 |
| Land appreciation tax | 1,765,281.99 | 1,779,520.81 |
| Individual income tax | 5,099,287.25 | 10,639,813.15 |
| Urban maintenance and construction tax | 8,998,323.61 | 10,615,431.14 |
| Educational surcharges | 5,918,485.27 | 7,158,998.18 |
| Other taxes | 6,553,158.72 | 9,253,937.70 |
| Total | 153,203,351.87 | 267,058,741.21 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(30) Other payables**

| Category | 30 June 2020 | 1 January 2020 |
|-------------------|-------------------------|-----------------------|
| Interest payables | | |
| Dividends payable | 147,777,692.29 | 30,000,000.00 |
| Other payables | 2,377,247,504.41 | 4,949,140,933.59 |
| Total | 2,525,025,196.70 | 4,979,140,933.59 |

1. Dividends payable

| | 30 June 2020 | 1 January 2020 | Reasons for non-payment for over 1 year |
|---------------------------------------|-----------------------|-----------------------|---|
| Dividends payable | | | |
| Dividends on ordinary shares | 68,427,692.29 | | |
| Interests on other equity instruments | 79,350,000.00 | 30,000,000.00 | |
| Total | 147,777,692.29 | 30,000,000.00 | |

2. Other payables

(1) Payables by nature

| Nature | 30 June 2020 | 1 January 2020 |
|---|-------------------------|-----------------------|
| Sums payable for perpetual bonds redemption | | 2,511,257,595.00 |
| Retention funds and deposits payable | 1,113,397,117.79 | 1,051,550,721.03 |
| Temporary payment | 81,271,437.10 | 619,313,038.40 |
| Current payment | 594,983,147.30 | 287,485,269.74 |
| Others | 587,595,802.22 | 479,534,309.42 |
| Total | 2,377,247,504.41 | 4,949,140,933.59 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(30) Other payables (Continued)****2. Other payables (Continued)**

(2) Description of significant other payables aged over 1 year

| Entity | 30 June 2020 | Reason for outstanding balance |
|---------------|-----------------------|---|
| Creditor 1 | 77,611,992.90 | Not due yet |
| Creditor 2 | 33,987,500.00 | Not due yet |
| Creditor 3 | 23,425,466.52 | Not due yet |
| Creditor 4 | 11,314,219.20 | Not due yet |
| Creditor 5 | 9,573,101.00 | Not due yet |
| Creditor 6 | 7,556,000.00 | Not due yet |
| Creditor 7 | 5,126,907.73 | Not due yet |
| Creditor 8 | 5,030,000.00 | Not due yet |
| Creditor 9 | 5,000,000.00 | Not due yet |
| Creditor 10 | 4,684,050.01 | Not due yet |
| Total | 183,309,237.36 | – |

(31) Non-current liabilities due within one year

| Item | 30 June 2020 | 1 January 2020 |
|---|-------------------------|-----------------------|
| Long-term loans due within one year | 1,034,642,776.85 | 859,157,001.87 |
| Interest expense unpaid but accrued on long-term loans due within one year | 4,442,073.29 | 1,635,519.74 |
| Lease obligations due within one year | 10,870,655.93 | 12,153,554.05 |
| Total | 1,049,955,506.07 | 872,946,075.66 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(32) Other current liabilities**

| Item | 30 June 2020 | 1 January 2020 |
|--|-------------------------|------------------|
| Pending VAT output | 1,525,990,493.67 | 1,560,745,950.85 |
| Short-term debentures payable | 1,000,400,821.92 | 1,016,916,666.67 |
| Liabilities on continuing involvement in ABS | 18,900,000.00 | 18,900,000.00 |
| Total | 2,545,291,315.59 | 2,596,562,617.52 |

Changes in short-term debentures payable

| Bond | Face value | Issuance date | Term | Issued amount |
|-----------------------------|------------------|---------------|----------|------------------|
| 19 Zhong Lv Guo Gong SCP001 | 1,000,000,000.00 | 11 July 2019 | 270 days | 1,000,000,000.00 |
| 20 Zhong Lv Guo Gong SCP001 | 1,000,000,000.00 | 27 March 2020 | 30 days | 1,000,000,000.00 |
| 20 Zhong Lv Guo Gong SCP002 | 1,000,000,000.00 | 22 April 2020 | 37 days | 1,000,000,000.00 |
| 20 Zhong Lv Guo Gong SCP003 | 1,000,000,000.00 | 27 May 2020 | 34 days | 1,000,000,000.00 |
| 20 Zhong Lv Guo Gong SCP004 | 1,000,000,000.00 | 24 June 2020 | 30 days | 1,000,000,000.00 |
| Total | 5,000,000,000.00 | – | – | 5,000,000,000.00 |

| Bond | 1 January 2020 | Issued during the period | Interest accrued on face value | Amortization of premium or discount | Repaid during the period | 30 June 2020 |
|-----------------------------|------------------|--------------------------|--------------------------------|-------------------------------------|--------------------------|------------------|
| 19 Zhong Lv Guo Gong SCP001 | 1,016,916,666.67 | | 8,903,005.46 | | 1,025,819,672.13 | |
| 20 Zhong Lv Guo Gong SCP001 | | 1,000,000,000.00 | 2,136,986.30 | | 1,002,136,986.30 | |
| 20 Zhong Lv Guo Gong SCP002 | | 1,000,000,000.00 | 2,230,136.99 | | 1,002,230,136.99 | |
| 20 Zhong Lv Guo Gong SCP003 | | 1,000,000,000.00 | 1,946,849.32 | | 1,001,946,849.32 | |
| 20 Zhong Lv Guo Gong SCP004 | | 1,000,000,000.00 | 400,821.92 | | | 1,000,400,821.92 |
| Total | 1,016,916,666.67 | 4,000,000,000.00 | 15,617,799.99 | – | 4,032,133,644.74 | 1,000,400,821.92 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(33) Long-term borrowings****1. Long-term borrowings by category**

| Terms of borrowings | 30 June 2020 | 1 January 2020 |
|---|-------------------------|------------------|
| Bank borrowings | | |
| Including: Pledged borrowings | | |
| Mortgage borrowings | | 20,000,000.00 |
| Guaranteed borrowings | 1,229,390,000.00 | 1,030,324,000.00 |
| Credit borrowings | 1,923,085,978.00 | 2,201,612,778.00 |
| Subtotal | 3,152,475,978.00 | 3,251,936,778.00 |
| Borrowings from non-bank financial institutions | 1,317,959,372.35 | 273,718,449.09 |
| Inter-enterprise borrowings | 1,000,000,000.00 | 2,000,000,000.00 |
| Less: long-term borrowings due within one year | 1,034,642,776.85 | 859,157,001.87 |
| Total | 4,435,792,573.50 | 4,666,498,225.22 |

Notes:

- As of 30 June 2020, guaranteed borrowings from banks amounted to RMB1,229,390,000.00, for which the Company and its subsidiaries have provided joint liability guarantee.
- As of 30 June 2020, inter-enterprise borrowings from Chinalco amounted to RMB1,000,000,000.00, for which the Company and its subsidiaries have provided joint liability guarantee.
- As of 30 June 2020, guaranteed borrowings from Chinalco Finance Company Limited (a non-bank financial institution) amounted to RMB1,285,000,000.00, for which the Company and its subsidiaries have provided joint liability guarantee.
- As of 30 June 2020, the Company received pledged borrowings of RMB20,403,661.12 from Shenzhen Qianhai Yifang Commercial Factoring Co., Ltd. (a non-bank financial institution), with pledge over accounts receivable of RMB20,403,661.12. The Company received pledged borrowings of RMB6,800,577.19 from Shenzhen Bailinhui Commercial Factoring Co., Ltd. (a non-bank financial institution), with pledge over accounts receivable of RMB6,800,577.19. The Company received pledged borrowings of RMB2,999,248.21 from Shenzhen Qianhai Lianyirong Commercial Factoring Co., Ltd. (a non-bank financial institution), with pledge over accounts receivable of RMB2,999,248.21. The Company received pledged borrowings of RMB1,064,725.93 from Shenzhen Lianhe Factoring Co., Ltd. (a non-bank financial institution) with pledge over accounts receivable of RMB1,064,725.93. The Company received pledged borrowings of RMB1,534,250.00 from Yikun Commercial Factoring Co., Ltd. (a non-bank financial institution) with pledge over accounts receivable of RMB1,534,250.00. The Company received pledged borrowings of RMB156,909.90 from Shenzhen Qianhai Pingyu Commercial Factoring Co., Ltd. (a non-bank financial institution) with pledge over accounts receivable of RMB156,909.90.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(33) Long-term borrowings (Continued)****2. Payment term of long-term borrowings due over 1 year**

| Payment term | 30 June 2020 | | 1 January 2020 | |
|-------------------|------------------|---------------------|------------------|---------------------|
| | Bank borrowings | Non-bank borrowings | Bank borrowings | Non-bank borrowings |
| Between 1-2 years | 17,000,000.00 | 1,109,816,595.50 | 1,503,000,000.00 | 212,561,447.22 |
| Between 2-5 years | 1,813,590,000.00 | 1,000,000,000.00 | 567,524,000.00 | 2,000,000,000.00 |
| Over 5 years | 495,385,978.00 | | 383,412,778.00 | |
| Total | 2,325,975,978.00 | 2,109,816,595.50 | 2,453,936,778.00 | 2,212,561,447.22 |

(34) Lease liabilities

| Items | 30 June 2020 | 1 January 2020 |
|---|---------------|----------------|
| Lease payment | 16,113,894.62 | 28,342,211.27 |
| Less: unrecognized financing expense | 983,937.96 | 2,279,255.57 |
| Less: lease liabilities due within one year | 10,870,655.93 | 12,153,554.04 |
| Total | 4,259,300.73 | 13,909,401.66 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(35) Long-term payables**

| Nature | 30 June 2020 | 1 January 2020 |
|--------------------|---------------------|-----------------------|
| Long-term payables | | |
| Special payables | 4,898,377.18 | 4,598,530.23 |
| Total | 4,898,377.18 | 4,598,530.23 |

Including: special payables

| Item | 1 January 2020 | Additions for the period | Reductions for the period | 30 June 2020 | Reasons for the amount incurred |
|--|-----------------------|---------------------------------|----------------------------------|---------------------|--|
| Study on coking performance of petroleum coke during calcination in tank furnace | 195,000.00 | | | 195,000.00 | China Aluminum Group New Project Funds for Young Talents |
| Others | 4,403,530.23 | 450,000.00 | 150,153.05 | 4,703,377.18 | - |
| Total | 4,598,530.23 | 450,000.00 | 150,153.05 | 4,898,377.18 | - |

(36) Long-term employee compensation payable**1. List of long-term employee compensation payable**

| Category | 30 June 2020 | 1 January 2020 |
|---|-----------------------|-----------------------|
| Long-term employee compensation payable | 652,656,000.00 | 679,935,000.00 |
| Less: portion due within one year | 39,841,000.00 | 80,447,000.00 |
| Total | 612,815,000.00 | 599,488,000.00 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(36) Long-term employee compensation payable (Continued)****2. Changes in defined benefit plan**

DBP net liabilities (net assets)

| Item | Incurred during the period | Incurred during the previous period |
|--------------------------|---------------------------------------|--|
| 1. 1 January 2020 | 679,935,000.00 | 819,081,000.00 |
| 2. Net interest | 9,590,591.56 | 24,942,786.21 |
| 3. Benefits paid | -38,859,414.32 | -118,637,554.17 |
| 4. Actuarial loss (gain) | 110,000.00 | 21,880,317.65 |
| 5. Previous service cost | | -68,471,349.69 |
| 6. Current service cost | 1,879,822.76 | 1,139,800.00 |
| 7. 30 June 2020 | 652,656,000.00 | 679,935,000.00 |

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

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

- (i) Discount rate adopted (per annum)

| | 30 June 2020 | 1 January 2020 |
|---------------|---------------------|----------------|
| Discount rate | 3.00% | 3.00% |

- (ii) Mortality: Average life expectancy of residents in the PRC;
- (iii) Average medical expense increase rate: 8%;
- (iv) Annual growth rate of pension benefits for beneficiaries: 4.5%;
- (v) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(37) Deferred income****1. Deferred income presented by category**

| Item | 1 January 2020 | Additions for the period | Reductions for the period | 30 June 2020 | Reasons for the amount incurred |
|--------------------|-------------------|-----------------------------|------------------------------|-----------------|--------------------------------------|
| Government subsidy | 53,036,425.27 | 20,370,000.00 | 2,001,211.56 | 71,405,213.71 | Benefiting period has not expired |
| Total | 53,036,425.27 | 20,370,000.00 | 2,001,211.56 | 71,405,213.71 | – |

2. Details of government subsidies

| Item | 1 January 2020 | Additional subsidies for the period | Amount included in profit and loss for the period | Other changes | 30 June 2020 | Related to assets/income |
|---|-------------------|---|--|------------------|-----------------|-----------------------------|
| Reduction in and exemption of Wugang land grant premium | 14,631,586.35 | | 1,660,878.22 | | 12,970,708.13 | Related to assets |
| Land subsidy for factory building of Technology Heavy Industry | 5,600,000.00 | | 200,000.00 | | 5,400,000.00 | Related to assets |
| Preparation process of high pollution-resistant hollow fiber membrane clean energy | 4,666,668.00 | | | | 4,666,668.00 | Related to assets |
| Government subsidy for overall relocation of Shandong project | 16,000,000.00 | | | | 16,000,000.00 | Related to assets |
| Urban roads in Tongchuan New District + Comprehensive packaged PPP project of underground comprehensive pipelines | | 20,000,000.00 | | | 20,000,000.00 | Related to assets |
| Others | 12,138,170.92 | 370,000.00 | 140,333.34 | | 12,367,837.58 | Related to assets |
| Total | 53,036,425.27 | 20,370,000.00 | 2,001,211.56 | | 71,405,213.71 | – |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(38) Share capital**

| Items | 1 January 2020 | Issuance of new shares | Increase/Decrease (+,-) | | | Subtotal | 30 June 2020 |
|---|------------------|---------------------------|-------------------------|--|--------|----------|------------------|
| | | | Bonus shares | Shares converted from provident fund | Others | | |
| Total number of shares | 2,959,066,667.00 | | | | | | 2,959,066,667.00 |
| China Aluminum Group Limited | 2,176,758,534.00 | | | | | | 2,176,758,534.00 |
| Luoyang Engineering & Research Institute for Nonferrous Metals Processing | 86,925,466.00 | | | | | | 86,925,466.00 |
| National Council for Social Security Fund, PRC | 36,316,000.00 | | | | | | 36,316,000.00 |
| Holders of overseas listed H shares | 363,160,000.00 | | | | | | 363,160,000.00 |
| Public ordinary shareholders | 295,906,667.00 | | | | | | 295,906,667.00 |

(39) Other equity instruments

| Outstanding financial instruments | Opening balance | | Additions for the period | | Reductions for the period | | Closing balance | |
|--|------------------|------------------|--------------------------|-----------------|---------------------------|-----------------|------------------|------------------|
| | Number | Carrying amount | Number | Carrying amount | Number | Carrying amount | Number | Carrying amount |
| 17 Zhong Gong Y1 Renewable Corporate Bond | 5,000,000.00 | 497,500,000.00 | | | 5,000,000.00 | 497,500,000.00 | | |
| 19 Zhong Gong Y1 Renewable Corporate Bond | 15,000,000.00 | 1,498,584,905.65 | | | | | 15,000,000.00 | 1,498,584,905.65 |
| Industrial Bank Renewable Trust Loan | 1,000,000,000.00 | 1,000,000,000.00 | | | | | 1,000,000,000.00 | 1,000,000,000.00 |
| Total | - | 2,996,084,905.65 | - | - | - | 497,500,000.00 | 1,015,000,000.00 | 2,498,584,905.65 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(40) Capital reserve**

| Category | 1 January 2020 | Additions for the period | Reductions for the period | 30 June 2020 |
|--------------------------|-----------------------|-------------------------------------|--------------------------------------|-----------------------|
| 1. Capital premium | 787,202,527.65 | | 2,500,000.00 | 784,702,527.65 |
| 2. Other capital reserve | 8,139,282.04 | 73,826,209.46 | | 81,965,491.50 |
| Total | 795,341,809.69 | 73,826,209.46 | 2,500,000.00 | 866,668,019.15 |

Notes:

1. The increase in the capital reserve of RMB71,977,810.24 for the period was due to the capital contribution from minority shareholders purchased by Ninth Metallurgical Company, and the increase of RMB1,848,399.22 was due to the capital contribution from shareholders of Aluminum Company, our subsidiary, and Changkan Institute, an associate.
2. The decrease in the capital reserve of RMB2,500,000.00 for the period was related to the redemption of perpetual bonds by the Company.

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(41) Other comprehensive income

| Item | 1 January 2020 | 30 June 2020 | Amount before tax incurred for the period | Amount incurred for the period | Less: recorded in OCI in earlier period but transferred to retained earnings for the period | Less: income tax expense | Amount after tax attributable to the parent company | Amount after tax attributable to minority shareholders |
|--|----------------|---------------|---|--------------------------------|---|--------------------------|---|--|
| | | | | | | | | |
| 1. OCI not to be reclassified to P&L | 95,580,600.43 | -3,755,723.61 | | Amount incurred for the period | Less: recorded in OCI in earlier period but transferred to retained earnings for the period | | 13,051.40 | 92,375,383.96 |
| Including: change on DBP remeasurement | 100,753,488.57 | -38,000.00 | | | | | -3,390.82 | 100,724,779.39 |
| OCI not to be transferred to P&L under equity method | | | | | | | | |
| Changes in fair value of other equity instrument investment | -5,172,888.14 | -3,717,723.61 | | | | | 16,442.22 | -8,349,395.43 |
| Changes in fair value arising from credit risk of the Company itself | | | | | | | | |
| 2. OCI to be reclassified into P&L | 128,246,129.56 | 29,533,122.04 | | | | | | 155,229,851.60 |
| Including: OCI to be transferred to P&L under equity method | | | | | | | | |
| Changes in fair value of other debt investment | | | | | | | | |
| OCI on financial assets reclassification | | | | | | | | |
| Allowance for credit loss on other debt investment | | | | | | | | |
| Cashflow hedging reserve | 12,942,360.00 | 12,942,360.00 | | | | | | 10,392,960.00 |
| Foreign currency translation difference | 128,246,129.56 | 16,590,762.04 | | | | | | 144,836,891.60 |
| Total OCI | 223,826,729.99 | 25,777,398.43 | | | | | 13,051.40 | 247,605,235.56 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(42) Special reserve**

| Category | 1 January 2020 | Additions for the period | Reductions for the period | 30 June 2020 | Reason for changes |
|-----------------------|----------------|-----------------------------|------------------------------|---------------|--------------------|
| Production safety fee | 124,905,233.17 | 99,664,575.64 | 132,842,766.22 | 91,727,042.59 | Provision and use |
| Total | 124,905,233.17 | 99,664,575.64 | 132,842,766.22 | 91,727,042.59 | - |

(43) Surplus reserve

| Category | 1 January 2020 | Additions for the period | Reductions for the period | 30 June 2020 |
|---------------------------|----------------|-----------------------------|------------------------------|----------------|
| Statutory surplus reserve | 201,586,598.10 | | | 201,586,598.10 |
| Total | 201,586,598.10 | | | 201,586,598.10 |

(44) Undistributed profit

| Item | 30 June 2020 | |
|--|-------------------------|---|
| | Amount | Withdrawal or distribution percentage |
| Unadjusted undistributed profit as at end of the previous period | 4,021,247,997.05 | |
| Adjustments to undistributed profit as at beginning of the period (“+” for increase, and “-” for decrease) | | |
| Adjusted undistributed profit as at beginning of the period | 4,021,247,997.05 | |
| Add: net profit attributable to owners of the parent company for the period | -143,153,691.94 | |
| Less: withdrawal of statutory surplus reserve | | |
| Dividends payable to perpetual bond holders | 105,933,333.72 | |
| Dividends payable to ordinary shareholders | 10,652,640.00 | |
| Transfer from other comprehensive income to retained earnings | | |
| Undistributed profit at end of the period | 3,761,508,331.39 | |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(45) Operating revenue and operating cost****1. Operating revenue and operating cost by major segments**

| Item | From January to June 2020 | | From January to June 2019 | |
|------------------------------------|---------------------------|-------------------------|---------------------------|-------------------|
| | Revenue | Cost | Revenue | Cost |
| 1. Subtotal of principal business | 9,853,145,763.70 | 8,950,976,453.06 | 13,384,596,186.57 | 12,203,933,079.80 |
| Engineering contracting | 7,287,379,807.07 | 6,657,259,048.52 | 8,532,728,204.25 | 7,696,422,016.04 |
| Engineering design and consultancy | 1,079,423,445.49 | 877,885,754.65 | 1,222,859,320.05 | 921,720,564.51 |
| Equipment manufacturing | 551,326,147.93 | 498,726,116.79 | 646,496,907.55 | 663,726,754.41 |
| Trading and sales | 1,440,691,786.95 | 1,419,605,459.16 | 3,070,626,922.41 | 3,009,837,384.21 |
| Less: inter-segment elimination | 505,675,423.74 | 502,499,926.06 | 88,115,167.69 | 87,773,639.37 |
| 2. Subtotal of other business | 93,464,698.80 | 66,030,209.54 | 131,902,685.29 | 90,622,286.75 |
| Sales of materials | 40,179,314.14 | 31,447,766.76 | 57,085,542.72 | 48,414,060.38 |
| Lease | 36,265,069.64 | 10,859,438.64 | 35,180,160.26 | 10,262,383.89 |
| Others | 23,195,198.27 | 23,723,004.14 | 43,558,141.98 | 31,966,532.14 |
| Less: inter-segment elimination | 6,174,883.25 | | 3,921,159.67 | 20,689.66 |
| Total | 9,946,610,462.50 | 9,017,006,662.60 | 13,516,498,871.86 | 12,294,555,366.55 |

2. Categorized by timing of revenue recognition

| Timing of revenue recognition | From January to June 2020 | From January to June 2019 |
|-------------------------------|---------------------------|---------------------------|
| At a point in time | | |
| Engineering consultancy | 28,797,097.00 | 53,255,917.10 |
| Equipment manufacturing | 143,777,808.76 | 218,310,178.32 |
| Trading and sales | 1,440,691,766.95 | 3,099,207,228.85 |
| Over a period of time | | |
| Engineering contracting | 7,337,793,436.27 | 8,566,126,679.27 |
| Engineering survey and design | 1,057,426,949.31 | 1,161,090,681.24 |
| Equipment manufacturing | 419,708,621.56 | 475,364,354.18 |
| Total | 10,422,195,699.85 | 13,573,355,038.96 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(46) Taxes and surcharges**

| Item | From January to June 2020 | From January to June 2019 |
|--|--------------------------------------|------------------------------|
| Urban maintenance and construction tax | 11,190,097.71 | 14,016,687.84 |
| Educational surcharge | 8,379,957.92 | 6,325,597.37 |
| Others | 26,653,661.56 | 30,638,974.01 |
| Total | 46,223,717.19 | 50,981,259.22 |

(47) Sales expenses

| Item | From January to June 2020 | From January to June 2019 |
|---------------------------|--------------------------------------|------------------------------|
| Employee compensation | 32,034,161.43 | 32,269,860.92 |
| Travel expenses | 3,458,924.98 | 7,177,542.35 |
| Warehousing and logistics | 801,419.18 | 2,758,001.48 |
| Business expenses | 4,382,147.43 | 4,403,359.25 |
| Others | 3,320,584.85 | 4,524,892.20 |
| Total | 43,997,237.87 | 51,133,656.20 |

(48) Administrative expenses

| Item | From January to June 2020 | From January to June 2019 |
|-------------------------------|--------------------------------------|------------------------------|
| Employee compensation | 291,935,271.52 | 345,347,083.76 |
| Depreciation and amortization | 56,487,331.15 | 56,711,146.19 |
| Office expenses | 52,245,751.41 | 57,688,428.35 |
| Travel expenses | 10,422,637.28 | 16,517,687.71 |
| Intermediary fees | 25,265,731.34 | 11,911,326.21 |
| Hospitality expenses | 4,359,973.57 | 7,347,641.34 |
| Party development expenses | 384,983.75 | |
| Others | 24,015,441.94 | 30,359,082.87 |
| Total | 465,117,121.96 | 525,882,396.43 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(49) R&D expenses**

| Item | From January to June 2020 | From January to June 2019 |
|----------------------------------|--------------------------------------|------------------------------|
| Employee compensation | 91,493,544.85 | 84,370,714.73 |
| Raw materials and main materials | 58,249,593.92 | 67,203,606.23 |
| Fuel and power | 654,458.32 | 1,088,447.89 |
| Depreciation and amortization | 5,399,181.03 | 7,760,220.55 |
| Outsourced R&D expenses | 1,186,627.37 | 4,389,485.80 |
| Auxiliary expenses | 621,623.62 | 1,105,657.78 |
| Other expenses | 5,007,921.65 | 7,263,740.62 |
| Total | 162,612,950.76 | 173,181,873.60 |

(50) Financial expenses

| Item | From January to June 2020 | From January to June 2019 |
|--|--------------------------------------|------------------------------|
| Interest expenses | 310,655,807.61 | 353,906,746.61 |
| Actuarial expenses and interest expenses | 9,662,591.56 | 12,394,000.00 |
| Less: interest income | 98,842,810.55 | 119,500,230.46 |
| Exchange loss | 344,489,148.04 | 247,017,140.71 |
| Less: exchange gain | 349,429,229.29 | 261,449,637.14 |
| Handling charges | 20,424,767.20 | 26,627,638.32 |
| Other expenses | 5,746,021.03 | 3,161,451.76 |
| Total | 242,706,295.60 | 262,157,109.80 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(51) Other gains**

| Item | From January to June 2020 | Related to assets/income |
|---|--------------------------------------|-------------------------------------|
| Employment stabilization subsidy from unemployment insurance fund | 11,997,892.84 | Related to income |
| Special funds for post-subsidy of research and development expenses of science and technology enterprises in Zhengzhou for 2019 | 6,000,000.00 | Related to assets |
| Land subsidy for the construction of plant for high technology-based heavy industries | 1,485,813.87 | Related to assets |
| Corporate R&D financial award and subsidy for 2019 | 1,340,700.00 | Related to income |
| Study of pressure leaching copper smelting with copper sulfide concentrate and comprehensive utilization | 1,246,000.00 | Related to income |
| Encouragement of innovation and entrepreneurship policy implementation award in Guanshan Lake District for 2018 | 1,222,000.00 | Related to income |
| Others: | 15,262,044.30 | |
| Including: income related | 14,982,646.61 | Related to income |
| assets related | 279,397.69 | Related to assets |
| Total | 38,554,451.01 | – |
| Item | From January to June 2020 | Related to assets/income |
| Land compensation from the fiscal account ear-marked for land compensation of Pingba District of Anshun City | 2,265,200.00 | Related to income |
| Others: | 3,838,333.24 | |
| Including: income related | 3,733,999.90 | Related to income |
| assets related | 104,333.34 | Related to income |
| Total | 6,103,533.24 | – |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(52) Gain on investment**

| Category | From January to June 2020 | From January to June 2019 |
|---|--------------------------------------|------------------------------|
| Gain on long-term equity investment accounted for using equity method | -2,972,919.15 | -2,525,244.67 |
| Gain on investment from disposal of long-term equity investments | 162,268.94 | -14,856,942.88 |
| Gain on disposal of financial assets at FVTPL | | 22,500.00 |
| Gain on holding other equity instrument investment | 290,264.37 | 2,196,536.73 |
| Gain or loss on derecognition of financial assets at amortized cost | -21,011,252.42 | |
| Gain on investment in wealth management products | 200,000.00 | 8,819,652.57 |
| Gain or losses on debt restructuring | 158,620.93 | |
| Total | -23,173,017.33 | -6,343,498.25 |

Gains on debt restructuring of the Company, as a debtor, are as follows:

| Debt restructuring method | Carrying amount of debt | Gains on debt restructuring |
|--|------------------------------------|--|
| Settlement of debt with assets | | |
| Conversion of debt into equity instruments | | |
| Modification of other terms | 5,785,226.14 | 458,835.06 |
| Others | | |
| Total | 5,785,226.14 | 458,835.06 |

Losses on debt restructuring of the Company, as a creditor, are as follows:

| Debt restructuring method | Carrying amount of creditor's rights | Losses on debt restructuring |
|--|---|---|
| Settlement of debt with assets | 300,214.13 | 300,214.13 |
| Conversion of debt into equity instruments | | |
| Modification of other terms | | |
| Combination method | | |
| Total | 300,214.13 | 300,214.13 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(53) Gain on changes in fair value**

| Source of gain on changes in fair value | From January to June 2020 | From January to June 2019 |
|--|--------------------------------------|------------------------------|
| Derivative instruments | | 164,450.00 |
| Total | | 164,450.00 |

(54) Credit impairment losses

| Item | From January to June 2020 | From January to June 2019 |
|---|--------------------------------------|------------------------------|
| Credit impairment loss on accounts receivable | -84,237,955.90 | -23,140,692.92 |
| Credit impairment loss on other receivables | -21,031,969.73 | -5,086,156.58 |
| Credit impairment loss on long-term receivables | 4,063,473.64 | 3,637,962.42 |
| Credit impairment loss on contract assets | 12,136,063.88 | -10,939,281.50 |
| Total | -89,070,388.11 | -35,528,168.58 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(55) Gain on disposal of assets**

| Item | From January to June 2020 | From January to June 2019 |
|---|--------------------------------------|------------------------------|
| Gain on disposal of fixed assets | 826,695.94 | 3,496,137.16 |
| Gain on disposal of intangible assets | 9,512,290.55 | |
| Gain on disposal of right-of-use assets | -320,412.94 | |
| Total | 10,018,573.55 | 3,496,137.16 |

(56) Non-operating income**1. Items of non-operating income**

| Item | From January to June 2020 | From January to June 2019 |
|---|--------------------------------------|------------------------------|
| Government subsidies not related to daily activities | 61,152.26 | 4,890,414.37 |
| Net income related to “Three supplies and One Property” | 3,557,700.00 | |
| Liquidated damages income | 5,896,173.53 | 1,946,254.08 |
| Payables that cannot be paid upon approval | 27,382,408.67 | 6,298,996.24 |
| Others | 1,975,246.18 | 4,027,559.62 |
| Total | 38,782,680.64 | 17,163,224.31 |

(57) Non-operating expense

| Item | From January to June 2020 | From January to June 2019 |
|---|--------------------------------------|------------------------------|
| Compensation expenses | 216,531.00 | 3,387,457.10 |
| Net expenses related to “Three Supplies and One Property” | | 20,149,860.16 |
| Others | 2,380,344.11 | 6,569,546.42 |
| Total | 2,596,875.11 | 30,106,863.68 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(58) Income tax expenses****1. Particulars of income tax expenses**

| Item | From January to June 2020 | From January to June 2019 |
|---|------------------------------|------------------------------|
| Income tax expenses for the period calculated according to the tax law and relevant regulations | 34,081,186.82 | 65,085,291.43 |
| Deferred income tax expenses | -9,470,319.78 | -46,575,375.06 |
| Total | 24,610,867.04 | 18,509,916.37 |

2. Reconciliation of accounting profit and income tax expenses for the period**From January to June 2020**

| Item | Amount |
|--|-----------------------|
| Total profit | -58,448,098.83 |
| Income tax expense calculated at statutory/applicable tax rate | -8,767,214.82 |
| Impact of subsidiaries applying different tax rates | -19,122,064.07 |
| Impact of adjustments to income tax for prior period | 7,920,091.75 |
| Impact of non-taxable income | -1,898,121.29 |
| Impact of non-deductible cost, expense and loss | 11,478,253.26 |
| Impact of utilizing deductible temporary difference or deductible loss on which no deferred tax asset was recognized in prior period | -2,439,103.82 |
| Impact of deductible temporary difference or deductible loss on which no deferred tax asset is recognized in current period | 82,676,971.29 |
| Income tax impact of interest on perpetual bonds recorded in equity | -34,265,101.76 |
| Others | -10,972,843.50 |
| Income tax expenses | 24,610,867.04 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(59) Statement of cash flows****1. Other cash received or paid related to operating activities**

| Item | From January to June 2020 | From January to June 2019 |
|--|--------------------------------------|------------------------------|
| Other cash received related to operating activities | 571,790,944.23 | 459,039,246.98 |
| Including: Government subsidy related to income received | 52,010,630.15 | 13,651,297.61 |
| Interests on demand deposits received | 44,956,711.68 | 49,964,813.72 |
| Decrease in restricted cash | 366,054,616.32 | 157,525,164.93 |
| Deposits and security deposits recovered | 28,620,130.10 | |
| Other cash paid related to investing activities | 240,975,932.13 | 481,910,234.26 |
| Including: Deposits and security deposits paid | | 132,994,377.91 |
| Office expenses paid | 52,362,450.84 | 57,894,723.34 |
| Travel expenses paid | 14,364,446.65 | 23,582,353.94 |
| Intermediary fees paid | 29,772,943.56 | 16,300,812.01 |
| Hospitality expenses paid | 8,763,332.82 | 11,380,939.55 |
| Bank handling fees paid | 24,099,092.41 | 34,473,289.79 |
| Litigation loss paid | 5,864,989.58 | 3,150,240.16 |

2. Other cash received or paid related to investing activities

| Item | From January to June 2020 | From January to June 2019 |
|--|--------------------------------------|------------------------------|
| Other cash received related to investing activities | 50,000,000.00 | |
| Including: Difference of cash paid for acquisition of a subsidiary below cash held by the subsidiary on acquisition date | | |
| Withdrawal of margin on futures | 50,000,000.00 | |
| Other cash paid related to investing activities | 100,000,000.00 | |
| Payment of margin on futures | 100,000,000.00 | |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(59) Statement of cash flows (Continued)****3. Other cash received or paid related to financing activities**

| Item | From January to June 2020 | From January to June 2019 |
|---|--------------------------------------|------------------------------|
| Other cash received related to financing activities | | |
| Including: Cash received from bill financing | | |
| Other cash paid related to financing activities | 2,959,437,446.22 | 5,010,994.11 |
| Including: Redemption of perpetual bonds recorded in other equity instruments | 500,000,000.00 | |
| Cash paid in business combination under common control | | |
| Redemption of perpetual bonds of subsidiaries | 2,424,205,000.00 | |
| Repayment of principal and interests of lease obligation | 4,336,909.94 | 5,010,994.11 |
| Bond and perpetual bond issuance cost | 225,536.28 | |
| Capital reduction paid to minority shareholders | 30,670,000.00 | |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(60) Supplementary details for cash flow statement****1. Supplementary details for cash flow statement**

| Item | From January to June 2020 | From January to June 2019 |
|---|--------------------------------------|------------------------------|
| 1. Reconciliation of net profit to cash flows from operating activities | | |
| Net profit | -83,058,965.87 | 95,046,107.89 |
| Add: Provision for assets impairment | | |
| Credit impairment loss | 89,070,388.11 | 35,528,168.58 |
| Depreciation of fixed assets, depreciation of right-of-use assets and depreciation of investment properties | 86,895,402.51 | 81,627,428.82 |
| Amortization of intangible assets | 23,243,767.69 | 23,363,754.03 |
| Amortization of long-term unamortized expense | 5,310,489.77 | 3,730,465.20 |
| Loss on disposal of fixed assets, intangible assets and other long-term assets ("—" for gain) | -10,018,573.55 | -3,496,137.16 |
| Loss on scraping of fixed assets ("—" for gain) | -493,213.20 | 215,824.20 |
| Loss on net exposure netting ("—" for gain) | | -164,450.00 |
| Loss on fair value changes ("—" for gain) | | -164,450.00 |
| Finance expense ("—" for gain) | 280,860,980.99 | 290,100,992.44 |
| Investment loss ("v" for gain) | 2,320,385.84 | 6,343,498.25 |
| Decrease in deferred tax assets ("—" for increase) | -7,089,675.72 | 2,630,593.94 |
| Increase in deferred tax liabilities ("—" for decrease) | -392,852.59 | -44,927,279.21 |
| Decrease in inventories ("—" for increase) | -591,484,580.59 | -221,403,794.77 |
| Decrease in contract assets ("—" for increase) | 409,785,535.69 | -1,506,770,136.58 |
| Decrease in operating receivables ("—" for increase) | -505,327,250.57 | 467,275,289.31 |
| Increase in operating payables ("—" for decrease) | -1,266,562,725.92 | -315,951,424.46 |
| Others | | |
| Net cashflow from operating activities | -1,566,940,887.41 | -1,086,851,099.52 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(60) Supplementary details for cash flow statement (Continued)****1. Supplementary details for cash flow statement (Continued)**

| Item | From January to June 2020 | From January to June 2019 |
|---|------------------------------|------------------------------|
| 2. Significant investing and financing activities not involving cash payment or receipt | | |
| Conversion from debt to capital | | |
| Convertible corporate bonds due within one year | | |
| Fixed asset under finance lease | | |
| 3. Net changes in cash and cash equivalents | | |
| Cash balance at the end of the period | 5,523,496,502.26 | 5,606,345,880.46 |
| Less: cash balance at beginning of period | 9,120,495,450.16 | 5,831,581,515.94 |
| Add: cash equivalents at end of the period | | |
| Less: cash equivalents at beginning of the period | | |
| Net increase in cash and cash equivalents | -3,596,998,947.90 | -225,235,635.48 |

2. Net cash paid during the period for acquisition of a subsidiary

| Item | From January to June 2020 | From January to June 2019 |
|--|------------------------------|------------------------------|
| Cash or cash equivalents paid during the period from business combination during the period | | 180,395,600.00 |
| Including: Luoyang Kaiying Technology Co., Ltd. | | 180,395,600.00 |
| Yunnan Miyu Expressway Investment and Development Co., Ltd. | | |
| Less: cash and cash equivalents held by a subsidiary on the acquisition date | | 1,440.20 |
| Including: Luoyang Kaiying Technology Co., Ltd. | | 1,440.20 |
| Yunnan Miyu Expressway Investment and Development Co., Ltd. | | |
| Add: Cash or cash equivalents paid during the period from business combination in previous periods | 25,418.56 | 67,474,379.80 |
| Including: Luoyang Kaiying Technology Co., Ltd. | 25,418.56 | |
| Kunming Prospecting Design Institute of China Nonferrous Metals Industry Co., Ltd. | | 67,474,379.80 |
| Net cash paid for acquisition of a subsidiary | 25,418.56 | 247,868,539.60 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(60) Supplementary details for cash flow statement (Continued)****3. Net cash received from disposal of subsidiaries during the period**

| Item | From January to June 2020 | From January to June 2019 |
|--|------------------------------|------------------------------|
| Cash and cash equivalent received during the period from disposal of a subsidiary during the period | | 166,180.00 |
| Including: Suzhou Nonferrous Metal Materials Co., Ltd. | | 166,180.00 |
| Less: Cash and cash equivalents held by a subsidiary on the date of losing control | | 81,144.89 |
| Including: Suzhou Nonferrous Metal Materials Co., Ltd. | | 81,144.89 |
| Add: cash or cash equivalents received during the period from disposal of a subsidiary in previous periods | | 89,770,800.00 |
| Including: Suzhou Nonferrous Metal Design and Research Institute Co., Ltd. | | 89,770,800.00 |
| Net cash received from disposal of subsidiaries | | 89,855,835.11 |

4. Cash and cash equivalents

| Item | 30 June 2020 | 1 January 2020 |
|---|-------------------------|------------------|
| 1. Cash | 5,523,496,502.26 | 9,120,495,450.16 |
| Including: cash on hand | 969,865.00 | 4,371,601.61 |
| Cash at bank | 5,590,434,009.29 | 9,169,931,009.29 |
| Other monetary fund | 471,467,926.56 | 851,622,754.17 |
| Less: time deposits with maturities over three months | | |
| Restricted monetary fund | 539,375,298.59 | 905,429,914.91 |
| 2. Cash equivalents | | |
| Including: time deposit maturing within three months | | |
| 3. Cash and cash equivalents at end of the period | 5,523,496,502.26 | 9,120,495,450.16 |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(61) “Others” in the statement of changes in owners’ equity****1. “Others” in the statement of changes in owners’ equity from January to June 2020**

- (1) Under “other equity instruments”, the RMB-497,500,000.00 change in “Others” represent the balance of the redeemed 17 Zhong Gong Y1 prior to redemption.
- (2) Under “capital reserve”, the RMB71,326,209.46 change in “Others” was caused by four matters. Specifically, RMB-2,500,000.00 was the impact of the redemption of 17 Zhong Gong Y1 bond upon its maturity; RMB71,977,810.24 was the impact of the parent company’s acquisition of the minority shareholders’ interests in Ninth Metallurgical Company, our subsidiary; RMB1,638,050.36 was the impact of the increase in investment by shareholders of associate of Aluminum Application, our subsidiary; RMB210,348.86 was the impact of the increase in investment by shareholders of associate of Changkan Institute, our subsidiary.
- (3) Under “non-controlling interests”, the change in “Others” was RMB-71,977,810.24 was the impact the parent company’s acquisition of the minority shareholders’ interests in Ninth Metallurgical Company, our subsidiary.

2. “Others” in the statement of changes in owners’ equity from January to June 2020

- (1) Under “capital reserve”, the change of RMB-4,630,453.70 in “Others” was the impact of CNPT’s acquisition of Luoyang Foyang Decoration Engineering Co., Ltd. by way of capital contribution. Such acquisition constituted a business combination under common control;
- (2) Under “non-controlling interests”, the change of RMB2,611,504.19 in “Others” was the impact of our subsidiary CNPT’s acquisition of Luoyang Foyang Decoration Engineering Co., Ltd. by way of capital contribution in the amount of RMB4,630,453.70; RMB-2,018,949.51 was the impact of our subsidiary CNPT’s disposal of its non-wholly owned subsidiary Suzhou Nonferrous Metal Materials Co., Ltd..

(62) Assets with restricted ownership or use rights

| Item | Book value as at 30 June 2020 | Reason for restriction |
|-----------------------|----------------------------------|---------------------------|
| Monetary fund | 539,375,298.59 | Frozen, pledged |
| Bills receivable | 56,304,844.39 | Pledged |
| Accounts receivable | 474,376,890.70 | Pledged |
| Fixed assets | 174,667,435.41 | Mortgaged |
| Investment properties | 25,241,637.85 | Mortgaged |
| Total | 1,269,966,106.94 | – |

SECTION 11 FINANCIAL REPORT

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(63) FCY monetary items****1. FCY monetary items**

| Item | 30 June 2020 | Converted exchange rate | Closing balance in RMB |
|-----------------------|--------------------------|----------------------------|---------------------------|
| Monetary fund | | | |
| Including: USD | 68,153,735.58 | 7.0795 | 482,494,371.04 |
| VND | 9,294,215,142.00 | 0.0003 | 2,835,526.66 |
| INR | 57,794,407.00 | 0.0938 | 5,418,919.33 |
| IDR | 9,411,991,889.00 | 0.0006 | 5,260,011.75 |
| Accounts receivable | | | |
| Including: USD | 133,039,199.37 | 7.0795 | 941,851,011.94 |
| VND | 88,965,693,901.00 | 0.0003 | 27,142,108.60 |
| INR | 27,190,070.00 | 0.0938 | 2,549,395.41 |
| IDR | 32,733,769,339.00 | 0.0006 | 18,293,684.64 |
| Accounts payable | | | |
| Including: USD | 11,680,494.81 | 7.0795 | 82,692,063.01 |
| VND | 60,304,392,915.00 | 0.0003 | 18,397,972.40 |
| INR | 447,747.00 | 0.0938 | 41,981.66 |
| Short-term borrowings | | | |
| Including: USD | 21,824,232.00 | 7.0795 | 154,504,650.44 |
| Long-term borrowings | | | |
| Including: USD | 20,000,000.00 | 7.0795 | 141,590,000.00 |

2. Functional currency of significant overseas entities

| Significant overseas entity | Principal place of business | Functional currency | Basis |
|--|--------------------------------|------------------------|-------------------------------|
| Chalieco Hong Kong Corporation Limited | Hong Kong, the PRC | USD | Revenue from daily activities |

(64) Hedging items and related hedging tools

During the period, the Company's Baiyinhua project used futures contracts to hedge the changes in the market prices of the main products procured, namely aluminum bus bars and steel. The corresponding hedging plan was formulated in accordance with the actual quantity procured by the project department. The hedged items were futures contracts of aluminum ingots and rebar. The net profit and loss after deducting changes in spot fair value and changes in cash flow was RMB10,392,960.00.

SECTION 11 FINANCIAL REPORT

6. CHANGE IN SCOPE OF CONSOLIDATION**(1) Business combination not under common control from January to June 2020**

There was no business combination not under common control from January to June 2020.

(2) Business combination under common control from January to June 2020

There was no business combination under common control from January to June 2020.

(3) Reverse purchase from January to June 2020

There was no reverse purchase from January to June 2020.

(4) Disposal of equity in subsidiaries from January to June 2020

There was no disposal of equity in subsidiaries from January to June 2020.

(5) Other reasons for changes in the scope of consolidation of financial statements

There was no change in the scope of consolidation of financial statements from January to June 2020.

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES

(1) Equity in subsidiaries

1. Composition of Group

| No. | Subsidiary | Business type | Place of incorporation | Paid-in capital | Principal place of business | Business nature | Shareholding percentage (%) | | Means of acquisition |
|-----|--|---------------|---|------------------|-----------------------------|---|-----------------------------|----------|----------------------|
| | | | | | | | Direct | Indirect | |
| 1 | China Nonferrous Metals Processing Technology Co., Ltd. | 1 | High-tech Zone, Luoyang City | 115,150,000.00 | Luoyang, Henan | Technical development and equipment sales | 73.50 | | 2 |
| 2 | Luoyang Jincheng Construction Supervision Co., Ltd. | 1 | Jianxi District, Luoyang City | 5,000,000.00 | Luoyang, Henan | Construction supervision | 100.00 | | 2 |
| 3 | Luoyang Foyang Decoration Engineering Co., Ltd. | 1 | High-tech Zone, Luoyang City | 20,500,000.00 | Luoyang, Henan | Other construction and installation industry | 51.22 | | 2 |
| 4 | Suzhou Nonferrous Metal Materials Deyuan Environmental Protection Co., Ltd. | 1 | Suzhou High-tech Zone | 25,000,000.00 | Suzhou, Jiangsu | Environmental protection technology development and sales | 62.50 | | 1 |
| 5 | Sixth Metallurgical Construction Company of China Nonferrous Metals Industry | 1 | Huaihe Road, Zhengzhou City | 1,796,165,278.44 | Zhengzhou, Henan | Construction projects | 100.00 | | 2 |
| 6 | Sixth Metallurgical Luoyang Construction Co., Ltd. | 1 | Jianxi district, Luoyang City | 16,597,999.94 | Luoyang, Henan | Construction projects | 100.00 | | 1 |
| 7 | Sixth Metallurgical Luoyang Mechanical and Electrical Installation Co., Ltd. | 1 | Jianxi district, Luoyang City | 11,173,295.18 | Luoyang, Henan | Construction projects | 100.00 | | 1 |
| 8 | Sixth Metallurgical (Zhengzhou) Technology Heavy Industry Co., Ltd. | 1 | Industrial Agglomeration Area, Xinmi City | 85,000,000.00 | Zhengzhou, Henan | Engineering machinery manufacturing | 100.00 | | 1 |
| 9 | Henan Sixth Metallurgical Trading Co., Ltd. | 1 | Zhengzhou Economic and Technological Development Zone | 30,000,000.00 | Zhengzhou, Henan | Trading business | 100.00 | | 1 |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

1. Composition of Group (Continued)

| No. | Subsidiary | Business type | Place of incorporation | Paid-in capital | Principal place of business | Business nature | Shareholding percentage (%) | | Means of acquisition |
|-----|---|---------------|--|-----------------|-----------------------------|--|-----------------------------|----------|----------------------|
| | | | | | | | Direct | Indirect | |
| 10 | Panzhou Haohong Project Management Co., Ltd. | 1 | Lipanshui City, Guizhou Province | | Guiyang, Guizhou | Construction projects | 30.00 | | 1 |
| 11 | Tongchuan Hao Tong Construction Co., Ltd. | 1 | Tongchuan City, Shaanxi Province | 120,000,000.00 | Tongchuan, Shaanxi | Construction projects | 80.00 | | 1 |
| 12 | China Aluminum Great Wall Construction Co., Ltd. | 1 | Shangjie District, Zhengzhou City | 268,536,261.10 | Henan | Engineering and construction contracting | 100.00 | | 2 |
| 13 | Huaian Tong Yun Construction Co., Ltd. | 1 | Huaiyin District, Huai'an City | 100,777,300.00 | Jiangsu | Construction projects | 100.00 | | 1 |
| 14 | Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy | 1 | Furong District, Changsha City | 708,838,200.00 | Changsha, Hunan | Survey and design | 100.00 | | 2 |
| 15 | Changsha Clingsoft Info Tech Co., Ltd. | 1 | Changsha High-tech Industrial Development Zone | 2,000,000.00 | Changsha | Software development and technical service | 100.00 | | 2 |
| 16 | Hunan Huachu Project Management Co., Ltd. | 1 | Furong District, Changsha City | 6,000,200.00 | Hunan | Consultancy and supervision service | 100.00 | | 2 |
| 17 | Hunan Changye Construction Drawing Examination Co., Ltd. | 1 | Furong District, Changsha City | 3,299,900.00 | Hunan | Construction drawing examination | 100.00 | | 2 |
| 18 | Huachu High-Tech (Hunan) Co., Ltd. | 1 | Jiuhua Demonstration Zone, Xiangtan | 35,000,000.00 | Xiangtan | Equipment sales | 100.00 | | 1 |
| 19 | China Aluminum International South Engineering Co., Ltd. | 1 | Nanding Town, Zhangdian, Zibo | 152,900,000.00 | Shandong | Construction and installation | 100.00 | | 2 |
| 20 | Wenzhou Tongrun Construction Co., Ltd. | 1 | Lucheng District, Wenzhou City | 100,000,000.00 | Wenzhou | Construction projects | 60.00 | 40.00 | 1 |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

1. Composition of Group (Continued)

| No. | Subsidiary | Business type | Place of incorporation | Paid-in capital | Principal place of business | Business nature | Shareholding percentage (%) | | Means of acquisition |
|-----|--|---------------|---------------------------------|-----------------|---------------------------------|--------------------------|-----------------------------|----------|----------------------|
| | | | | | | | Direct | Indirect | |
| 21 | Wenzhou Tonghui Construction Co., Ltd. | 1 | Longwan District, Wenzhou City | 30,000,000.00 | Wenzhou | Construction projects | 90.00 | 10.00 | 1 |
| 22 | Ninth Metallurgical Construction Co., Ltd. | 1 | Xianyang city, Shaanxi province | 320,000,000.00 | Xianyang | Engineering construction | 72.08 | | 3 |
| 23 | Henan Ninth Metallurgical Construction Co., Ltd. | 1 | Zhengzhou City, Henan Province | 50,000,000.00 | Zhengzhou | Engineering construction | | 100.00 | 3 |
| 24 | Zhengzhou Ninth Metallurgical Sanwei Chemical Machinery Co., Ltd. | 1 | Zhengzhou City, Henan Province | 100,000,000.00 | Zhengzhou | Equipment manufacturing | | 100.00 | 3 |
| 25 | Hanzhong Ninth Metallurgical Construction Co., Ltd. | 1 | Mian County, Shaanxi Province | 120,000,000.00 | Hanzhong City, Shaanxi Province | Engineering construction | | 100.00 | 3 |
| 26 | Ankang Ninth Metallurgical Changjiali Concrete Co., Ltd. | 1 | Ankang City, Shaanxi Province | 1,000,000.00 | Ankang City, Shaanxi Province | Concrete production | | 100.00 | 3 |
| 27 | Xinjiang Ninth Metallurgical Construction Co., Ltd. | 1 | Changji Prefecture, Xinjiang | 60,000,000.00 | Xinjiang | Engineering construction | | 100.00 | 3 |
| 28 | Xianyang Ninth Metallurgical Steel Structure Co., Ltd. | 1 | Xianyang City, Shaanxi province | 6,300,000.00 | Xianyang City | Equipment manufacturing | | 100.00 | 3 |
| 29 | Mian County Ninth Metallurgical Kindergarten | 1 | Mian County, Shaanxi Province | 500,000.00 | Mian County, Hanzhong City | Pre-school education | | 100.00 | 3 |
| 30 | Ninth Metallurgical Hanzhong Construction Design Institute Co., Ltd. | 1 | Mian County, Shaanxi Province | 500,000.00 | Hanzhong City, Shaanxi Province | Survey and design | | 100.00 | 3 |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

1. Composition of Group (Continued)

| No. | Subsidiary | Business type | Place of incorporation | Paid-in capital | Principal place of business | Business nature | Shareholding percentage (%) | | Means of acquisition |
|-----|--|---------------|----------------------------------|-----------------|-----------------------------|--|-----------------------------|----------|----------------------|
| | | | | | | | Direct | Indirect | |
| 31 | Shaanxi Zhong Mian Investment Company Limited | 1 | Mian County, Shaanxi Province | 100,000,000.00 | Shaanxi | Hot spring project development and operations management | 51.00 | 1 | 1 |
| 32 | Shenyang Aluminum & Magnesium Design Institute Co., Ltd. | 1 | Heping District, Shenyang City | 490,743,216.49 | Shenyang | Engineering survey and design | 100.00 | 1 | 1 |
| 33 | Shenyang Boyu Technology Co., Ltd. | 1 | Sujiatun District, Shenyang City | 20,250,000.00 | Liaoning | Industrial manufacturing | 100.00 | 1 | 1 |
| 34 | Shenyang Aluminum & Magnesium Technology Co., Ltd. | 1 | Heping District, Shenyang City | 10,500,000.00 | Liaoning | Technical service | 100.00 | 1 | 1 |
| 35 | Shenyang Aluminum & Magnesium Engineering & Research Institute Construction Supervision Co., Ltd. | 1 | Heping District, Shenyang City | 4,118,028.14 | Liaoning | Construction supervision | 100.00 | 1 | 1 |
| 36 | Beijing Huayu Aerospace Control High-Tech Co., Ltd. | 1 | Haiding district, Beijing | 17,500,000.00 | Beijing | Technology research and development | 60.00 | 1 | 1 |
| 37 | China Nonferrous Metals Industry's Twelfth Metallurgical Construction Co., Ltd. | 1 | Taiyuan, Shanxi province | 533,419,395.00 | Shanxi | Construction projects | 100.00 | 2 | 2 |
| 38 | China Nonferrous Metals Industry's Twelfth Metallurgical Chongqing Energy Savings Technology Co., Ltd. | 1 | Nan'an District, Chongqing City | 12,000,000.00 | Chongqing | Contract energy management | 100.00 | 1 | 1 |
| 39 | Shanxi Nonferrous Metal Twelfth Metallurgical Supplies Co., Ltd. | 1 | Taiyuan, Shanxi province | 15,000,000.00 | Taiyuan | Commodity trading | 100.00 | 1 | 1 |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

1. Composition of Group (Continued)

| No. | Subsidiary | Business type | Place of incorporation | Paid-in capital | Principal place of business | Business nature | Shareholding percentage (%) | | Means of acquisition |
|-----|--|---------------|----------------------------------|-----------------|-----------------------------|--|-----------------------------|----------|----------------------|
| | | | | | | | Direct | Indirect | |
| 40 | Shanxi Longye Construction Labor Service Co., Ltd. | 1 | Taiyuan, Shanxi province | 2,000,000.00 | Taiyuan, Shanxi province | Construction and installation industry | 100.00 | | 1 |
| 41 | China Aluminum International 12MCC Construction Co., Ltd. | 3 | Incheon, South Korea | 3,511,187.50 | Incheon, South Korea | Construction and installation industry | 80.00 | | 1 |
| 42 | China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd. | 1 | Furong District, Changsha City | 183,730,014.27 | Hunan | Survey and design | 100.00 | | 2 |
| 43 | Shenzhen Changkan Survey and Design Co., Ltd. | 1 | Shennan East Road, Shenzhen City | 15,020,000.00 | Guangdong | Technical service | 100.00 | | 2 |
| 44 | Changsha Tongxiang Construction Co., Ltd. | 1 | Yuelu District, Changsha City | 25,000,000.00 | Changsha | Construction projects | 40.00 | 60.00 | 1 |
| 45 | Hunan Tongdu Investment and Development Co., Ltd. | 1 | Furong District, Changsha City | 10,000,000.00 | Changsha | Investment | 60.00 | 40.00 | 1 |
| 46 | China Aluminum International Engineering & Equipment Co., Ltd. | 1 | Haiding district, Beijing | 200,000,000.00 | Beijing | Equipment sales | 100.00 | | 1 |
| 47 | China Aluminum International Shandong Chemical Industry Co., Ltd. | 1 | Zibo High-tech Zone | 50,000,000.00 | Shandong | Equipment sales | 100.00 | | 1 |
| 48 | China Aluminum International Logistic (Tianjin) Co., Ltd. | 1 | Tianjin Airport Economic Zone | 50,000,000.00 | Tianjin | Trading | 100.00 | | 1 |
| 49 | Shanghai China Aluminum International Supply Chain Management Co., Ltd. | 1 | Pudong New Area, Shanghai | 21,000,000.00 | Pudong New Area, Shanghai | Trading | 100.00 | | 1 |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

1. Composition of Group (Continued)

| No. | Subsidiary | Business type | Place of incorporation | Paid-in capital | Principal place of business | Business nature | Shareholding percentage (%) | | Means of acquisition |
|-----|--|---------------|-----------------------------------|-----------------|-----------------------------|-------------------------------------|-----------------------------|----------|----------------------|
| | | | | | | | Direct | Indirect | |
| 50 | Chaleco Hong Kong Corporation Limited | 3 | Hong Kong | 65,572,000.00 | Hong Kong | Investment | 100.00 | | 1 |
| 51 | Chaleco Malaysia Sdn.Bhd. | 3 | Malaysia | 1,579,202.10 | Malaysia | Engineering survey and design | | 100.00 | 1 |
| 52 | Shanghai Chaleco Fengyuan Equity Investment Fund Partnership (Limited Partner) | 1 | Shanghai | 459,305,803.21 | Shanghai | Trading | | 99.95 | 1 |
| 53 | China Aluminum International Investment Management (Shanghai) Co., Ltd. | 1 | Shanghai | 494,000,000.00 | Shanghai | Trading | 5.06 | 94.94 | 1 |
| 54 | Chaleco (Tianjin) Construction Co., Ltd. | 1 | Tianjin | 211,000,000.00 | Tianjin | Engineering construction | 100.00 | | 2 |
| 55 | Xinchengong (Tianjin) Construction Engineering Co., Ltd. | 1 | Ji County, Tianjin | 100,000.00 | Tianjin | Construction projects | | 100.00 | 1 |
| 56 | China Aluminum International Technology Development Co., Ltd. | 1 | Haiding district, Beijing | 60,000,000.00 | Beijing | Technology research and development | 100.00 | | 1 |
| 57 | China Aluminum International Engineering (India) Private Limited | 3 | West Bengal, India | 5,942,398.83 | India | Construction projects | 99.99 | 0.01 | 1 |
| 58 | Beijing Zhen Investment Development Corporation Limited | 1 | Haidian District, Beijing | 78,000,000.00 | Beijing | Investment consultancy | 100.00 | | 1 |
| 59 | Duyun Development Zone Tongda Construction Co., Ltd. | 1 | Duyun Economic Development Zone | 10,000,000.00 | Guizhou | Engineering construction | 50.00 | 50.00 | 1 |
| 60 | Guiyang Aluminum and Magnesium Design Institute Co., Ltd. | 1 | Guanshanhu District, Guiyang City | 700,000,000.00 | Guizhou | Design consultancy | 100.00 | | 1 |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

1. Composition of Group (Continued)

| No. | Subsidiary | Business type | Place of incorporation | Paid-in capital | Principal place of business | Business nature | Shareholding percentage (%) | | Means of acquisition |
|-----|--|---------------|-----------------------------------|-----------------|------------------------------|--|-----------------------------|----------|----------------------|
| | | | | | | | Direct | Indirect | |
| 61 | Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd. | 1 | Guanshanhu District, Guiyang City | 45,000,000.00 | Guizhou | Engineering construction | 100.00 | | 1 |
| 62 | Guiyang Zhenxing Aluminum & Magnesium Technological Development Co., Ltd. | 1 | Guiyang City, Guizhou Province | 30,000,000.00 | Guizhou | Technology development and software design | 100.00 | | 1 |
| 63 | Guizhou Light Metal Innovation Research and Equipment Process Co., Ltd. | 1 | Gaoxin District, Guiyang City | 10,000,000.00 | Guizhou | Technology development and software design | 100.00 | | 1 |
| 64 | Guiyang Xinyu Construction Supervision Co., Ltd. | 1 | Guiyang City, Guizhou Province | 13,419,476.99 | Guizhou | Engineering supervision and consultancy | 100.00 | | 1 |
| 65 | Guizhou Yundu Properties Company Limited | 1 | Duyun City, Guizhou Province | 128,000,000.00 | Duyun City, Guizhou Province | Real estate development and engineering construction | 100.00 | | 1 |
| 66 | Guizhou Shunan Mechanical and Electric Equipment Co., Ltd. | 1 | Pingba County, Anshui City | 61,980,000.00 | Guizhou | Equipment manufacturing | 100.00 | | 3 |
| 67 | Guangxi Tongrui Investment Construction Co., Ltd. | 1 | Liangqing District, Nanning City | 250,000,000.00 | Guangxi | Building construction | 100.00 | | 1 |
| 68 | China Aluminum International Aluminum Technological Development Co., Ltd. | 1 | Haidian District, Beijing | 144,500,000.00 | Beijing | Trading and technical service | 100.00 | | 1 |
| 69 | Shanxi Nonferrous Metal Twelfth Metallurgical Advanced Materials Co., Ltd. | 1 | Taiyuan City, Shanxi Province | 23,588,234.94 | Shanxi | Scientific research and technical service industry | 66.00 | | 1 |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)

(1) Equity in subsidiaries (Continued)

1. Composition of Group (Continued)

| No. | Subsidiary | Business type | Place of incorporation | Paid-in capital | Principal place of business | Business nature | Shareholding percentage (%) | | Means of acquisition |
|-----|---|---------------|--------------------------------|-----------------|-----------------------------|--|-----------------------------|----------|----------------------|
| | | | | | | | Direct | Indirect | |
| 70 | Qingdao Xinfu Gongchuan Asset Management Company Limited | 1 | Shinan District, Qingdao City | 10,000,000.00 | Shandong | Commercial development and operations | 90.00 | | 3 |
| 71 | Chalco Shandong Engineering Technology Co., Ltd. | 1 | Zhangdian District, Zibo City | 274,607,057.02 | Shandong | Other construction and installation industry | 60.00 | | 2 |
| 72 | Chalco Wancheng Shandong Construction Co., Ltd. | 1 | Zhangdian District, Zibo City | 63,810,000.00 | Shandong | Other construction and installation industry | | 96.57 | 2 |
| 73 | Kunming Survey and Design Institute Co., Ltd. of China Nonferrous Metals industry | 1 | Panlong District, Kunming City | 108,500,000.00 | Kunming | Engineering survey and design | 100.00 | | 2 |
| 74 | Kunming Technology Development Co., Ltd. | 1 | Panlong District, Kunming City | 2,000,000.00 | Kunming | Other construction and installation industry | | 100.00 | 2 |
| 75 | China Southwest Construction Investment Co., Ltd. | 1 | Xishan District, Kunming City | 200,000,000.00 | Kunming | Project investments | 100.00 | | 1 |
| 76 | Yunnan Miyu Expressway Investment and Development Co., Ltd. | 1 | Yuxi City, Yunnan Province | 700,000,000.00 | Yuxi City, Yunnan Province | Engineering construction | 43.60 | 10.20 | 3 |
| 77 | Luoyang Kaiying Technology Co., Ltd. | 1 | Luolong District, Luoyang City | 200,000,000.00 | Luoyang City, Henan | IT consultancy service | 100.00 | 100.00 | 2 |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)**(1) Equity in subsidiaries (Continued)****1. Composition of Group (Continued)**

Notes:

Business type: 1. Domestic non-financial subsidiaries, 2. Domestic financial subsidiaries, 3. Overseas subsidiaries, 4. public institutions, and 5. infrastructure units.

Means of acquisition: 1. Incorporation; 2. Business combination under common control, 3. Business combination not under common control, 4. Others.

China Aluminum International Engineering (India) Private Limited, a subsidiary incorporated in India, and Chalico Hong Kong Corporation Limited, a subsidiary incorporated in Hong Kong need to follow local foreign exchange management policies, pursuant to which these subsidiaries must obtain prior approval from the local foreign exchange administration to pay cash dividends to the Company and other investors.

2. Particulars of significant partially-owned subsidiaries

| No. | Company name | Non-controlling interest (%) | P&L | Declared | Non-controlling interest at the end of the period |
|-----|---|------------------------------|---|--|---|
| | | | attributable to non-controlling interest for the period | dividends to non-controlling interest for the period | |
| 1 | China Nonferrous Metals Processing Technology Co., Ltd. | 26.50 | -3,031,256.29 | | 24,854,755.63 |
| 2 | Ninth Metallurgical Construction Co., Ltd. | 26.92 | -15,567,672.87 | 55,832,000.00 | 243,431,901.67 |
| 3 | Chalco Shandong Engineering Technology Co., Ltd. | 40.00 | -1,655,603.01 | | 156,345,348.28 |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)**(1) Equity in subsidiaries (Continued)****3. Particulars of significant partially-owned subsidiaries (except for those classified as held for sale)**

| Subsidiary name | 30 June 2020 | | | | | |
|---|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| China Nonferrous Metals Processing Technology Co., Ltd. | 1,162,737,519.92 | 845,048,094.98 | 2,007,785,614.90 | 1,869,018,691.23 | 30,121,012.43 | 1,899,139,703.66 |
| Ninth Metallurgical Construction Co., Ltd. | 8,237,126,209.45 | 868,727,193.10 | 9,105,853,402.55 | 7,075,931,746.36 | 1,051,457,283.80 | 8,127,389,030.16 |
| Chalco Shandong Engineering Technology Co., Ltd. | 1,295,180,512.70 | 143,040,577.60 | 1,438,221,090.30 | 1,027,708,761.76 | 16,000,000.00 | 1,043,708,761.76 |

| Subsidiary name | 1 January 2020 | | | | | |
|---|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| China Nonferrous Metals Processing Technology Co., Ltd. | 1,122,983,707.41 | 856,740,826.88 | 1,979,724,534.29 | 1,759,209,038.33 | 99,493,897.43 | 1,858,702,935.76 |
| Ninth Metallurgical Construction Co., Ltd. | 9,008,613,740.02 | 853,256,754.94 | 9,861,870,494.96 | 8,033,208,147.31 | 656,390,772.96 | 8,689,598,920.27 |
| Chalco Shandong Engineering Technology Co., Ltd. | 1,412,710,353.51 | 129,180,437.34 | 1,541,890,790.85 | 1,126,722,822.25 | 16,000,000.00 | 1,142,722,822.25 |

| Subsidiary name | From January to June 2020 | | | | From January to June 2019 | | | |
|---|---------------------------|----------------|----------------------------|-------------------------------------|---------------------------|----------------|----------------------------|-------------------------------------|
| | Operating revenue | Net profit | Total comprehensive income | Cash flow from operating activities | Operating revenue | Net profit | Total comprehensive income | Cash flow from operating activities |
| China Nonferrous Metals Processing Technology Co., Ltd. | 330,196,280.22 | -13,654,462.39 | -13,666,362.39 | 48,295,544.91 | 264,756,688.45 | -22,466,254.38 | -22,444,154.38 | 80,188,055.43 |
| Ninth Metallurgical Construction Co., Ltd. | 1,919,292,937.17 | 52,853,114.32 | 52,982,533.54 | 22,647,665.85 | 2,341,924,741.61 | 49,859,778.27 | 50,013,167.83 | -3,750,230.86 |
| Chalco Shandong Engineering Technology Co., Ltd. | 363,840,693.06 | -4,561,159.07 | -4,561,159.07 | 99,171.55 | 544,843,983.86 | 12,661,932.80 | 12,661,932.80 | -155,795,726.00 |

7. EQUITY IN OTHER ENTITIES (Continued)

(2) Transactions with changes in percentage of equity interest ownership in subsidiaries but without losing control

1. Explanation on changes in percentage of equity interest ownership in subsidiaries

The Company entered into equity transfer agreements with individual shareholders of Ninth Metallurgical Construction Co., Ltd. in March 2020, and proposed to acquire 9.58% of the shares held by individual shareholders and completed the relevant equity change procedures at the end of March. Therefore, the Company chose 31 March as the minority equity acquisition date. After the completion of the acquisition, the Company held 72.08% of the equity of Ninth Metallurgical Construction Co., Ltd. and continued to maintain control.

2. Effect of transfer on non-controlling shareholder's equity interests and equity interest attributable to the owners of the Company

| Item | Ninth Metallurgical Construction Co., Ltd. |
|---|---|
| Acquisition cost and consideration | 30,670,000.00 |
| Including: cash | 30,670,000.00 |
| Fair value of non-cash assets | |
| Total acquisition cost and consideration | 30,670,000.00 |
| Less: Subsidiary's share of net assets calculated based on the proportion of acquired equity | 102,647,810.24 |
| Difference | 71,977,810.24 |
| Including: adjustment to capital reserve | 71,977,810.24 |
| Adjustment to surplus reserve | |
| Adjustment to undistributed profit | |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)**(3) Interests in joint ventures and associates****1. Particulars of significant joint ventures and associates**

(1) Particulars of significant joint ventures

| Company name | Principal place of business | Place of incorporation | Business nature | Shareholding percentage (%) | | Accounting treatment of investment |
|--|-----------------------------|------------------------|---------------------------------------|-----------------------------|----------|------------------------------------|
| | | | | Direct | Indirect | |
| Shanghai Fengtong Equity Investment Fund Partnership (Limited Partnership) | Shanghai | Shanghai | Investment company | 40.00 | | Equity method |
| Zhongji Sunward Technology Co., Ltd. | Hunan | Hunan | Metallurgical equipment manufacturing | | 49.00 | Equity method |

(2) Particulars of significant associates

| Company name | Principal place of business | Place of incorporation | Business nature | Shareholding percentage (%) | | Accounting treatment of investment |
|--|-----------------------------|------------------------|--|-----------------------------|----------|------------------------------------|
| | | | | Direct | Indirect | |
| Jiangsu Nonferrous Metal Rabily Industrial Co., Ltd. | Jiangsu | Yancheng | Industry | | 30.00 | Equity method |
| Guizhou Tongye Construction Development Co., Ltd. | Guizhou | Guiyang | Construction and installation industry | | 45.00 | Equity method |
| Luoyang Hua Zhong Aluminum Co., Ltd. | Henan | Luoyang | Calendering of common nonferrous metals | | 9.79 | Equity method |
| Chalco-Steering Intelligent Technology Co., Ltd. | Hunan | Changsha | Scientific research and technical services | 15.00 | | 權益法核算 |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)**(3) Interests in joint ventures and associates (Continued)****2. Major financial information of significant joint ventures**

| Item | 30 June 2020/from January to June 2020 Shanghai | | 1 January 2020/from January to June 2019 Shanghai | |
|--|--|---|--|---|
| | Fengtong Equity Investment Fund Partnership (Limited Partner) | Zhongji Sunward Technology Co., Ltd. | Fengtong Equity Investment Fund Partnership (Limited Partner) | Zhongji Sunward Technology Co., Ltd. |
| Current assets | 70,516,378.45 | 189,603,844.76 | 70,402,084.57 | 166,101,574.85 |
| Including: cash and cash equivalents | 2,850,241.49 | 10,071,031.46 | 2,735,947.61 | 27,715,206.20 |
| Non-current assets | 465.97 | 18,806,813.35 | 465.97 | 19,875,032.91 |
| Total assets | 70,516,844.42 | 208,410,658.11 | 70,402,550.54 | 185,976,607.76 |
| Current liabilities | 10,530,619.40 | 143,712,363.68 | 10,462,653.16 | 111,144,828.84 |
| Non-current liabilities | | | | |
| Total liabilities | 10,530,619.40 | 143,712,363.68 | 10,462,653.16 | 111,144,828.84 |
| Minority interests | 1,000,000.00 | | 1,000,000.00 | |
| Equity attributable to shareholders of the parent | 58,986,225.02 | 64,698,294.43 | 58,939,897.38 | 74,831,778.92 |
| Share in net assets in proportion to shareholding percentage | 8,986,225.02 | 31,702,164.27 | 8,939,897.38 | 36,193,840.92 |
| Adjustments | | | | |
| Including: Goodwill | | | | |
| Unrealized profit on internal transactions | | | | |
| Others | | | | |
| Book value of equity interests in joint ventures | | | | |
| Fair value of equity interests in joint ventures with public quotations | | | | |
| Operating revenue | | 1,803,733.51 | | 21,052,972.21 |
| Finance expenses | -3,703.07 | -9,753.72 | -5,937.24 | -58,640.52 |
| Income tax | | | | |
| Net profit | 46,327.64 | -9,833,877.36 | 22,375.08 | -1,646,315.17 |
| Net profit on discontinued operations | | | | |
| Other comprehensive income | | | | |
| Total comprehensive income | 46,327.64 | -9,833,877.36 | 22,375.08 | -1,646,315.17 |
| Dividends paid by joint ventures during the year | | | | |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)**(3) Interests in joint ventures and associates (Continued)****3. Major financial information of significant associates**

| Item | 30 June 2020/from January to June 2020 | | | 1 January 2020/from January to June 2019 | | |
|--|---|---|---|---|---|---|
| | China Aluminum South Aluminum (Fujian) Aluminum Structure Technology Co., Ltd. | Jiangsu Nonferrous Metal Rabilly Industrial Co., Ltd. | Guizhou Tongye Construction Development Co., Ltd. | China Aluminum South Aluminum (Fujian) Aluminum Structure Technology Co., Ltd. | Jiangsu Nonferrous Metal Rabilly Industrial Co., Ltd. | Guizhou Tongye Construction Development Co., Ltd. |
| Current assets | 191,025,136.34 | 107,519,983.38 | 1,218,137,571.09 | 110,373,032.82 | 109,432,986.41 | 1,259,056,142.94 |
| Including: cash and cash equivalents | 3,941,767.94 | 712,258.01 | 2,172,239.28 | 3,320,341.43 | 66,463.94 | 2,074,637.92 |
| Non-current assets | 118,404,598.77 | 33,082,028.47 | 452,708.29 | 7,719,030.71 | 34,880,739.31 | 532,964.05 |
| Total assets | 309,429,735.11 | 140,602,011.85 | 1,218,590,279.38 | 118,092,063.53 | 144,313,725.72 | 1,259,589,106.99 |
| Current liabilities | 145,366,524.42 | 98,554,416.56 | 57,829,340.39 | 2,480,015.51 | 98,656,983.49 | 97,470,857.96 |
| Non-current liabilities | | | 1,113,599,458.59 | | | 1,113,599,458.59 |
| Total liabilities | 145,366,524.42 | 98,554,416.56 | 1,171,428,798.98 | 2,480,015.51 | 98,656,983.49 | 1,211,070,316.55 |
| Minority interests | | | | | | |
| Equity attributable to shareholders of the parent | 164,063,210.69 | 42,047,595.29 | 47,161,480.40 | 115,612,048.02 | 45,656,742.23 | 48,518,790.44 |
| Share in net assets at shareholding percentage | 54,961,175.58 | 12,614,278.59 | 21,222,666.26 | 57,623,284.13 | 13,697,022.67 | 21,833,455.78 |
| Adjustments | | | | | | |
| Including: Goodwill | | | | | | |
| Unrealized profit on internal transactions | | | | | | |
| Others | | | | | | |
| Book value of equity interests in joint ventures | 54,961,175.58 | 12,614,278.59 | 21,222,666.26 | 57,623,284.13 | 13,697,022.67 | 21,833,455.78 |
| Fair value of equity interests in joint ventures with public quotations | | | | | | |
| Operating revenue | 34,490,721.42 | 108,569,207.97 | -47,736,270.45 | 37,545,453.11 | 122,232,249.54 | 45,899,940.28 |
| Finance expenses | | | | | | |
| Income tax | | | | | | |
| Net profit | 4,026,619.17 | -3,609,146.94 | -1,357,310.04 | 3,311,556.48 | -5,196,205.31 | -1,768,601.20 |
| Net profit on discontinued operations | | | | | | |
| Other comprehensive income | | | | | | |
| Total comprehensive income | 4,026,619.17 | -3,609,146.94 | -1,357,310.04 | 3,311,556.48 | -5,196,205.31 | -1,768,601.20 |
| Dividends paid by associates during the year | | | | | | |

SECTION 11 FINANCIAL REPORT

7. EQUITY IN OTHER ENTITIES (Continued)**(3) Interests in joint ventures and associates (Continued)****4. Summarized financial information of insignificant joint ventures and associates**

| Item | 30 June 2020/ from January to June 2020 | 1 January 2020/ from January to June 2019 |
|--|--|---|
| 1. Joint ventures | | |
| Aggregate of book value of investments | | |
| Aggregate of proportional shares in: | | |
| Net profit | | |
| Other comprehensive income | | |
| Total comprehensive income | | |
| 2. Associates | | |
| Investments carrying amount in aggregate | 714,961,275.39 | 632,019,231.84 |
| Aggregate of proportional shares in: | | |
| Net profit | 817,765.16 | -3,349,384.56 |
| Other comprehensive income | | |
| Total comprehensive income | 817,765.16 | -3,349,384.56 |

8. FINANCIAL INSTRUMENT RELATED RISKS

The Company's major financial instruments include various equity investments, debt investments, derivative financial instruments, long-term and short-term borrowings, receivables and payables. See relevant sections of this report for details on financial instruments. Risks associated with the above financial instruments and risk management policies adopted by the Company to reduce these risks are set out below. Management manages and monitors these risk exposures to ensure that the above risks are controlled within the prescribed range.

Main risks associated with the Company's financial instruments include credit risk, liquidity risk and market risk. Management has reviewed and approved policies intended to manage these risks, which are summarized as follows:

1. Credit Risk

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligation, causing financial losses to the other party. The Company's credit risk mainly involves receivables. Specific measures to control this risk are as follows:

The Company's accounts receivable are mainly generated from the engineering construction business. The Company's internal control system requires that the Company perform credit assessment on each client before submitting a bid and if the construction lasts over one year, reperform the credit assessment on a regular basis. Based on its contract review system, the project management department, the financial department, the legal department and other departments jointly review the contract to determine reasonable payment terms so as to minimize our advance risk. Operating cashflows linked performance indicators are in place to urge subsidiaries to speed up collection of receivables. The Company reviews the collection of receivables on an individual basis on the balance sheet date and requires additional guarantee in respect of key accounts associated with potential structural risks to ensure adequate loss allowance for unrecoverable receivables. See section "3.(11)" above for our expected credit loss policies.

SECTION 11 FINANCIAL REPORT

8. FINANCIAL INSTRUMENT RELATED RISKS (Continued)**2. Liquidity risk**

Liquidity risk refers to the risk that the Company is short of funds when performing its settlement obligations by delivery of cash or other financial assets.

The financial department continuously monitors the Company's short-term and long-term fund requirements to maintain adequate cash reserve. The Company utilizes multiple financing means including notes, bank borrowings and entrusted loans to maintain the balance between sustainability and flexibility of financing. The Company has obtained credit lines from several commercial banks with higher credit ratings to meet its demand for working capital and capital expenditure. Management monitors the use of bank borrowings and ensures compliance with loan agreements.

The table below analyses the Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Unit: '000 Yuan Currency: RMB

| | 30 June 2020 | | | | Total |
|---|---------------|--------------|--------------|--------------|---------------|
| | Within 1 year | 1-2 years | 2-5 years | Over 5 years | |
| Borrowings | 9,222,870.04 | 1,126,816.60 | 2,813,590.00 | 495,385.98 | 13,658,662.61 |
| Trade and other payables (excluding non-financial liabilities) | 22,549,518.84 | 4,898.38 | | | 22,554,417.22 |
| Dividends payable | 147,777.69 | | | | 147,777.69 |
| Financial guarantees issued Maximum amount guaranteed | | | | 1,517,030.00 | 1,517,030.00 |

SECTION 11 FINANCIAL REPORT

8. FINANCIAL INSTRUMENT RELATED RISKS (Continued)**2. Liquidity risk (Continued)**

| Item | 1 January 2020 | | | | Total |
|---|----------------|--------------|--------------|--------------|---------------|
| | Within 1 year | 1-2 years | 2-5 years | Over 5 years | |
| Borrowings | 8,057,452.27 | 1,715,561.45 | 2,567,524.00 | 383,412.78 | 12,723,950.50 |
| Trade and other payables (excluding non-financial liabilities) | 26,889,357.47 | 4,598.53 | | | 26,893,956.00 |
| Dividends payable | 30,000.00 | | | | 30,000.00 |
| Financial guarantees issued Maximum amount guaranteed | | | | 970,900.00 | 970,900.00 |

3. Market risk

Market risk refers to the risk that the fair value or future cash flow of financial instruments fluctuate as market prices changes, including exchange rate risk, interest rate risk and other price risks.

- (1) Exchange rate risk refers to the risk that the fair value or future cash flow of financial instruments fluctuate due to changes in foreign exchange rates. The Company's exchange rate risk mainly comes from financial instruments denominated in foreign currencies other than the functional currency.
- (2) Interest rate risk refers to the risk that the fair value or future cash flow of financial instruments fluctuate due to changes in market interest rates. The Company's interest rate risk mainly comes from recognized interest-bearing financial instruments.
- (3) Other price risks refer to the risk of fluctuations caused by changes in market prices other than exchange rate risks and interest rate risks, whether arising from factors related to a single financial instrument or its issuer, or from factors related to all similar financial instruments traded on the market.

SECTION 11 FINANCIAL REPORT

9. CAPITAL MANAGEMENT

The objectives of the Company when managing capital are to safeguard the ability of the Company in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Company monitors their capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debts are calculated as the total borrowings and other liabilities (including borrowings, other non-current liabilities, trade and other payables, as 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 debts less non-controlling interest. The Group aims to maintain the gearing ratio to be within 60% and 90%.

The Company utilized the asset-liability ratio to monitor capital management. The Company's asset-liability ratio is listed as follows:

Unit: '000 Yuan Currency: RMB

| Item | 30 June 2020 | 1 January 2020 |
|--|----------------------|----------------|
| Total borrowings and other liabilities | 36,500,161.01 | 39,795,821.48 |
| Less: Restricted cash, time deposits and cash and cash equivalents | -539,375.30 | -905,429.91 |
| Net debt | 35,960,785.71 | 38,890,391.56 |
| Total equity attributed to equity owners of the Company | 10,626,746.80 | 11,322,059.94 |
| Total capital | 46,587,532.51 | 50,212,451.50 |
| Gearing ratio | 77.19% | 77.45% |

SECTION 11 FINANCIAL REPORT

10. FAIR VALUE**(1) Analysis of assets and liabilities measured at fair value by the level of fair value**

| Item | Level 1 fair value measurement | Level 2 fair value measurement | Level 3 fair value measurement | 30 June 2020 |
|--|--------------------------------------|--------------------------------------|--------------------------------------|----------------|
| 1. Continuous fair value measurement | | 267,718,520.16 | 63,605,240.25 | 331,323,760.41 |
| (I) Financial assets classified at FVTPL for the period | | | 18,900,000.00 | 18,900,000.00 |
| (1) Debt instrument investment | | | | |
| (2) Equity instrument investment | | | 18,900,000.00 | 18,900,000.00 |
| (II) Financial assets classified at FVTOCI | | 267,718,520.16 | 44,705,240.25 | 312,423,760.41 |
| (1) Factoring of receivables | | 267,718,520.16 | | 267,718,520.16 |
| (2) Equity instrument investment | | | 44,705,240.25 | 44,705,240.25 |
| 2. Non-continuous fair value measurement | | | | |
| (I) Held-for-sale assets | | | | |

- (2)** At the end of the reporting period, the Company's financial instruments measured at fair value were its subordinated shares in ABS and equity investments in small-scale entities, which do not have observable market quotations. The Company valuate such investments based on their future cash inflows. Under limited circumstances, if insufficient recent information is available to determine the fair value, or possible estimated amount of the fair value is widely distributed, and the cost represents the best estimate of the fair value within the range of distribution, the cost may represent an appropriate estimate of the fair value within the distribution range.

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**(1) Parent of the Company**

| Parent | Place of incorporation | Business nature | Registered capital (RMB) | Percentage of shareholding in the Company (%) | Percentage of voting right in the Company (%) |
|------------------------------|------------------------|---|--------------------------|---|---|
| China Aluminum Group Limited | PRC | Mineral resources (excluding oil and natural gas) development, nonferrous metal smelting and processing, related trading and engineering and technical services | 25,200,000,000.00 | 76.50 | 76.50 |

Note: The ultimate controlling party of the Company is Chinalco (which is owned and controlled by SASAC). On 30 June 2020, Chinalco directly held 73.56% equity interest in the Company and indirectly held 2.94% equity interest in the Company through its subsidiary, Luoyang Institute. Chinalco held in aggregate a 76.50% equity interest in the Company.

(2) Particulars of subsidiaries of the Company

For details, see Note “7. Interests in Other Entities”.

(3) Particulars of joint ventures and associates of the Company

For details of important joint ventures or associates of the Company, see Note “7.(2) Interests in joint ventures or associates”.

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(4) Particulars of other parties related to the Company**

| Other related parties | Relationship between other related parties and the Company |
|---|---|
| Luoyang Engineering & Research Institute for Nonferrous Metals Processing | Our shareholder, ultimately controlled by the same parent |
| Guangxi Hualei Advanced Materials Co., Ltd. | A joint venture of our parent |
| Chinalco Zibo International Trade Co., Ltd. | A joint venture of our parent |
| Zhejiang Chinalco Automobile Lightweight Technology Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Material Application Research Institute Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Innovation Development Investment Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Overseas Development Co., Ltd. | Ultimately controlled by the same parent |
| Beijing Lvngeng Qinxin Clean Environment Technology Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Environmental Protection and Energy Saving Group Co., Ltd. | Ultimately controlled by the same parent |
| Chalco Tendering Company Limited | An associate of the Company |
| Henan Jiuli Technology Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Intelligent Technology Development Co., Ltd. | Ultimately controlled by the same parent |
| Aluminum Corporation of China Limited | Ultimately controlled by the same parent |
| Baotou Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Chibi Great Wall Carbon Products Co., Ltd. | Ultimately controlled by the same parent |
| Fushun Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Gansu Hualu Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Guangxi Huasheng Advanced Materials Co., Ltd. | Ultimately controlled by the same parent |
| Guizhou Huajin Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Guizhou Huaren Advanced Materials Co., Ltd. | Ultimately controlled by the same parent |
| Henan Huahui Nonferrous Engineering Design Co., Ltd. | Ultimately controlled by the same parent |
| Henan Chinalco State Reserve Energy Co., Ltd. | Ultimately controlled by the same parent |
| Lanzhou Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Inner Mongolia Huayun New Materials Co., Ltd. | Ultimately controlled by the same parent |
| Shandong Huayu Alloy Material Co., Ltd. | Ultimately controlled by the same parent |
| Shandong Yixing Carbon New Material Co., Ltd. | Ultimately controlled by the same parent |
| Shanxi Huaxing Aluminum Co., Ltd. | Ultimately controlled by the same parent |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(4) Particulars of other parties related to the Company (Continued)**

| Other related parties | Relationship between other related parties and the Company |
|--|---|
| Shanxi Chinalco Resources Co., Ltd. | Ultimately controlled by the same parent |
| Chalco Hong Kong Limited | Ultimately controlled by the same parent |
| China Aluminum (Shanghai) Co., Ltd | Ultimately controlled by the same parent |
| China Aluminum International Trading Corporation Limited | Ultimately controlled by the same parent |
| Chinalco International Trade Hong Kong Limited | Ultimately controlled by the same parent |
| Chinalco Group Shanxi Jiaokou Xinghua Science and Technology Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Mining Corporation Limited | Ultimately controlled by the same parent |
| Chinalco Ningxia Energy Group Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Qingdao Light Metal Co., Ltd | Ultimately controlled by the same parent |
| Chinalco Shandong Environmental Protection Technology Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Shandong Advanced Materials Co., Ltd. | Ultimately controlled by the same parent |
| Chalco Shandong Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Shanxi Advanced Materials Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Logistics Group Southeast Asia Land Port Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Logistics Group Northwest Land Port Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Logistics Group Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Logistics Group Central Land Port Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Material Supply and Marketing Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Materials Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Zhengzhou Nonferrous Metals Research Institute Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Zhongzhou Mining Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Zhongzhou Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Zhongzhou Advanced Materials Technology Co., Ltd. | Ultimately controlled by the same parent |
| Zunyi Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Finance Company Limited | Ultimately controlled by the same parent |
| Northeast Light Alloy Co., Ltd. | Ultimately controlled by the same parent |
| Harbin Dongqing Special Materials Co., Ltd. | Ultimately controlled by the same parent |
| Northwest Aluminum Co., Ltd | Ultimately controlled by the same parent |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(4) Particulars of other parties related to the Company (Continued)**

| Other related parties | Relationship between other related parties and the Company |
|--|---|
| Southwest Aluminum (Group) Co., Ltd. | Ultimately controlled by the same parent |
| Chongqing Southwest Aluminum Mechanical and Electrical Equipment Engineering Co., Ltd. | Ultimately controlled by the same parent |
| Chongqing Southwest Aluminum Transportation Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Henan Luoyang Aluminum Foil Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Henan Luoyang Aluminum Processing Co., Ltd. | Ultimately controlled by the same parent |
| Longxi Northwest Aluminum Foil Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Ruimin Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Sapa Special Aluminum (Chongqing) Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Shenyang Nonferrous Metal Processing Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Southwest Aluminum Strip Co., Ltd. | Ultimately controlled by the same parent |
| Chifeng Yuntong Nonferrous Metals Co., Ltd. | Ultimately controlled by the same parent |
| Chuxiong Dianzhong Nonferrous Metals Co., Ltd. | Ultimately controlled by the same parent |
| Fumin Xinye Industrial and Trade Co., Ltd. | Ultimately controlled by the same parent |
| Heqing Yixin Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Honghe Yuntong Real Estate Development Co., Ltd. | Ultimately controlled by the same parent |
| Hulun Buir Chihong Mining Co., Ltd. | Ultimately controlled by the same parent |
| Huili County Wulong Fumin Mining Co., Ltd. | Ultimately controlled by the same parent |
| Kunming Kehui Electric Co., Ltd. | Ultimately controlled by the same parent |
| Kunming Nonferrous Metallurgical Design and Research Institute Corporation | Ultimately controlled by the same parent |
| Lhasa Tianli Mining Co., Ltd. | Ultimately controlled by the same parent |
| Liangshan Mining Co., Ltd. | Ultimately controlled by the same parent |
| Qinghai Hongxin Mining Co., Ltd. | Ultimately controlled by the same parent |
| Qinghai Zerong Mining Development Co., Ltd. | Ultimately controlled by the same parent |
| Qujing Yunal Ganxin Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Shanghai Huxin Aluminum Foil Co., Ltd. | Ultimately controlled by the same parent |
| Shangri-la Dingli Mining Co., Ltd. | Ultimately controlled by the same parent |
| Yimen Copper Co., Ltd. | Ultimately controlled by the same parent |
| Yuxi Mining Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Chihong Zinc Germanium Co., Ltd. | Ultimately controlled by the same parent |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(4) Particulars of other parties related to the Company (Continued)**

| Other related parties | Relationship between other related parties and the Company |
|---|---|
| Yunnan Chihong Resources Comprehensive Utilization Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Chuxiong Mining and Metallurgy Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Diqing Mining Development Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Diqing Nonferrous Metals Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Haoxin Aluminum Foil Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Jinding Zinc Industry Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Jinsha Mining Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Copper (Group) Titanium Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Copper (Group) Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Copper Real Estate Development Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Copper Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Copper Technology Development Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Copper Mineral Resources Exploration and Development Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Copper Die Casting Technology Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Wenshan Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Xinping Jinhui Mining Development Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Metallurgical Kunming Heavy Industry Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Yongshun Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Yunlv Haixin Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Yunlv Huixin Trade Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Yunlv Yongxin Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Yunlv Zexin Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Yunnan Yuntong Zinc Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Huazhong Copper Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Luoyang Copper Processing Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Luoyang Copper Co., Ltd. | Ultimately controlled by the same parent |
| Minera Chinalco Peru | Ultimately controlled by the same parent |
| China Copper Southeast Copper Co., Ltd. | Ultimately controlled by the same parent |
| China Copper Tibet Mining Co., Ltd. | Ultimately controlled by the same parent |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(4) Particulars of other parties related to the Company (Continued)**

| Other related parties | Relationship between other related parties and the Company |
|--|---|
| Guangxi Guosheng Rare Earth Advanced Materials Co., Ltd. | Ultimately controlled by the same parent |
| Guangxi Rare Earth Trading Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Guangxi Nonferrous Jinyuan Rare Earth Co., Ltd. | Ultimately controlled by the same parent |
| CRE (Changshu) Rare Earth Advanced Materials Co., Ltd. | Ultimately controlled by the same parent |
| China Rare Earth International Trade Co., Ltd. | Ultimately controlled by the same parent |
| Baotou Aluminum (Group) Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Science and Technology Research Institute Co., Ltd. | Ultimately controlled by the same parent |
| Guangxi Chinalco Industrial Service Co., Ltd. | Ultimately controlled by the same parent |
| Guizhou Guilv Huayi Real Estate Development Co., Ltd. | Ultimately controlled by the same parent |
| Guizhou Aluminum Factory Co., Ltd. | Ultimately controlled by the same parent |
| Guizhou Chinalco Colored Aluminum Technology Co., Ltd. | Ultimately controlled by the same parent |
| Henan Great Wall Information Technology Co., Ltd. | Ultimately controlled by the same parent |
| Henan Changalv Industrial Service Co., Ltd. | Ultimately controlled by the same parent |
| Henan Changxing Industry Co., Ltd. | Ultimately controlled by the same parent |
| Henan Chinalco Engineering Construction Co., Ltd. | Ultimately controlled by the same parent |
| Henan Chinalco Equipment Co., Ltd. | Ultimately controlled by the same parent |
| Henan Zhongzhou Aluminum Factory Co., Ltd. | Ultimately controlled by the same parent |
| Jinlv Real Estate Development Co., Ltd. | Ultimately controlled by the same parent |
| Lanzhou Aluminum Factory Co., Ltd. | Ultimately controlled by the same parent |
| Lanzhou Chinalco Industrial Service Co., Ltd. | Ultimately controlled by the same parent |
| Pingguo Aluminum Co., Ltd. | Ultimately controlled by the same parent |
| Qinghai Chinalco Aluminum Strip Co., Ltd. | Ultimately controlled by the same parent |
| Shandong Aluminum Industry Limited | Ultimately controlled by the same parent |
| Shandong Shanlv Environmental Advanced Materials Co., Ltd. | Ultimately controlled by the same parent |
| Shandong Shanlv Electromechanical Technology Co., Ltd. | Ultimately controlled by the same parent |
| Shanxi Chalco Industrial Service Co., Ltd. | Ultimately controlled by the same parent |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(4) Particulars of other parties related to the Company (Continued)**

| Other related parties | Relationship between other related parties and the Company |
|--|---|
| Suzhou Xinchang Light and Heat Energy Technology Co., Ltd. | Ultimately controlled by the same parent |
| Suzhou Nonferrous Metal Design and Research Institute Co., Ltd. | Ultimately controlled by the same parent |
| Zhengzhou Chinalco Construction and Development Co., Ltd. | Ultimately controlled by the same parent |
| China Great Wall Aluminum Corporation Limited | Ultimately controlled by the same parent |
| Chinalco Industrial Service Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Investment Development Co., Ltd. | Ultimately controlled by the same parent |
| Zibo Dadi Real Estate Development Co., Ltd. | Ultimately controlled by the same parent |
| Zibo Dongshan Industry Co., Ltd. | Ultimately controlled by the same parent |
| Taiyuan China Nonferrous Metal Industry and 12th Metallurgical Real Estate Development Co., Ltd. | Ultimately controlled by the same parent |
| Chongqing Shangjiangchen Real Estate Co., Ltd. | Ultimately controlled by the same parent |
| Chinalco Commercial Factoring (Tianjin) Co., Ltd. | Ultimately controlled by the same parent |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(5) Connected transactions****1. Connected transactions on procurement and acceptance of goods and rendering and acceptance of service**

| Related party | Type of connected transaction | Particular of connected transaction | Pricing policies and decision procedures | From January to June 2020 |
|--------------------------------------|---|---|---|---------------------------|
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Engineering construction service | Negotiated between the parties by reference to market price | 1,515,943,630.44 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Engineering design service | Negotiated between the parties by reference to market price | 103,201,667.44 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Equipment manufacturing and sales | Negotiated between the parties by reference to market price | 252,966,164.41 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Back-up service and other business | Negotiated between the parties by reference to market price | 423,209.15 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Engineering, construction and supervision service | Negotiated between the parties by reference to market price | 11,914,410.61 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Procurement of main materials and auxiliary materials | Negotiated between the parties by reference to market price | 107,552,296.49 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Back-up service and other business | Negotiated between the parties by reference to market price | 8,097,240.90 |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(5) Connected transactions (Continued)****1. Connected transactions on procurement and acceptance of goods and rendering and acceptance of service (Continued)**

| Related party | Type of connected transaction | Particular of connected transaction | Pricing policies and decision procedures | From January to June 2019 |
|---|---|---|---|---------------------------|
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Engineering, construction and supervision service | Negotiated between the parties by reference to market price | 64,624,900.92 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Procurement of main materials and auxiliary materials | Negotiated between the parties by reference to market price | 52,823,807.56 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Back-up service and other business | Negotiated between the parties by reference to market price | 17,993,986.23 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Engineering construction service | Negotiated between the parties by reference to market price | 1,612,237,661.18 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Engineering design service | Negotiated between the parties by reference to market price | 104,467,616.03 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Equipment manufacturing and sales | Negotiated between the parties by reference to market price | 189,954,672.75 |
| A subsidiary of China Aluminum Group | Sales of goods and rendering of service | Back-up service and other business | Negotiated between the parties by reference to market price | 1,600,335.04 |
| A joint venture of China Aluminum Group | Sales of goods and rendering of service | Engineering construction service | Negotiated between the parties by reference to market price | 20,765,875.02 |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(5) Connected transactions (Continued)****2. Related party leases**

| Lessor | Lessee | Leasehold | Leasing expenses recognized from January to June 2020 | Leasing expenses recognized from January to June 2019 |
|--|--|---------------|--|--|
| China Aluminum (Shanghai) Co., Ltd. | China Aluminum International Engineering & Equipment Co., Ltd. | House leasing | 1,802,616.87 | 1,624,017.21 |
| Chalco Shandong Co., Ltd. | Chalco Shandong Engineering Technology Co., Ltd. | House leasing | 204,834.12 | |
| Luoyang Engineering & Research Institute for Nonferrous Metals Processing | China Nonferrous Metals Processing Technology Co., Ltd. | House leasing | 434,294.51 | 520,990.56 |
| Suzhou Nonferrous Metal Design and Research Institute Co., Ltd. | China Nonferrous Metals Processing Technology Co., Ltd. | House leasing | 453,719.37 | 230,531.12 |
| Zhengzhou Chinalco Construction and Development Co., Ltd. | Sixth Metallurgical Construction Company of China Nonferrous Metals Industry | House leasing | 157,954.28 | 394,819.66 |
| Total | - | - | 3,053,419.15 | 2,770,358.55 |
| Lessor | Lessee | Leasehold | Rental income recognized for the period | Rental income recognized for the prior period |
| China Aluminum Great Wall Construction Co., Ltd. | Chinalco Logistics Group Co., Ltd. | Land leasing | | 1,136,357.03 |
| China Aluminum Great Wall Construction Co., Ltd. | Chinalco Mining Corporation Limited | Land leasing | 423,209.15 | 423,209.15 |
| Total | - | - | 423,209.15 | 1,559,566.18 |

3. Related party guarantees

| Guarantor | Guaranteed party | Guarantee amount | Guarantee starting on | Guarantee ending on | Guarantee performed or not |
|------------------------------|---|-------------------------|--------------------------|------------------------|----------------------------------|
| China Aluminum Group Limited | China Aluminum International Engineering Corporation Limited | 1,500,000,000.00 | 2019-10-30 | Bond redemption date | No |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(5) Connected transactions (Continued)****4. Borrowing from and lending to related parties**

| Related party | Borrowing/ lending | Amount | Starting date | Expiry date | Description |
|--|-------------------------------|-------------------------|----------------------|--------------------|---------------------|
| Chinalco Finance Company Limited | Borrowing | 100,000,000.00 | 2019-07-12 | 2020-07-11 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 50,000,000.00 | 2019-09-17 | 2020-09-16 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 100,000,000.00 | 2020-01-08 | 2021-01-07 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 50,000,000.00 | 2020-02-21 | 2021-02-19 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 100,000,000.00 | 2020-03-05 | 2021-03-04 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 100,000,000.00 | 2020-05-21 | 2021-05-20 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 50,000,000.00 | 2020-06-30 | 2021-06-29 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 30,000,000.00 | 2019-11-01 | 2020-10-30 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 90,000,000.00 | 2019-08-15 | 2020-08-14 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 20,000,000.00 | 2020-04-16 | 2021-04-15 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 50,000,000.00 | 2020-01-08 | 2021-01-07 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 150,000,000.00 | 2020-03-10 | 2021-03-09 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 30,000,000.00 | 2019-08-12 | 2020-08-11 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 170,000,000.00 | 2020-01-02 | 2020-12-31 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 30,000,000.00 | 2019-10-21 | 2020-10-20 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 1,000,000,000.00 | 2020-04-16 | 2023-04-16 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 98,000,000.00 | 2019-04-17 | 2021-04-16 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 48,000,000.00 | 2019-04-23 | 2021-04-22 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 100,000,000.00 | 2020-05-20 | 2022-05-19 | Direct borrowing |
| Chinalco Finance Company Limited | Borrowing | 39,000,000.00 | 2019-10-21 | 2020-12-18 | Direct borrowing |
| China Aluminum Commercial Factoring (Tianjin) Co., Ltd. | Borrowing | 100,000,000.00 | 2020-04-02 | 2020-09-30 | Direct borrowing |
| China Aluminum Commercial Factoring (Tianjin) Co., Ltd. | Borrowing | 40,000,000.00 | 2020-04-23 | 2020-09-30 | Direct borrowing |
| China Aluminum Commercial Factoring (Tianjin) Co., Ltd. | Borrowing | 38,500,000.00 | 2019-09-09 | 2020-09-23 | Direct borrowing |
| China Aluminum Commercial Factoring (Tianjin) Co., Ltd. | Borrowing | 100,000,000.00 | 2019-09-30 | 2020-09-30 | Direct borrowing |
| China Aluminum Group Limited | Borrowing | 1,000,000,000.00 | 2019-04-02 | 2022-04-01 | Entrusted loan |
| Chinalco Finance Company Limited | Providing deposit service | 2,120,351,434.24 | - | - | Balance of deposits |
| Total | - | 5,803,851,434.24 | - | - | - |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(5) Connected transactions (Continued)****5. Remuneration of key management**

| Remuneration of key management | From January to June 2020 | From January to June 2019 |
|---------------------------------------|----------------------------------|---------------------------|
| Total | 1,803,333.78 | 1,542,167.20 |

(6) Receivables from and payable to related parties**1. Receivables**

| Item | Related party | 30 June 2020 | | 1 January 2020 | |
|----------------------|---|-------------------------|-------------------------------|------------------------|-------------------------------|
| | | Carrying amount | Provision for bad debt | Carrying amount | Provision for bad debt |
| Account receivable | A joint venture of the Company | 64,000.00 | 320.00 | | |
| Account receivable | An associate of the Company | 194,606,327.17 | 8,371,638.03 | 816,585,143.26 | 8,958,908.48 |
| Account receivable | A subsidiary of China Aluminum Group | 2,774,505,729.73 | 151,207,296.47 | 2,667,813,500.00 | 127,581,169.61 |
| Account receivable | A joint venture of China Aluminum Group | 70,461,707.19 | 3,195,857.56 | 56,279,233.91 | 1,712,978.36 |
| Account receivable | An associate of China Aluminum Group | 516,045.40 | 258,022.70 | 516,045.40 | 258,022.70 |
| Subtotal | | 3,040,153,809.49 | 163,033,134.76 | 3,541,193,922.57 | 138,511,079.15 |
| Other receivable | A joint venture of the Company | 259,823.31 | 12,707.23 | 3,792,686.29 | 530,239.34 |
| Other receivable | An associate of the Company | 2,667,900.73 | 55,414.51 | 1,980,272.71 | 51,976.37 |
| Other receivable | A subsidiary of China Aluminum Group | 149,002,327.89 | 6,372,581.63 | 106,826,500.00 | 4,376,616.61 |
| Other receivable | A joint venture of China Aluminum Group | 410,000.00 | 50,075.00 | 410,000.00 | 36,775.00 |
| Subtotal | | 152,340,051.93 | 6,490,778.37 | 113,009,459.00 | 4,995,607.32 |
| Prepayment | A subsidiary of China Aluminum Group | 28,360,886.07 | | 10,719,844.29 | |
| Prepayment | An associate of the Company | 7,158,456.90 | | | |
| Subtotal | | 35,519,342.97 | | 10,719,844.29 | |
| Long-term receivable | A joint venture of China Aluminum Group | | | 32,964,881.27 | 2,541,966.68 |
| Total | | 3,228,013,204.39 | 169,523,913.13 | 3,697,888,107.13 | 143,506,686.47 |

SECTION 11 FINANCIAL REPORT

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(6) Receivables from and payable to related parties (Continued)****2. Payables**

| Item | Related party | Closing balance | Opening balance |
|---|---|------------------------|------------------------|
| Account payable | A subsidiary of China Aluminum Group | 198,852,233.75 | 233,796,421.49 |
| Account payable | An associate of the Company | 22,438,142.58 | 5,017,370.12 |
| Account payable | A joint venture of the Company | 3,981,215.64 | 31,068,827.91 |
| Subtotal | | 225,271,591.97 | 269,882,619.52 |
| Contract liability | A subsidiary of China Aluminum Group | 150,288,307.99 | 110,159,472.98 |
| Contract liability | A joint venture of China Aluminum Group | 347,064,335.09 | 412,966,115.36 |
| Contract liability | An associate of the Company | 7,760,437.14 | 10,615,544.28 |
| Subtotal | | 505,113,080.22 | 533,741,132.62 |
| Other payable | A subsidiary of China Aluminum Group | 55,108,421.00 | 60,187,603.77 |
| Other payable | An associate of the Company | 1,070,306.28 | 1,062,600.00 |
| Other payable | A joint venture of the Company | 423,412.00 | 423,412.00 |
| Subtotal | | 56,602,139.28 | 61,673,615.77 |
| Short-term borrowing | A subsidiary of China Aluminum Group | 1,321,912.52 | 1,247,222.92 |
| Non-current liability due within one year | A subsidiary of China Aluminum Group | 1,512,263.89 | 253,333.34 |
| Subtotal | | 2,834,176.41 | 1,500,556.26 |
| Dividend payable | The parent of the Company | 7,836,330.72 | |
| Dividend payable | A subsidiary of China Aluminum Group | 312,931.68 | |
| Total | | 789,820,987.88 | 866,797,924.17 |

SECTION 11 FINANCIAL REPORT

12. COMMITMENTS OR CONTINGENCIES

(1) Commitments

The Company and Yunnan Transportation Investment Construction Group Co., Ltd. (“Yunnan Transportation Investment”) jointly formed a non-government equity investor to work together with the local governments to invest in and establish three project companies, namely Yunnan Ningyong Expressway Co., Ltd. (“Ningyong Expressway”), Yunnan Linyun Expressway Co., Ltd. (“Linyun Expressway”) and Yunnan Linshuang Expressway Co., Ltd. (“Linshuang Expressway”), for the construction and operation of the said expressways under PPP mode. The shareholding of the Company, Yunnan Transportation Investment and the investment vehicle designated by the local governments in the three PPP project companies was 30%, 40% and 30% respectively.

The capital structure of each project company is as follow:

The investment vehicle designated by local government contributed 30% of total project investment (of which RMB30 million is the registered capital and the rest is capital reserve). The Company and Yunnan Transportation Investment respectively contributed RMB30 million and RMB40 million as paid-in registered capital.

Meanwhile, the Company and Yunnan Transportation Investment provide credit enhancement for the difference between the total investment and the capital contribution in proportion to their relative shareholding (3:4), and are liable for the financing for the operation period on a 42.86%:57.14% basis.

According to the relevant agreements, the Company is required to provide credit enhancement up to RMB4.559 billion, RMB3.19 billion and RMB2.086 billion (up to RMB9.835 billion in total) for investment loans granted to Ningyong Expressway, Linyun Expressway and Linshuang Expressway respectively, and issue a letter of undertaking for deficiency. The letter of undertaking for deficiency should be signed up to the above amounts respectively after negotiation with relevant creditors.

As of the date of approval of this report, the Company has actually issued the letter of undertaking and provided credit enhancement as follows:

Ningyong Expressway was granted a credit line of RMB8 billion by the bank, and the Company has issued a letter of undertaking for deficiency as to RMB3.429 billion or 42.86% of the credit line. The bank has actually granted a loan of RMB2.3 billion, and the Company has provided credit enhancement for RMB986 million of the loan.

Linyun Expressway was granted a credit line of RMB3 billion by the bank, and the Company has issued a letter of undertaking for deficiency as to RMB1.286 billion or 42.86% of the credit line. The bank has actually granted a loan of RMB1 billion, and the Company has provided credit enhancement for RMB429 million of the loan.

Linyun Expressway was granted a credit line of RMB2.36 billion by the bank, and the Company has issued a letter of undertaking for deficiency as to RMB1.011 billion or 42.86% of the credit line. The bank has actually granted a loan of RMB1.62 billion, and the Company has provided credit enhancement for RMB694 million of the loan.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies

1. Lawsuit on construction contract between the Company's subsidiary Sixth Metallurgical Construction Company of China Nonferrous Metals Industry (hereinafter referred to as "Sixth Metallurgical Company") and Shougang Jingtang Iron and Steel Corporation Limited (hereinafter referred to as "Jingtang Iron and Steel").

In November 2014, Jingtang Iron and Steel filed a lawsuit with Tangshan Intermediate People's Court, claiming that based on the quantity of work completed by Six Metallurgical Company, Sixth Metallurgical Company had been overpaid by Jingtang Iron and Steel for a total of RMB25.78 million after deducting expenses that should be borne by Six Metallurgical Company, and requesting Six Metallurgical Company to return the overpaid project sum. In March 2015, Six Metallurgical Company filed a lawsuit with the Higher People's Court of Hebei Province, pointing out that after the completion of the project, Jingtang Iron & Steel failed to calculate the contract price in the way agreed in the contract and did not review and settle part of the budgetary cost declared by Six Metallurgical Company, and requesting Jingtang Iron and Steel to pay the project sum of RMB292.28 million and interest thereon and to bear all litigation costs.

Six Metallurgical Company submitted applications to Tangshan Intermediate People's Court and Higher People's Court of Hebei Province respectively, requesting Tangshan Intermediate People's Court to suspend the hearing of civil case Jingtang Iron and Steel v. Six Metallurgical Company (2014) Tang Min Chu Zi No.205, and applying to Higher People's Court of Hebei Province to arraign the case for joint hearing with civil case Six Metallurgical Company v. Jingtang Iron and Steel (2015) Ji Min Chu Zi No.3. The Higher People's Court of Hebei Province accepted Six Metallurgical Company's application and held a hearing on the combined case in December 2015. The first instance ruled that Jingtang Iron and Steel shall pay RMB63.49 million and related interest to Six Metallurgical Company. In July 2019, the second instance ruled to revoke the Higher People's Court of Hebei Province (2015) Jimin Yichuzi No. 3 civil judgment and returned it to the Higher People's Court of Hebei Province for retrial. Currently, the case is under trial.

2. Dispute over engineering construction contract between the Company's subsidiary Sixth Metallurgical Company and Zhonghe Anshan Shengshide Real Estate Co., Ltd (hereinafter referred to as "Zhonghe Shengshide").

In September 2016, Sixth Metallurgical Company filed a lawsuit with Anshan Municipal Intermediate People's Court, requiring Zhonghe Shengshide to pay project arrears of RMB55.11 million and interest thereon, and claiming the priority as a construction project contractor against the 5#, 6#, 7#, and 8# floor and the underground parking lots of Zhonghe Shengshi Haoting (Phase II). In May 2018, the Anshan Municipal Intermediate People's Court made a judgment and rejected Sixth Metallurgical Company's litigation request. Sixth Metallurgical Company appealed the above judgment to the Higher People's Court of Liaoning Province in June 2018. In June 2019, the Higher People's Court of Liaoning Province revoked the judgment of first instance made by Liaoning Provincial Intermediate People's Court and remanded the case for a retrial. Currently, the case is under trial.

SECTION 11 FINANCIAL REPORT

12. COMMITMENTS OR CONTINGENCIES (Continued)**(2) Contingencies (Continued)**

3. Dispute over contract between our subsidiary Sixth Metallurgical Construction Company of China Nonferrous Metals Industry (hereinafter referred to as “Sixth Metallurgical Company”), Xinjiang Qinghua Investment Holdings Limited (hereinafter referred to “Qinghua Investment”) and Xinjiang Qinghua Energy Group Co., Ltd. (hereinafter referred to “Qinghua Energy”)

On 28 December 2018, Sixth Metallurgical Company filed an arbitration application to Urumchi Arbitration Commission in Urumchi City, Xinjiang Uygur Autonomous Region, requesting Qinghua Investment and Qinghua Energy to pay project sum and corresponding interest totaling RMB61.36 million and all litigation costs. Urumchi Arbitration Commission accepted the arbitration application, and issued the Notice on Acceptance of Arbitration Application ((2018) Wu Zhong Zi No.0375) on 18 February 2019. In August 2019, the Yining County People’s Court ruled that Qinghua Energy’s equity interests in Yili Qinghua Energy Development Company and Yining County Qinghua Hydropower Development Co., Ltd. should be frozen for a period of 2 years. Currently, the case is under trial.

4. Dispute over engineering construction contract between our subsidiary Sixth Metallurgical Construction Company of China Nonferrous Metals Industry (hereinafter referred to as “Sixth Metallurgical Company”) and Xinyang Jieming Earthwork Engineering Co., Ltd (hereinafter referred to as “Xinyang Jieming”)

In September 2017, Xinyang Jieming filed a lawsuit with the Zhengzhou Intermediate People’s Court, requesting an order to order Henan Xinchangcheng Construction Engineering Co., Ltd. (hereinafter referred to as “Xinchangcheng Construction”) to pay the project arrears and interest totaling RMB72.12 million, and Xinchangcheng Construction shall bear all litigation costs. The order stated that Sixth Metallurgical Company shall bear joint and several liability for the aforementioned payment responsibilities of Xinchangcheng Construction, and that Zhengzhou Airport Zone State-owned Asset Operation and Management Co., Ltd. shall bear joint and several liabilities within the scope of the project payment. In July 2019, the first instance judged that Xinchangcheng Construction shall pay Xinyang Jieming RMB51.7567 million and the interests therein, and Sixth Metallurgical Company shall assume joint and several liabilities. Xinchangcheng Construction, Xinyang Jieming and Sixth Metallurgical Company filed appeals against the aforementioned judgments in August 2019, respectively, and the Henan Higher People’s Court had accepted these appeals. On 6 July 2020, a second-instance judgment was received, which stated that Sixth Metallurgical Company shall bear joint and several liabilities within the range of RMB53.6071 million. At present, the retrial procedure of the case is in preparation.

In August 2020, Xinchangcheng Construction submitted a complaint to the Zhengzhou Intermediate People’s Court for a contract dispute with Xinyang Jieming, requesting a judgment to confirm that the total cost of the construction which was subcontracted by Xinchangcheng Construction to Xinyang Jieming was RMB26.9237 million. Xinchangcheng Construction requested a judgement to order Xinyang Jieming to return the over-paid construction cost of RMB66.1361 million to Xinchangcheng Construction, and the litigation cost of the case shall be borne by Xinyang Jieming. Sixth Metallurgical Company was the third person in this case. The Zhengzhou Intermediate People’s Court has accepted the case and ruled to freeze the deposit of RMB58 million in the bank of Xinyang Jieming. Currently, the case is under trial.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

5. Dispute over engineering construction contract between our subsidiary Sixth Metallurgical Construction Company of China Nonferrous Metals Industry (hereinafter referred to as Sixth Metallurgical Company) and Henan Hongxuan Real Estate Co., Ltd (hereinafter referred to as “Hongxuan Company”)

On 31 May 2018, Sixth Metallurgical Company filed a lawsuit with Anyang Intermediate People’s Court, requesting Hongxuan Company to pay project sums quality retentions totaling RMB77.07 million, and to bear all litigation costs. At the same time, Hongxuan Company brought a separate lawsuit against Sixth Metallurgical Company, claiming for complete documents on construction completion and RMB29.98 million of liquidated damage. In September 2019, Anyang Beiguan District People’s Court issued (2019) Yu 0503 Min Chu No. 2800 “Civil Judgement” and ruled that Xu Hongxuan Company’s case against Sixth Metallurgical Company. The Xu Hongxuan Company’s case against Sixth Metallurgical Company is under trial.

6. Dispute over engineering construction contract between our subsidiary Sixth Metallurgical Company) and Guizhou Gui’an Property Investment Co., Ltd (hereinafter referred to as “Gui’an Property”)

In June 2019, Sixth Metallurgical Company filed a lawsuit with Anshun Intermediate People’s Court in Guizhou Province, requesting Gui’an Property to pay a total of RMB90.5008 million, including RMB78.1324 million of project arrears and RMB12.3684 million of overdue interest, and to bear all litigation costs. On 12 July 2019, Anshun Intermediate People’s Court in Guizhou Province put the case on file. On 3 December 2019, the Court handed down the Civil Judgment [(2019) Qian 04 Min Chu No. 48], ruling that Gui’an Property shall pay Sixth Metallurgical Company RMB78.1324 million of project sum as well as relevant interest within 10 days from the effective date of the judgment.

Gui’an Property refused to accept the first-instance judgment and appealed to the Higher People’s Court of Guizhou Province, requesting that the case to be remanded for retrial or a revised sentence. The Higher People’s Court of Guizhou Province has accepted the case. In August 2020, the Higher People’s Court of Guizhou Province ruled to reject the appeal of Gui’an Property and uphold the original verdict of the first instance. Currently, the case is being executed.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

7. Dispute over engineering construction contract between our subsidiary Sixth Metallurgical Company and Yingkou Zhongwang Aluminum Co., Ltd (hereinafter referred to as “Zhongwang Aluminum”)

In July 2019, Sixth Metallurgical Company applied to Yingkou Arbitration Commission for arbitration, requesting Zhongwang Aluminum to pay project arrears of RMB49.5341 million and overdue interest, as well as all arbitration fees. In July 2019, Yingkou Arbitration Commission accepted the application. On 31 July 2019, Zhongwang Aluminum submitted a counterclaim application to Yingkou Arbitration Commission on grounds of project quality issue, claiming for compensation for estimated loss caused by project quality issue in amount of RMB500,000, as well as arbitration application fees, and appraisal fees. On 23 July 2020, the Intermediate People’s Court of Yingkou City, Liaoning Province issued (2019) Liao 08 Min Chu No. 2 Civil Judgment on this case, and the judgment is as follows: Zhongwang Aluminum will pay Sixth Metallurgical Company the project cost of RMB30.1862 million within ten days from the effective date of the judgment

8. Dispute over engineering construction contract between our subsidiary Sixth Metallurgical Company and Qiu Haijie, Zhang Jun, Guo Zhiming, and Zeng Minghai

In April 2018, Qiu Haijie, Zhang Jun, Guo Zhiming, and Zeng Minghai brought a lawsuit against Sixth Metallurgical Company with Tumed People’s Court in Inner Mongolia Autonomous Region, requiring Sixth Metallurgical Company to pay RMB26 million of project arrears. As the subject value went beyond the authority of the court, the case was handed over to Hohhot Intermediate People’s Court. In May 2018, Hohhot Intermediate People’s Court handed down the ruling of first instance to freeze RMB36 million of bank deposits of Sixth Metallurgical Company or the RMB36 million payable by Boyuan Real Estate Co., Ltd. in Hohhot Economic and Technological Development Zone to Sixth Metallurgical Company. In June 2019, an application of claim alternation increasing the subject value from RMB36 million to RMB60.9549 million was delivered to Hohhot Intermediate People’s Court. In 2018, Sixth Metallurgical Company refused to accept the civil ruling of the Hohhot Intermediate People’s Court, then raised an objection to the jurisdiction of the case, and appealed to the Higher People’s Court of the Inner Mongolia Autonomous Region. In April 2019, the Inner Mongolia Higher People’s Court issued the Civil Judgment (2019) Nei Min Xia Zhong No. 27, which ruled that the appeal was dismissed, upholding the original ruling. The case is now in court session.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

9. Dispute over engineering construction contract between our subsidiary Sixth Metallurgical Company and Kaiyang Ronghe Urban Development Investment Co., Ltd. (hereinafter referred to as “Kaiyang Ronghe”)

In January 2020, Sixth Metallurgical Company filed a lawsuit with the Intermediate People’s Court of Guiyang City, Guizhou Province, requesting an order to order Kaiyang Ronghe to pay RMB80.3159 million project costs and overdue interest, and Kaiyang Ronghe shall bear all litigation costs. The Intermediate People’s Court of Guiyang City, Guizhou Province has accepted the case. Currently, the case is under trial.

10. Dispute over engineering construction contract between our subsidiary Sixth Metallurgical Company and Henan Taixing House Property Co., Ltd. (hereinafter referred to as “Henan Taixing”)

In June 2020, Henan Taixing filed a lawsuit with the Intermediate People’s Court of Zhengzhou City, Henan Province, requesting an order for Sixth Metallurgical Company to pay liquidated damages and interest for the delay of the project, totaling RMB59.5986 million, and Sixth Metallurgical Company shall bear the litigation costs in full. As Henan Taixing failed to pay the case acceptance fee in advance within the prescribed time, the Intermediate People’s Court of Zhengzhou City, Henan Province ruled that Henan Taixing withdrew the prosecution. In August 2020, Henan Taixing filed a lawsuit again with the Intermediate People’s Court of Zhengzhou City, Henan Province, and neither the content of the lawsuit nor the amount involved in the lawsuit changed. Currently, the case is still under trial.

In November 2019, Sixth Metallurgical Company filed a lawsuit with the Intermediate People’s Court of Zhengzhou City, Henan Province, requesting a ruling to terminate the construction contract, and requesting a ruling for Henan Taixing to pay the remaining construction costs, interest, and compensation. Currently, the case is still under trial.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

11. Dispute over engineering construction contract between our subsidiary Sixth Metallurgical Company and Henan Zhongfu Industrial Co., Ltd. (hereinafter referred to as “Henan Zhongfu”)

In August 2020, Sixth Metallurgical Company filed a lawsuit with the Intermediate People’s Court of Zhengzhou City, Henan Province, requesting a judgment that Henan Zhongfu shall pay a total of RMB76.1560 million for the construction costs and interest, and Henan Zhongfu shall bear all litigation costs and preservation fees. The Intermediate People’s Court of Zhengzhou City, Henan Province has accepted the case. Sixth Metallurgical Company submitted a property preservation application to the Intermediate People’s Court of Zhengzhou City, applying to freeze Henan Zhongfu’s bank deposits of RMB76.1560 million or seize other properties of the same value. Currently, Sixth Metallurgical Company has yet to receive a ruling on the application for property preservation from the Intermediate People’s Court of Zhengzhou City, and the case is under trial.

12. Dispute over engineering construction contract between our wholly-owned subsidiary China Aluminum Great Wall Construction Co., Ltd (hereinafter referred to as “Great Wall Construction”) and Changge Hongji Weiye Real Estate Development Co., Ltd (hereinafter referred to as “Hongji Weiye”)

On 25 April 2019, Great Wall Construction filed a lawsuit against Hongji Weiye with Xuchang Intermediate People’s Court in Henan Province for dispute over engineering construction contract, requesting that:

- (1) Hongji Weiye pays Great Wall Construction RMB89.4323 million of project arrears and RMB4.4716 million of interest (at 12% per annum for the period from 19 November 2018 to 18 April 2019), totaling RMB93.9039 million in aggregate. The interest on project sum is calculated up to the payment date determined in the judgement.
- (2) Great Wall Construction has priority in respect of payment from discounted price or auction price of high-rise construction project including 27# and 31# floor in Zone A of Hongji Weiye’s Changge Diamond Plaza located north to the middle part of Getian Avenue in Changge City, to the extent of project sum of RMB89.4323 million payable by Hongji Weiye.
- (3) Hongji Weiye bear all litigation fees, attachment fees, and guarantee fees concerning this case.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

12. (Continued)

On 8 January 2020, Great Wall Construction submitted to Xuchang Intermediate People's Court an application for alternation to claims as follows:

- (1) Hongji Weiye pays Great Wall Construction project sum of RMB56.2155 million and the interest (at 12% per annum for the period from 19 November 2018 to the payment date determined in the judgement).
- (2) Great Wall Construction has priority in respect of payment from discounted price or auction price of high-rise construction project including 27# and 31# floor in Zone A of Hongji Weiye's Changge Diamond Plaza located north to the middle part of Getian Avenue in Changge City, to the extent of project sum of RMB56.2155 million payable by Hongji Weiye.
- (3) Hongji Weiye bears RMB25,400 of attachment guarantee fee and RMB850,000 of appraisal fee concerning this case.
- (4) Hongji Weiye bears all litigation fees and attachment fees concerning this case.

Currently, the case is still under trial.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

13. Dispute over engineering construction contract between the Company's subsidiary China Nonferrous Metals Industry's 12th Metallurgical Construction Co., Ltd. (hereinafter referred to as "Twelfth Metallurgical Company") and Huainan Zhongsheng Property Co., Ltd ("Huainan Zhongsheng"), Zhirongcheng Investment (Beijing) Co., Ltd. ("Zhirongcheng"), Beijing Wuzhou Hengyou International Investment Co., Ltd. (Wuzhou Hengyou), Ganzhou Hualong Real Estate Development Co., Ltd ("Ganzhou Hualong"), and Chen Quanhong.

In April 2016, Twelfth Metallurgical Company filed a lawsuit with Shanxi Provincial High People's Court, requesting Huainan Zhongsheng to repay the RMB450 million of advance for land transfer fees, as well as RMB151.18 million of interest and RMB150.81 million of liquidated damage, Zhirongcheng and Ganzhou Hualong to assume guarantor's liability to the extent of equity pledged, and Chen Quanhong to bear litigation fees and attachment fees concerning the case.

Shanxi Provincial Higher People's Court put the case on file in April 2016 and handed down the Civil Judgment [2016 Jin Min Chu No.27] in July 2016, seizing the state-owned construction land use right of Huainan Zhongsheng, which is located in the south of Guoqing West Road, Ancheng Town, Tianjia'an District, Huainan City, with an area of 90,250.79 square meters, and the north of Shijianhu East Road, Tianjia'an District, Huainan City, with an area of 16,481.42 square meters. In September 2016, Shanxi Provincial Higher People's Court issued a ruling [(2016) Jin Min Chu No. 27-1], which imposed an additional freeze RMB509 million bank deposits or equivalent assets of the defendants Huainan Zhongsheng, Zhirongcheng, Beijing Wuzhou Hengyou Company, Ganzhou Hualong Real Estate Company and Chen Quanhong. Subsequently, the land use rights of 42,871.68 square meters and 33,201.40 square meters in the south of Guoqing West Road, Ancheng Town, Tianjiaan District, Huainan City, were seized.

The Supreme People's Court issued a final judgment of second instance on 14 October 2019, and ruled that Tianjia'an District Government should pay Huainan Zhongsheng RMB443 million. On 24 December 2019, Twelfth Metallurgical Company applied to the Anhui Higher People's Court for the enforcement of such order on behalf of Huainan Zhongsheng. Currently, the case is in the enforcement stage.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

14. Dispute over engineering construction contract between our subsidiary Twelfth Metallurgical Company, and Anhui Wante Investment Development Co., Ltd. (hereinafter referred to as “Anhui Wante”) and its Liu’an Branch (hereinafter referred to as “Liu’an Branch”)

In June 2016, Twelfth Metallurgical Company filed a lawsuit with Anhui Provincial Higher People’s Court against Anhui Wante and its Liu’an Branch, requesting them to pay RMB152.21 million of project arrears and RMB27.40 million of penal interest, make compensation for the loss of RMB27.74 million caused to Twelfth Metallurgical Company, and return the RMB4 million of performance bond together with RMB380,000 of interest. Twelfth Metallurgical Company applied in June 2016 for a freeze on the defendants’ bank deposits of RMB1.28 million, and 61 houses and 212 shops on sale in Bengbu. In June 2016, the first instance ruled that RMB170 million of bank deposits of Anhui Wante and its Liu’an Branch shall be frozen, or their assets in equivalent amount shall be seized or distrained. In January 2019, Anhui Wante appealed against the judgment of the first instance. The court of second instance rejected their appeal, upholding the judgment of the first instance. Twelfth Metallurgical Company is currently applying for enforcement.

15. Dispute over engineering construction contract between our subsidiary Twelfth Metallurgical Company and Taiyuan Jiaxin Palm Real Estate Development Co., Ltd (hereinafter referred to as “Jiaxin Palm”)

In September 2018, Twelfth Metallurgical Company filed a lawsuit with Taiyuan Intermediate People’s Court in Shanxi Province, demanding that Jiaxin Palm pay project arrears, liquidated damage and relevant economic loss totaling RMB53.31 million, and requesting the termination of the Engineering Construction Contract between the parties. Taiyuan Intermediate People’s Court put the case on file on 12 October 2018. Twelfth Metallurgical Company filed an application for preservation with the Taiyuan Intermediate People’s Court. The Taiyuan Intermediate People’s Court seized 41 houses under the name of Jiaxin Palm. The period of seizure was from 20 March 2019 to 19 March 2022. The case is currently in hearing of first instance.

16. Dispute over engineering construction contract between our subsidiary Twelfth Metallurgical Company and China National Aviation Fuel Northern Storage and Transportation Co., Ltd. (hereinafter referred to as “Northern Storage and Transportation”)

In June 2020, Twelfth Metallurgical Company filed an arbitration application to the Beijing Arbitration Commission, requesting an order for Northern Storage and Transportation to pay the project arrears and interest on the arrears, totaling RMB72.8684 million, and Northern Storage and Transportation shall bear all arbitration costs. Currently, the case is under trial.

SECTION 11 FINANCIAL REPORT

12. COMMITMENTS OR CONTINGENCIES (Continued)**(2) Contingencies (Continued)**

17. Dispute over engineering construction contract between the Company's subsidiary Ninth Metallurgical Company and Gree Electric Appliances (Zhengzhou) Co., Ltd. (hereinafter referred to as "Gree Zhengzhou")

In April 2019, Ninth Metallurgical Company filed a lawsuit with Zhengzhou Intermediate People's Court, requesting Gree Zhengzhou to pay project sum of RMB56.4488 million and assume all litigation costs. Zhengzhou Municipal Intermediate People's Court has accepted the case.

On 4 February 2020, Ninth Metallurgical Company received the Civil Judgement [(2019) Yu 01 Min Chu No. 30] from Zhengzhou Intermediate People's Court. The Judgement ruled that Gree Zhengzhou shall pay Ninth Metallurgical Company RMB6.8087 million of project sum and interest thereon. Ninth Metallurgical Company appealed the aforementioned judgment on 24 March 2020. Currently, the case is under trial.

18. Debt dispute between our subsidiary CHALIECO (Tianjin) Construction Co., Ltd. (hereinafter referred to as "Tianjin Construction") and GAO Weihua and 7 companies including Tianzi Environmental Protection Investment Holdings Co., Ltd. (hereinafter referred to as "Tianzi Environmental Protection")

In May 2016, Tianjin Construction filed a lawsuit with Tianjin Second Intermediate People's Court, demanding that Tianzi Environmental Protection pay RMB35.75 million of funding fee and costs for equipment purchase, storage, and management, with the rest 7 defendants jointly and severally liable for the aforesaid payment. Tianjin Second Intermediate People's Court accepted the case in May 2016.

In June 2016, Tianjin Construction submitted the Application for Additional Defendants and Claims, adding Tianjin Free Trade Zone Branch of Industrial and Commercial Bank of China (hereinafter referred to as "ICBC Free Trade Zone Branch") as a defendant, and demanding that Tianzi Environmental Protection repay the principal and interest of the project advance and equipment investment totaling RMB176.7 million, Huazhiyuan (Tianjin) International Trade Co., Ltd. (hereinafter referred to as "Huazhiyuan") be severally and jointly liable for the payment to the extent guaranteed and ICBC Free Trade Zone Branch assume guarantor's liability under the guarantee. In March 2017, Tianjin Construction won the lawsuit in the first instance, and Tianzi Environmental Protection appealed to Tianjin Higher People's Court, which ruled on the revocation of the civil judgment made by Tianjin Second Intermediate People's Court and remanded the case for retrial. The case is currently in trial.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

19. Dispute over engineering construction contract between Guiyang Aluminum and Magnesium Design Institute Construction Contracting Co., Ltd. (hereinafter referred to as “Guiyang Institute Contracting Company”), a wholly-owned subsidiary of our subsidiary Guiyang Institute, and Guizhou Huada Real Estate Development Co., Ltd. (hereinafter referred to as “Guizhou Huada”)

In December 2018, Guiyang Institute Contracting Company submitted an application to Guiyang Arbitration Committee for arbitration against Guizhou Huada for the dispute over general contracting agreement. On 20 January 2020, Guiyang Arbitration Committee issued the Award (2019) Gui Zhong Cai Zi No. 0727 as follows:

- (1) It is confirmed that the RMB150 million advanced by Guiyang Institute Contracting Company for Guizhou Huada and the RMB70 million project payment, totaling RMB220 million, have become due, and Guizhou Huada shall repay the RMB220 million to Guiyang Institute Contracting Company within 30 days after the judgement is served.
- (2) Within 30 days after the judgment is served, Guizhou Huada shall repay Guiyang Institute Contracting Company the RMB150 million advanced payment, and RMB70 million project sum and relevant interest up to when the repayment is made.
- (3) Within 30 days after the judgment is served, Guizhou Huada shall repay Guiyang Institute Contracting Company liquidated damage on the basis of the RMB220 million advance at 6% per annum for the period from 19 September 2019 up to when the repayment is made.
- (4) Within 30 days after the judgment is served, Guizhou Huada shall pay Guiyang Institute Contracting Company RMB200,000 as liquidated damage for the delay in mortgage, RMB1.2 million of attorney’s fee, RMB400,000 of attachment guarantee fee and RMB3,000 of attachment fee. The arbitration fee amounted to RMB2.2087 million, with RMB662,600 payable by Guiyang Institute Contracting Company and RMB1.5461 million payable by Guizhou Huada.

On 15 January 2016, Guiyang Institute Contracting Company, Xixiu District of Anshun City Urban Investment and Development Co., Ltd. (hereinafter referred to as “Xixiu Urban Investment”) and Huada Company entered into the “Credit Guarantee Contract”, stipulating that Xixiu Urban Investment assumes joint and several guarantee responsibility for the funds advanced by Guiyang Institute Contracting Company. Xixiu Urban Investment breached the contract during the performance of its obligations and failed to perform the joint and several liability for the settlement as agreed. Guiyang Institute Contracting Company filed a lawsuit with the Intermediate People’s Court of Guiyang City, Guizhou Province, located in Guiyang City, Guizhou Province, requesting to order Xixiu Urban Investment to pay PRM367 million due to Guiyang Institute Contracting Company from Huada Company (according to the content of (2019) Gui Zhong Cai Zi No. 0727 the “Ruling”, up to 7 April 2020 tentatively), and shall be jointly and severally liable to Guiyang Institute Contracting Company for settlement within the range of RMB250 million; Xixiu Urban Investment was ordered to pay liquidated damages of RMB7.75 million and bear all litigation costs. The Intermediate People’s Court of Guiyang City, Guizhou Province has accepted the case. Currently, the case is still under trial.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

20. Dispute over engineering construction contract between Guiyang Institute, a subsidiary of the Company, Guiyang Institute Contracting Company, a wholly-owned subsidiary, and Seventh Metallurgical Civil Engineering Co., Ltd. (hereinafter referred to as “Seventh Metallurgical Civil Engineering”)

In August 2020, Seventh Metallurgical Civil Engineering filed an arbitration application with Guiyang Arbitration Commission, requesting a ruling that Guiyang Institute Contracting Company should pay RMB3.9017 million for the completed project to Seventh Metallurgical Civil Engineering; requesting a ruling that Guiyang Institute should pay RMB49.8044 million for the completed project to Seventh Metallurgical Civil Engineering; requesting a ruling to pay part of the expected benefits (expected reasonable profit) of Building B of the involved project to Seventh Metallurgical Civil Engineering due to the breach of contract by Guiyang Institute of RMB4.9145 million; requesting a ruling that Guiyang Institute and Guiyang Institute Contracting Company’s breach of contract in respect of the project payment that incurred a loss of RMB4.4108 million of Seventh Metallurgical Civil Engineering due to the suspension of construction; requesting a ruling that the delayed demolition of the project involved in the case resulting in the prolonged idling of the labor force of Seventh Metallurgical Civil Engineering in a loss of RMB2.3817 million; requesting a ruling that Guiyang Institute should pay the reasonable profit that should be paid due to the delay in payment of the project progress payment to Seventh Metallurgical Civil Engineering until the date of payment in full; requesting a ruling that Seventh Metallurgical Civil Engineering should enjoy priority in compensation for the project payment in respect of the project involved in the case, and Guiyang Institute and Guiyang Institute Contracting Company shall bear arbitration costs, preservation fees, and attorney fees. The Guiyang Arbitration Commission has accepted the case. Currently, the case is still under trial.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

21. Dispute over contract between the Company and China Aluminum International Engineering & Equipment Co., Ltd. (hereinafter referred to as “Equipment Company”), a wholly-owned subsidiary of the Company, and Qinghai Xibu Hydropower Co., Ltd (hereinafter referred to as “Xibu Hydropower”)

On 21 December 2018, the Company filed a lawsuit with Qinghai Provincial Higher People’s Court, requesting Xibu Hydropower to pay the arrears and relevant interest totaling RMB142.67 million and bear all litigation costs. Qinghai Provincial Higher People’s Court put the case on file, and issued the Circular of Qinghai Provincial Higher People’s Court on Case Acceptance [(2018) Qing Min Chu No. 207]. On 13 May 2019, Qinghai Provincial Higher People’s Court handed down the first-instance judgement, ruling that Qinghai Xibu Hydropower Co., Ltd shall pay the Company compensation and cost of about RMB130 million, as well as interest and liquidated damage of about RMB93 million for the period from 22 December 2018 up to the actual payment date. As Xibu Hydropower failed to perform its financial payment obligations as scheduled, the Company applied to the Qinghai Higher People’s Court for enforcement. As at 19 June 2020, the Higher People’s Court of Qinghai Province accepted the bankruptcy and reorganization application of Xibu Hydropower. As at 16 July 2020, an execution ruling (being one of (2020) Qing 01 Zhi Hui No. 50) was issued to terminate the enforcement procedure.

On 21 December 2018, Equipment Company filed a lawsuit with Qinghai Provincial Higher People’s Court, requesting Xibu Hydropower to pay the arrears and relevant interest totaling RMB196.24 million and bear all litigation costs. Qinghai Provincial Higher People’s Court put the case on file, and issued the Circular of Qinghai Provincial Higher People’s Court on Case Acceptance [(2018) Qing Min Chu No. 208]. In August 2019, Qinghai Provincial Higher People’s Court handed down the first-instance judgement, ruling that Qinghai Xibu Hydropower Co., Ltd shall pay China Aluminum International Engineering & Equipment Co., Ltd. about RMB161 million, as well as interest and liquidated damage for the period from 1 January 2017 up to the actual payment date. As Xibu Hydropower failed to perform its financial payment obligations as scheduled, Equipment Company applied to the Qinghai Higher People’s Court for enforcement. As at 19 June 2020, the Higher People’s Court of Qinghai Province accepted the bankruptcy and reorganization application of Xibu Hydropower. As at 16 July 2020, an execution ruling (being one of (2020) Qing 01 Zhi Hui No. 51) was issued to terminate the enforcement procedure.

The Company’s total balance of accounts receivable from subsidiaries of Qinghai Provincial Investment Group Co., Ltd. was RMB274.7728 million. As Qinghai Investment’s subsidiaries have entered bankruptcy and reorganization procedures, the Company has made provision for bad debts of RMB61.3774 million. The Company will actively urge the collection of receivables, continue to follow up the reorganization of Qinghai Provincial Investment Group Co., Ltd., and judge the status of bad debts based on the reorganization, and make timely and accurate provision for bad debts.

SECTION 11 FINANCIAL REPORT

12. COMMITMENTS OR CONTINGENCIES (Continued)**(2) Contingencies (Continued)**

22. Dispute over contract between the Company and its holding subsidiary Qingdao Xinfu Gongchuang Asset Management Company Limited (hereinafter referred to as “Qingdao Xinfu”), Qingdao Liangyou Catering Co., Ltd. (hereinafter referred to as “Qingdao Liangyou”), Shandong Real Estate Development Group Qingdao Company (hereinafter referred to as “Shandong Real Estate”), Liang Yongjian, Wang Xiaoning

From 2017 to 2018, the Company entered into the “Qingdao Hong Kong Landmark Shopping Mall (Ting Town) Project Cooperation Agreement” and supplementary agreements with Qingdao Xinfu, Liang Yongjian, Wang Xiaoning and Shandong Real Estate, respectively. In order to revitalize the Ting Town project, the Company provided loans to Qingdao Xinfu. The principal amount of the expiring creditor’s rights enjoyed by the Company over Qingdao Xinfu was RMB616.3497 million in total, and the final settlement period for Qingdao Xinfu to the Company regarding the loan for each period was 30 April 2020. The calculation of the interests on such loans shall be carried out in accordance with the provisions of the loan contracts in each period, and the project returns shall be repaid to the Company priority in proportion. On 26 June 2017, the Company entered into “Equity Pledge Contract” with Liang Yongjian and Wang Xiaoning. Liang Yongjian and Wang Xiaoning pledged 10% of equity in Qingdao Xinfu to the Company to guarantee Qingdao Xinfu’s obligation to repay the principal and interests of the loans to the Company under the Cooperation Agreement. On 26 June 2017, the Company entered into “Joint Liability Guarantee Contract” with Qingdao Liangyou, and entered into “Joint Liability Guarantee Contract” with Liang Yongjian and Wang Xiaoning. Qingdao Liangyou, Liang Yongjian and Wang Xiaoning were required to bear unlimited joint and several guarantee liabilities for all the principal and interests of Qingdao Xinfu’s loans as confirmed in the “Cooperation Agreement”. On 29 July 2017, the scope of guarantee was extended to loans under the supplementary agreement.

According to the “Cooperation Agreement”, the parties shall with each other to realize the creditor’s rights of all parties through the sales rebate in respect of the project. However, Shandong Real Estate’s failure to pay the project’s land transfer fees caused the failure to dispose of the project and obtain rebate in respect of the project. Shandong Real Estate, as a result, violated the “Cooperation Agreement” and constituted a breach of contract.

As Qingdao Xinfu did not repay the above-mentioned due loans, Qingdao Liangyou, Liang Yongjian and Wang Xiaoning should perform their guarantee obligations. Shandong Real Estate constituted a breach of contract, and the Company in turn filed an arbitration application with the Beijing Arbitration Commission in Beijing, requesting rulings as follows:

- (1) Qingdao Xinfu shall repay the due loan principal of RMB616.3497 million and provisional interest and liquidated damages of RMB244.9593 million;

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

22. (Continued)

- (2) The Company's creditor's rights over Qingdao Xinfu shall have priority over the creditor's rights of Shandong Real Estate and Liang Yongjian over Qingdao Xinfu;
- (3) The application for the sales of buildings from the lower ground floor to fourth floor of Hong Kong Landmark Shopping Center at No. 93, Hong Kong Road Central, Shinan District, Qingdao City, purchased by Qingdao Xinfu, and the proceeds from the auction sale shall be given priority to pay off the loans in respect of the arbitration request (1) in accordance with the contract;
- (4) The application for the auction of the 6% equity (capital contribution of RMB0.6 million) and 4% equity (capital contribution of RMB0.4 million) of Qingdao Xinfu held by Liang Yongjian and Wang Xiaoning, and the proceeds from the auction sale shall be given priority to pay off the the loans in respect of the arbitration request (1);
- (5) To request a ruling that Liang Yongjian, Wang Xiaoning, and Qingdao Liangyou shall bear the Company's joint liability for settlement within the scope of the arbitration request in (1);
- (6) To request a ruling that Shandong Real Estate shall bear the Company's liability for breach of contract, and the compensation for the Company's interest losses was temporarily calculated at RMB46.1013 million, and if the Company's claim under (1) cannot be fully paid off, it shall then assume supplementary compensation liability;
- (7) A ruling that the five applicants jointly bear the Company's attorney fees, preservation fees, and arbitration fees.

The Beijing Arbitration Commission issued the "Notice on Acceptance of Arbitration Case (2020) Jing Zhong An Zi No. 1571" on 2 June 2020, and accepted the company's arbitration application. Currently, the case is still under trial.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

23. Dispute over contract between the wholly-owned subsidiary of Equipment Company, the Company's subsidiary, China Aluminum International Shandong Chemical Industry Co., Ltd. (hereinafter referred to as "Shandong Chemical") and Shandong Jiata Plastic Package Co., Ltd. (hereinafter referred to as "Shandong Jiata"), Huang Chunqing, Huang Feng, Lin Yulei, Huang Zhongqing, Huang Shunqing, Zhao Youjie

In November 2019, Shandong Chemical filed a lawsuit with the Zibo Intermediate People's Court, requesting an order to order Shandong Jiata to pay RMB74.6107 million for the goods and RMB3.0382 million for interests; an order requesting the auction and sale of the pledged property under the "Accounts Receivable Pledge Contract" and Shandong Chemical has the priority right of compensation; an order requesting the auction and sale of the pledged property under the "Maximum Equity Pledge Contract" and Shandong Chemical has the priority right of compensation; and an order requesting 6 natural persons, Huang Chunqing, to bear joint and several liabilities for all the payments payable by Shandong Jiata. The Zibo Intermediate People's Court accepted the case on 25 November 2019.

Meanwhile, Shandong Chemical filed an application for preservation of the case. On 2 December 2019, the Zibo Intermediate People's Court issued (2019) Lu 03 Min Chu No. 206 "Civil Ruling", ruling to freeze the bank deposits of 6 natural persons, including Shandong Jiata and Huang Chunqing, in the amount of RMB77.6489 million, or to seal up or seize their properties of corresponding value.

The trial was opened on 22 April 2020. On 16 June, the court ruled that Shandong Chemical won the case, and that Shandong Jiata should pay RMB72.0136 for the goods and RMB4.8032 million for liquidated damages within ten days of the effective date of the judgment. Shandong Chemical had the right to use the proceeds from the auction and sale of the pledged equity of Huang Chunqing, Huang Feng, and Lin Yulei in Shandong Jiata within the range of RMB150 million, with priority in receiving compensation. Huang Chunqing, Huang Feng, Lin Yulei, Huang Zhongqing, Huang Shunqing, and Zhao Youjie shall assume joint and several liability for the settlement of the debts under the above-mentioned first payment within the range of RMB150 million. Shandong Chemical has requested the court to enforce the order, and the order is currently being enforced.

12. COMMITMENTS OR CONTINGENCIES (Continued)

(2) Contingencies (Continued)

24. Dispute over contract between the wholly-owned subsidiary of Equipment Company, a subsidiary of the Company, Shanghai China Aluminum International Supply Chain Management Co., Ltd. (hereinafter referred to as “China Aluminum Supply Chain”), and Shanghai Golden Elephant Aluminium Co., Ltd. (hereinafter referred to as “Golden Elephant Aluminium”)

In July 2020, China Aluminum Supply Chain filed a lawsuit with the People’s Court of Pudong New Area, Shanghai, requesting an order to order Golden Elephant Aluminium to pay the contract amount of RMB53.2549 million and the liquidated damages of RMB5.1127 million, and bear all litigation costs. The People’s Court of Pudong New Area, Shanghai has accepted the litigation request of China Aluminum Supply Chain. Currently, the case is under trial.

(III) Guarantees

1. Our subsidiary Ninth Metallurgical Construction Co., Ltd. Hanzhong Branch provides several and joint liability guarantee for Mian County Urban Development Investment Co., Ltd. in respect of a RMB95 million loan granted by China Development Bank which matures on 6 January 2023. As of 30 June 2020, the balance of guarantee was RMB34.5 million.
2. The wholly-owned subsidiary of our subsidiary Hanzhong Ninth Metallurgical Construction Co., Ltd. provides several and joint liability guarantee for Mian County Urban and Rural Infrastructure Construction Co., Ltd. in respect of a RMB100 million loan granted by Agricultural Development Bank of China which matures on 19 October 2027. As of 30 June 2020, the balance of guarantee was RMB68.15 million.

13. EVENTS AFTER THE BALANCE SHEET DATE

(I) Issuance of ultra short-term financing bills

The China Association of Interbank Market Dealers agreed to accept the registration of the Company for issuing ultra-short-term financing bills in the PRC. The registered amount of the Company’s ultra-short-term financing bills is RMB4 billion, with a registered quota being valid for 2 years from 25 July 2018. In July 2020, the Company issued the fifth tranche of ultra short-term financing bills of RMB1 billion in 2020.

(II) The payment of 2019 dividend

The general meeting of the Company approved the 2019 profit distribution plan in June 2020, with a dividend of RMB0.0036 (tax included) per ordinary share, totaling RMB10,652,640.00. The Company has paid the dividend in July 2020.

SECTION 11 FINANCIAL REPORT

14. OTHER KEY MATTERS**(1) Lease****1. Lessor – operating lease**

| Item | Amount |
|---|----------------|
| ① Income | |
| Lease income | 36,265,069.64 |
| Variable lease payment related income not included in lease receipts | |
| ② Undiscounted lease receipts to be received in each of the five financial years post the balance sheet date | 216,706,063.00 |
| Year 1 | 44,141,285.00 |
| Year 2 | 48,745,966.00 |
| Year 3 | 41,270,466.00 |
| Year 4 | 41,275,164.00 |
| Year 5 | 41,273,182.00 |
| ③ Total of undiscounted lease receipts to be received in remaining years | |

2. Lessee

(1) Lessee information disclosure

| Item | Amount |
|---|---------------|
| Short-term lease expense and low-value asset lease expense charged to profit or loss | 15,566,731.40 |
| Total cash outflows related to lease | 4,336,909.94 |

Note: See Note 5.(18) for details on right-of-use assets and see Note 5.(35) for details on interest expense on lease obligations.

SECTION 11 FINANCIAL REPORT

14. OTHER KEY MATTERS (Continued)**(2) Segment report****1. Confirmation basis and accounting policy of segment report**

For management purposes, the Company is divided into several business units based on products and businesses with four reporting segments, including engineering design and consultancy, engineering contracting, equipment manufacturing and trading. The management of the Company separately evaluated the operating performance of the engineering design and consultancy, engineering contracting, equipment manufacturing and trading segments, and further evaluated the operating results of the above segments in different regions.

The management of the Company separately managed the operating results of each business unit for the purpose of decision-making for resource allocation and performance evaluation. Segment results are evaluated based on operating profit. The inter-segment transfer price is determined with reference to the price used for sales to third parties, and the expenses indirectly attributable to each segment are distributed among the segments in proportion to the revenue.

2. Financial information reported by segments

(1) From January to June 2020

| Item | Engineering design and consultancy | Engineering contracting | Equipment manufacturing | Trading | Inter-segment elimination | Total |
|--|------------------------------------|-------------------------|-------------------------|------------------|---------------------------|-------------------|
| 1. Operating revenue | 1,110,576,747.62 | 7,337,792,645.93 | 567,798,357.16 | 1,442,293,018.78 | 511,850,306.99 | 9,946,610,462.50 |
| Including: revenue generated from contracts with customers | 1,086,224,046.31 | 7,331,793,436.27 | 563,486,430.32 | 1,440,691,786.95 | 506,965,807.14 | 9,915,229,892.71 |
| Rental income | 24,352,701.31 | 5,999,209.66 | 4,311,926.84 | 1,601,231.83 | 4,884,499.85 | 31,380,569.79 |
| 2. Segment income | 7,075,126.22 | -18,023,639.49 | -37,812,282.34 | -9,687,303.22 | - | -58,448,098.83 |
| Income tax | - | - | - | - | - | 24,610,867.04 |
| Net profit | - | - | - | - | - | -83,058,965.87 |
| 3. Total assets | 21,439,080,536.68 | 27,649,182,246.58 | 3,037,576,964.91 | 5,771,710,321.78 | 3,773,521,616.19 | 54,124,028,453.76 |
| 4. Total liabilities | 14,373,509,565.14 | 24,247,576,425.89 | 2,052,609,586.44 | 2,747,094,697.92 | 6,121,670,636.74 | 37,299,119,638.65 |

SECTION 11 FINANCIAL REPORT

14. OTHER KEY MATTERS (Continued)**(2) Segment report (Continued)****2. Financial information reported by segments (Continued)**

(2) From January to June 2019

| Item | Engineering design and consultancy | Engineering contracting | Equipment manufacturing | Trading | Inter-segment elimination | Total |
|--|------------------------------------|-------------------------|-------------------------|------------------|---------------------------|-------------------|
| 1. Operating revenue | 1,234,885,767.19 | 8,574,832,181.13 | 697,894,715.98 | 3,100,922,534.92 | 92,036,327.36 | 13,516,498,871.86 |
| Including: revenue generated from contracts with customers | 1,214,346,598.34 | 8,566,126,679.27 | 693,674,532.50 | 3,099,207,228.85 | 85,180,169.36 | 13,488,174,869.60 |
| Rental income | 20,539,168.85 | 8,705,501.86 | 4,220,183.48 | 1,715,306.07 | 6,856,158.00 | 28,324,002.26 |
| 2. Segment income | 6,851,866.94 | 82,689,790.73 | -36,768,736.31 | 52,956,717.54 | -7,826,385.36 | 113,556,024.26 |
| Income tax | - | - | - | - | - | 18,509,916.37 |
| Net profit | - | - | - | - | - | 95,046,107.89 |
| 3. Total assets | 21,363,317,178.70 | 27,063,607,006.71 | 3,161,914,367.98 | 4,949,890,467.22 | 6,348,270,011.64 | 50,190,459,008.97 |
| 4. Total liabilities | 14,905,865,388.69 | 21,575,855,864.89 | 2,017,625,626.01 | 3,999,566,971.55 | 5,421,083,910.21 | 37,077,829,940.93 |

(3) Auditor's remuneration

| Auditor's remuneration | From January to June 2020 | From January to June 2019 |
|-------------------------------|----------------------------------|---------------------------|
| Total | 1,170,000.00 | 1,200,000.00 |

SECTION 11 FINANCIAL REPORT

14. OTHER KEY MATTERS (Continued)**(4) Directors', Supervisors' and Employees' Emoluments****1. Directors' and supervisors' emoluments**

| Director and supervisor | From January to June 2020 | From January to June 2019 |
|--|------------------------------|------------------------------|
| – Salary, subsidy, allowance and bonus | 955,860.00 | 919,000.00 |
| – Contribution to social security and housing provident funds | 222,983.10 | 306,884.85 |
| – Contribution to pension fund | 127,248.96 | 98,646.10 |
| Total | 1,306,092.06 | 1,324,530.95 |

The emoluments of directors and supervisors as of 30 June 2020 are as follows:

| Director/supervisor | Fee | Salary, subsidy, allowance and bonus Subsidy and | | | Contribution to social security and housing provident funds | Contribution to pension fund | Others | Total |
|---------------------|-----|---|-----------|-------|--|---------------------------------|--------|--------------|
| | | Basic salary | allowance | Bonus | | | | |
| Directors | | | | | | | | |
| WU Jianqiang | | 202,800.00 | | | 44,596.62 | 33,035.04 | | 280,431.66 |
| ZONG Xiaoping | | 202,800.00 | | | 44,596.62 | 27,591.36 | | 274,987.98 |
| WU Zhigang | | 172,380.00 | 7,800.00 | | 44,596.62 | 22,951.20 | | 247,727.82 |
| ZHANG Jian | | 152,100.00 | 7,800.00 | | 44,596.62 | 20,985.12 | | 225,481.74 |
| Subtotal | | 730,080.00 | 15,600.00 | | 178,386.48 | 104,562.72 | | 1,028,629.20 |
| Supervisors | | | | | | | | |
| FAN Guangsheng | | 172,380.00 | 37,800.00 | | 44,596.62 | 22,686.24 | | 277,462.86 |
| Subtotal | | 172,380.00 | 37,800.00 | | 44,596.62 | 22,686.24 | | 277,462.86 |
| Total | | 902,460.00 | 53,400.00 | | 222,983.10 | 127,248.96 | | 1,306,092.06 |

Note: Mr. ZONG Xiaoping resigned from the positions of director, member of the strategy committee of the board of supervisors and president of the Company in June 2020.

SECTION 11 FINANCIAL REPORT

14. OTHER KEY MATTERS (Continued)**(4) Directors', Supervisors' and Employees' Emoluments****1. Directors' and supervisors' emoluments**

The emoluments of directors and supervisors as of 30 June 2019 are as follows:

| Director/supervisor | Fee | Salary, subsidy, allowance and bonus | | | Contribution to social security and housing provident funds | Contribution to pension fund | Others | Total |
|---------------------|-----|--------------------------------------|-----------------------|-------|---|------------------------------|--------|---------------------|
| | | Basic salary | Subsidy and allowance | Bonus | | | | |
| Director | | | | | | | | |
| WU Jianqiang | | 135,200.00 | | | 42,063.58 | 16,784.20 | | 194,047.78 |
| HE Zihui | | 67,600.00 | | | 21,793.82 | 8,863.80 | | 98,257.62 |
| ZONG Xiaoping | | 202,800.00 | | | 56,440.38 | 23,303.70 | | 282,544.08 |
| WU Zhigang | | 172,380.00 | 7,800.00 | | 58,872.27 | 16,099.80 | | 255,152.07 |
| ZHANG Jian | | 152,100.00 | 7,700.00 | | 63,857.40 | 16,946.10 | | 240,603.50 |
| Subtotal | | 730,080.00 | 15,500.00 | | 243,027.45 | 81,997.60 | | 1,070,605.05 |
| Supervisors | | | | | | | | |
| FAN Guangsheng | | 114,920.00 | 5,200.00 | | 42,063.58 | 11,050.00 | | 173,233.58 |
| HE Bincong | | 50,700.00 | 2,600.00 | | 21,793.82 | 5,598.50 | | 80,692.32 |
| Subtotal | | 165,620.00 | 7,800.00 | | 63,857.40 | 16,648.50 | | 253,925.90 |
| Total | | 895,700.00 | 23,300.00 | | 306,884.85 | 98,646.10 | | 1,324,530.95 |

Note: Mr. HE Zihui resigned as a chairman and director in February 2019.

14. OTHER KEY MATTERS (Continued)

(4) Directors', Supervisors' and Employees' Emoluments (Continued)

2. Five highest paid individuals

The number of directors or supervisors and non-directors or supervisors included in the five highest paid individuals for the years ended 30 June 2020 and 2019 are set forth below:

| | 30 June 2020 | 30 June 2019 |
|----------------------------|--------------|--------------|
| Director or supervisor | 4 | 3 |
| Non-director or supervisor | 1 | 2 |

The emoluments of directors and supervisors of the Company has been reflected in "14. (4) 1". The total emoluments of the remaining highest paid individuals are set forth below:

| Item | From January to June 2020 | From January to June 2019 |
|--|------------------------------|------------------------------|
| Salaries, subsidies, allowances and bonuses | 180,180.00 | 431,938.00 |
| Contribution to social security fund and housing provident fund | 44,596.62 | 107,445.04 |
| Pension | 25,500.96 | 27,679.50 |
| Total | 250,277.58 | 567,062.54 |

SECTION 11 FINANCIAL REPORT

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT**(1) Accounts receivable****1. Accounts receivable disclosed by category**

| Category | 30 June 2020 | | | |
|--|-------------------------|----------------|------------------------|----------------|
| | Carrying Amount | | Provision for bad debt | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Accounts receivable tested for provision for bad debt on an individual basis | 124,594,516.07 | 6.21 | 38,831,836.42 | 31.17 |
| Accounts receivable tested for provision for bad debt on a collective basis | 1,883,264,508.00 | 93.79 | 303,803,861.65 | 16.13 |
| Including, Group 1: aging analysis group | 1,882,564,508.00 | 93.76 | 303,803,861.65 | 16.14 |
| Group 2: receivables from subsidiaries | 700,000.00 | 0.03 | | |
| Total | 2,007,859,024.07 | 100.00 | 342,635,698.07 | 17.06 |

| Category | 1 January 2020 | | | |
|--|-------------------------|----------------|------------------------|----------------|
| | Carrying Amount | | Provision for bad debt | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Accounts receivable tested for provision for bad debt on an individual basis | 33,612,810.95 | 1.88 | 14,712,810.95 | 43.77 |
| Accounts receivable tested for provision for bad debt on a collective basis | 1,757,595,920.21 | 98.12 | 259,760,769.40 | 14.78 |
| Including, Group 1: aging analysis group | 1,756,895,920.21 | 98.08 | 259,760,769.40 | 14.79 |
| Group 2: receivables from subsidiaries | 700,000.00 | 0.04 | | |
| Total | 1,791,208,731.16 | 100.00 | 274,473,580.35 | 15.32 |

SECTION 11 FINANCIAL REPORT

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)**(1) Accounts receivable (Continued)****1. Accounts receivable disclosed by category (Continued)**

- (1) Accounts receivable tested for provision for bad debt on an individual basis as of 30 June 2020

| Debtor | Carrying amount | Bad debt | Aging | Expected credit loss rate (%) | Reason for the provision |
|----------|-----------------|---------------|---|-------------------------------|---|
| Debtor 1 | 81,696,393.72 | 14,739,214.07 | Within 2 years, 3-4 years, over 5 years | 18.04 | The counterparty went bankrupt and reorganized. Expected not to be recoverable in full. |
| Debtor 2 | 18,900,000.00 | 94,500.00 | Within 1 year | 0.50 | Balance of assets on continuing involvement in ABS |
| Debtor 3 | 14,866,950.00 | 14,866,950.00 | Over 5 years | 100.00 | In dispute. Expected not to be recoverable |
| Debtor 4 | 7,750,000.00 | 7,750,000.00 | Over 5 years | 100.00 | The counterparty went bankrupt and reorganized. Expected not to be recoverable in full. |
| Debtor 5 | 918,381.40 | 918,381.40 | Over 5 years | 100.00 | The counterparty went bankrupt and reorganized. Expected not to be recoverable in full. |
| Debtor 6 | 400,000.00 | 400,000.00 | Over 5 years | 100.00 | The counterparty went bankrupt and reorganized. Expected not to be recoverable in full. |
| Debtor 7 | 62,790.95 | 62,790.95 | 2-3 years | 100.00 | In dispute. Expected not to be recoverable |
| Total | 124,594,516.07 | 38,831,836.42 | - | - | - |

SECTION 11 FINANCIAL REPORT

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)**(1) Accounts receivable (Continued)****1. Accounts receivable disclosed by category (Continued)**

(2) Accounts receivable tested for provision for bad debt on a collective basis

Group 1: Aging analysis group

| Aging | 30 June 2020 | | | 1 January 2020 | | |
|-------------------|------------------|-----------------------------|------------------------|------------------|-----------------------------|------------------------|
| | Carrying amount | Percentage of provision (%) | Provision for bad debt | Carrying amount | Percentage of provision (%) | Provision for bad debt |
| Within 1 year | 577,768,322.37 | 0.50 | 2,888,841.57 | 736,349,844.55 | 0.50 | 3,681,749.21 |
| Between 1-2 years | 578,002,328.28 | 10.00 | 57,808,194.16 | 478,448,435.23 | 10.00 | 47,844,843.53 |
| Between 2-3 years | 226,256,930.49 | 20.00 | 45,251,386.10 | 41,987,158.49 | 20.00 | 8,397,431.70 |
| Between 3-4 years | 343,522,529.74 | 30.00 | 103,056,758.91 | 400,766,341.89 | 30.00 | 120,229,902.56 |
| Between 4-5 years | 124,431,432.42 | 50.00 | 62,215,716.21 | 39,474,595.30 | 50.00 | 19,737,297.65 |
| Over 5 years | 32,582,964.70 | 100.00 | 32,582,964.70 | 59,869,544.75 | 100.00 | 59,869,544.75 |
| Total | 1,882,564,508.00 | - | 303,803,861.65 | 1,756,895,920.21 | - | 259,760,769.40 |

(3) Changes in provision for bad debt

| Item | 30 June 2020 | 1 January 2020 |
|--------------------------------------|----------------|----------------|
| Balance at the beginning of the year | 274,473,580.35 | 202,862,131.70 |
| Provision for the year | 68,162,117.72 | 94,536,967.92 |
| Reversal for the year | | |
| Write off for the year | | -11,772,000.00 |
| Other changes | | -11,153,519.27 |
| Balance at the end of the year | 342,635,698.07 | 274,473,580.35 |

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)

(1) Accounts receivable (Continued)

2. Provision, recovery or reversal of provision for bad debt from January to June 2020

From January to June 2020, the provision for bad debt was RMB68,162,117.72. There was no recovery or reversal of provision for bad debt.

3. Significant actual accounts receivables written off from January to June 2020

There was no actual accounts receivable written off from January to June 2020.

4. Top five debtors of accounts receivable as the end of the period

| Entity | 30 June 2020 | Percentage in total accounts receivable (%) | Balance of provision for bad debt |
|--------|------------------|---|---|
| No. 1 | 453,125,078.82 | 22.57 | 24,209,137.05 |
| No. 2 | 414,279,839.64 | 20.63 | 108,263,737.11 |
| No. 3 | 252,338,902.54 | 12.57 | 20,052,331.57 |
| No. 4 | 233,031,374.66 | 11.61 | 77,017,765.68 |
| No. 5 | 87,041,068.84 | 4.34 | 435,205.34 |
| Total | 1,439,816,264.50 | 71.72 | 229,978,176.75 |

SECTION 11 FINANCIAL REPORT

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)**(2) Other receivables**

| Category | 30 June 2020 | 1 January 2020 |
|------------------------------|-------------------------|-----------------------|
| Interests receivable | | |
| Dividends receivable | 243,861,714.08 | 130,825,077.12 |
| Other receivables | 6,010,577,331.01 | 5,193,032,939.17 |
| Less: provision for bad debt | 3,622,311.26 | 3,536,476.82 |
| Total | 6,250,816,733.83 | 5,320,321,539.47 |

1. Dividends receivable

(1) Dividends receivable by category

| Item | 30 June 2020 | 1 January 2020 |
|--|-----------------------|-----------------------|
| Ninth Metallurgical Construction Co., Ltd. | 144,168,000.00 | |
| China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd. | 45,610,799.93 | 45,610,799.93 |
| Sixth Metallurgical Construction Company of China Nonferrous Metals Industry | 29,598,483.96 | 39,955,954.99 |
| China Aluminum Great Wall Construction Co., Ltd. | 21,252,414.21 | 21,252,414.21 |
| China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd. | | 21,440,000.00 |
| Zhuzhou Tianqiao Crane Co., Ltd. | 3,232,015.98 | 1,616,007.99 |
| China Aluminum International Investment Management (Shanghai) Co., Ltd. | | 949,900.00 |
| Total | 243,861,714.08 | 130,825,077.12 |

SECTION 11 FINANCIAL REPORT

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)**(2) Other receivables (Continued)****2. Other receivables**

| Category | 30 June 2020 | | | |
|---|-------------------------|----------------|------------------------|----------------|
| | Carrying amount | | Provision for bad debt | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Other receivable tested for provision for bad debt on an individual basis | 339,865.53 | 0.01 | 339,865.53 | 100.00 |
| Other receivable tested for provision for bad debt on a collective basis | 6,010,237,465.48 | 99.99 | 3,282,445.73 | 0.05 |
| Including, Group 1: aging analysis group | 139,304,372.57 | 2.32 | 3,282,445.73 | 2.36 |
| Group 2: receivables from subsidiaries | 5,870,933,092.91 | 97.67 | | |
| Total | 6,010,577,331.01 | 100.00 | 3,622,311.26 | 0.06 |

| Category | 1 January 2020 | | | |
|---|-------------------------|----------------|------------------------|----------------|
| | Carrying amount | | Provision for bad debt | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Other receivable tested for provision for bad debt on an individual basis | 339,865.53 | 0.01 | 339,865.53 | 100.00 |
| Other receivable tested for provision for bad debt on a collective basis | 5,192,693,073.64 | 99.99 | 3,196,611.29 | 0.06 |
| Including, Group 1: aging analysis group | 24,987,505.00 | 0.48 | 3,196,611.29 | 12.79 |
| Group 2: receivables from subsidiaries | 5,167,705,568.64 | 99.51 | | |
| Total | 5,193,032,939.17 | 100.00 | 3,536,476.82 | 0.07 |

SECTION 11 FINANCIAL REPORT

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)**(2) Other receivables (Continued)****2. Other receivables (Continued)**

(1) Aging analysis of other receivable

| Aging | 30 June 2020 | | | 1 January 2020 | | |
|-------------------|-----------------|-----------------------------|------------------------|-----------------|-----------------------------|------------------------|
| | Carrying amount | Percentage of provision (%) | Provision for bad debt | Carrying amount | Percentage of provision (%) | Provision for bad debt |
| Within 1 year | 128,820,943.08 | 0.50 | 644,104.72 | 13,235,621.41 | 0.50 | 66,178.11 |
| Between 1-2 years | 3,902,799.58 | 10.00 | 390,279.94 | 4,721,352.05 | 10.00 | 472,135.20 |
| Between 2-3 years | 966,579.14 | 20.00 | 193,315.83 | 1,113,915.02 | 20.00 | 222,783.01 |
| Between 3-4 years | 3,761,400.77 | 30.00 | 1,128,420.24 | 3,613,966.52 | 30.00 | 1,084,189.97 |
| Between 4-5 years | 1,852,650.00 | 50.00 | 926,325.00 | 1,902,650.00 | 50.00 | 951,325.00 |
| Over 5 years | | 100.00 | | 400,000.00 | 100.00 | 400,000.00 |
| Total | 139,304,372.57 | - | 3,282,445.73 | 24,987,505.00 | - | 3,196,611.29 |

(2) Changes in provision for bad debt

| Provision for bad debt | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--|---|--|--------------|
| | Expected credit loss in the next 12 months | Expected credit loss for the entire duration of the life (no credit impairment) | Expected credit loss for the entire duration of the life (credit-impaired) | |
| Balance as at 1 January 2020 | 66,178.11 | 694,918.21 | 2,775,380.50 | 3,536,476.82 |
| During the period, provision for bad debt of other receivables as at 1 January 2020 | | | | |
| transfers to stage 2 | -19,514.00 | 19,514.00 | | |
| transfers to stage 3 | | -752,280.15 | 752,280.15 | |
| transfers back to stage 2 | | | | |
| transfers back to stage 1 | | | | |
| Provision for the period | 597,440.61 | 621,443.71 | -1,133,049.88 | 85,834.44 |
| Reversal for the period | | | | |
| Write off for the period | | | | |
| Other changes | | | | |
| Balance as at 30 June 2020 | 644,104.72 | 583,595.77 | 2,394,610.77 | 3,622,311.26 |

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)

(2) Other receivables (Continued)

2. Other receivables (Continued)

- (3) Recovery or reversal of provision for bad debt from January to June 2020

From January to June 2020, provision for bad debt was RMB85,834.44. There was no recovery or reversal of provision for bad debt for the period.

- (4) Significant actual accounts receivables written off from January to June 2020

There was no actual accounts receivable written off from January to June 2020.

- (5) Top five debtors of other receivables at the end of the period

| Debtor | Nature | Closing balance | Percentage in total other receivable at the end of the period (%) | Balance of provision for bad debt |
|--------|---|------------------|---|-----------------------------------|
| No. 1 | Principal of and interest on entrusted loan | 1,295,349,069.45 | 21.55 | |
| No. 2 | Principal of and interest on entrusted loan | 1,154,272,689.00 | 19.20 | |
| No. 3 | Principal of and interest on entrusted loan | 918,184,666.68 | 15.28 | |
| No. 4 | Principal of and interest on entrusted loan | 650,189,975.24 | 10.82 | |
| No. 5 | Principal of and interest on entrusted loan | 485,509,312.53 | 8.08 | |
| Total | - | 4,503,505,712.90 | 74.93 | |

- (6) Other payables by nature

| Nature | 30 June 2020 | 1 January 2020 |
|----------------------|-------------------------|------------------|
| Advance | 69,428,547.76 | 22,390,430.68 |
| Margins and deposits | 68,077,835.92 | 1,634,293.36 |
| Imprest | 2,137,854.42 | 1,302,646.49 |
| Others | 5,870,933,092.91 | 5,167,705,568.64 |
| Total | 6,010,577,331.01 | 5,193,032,939.17 |

SECTION 11 FINANCIAL REPORT

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)**(3) Long-term equity investment**

| Item | Carrying amount | 30 June 2020 | | 1 January 2020 | |
|--|-------------------------|--------------------------|-------------------------|------------------|--------------------------|
| | | Provision for impairment | Book value | Carrying amount | Provision for impairment |
| Investments in subsidiaries | 5,946,665,036.38 | | 5,946,665,036.38 | 5,915,995,036.38 | 5,915,995,036.38 |
| Investments in associates and joint ventures | 246,816,901.42 | | 246,816,901.42 | 244,673,836.00 | 244,673,836.00 |
| Total | 6,193,481,937.80 | | 6,193,481,937.80 | 6,160,668,872.38 | 6,160,668,872.38 |

1. Investments in subsidiaries

| Investee | 1 January 2020 | Increase for the period | Decrease for the period | 30 June 2020 | Provision for impairment for the period | Balance of provision |
|---|------------------|-------------------------|-------------------------|------------------|---|---|
| | | | | | | for impairment at the end of the period |
| Guiyang Aluminum and Magnesium Design Institute Co., Ltd. | 598,559,465.50 | | | 598,559,465.50 | | |
| Shenyang Aluminum & Magnesium Design Institute Co., Ltd. | 332,257,365.81 | | | 332,257,365.81 | | |
| Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy | 399,761,736.37 | | | 399,761,736.37 | | |
| China Nonferrous Metals Industry's Twelfth Metallurgical Construction Co., Ltd. | 1,255,780,969.93 | | | 1,255,780,969.93 | | |
| China Aluminum International Engineering & Equipment Co., Ltd. | 200,000,000.00 | | | 200,000,000.00 | | |
| China Aluminum International Logistic (Tianjin) Co., Ltd. | 166,737,383.73 | | | 166,737,383.73 | | |
| Sixth Metallurgical Construction Company of China Nonferrous Metals Industry | 749,165,278.44 | | | 749,165,278.44 | | |
| China Nonferrous Metals Processing Technology Co., Ltd. | 121,479,260.67 | | | 121,479,260.67 | | |
| Duyun Development Zone Tongda Construction Co., Ltd. | 5,000,000.00 | | | 5,000,000.00 | | |
| China Aluminum International Technology Development Co., Ltd. | 60,000,000.00 | | | 60,000,000.00 | | |
| Wenzhou Tongrun Construction Co., Ltd. | 60,000,000.00 | | | 60,000,000.00 | | |
| Beijing Zichen Investment Development Corporation Limited | 78,000,000.00 | | | 78,000,000.00 | | |
| Wenzhou Tonghui Construction Co., Ltd. | 27,000,000.00 | | | 27,000,000.00 | | |
| China Aluminum International Investment Management (Shanghai) Co., Ltd. | 25,000,000.00 | | | 25,000,000.00 | | |

SECTION 11 FINANCIAL REPORT

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)**(3) Long-term equity investment (Continued)****1. Investments in subsidiaries (Continued)**

| Investee | 1 January 2020 | Increase for the period | Decrease for the period | 30 June 2020 | Provision for impairment for the period | Balance of provision for impairment at the end of the period |
|---|-------------------------|----------------------------|----------------------------|-------------------------|---|--|
| China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd. | 69,273,189.34 | | | 69,273,189.34 | | |
| Changsha Tongxiang Construction Co., Ltd. | 10,000,000.00 | | | 10,000,000.00 | | |
| Hunan Tongdu Investment and Development Co., Ltd. | 6,000,000.00 | | | 6,000,000.00 | | |
| Chalco Hong Kong Corporation Limited | 65,572,000.00 | | | 65,572,000.00 | | |
| China Aluminum International Engineering (India) Private Limited | 5,941,804.59 | | | 5,941,804.59 | | |
| Guangxi Tongrui Investment Construction Co., Ltd. | 250,000,000.00 | | | 250,000,000.00 | | |
| Ninth Metallurgical Construction Co., Ltd. | 49,980,000.00 | 30,670,000.00 | | 80,650,000.00 | | |
| China Aluminum International Aluminum Technological Development Co., Ltd. | 144,500,000.00 | | | 144,500,000.00 | | |
| Qingdao Xinfu Gongchuang Asset Management Company Limited | 9,000,000.00 | | | 9,000,000.00 | | |
| Chalco Shandong Engineering Technology Co., Ltd. | 187,946,928.49 | | | 187,946,928.49 | | |
| Kunming Survey and Design institute Co., Ltd. of China Nonferrous Metals industry | 263,457,753.51 | | | 263,457,753.51 | | |
| Chinalco Southwest Construction Investment Co., Ltd. | 200,000,000.00 | | | 200,000,000.00 | | |
| Yunnan Miyu Expressway Investment and Development Co., Ltd. | 575,581,900.00 | | | 575,581,900.00 | | |
| Total | 5,915,995,036.38 | 30,670,000.00 | | 5,946,665,036.38 | | |

SECTION 11 FINANCIAL REPORT

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)

(3) Long-term equity investment (Continued)

2. Investments in associates and joint ventures

| Investee | 1 January 2020 | Increase/ decrease for the period | Decrease in investments | Investment gain recognized under equity method | Increase in investments | | | Others | 30 June 2020 | Closing balance of provision for impairment |
|--|----------------|---|----------------------------|---|----------------------------|---|-------------------------------|--------|----------------|--|
| | | | | | Increase for the period | Adjustment to other comprehensive income | Other changes in equity | | | |
| 1. Joint ventures | | | | | | | | | | |
| Shanghai Fengtong Equity Investment Fund Partnership (Limited Partner) | 8,939,897.38 | | | 46,327.64 | | | | | 8,986,225.02 | |
| Total | 8,939,897.38 | | | 46,327.64 | | | | | 8,986,225.02 | |
| 2. Associates | | | | | | | | | | |
| Chaco-Steering Intelligent Technology Co., Ltd. | 5,601,774.14 | | | -1,589,167.70 | | | | | 4,012,606.44 | |
| Chaco Tendering Company Limited | 11,601,503.98 | | | 4,450,186.26 | | | | | 16,051,690.24 | |
| Yunnan Ningyong Highway Co. Ltd. | 15,000,000.00 | | | | | | | | 15,000,000.00 | |
| Yunnan Linyun Highway Co. Ltd. | 15,000,000.00 | | | | | | | | 15,000,000.00 | |
| Yunnan Linshuang Highway Co. Ltd. | 15,000,000.00 | | | | | | | | 15,000,000.00 | |
| Zhuzhou Tianqiao Crane Co., Ltd. | 173,550,660.50 | | | 851,727.21 | | | 1,616,007.99 | | 172,766,379.72 | |
| Subtotal | 235,733,938.62 | | | 3,712,745.77 | | | 1,616,007.99 | | 237,830,676.40 | |
| Total | 244,673,836.00 | | | 3,759,073.41 | | | 1,616,007.99 | | 246,816,901.42 | |

SECTION 11 FINANCIAL REPORT

15. NOTES TO FINANCIAL STATEMENTS OF THE PARENT (Continued)**(4) Operating income and operating cost**

| Item | From January to June 2020 | | From January to June 2019 | |
|------------------------------------|---------------------------|-----------------------|---------------------------|----------------|
| | Income | Cost | Income | Cost |
| 1. Subtotal of principal business | 525,446,885.82 | 500,340,072.63 | 316,943,946.23 | 275,104,835.09 |
| Engineering contracting | 462,508,357.90 | 430,540,977.53 | 220,077,040.47 | 205,651,547.21 |
| Engineering design and consultancy | 62,938,527.92 | 69,799,095.10 | 91,012,027.77 | 62,988,004.86 |
| Trading and sales | | | 5,854,877.99 | 6,465,283.02 |
| Less: inter-segment elimination | | | | |
| 2. Subtotal of other business | 231,780.67 | | 2,845,395.67 | 2,670,542.12 |
| Material sales | | | 144,681.14 | |
| Leasing | | | | |
| Others | 231,780.67 | | 2,700,714.53 | 2,670,542.12 |
| Less: inter-segment elimination | | | | |
| Total | 525,678,666.49 | 500,340,072.63 | 319,789,341.90 | 277,775,377.21 |

(5) Gain on investment

| Category | From January to June 2020 | From January to June 2019 |
|---|---------------------------|---------------------------|
| Gain on long-term equity investment accounted for using cost method | 144,168,000.00 | 200,000,000.00 |
| Gain on long-term equity investment accounted for using equity method | 3,759,073.41 | -949,718.57 |
| Gain on disposal of financial assets at FVTPL for the period | | 22,500.00 |
| Gain from holding other equity instrument investment | 290,264.37 | 2,196,536.73 |
| Gain on investment in discretionary wealth management products | | 3,926,400.00 |
| Gain on derecognition of financial asset at amortised cost | -26,206,909.00 | |
| Gains or losses on debt restructuring | 328,102.99 | |
| Total | 122,338,531.77 | 205,195,718.16 |

SECTION 11 FINANCIAL REPORT

16. SUPPLEMENTARY INFORMATION**(1) Details of non-recurring profit and loss**

| Item | From January to June 2020 | From January to June 2019 |
|--|------------------------------|------------------------------|
| 1. Gain or loss on disposal of non-current assets, including written-off asset impairment provisions | 10,122,833.63 | -11,684,148.31 |
| 2. Tax return, reduction or exemption arising from ultra vires approval, without official approval document, or on an occasional basis | | |
| 3. Government subsidies recorded in current P&L (except government subsidies closely related to business operations granted continuously in a fixed amount or quota according to the unified national standards) | 10,295,329.87 | 10,400,284.31 |
| 4. Financing fee from non-financial enterprises recorded in profit or loss for the period | 20,060,005.67 | 13,889,060.96 |
| 5. Gains arising from the investment costs being smaller than the shared amount of fair value of the identifiable net assets of investees including subsidiaries, associates and joint ventures at the acquisition date | | |
| 6. Gain or loss on non-monetary asset exchange | | |
| 7. Gain or loss on assets under discretionary investment or management | | 8,819,652.57 |
| 8. Asset impairment provisions arising from force majeure factors such as natural disasters | | |
| 9. Gain or loss on debt restructuring | 158,620.93 | -1,150,000.00 |
| 10. Restructuring costs, such as employee settlement cost and integration cost | | |
| 11. Gain or loss in excess of fair value arising from obviously unfair transactions | | |
| 12. Net profit or loss of subsidiaries arising from business combination under common control for the period from the beginning of the reporting period to the combination date | | 1,141,184.70 |
| 13. Gain or loss on contingencies not related to usual operations of the Company | | |
| 14. Gain or loss on changes in fair value arising from holding held-for-trading financial assets, other non-current financial assets and trading financial liabilities, and gain on investment from disposal of held-for-trading financial assets, other non-current financial assets, and trading financial liabilities, except for the effective portion of hedging related to usual operations of the Company | | 2,360,986.73 |
| 15. Reversal of loss allowance for receivables tested for impairment on an individual basis | 3,227,316.09 | |
| 16. Gain or loss on entrusted loans | | |
| 17. Gain or loss on changes in the fair value of investment property subsequently measured at fair value | | |

SECTION 11 FINANCIAL REPORT

16. SUPPLEMENTARY INFORMATION (Continued)**(1) Details of non-recurring profit and loss (Continued)**

| Item | From January to June 2020 | From January to June 2019 |
|--|------------------------------|------------------------------|
| 18. Impact of non-off adjustments to current P&L as required by taxation and accounting laws and regulations | | |
| 19. Trustee fee income from entrusted operations | | |
| 20. Other non-operating income and expenses other than above items | 37,350,222.60 | 6,461,307.11 |
| 21. Other items falling within the definition of nonrecurring gain or loss | | -23,004,207.19 |
| 22. Impact of income tax | 16,033,981.54 | 2,281,324.76 |
| 23. Impact of non-controlling interests | 7,767,184.92 | -4,256,230.66 |
| Total | 57,413,162.33 | 9,209,026.78 |

(2) Net asset yield and earnings per share

| Profit for the reporting period | Earnings per share | | | | | |
|---|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | Weighted average net assets yield (%) | | Basic earnings per share | | Diluted earnings per share | |
| | From January to June 2020 | From January to June 2019 | From January to June 2020 | From January to June 2019 | From January to June 2020 | From January to June 2019 |
| Net profit attributable to ordinary shareholders | -2.55 | -0.42 | -0.07 | -0.01 | - | - |
| Net profit attributable to ordinary shareholders net of non-recurring gain or loss | -3.24 | -0.53 | -0.09 | -0.01 | - | - |

SECTION 11 FINANCIAL REPORT

16. SUPPLEMENTARY INFORMATION (Continued)**(2) Net asset yield and earnings per share (Continued)****Breakdown of earnings per share**

| Item | From January to June 2020 | From January to June 2019 |
|--|--------------------------------------|------------------------------|
| Net profit attributable to the parent company for the period | -143,153,691.94 | 10,061,243.36 |
| Less: interest on other equity instruments declared | 66,258,333.72 | 22,600,000.00 |
| Subtotal | -209,412,025.66 | -12,538,756.64 |
| Weighted average number of ordinary shares in issue | 2,959,066,667.00 | 2,959,066,667.00 |
| Basic earnings per share | -0.07 | -0.01 |

SECTION 12 DOCUMENTS FOR INSPECTION

Documents for inspection Financial statements signed and sealed by the person in-charge of the Company, chief financial officer and head of the accounting department; The original auditor's report with the seal of the accounting firm and signatures and seals of the certified public accountants; The original copies of the documents and announcements of the Company published during the Reporting Period in the media designated by the CSRC for information disclosures; The interim results announcement for 2020 published on the Hong Kong Stock Exchange.

Chairman: WU Jianqiang
Submission Date Approved By the Board: 26 August 2020

REVISION INFORMATION

Applicable Not applicable