中国忠旺控股有限公司*
China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01333)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue	**7,675,297**	7,892,402
Gross profit	**2,819,856**	2,541,467
EBITDA *(Note 1)*	**2,543,667**	2,402,164
Profit attributable to equity shareholders	**1,369,790**	1,498,059
Adjusted profit attributable to equity shareholders *(Note 2)*	**1,505,218**	1,498,059
Earnings per share *(RMB)*	**0.19**	0.21
Adjusted earnings per share *(RMB) (Note 3)*	**0.21**	0.21
Interim dividend per share *(RMB)*	**0.09**	0.09

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Bank balances and cash *(Note 4)*	**19,911,588**	13,495,202
Net assets	**27,087,947**	25,990,998
Total assets	**79,913,807**	71,400,726

* *For identification purposes only*

Notes:

1. EBITDA = profit before taxation + finance costs + amortisation of prepaid lease payments + depreciation of property, plant and equipment

2. Adjusted profit attributable to equity shareholders is profit attributable to equity shareholders net of the effect of non-cash expenses arising from the recognition of share options which were granted on 6 January 2016 at fair value by the Group and the stamp duty incurred in connection with the internal reorganisation in relation to the Proposed Spin-off and listing of Liaoning Zhongwang, a wholly-owned subsidiary of the Company.

3. Adjusted earnings per share is calculated based on the adjusted profit attributable to equity shareholders for each of the six-month periods ended 30 June 2016 and 30 June 2015 and on the weighted average number of ordinary shares, convertible preference shares and share options for the respective period.

4. Bank balances and cash = cash and cash equivalents + short-term deposits + pledged bank deposits

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six-month period ended 30 June 2016 (the "**Period under Review**"), together with the comparative figures for the six-month period ended 30 June 2015, as follows:

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2016
(Expressed in Renminbi ("RMB"))

	Note	**Six months ended 30 June** **2016** ***RMB'000*** ***(unaudited)***	2015 *RMB'000* *(unaudited)*
Revenue	*4*	**7,675,297**	7,892,402
Cost of sales		**(4,855,441)**	(5,350,935)
Gross profit		**2,819,856**	2,541,467
Investment income		**139,627**	148,786
Other income	*5*	**117,577**	143,678
Selling and distribution costs		**(71,526)**	(64,315)
Administrative and other operating expenses		**(876,686)**	(675,681)
Share of profits less losses of associates		**41,008**	1,132
Finance costs	*6(a)*	**(440,345)**	(281,344)
Profit before taxation	*6*	**1,729,511**	1,813,723
Income tax	*7*	**(359,721)**	(315,664)
Profit for the period attributable to equity shareholders of the Company		**1,369,790**	1,498,059
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of financial statements of overseas subsidiaries		**(19,370)**	(1,958)
— Cash flow hedges: net movement in the hedging reserve		**414**	(3,201)
Total comprehensive income for the period attributable to equity shareholders of the Company		**1,350,834**	1,492,900
Earnings per share			
Basic *(RMB)*	*8*	**0.19**	0.21
Diluted *(RMB)*	*8*	**0.19**	0.21

Consolidated Statement of Financial Position
At 30 June 2016
(Expressed in RMB)

	Note	**At 30 June 2016** *RMB'000* *(unaudited)*	At 31 December 2015 *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		**36,313,853**	31,172,208
Prepaid lease payments	*10*	**5,883,112**	5,909,731
Interest in associates		**2,823,338**	2,707,564
Deposits for acquisition of property, plant and equipment and prepaid lease	*11*	**4,373,972**	6,343,590
Pledged bank deposits	*15*	**—**	480,307
Deferred tax assets		**87,638**	77,322
		49,481,913	46,690,722
Current assets			
Inventories	*12*	**3,358,623**	3,326,401
Trade and bills receivables	*13*	**1,670,927**	1,433,664
Other receivables, deposits and prepayments	*14*	**4,385,099**	5,455,037
Available-for-sale financial assets	*16*	**976,417**	1,351,418
Prepaid lease payments	*10*	**129,240**	128,589
Pledged bank deposits	*15*	**2,503,646**	2,788,873
Short-term deposits	*17*	**32,387**	25,919
Cash and cash equivalents	*17*	**17,375,555**	10,200,103
		30,431,894	24,710,004
Current liabilities			
Trade payables	*18*	**737,770**	2,405,803
Bills payable	*19*	**6,741,309**	2,475,856
Other payables and accrued charges		**3,107,344**	2,908,927
Current tax liabilities		**249,697**	183,344
Debentures		**600,000**	2,500,000
Bank and other loans		**11,628,879**	12,432,298
Derivative financial instruments		**797**	15,403
Dividends payable	*9(ii)*	**355,197**	—
		23,420,993	22,921,631
Net current assets		**7,010,901**	1,788,373
Total assets less current liabilities		**56,492,814**	48,479,095

Consolidated Statement of Financial Position (Continued)
At 30 June 2016
(Expressed in RMB)

	Note	**At 30 June 2016** *RMB'000* *(unaudited)*	At 31 December 2015 *RMB'000* *(audited)*
Non-current liabilities			
Bank and other loans		**23,873,922**	19,461,146
Debentures		**4,800,000**	2,400,000
Deferred tax liabilities		**730,945**	626,951
		29,404,867	22,488,097
NET ASSETS		**27,087,947**	25,990,998
CAPITAL AND RESERVES			
Share capital		**605,397**	605,397
Reserves		**26,482,550**	25,385,601
TOTAL EQUITY		**27,087,947**	25,990,998

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2016
(Expressed in RMB)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Net cash generated from operating activities	**3,632,552**	2,122,765
Net cash generated from/(used in) investing activities	**491,020**	(3,981,369)
Net cash generated from/(used in) financing activities	**3,051,880**	(102,107)
Net increase/(decrease) in cash and cash equivalents	**7,175,452**	(1,960,711)
Cash and cash equivalents at the beginning of the period	**10,200,103**	9,463,342
Cash and cash equivalents at the end of the period	**17,375,555**	7,502,631

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2016
(Expressed in RMB unless otherwise indicated)

1 Corporate information

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its immediate holding company is Zhongwang International Group Limited ("**ZIGL**"), a limited company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and No. 299, Wensheng Road, Liaoyang City, Liaoning, China, respectively.

The Group is principally engaged in the manufacturing and sales of aluminium products.

2 Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). They were authorised for issue on 25 August 2016. They are unaudited.

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended 31 December 2015 that is included in the condensed consolidated interim financial statements as being previously reported information does not constitute the Company's annual consolidated financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2016.

3 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following amendments are relevant to the Group:

— *Annual Improvements to IFRSs 2012-2014 Cycle*

— *Amendments to IAS 1, Presentation of financial statements: Disclosure initiative*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Changes in accounting policies (Continued)

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

4 Segment reporting

Information reported to the Group's executive directors, being the chief operating decision maker, for the purpose of resources allocation and assessment of performance focuses on the type of products (i.e. aluminium extrusion products produced for construction use or industrial use, aluminium deep-processed products and aluminium flat-rolled products). Each type of products has different client base and requires different production technology. The Group's operating segments under IFRS 8 are as follows:

— aluminium extrusion products for industrial markets ("**Industrial**");

— aluminium deep-processed products ("**Deep-processed**");

— aluminium extrusion products for construction markets ("**Construction**"); and

— aluminium flat-rolled products ("**Flat-rolled**").

The following is an analysis of the Group's revenue and profit by operating segment.

	Segment revenue Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Industrial:		
— Revenue from external customers	**5,974,099**	6,632,800
— Inter-segment revenue	**986,165**	525,210
Deep-processed	**1,260,064**	797,947
Construction	**431,479**	433,002
Others	**9,655**	28,653
	8,661,462	8,417,612
Elimination of inter-segment revenue	**(986,165)**	(525,210)
Total	**7,675,297**	7,892,402

4 Segment reporting (Continued)

	Segment profit Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Industrial	**2,288,638**	2,212,420
Deep-processed	**460,127**	278,621
Construction	**64,445**	29,045
Others	**9,020**	28,297
	2,822,230	2,548,383
Elimination of unrealised inter-segment profits	**(2,374)**	(6,916)
Total	**2,819,856**	2,541,467
Investment income and other income	**257,204**	292,464
Selling and distribution costs	**(71,526)**	(64,315)
Administrative and other operating expenses	**(876,686)**	(675,681)
Share of profits less losses of associates	**41,008**	1,132
Finance costs	**(440,345)**	(281,344)
Profit before taxation	**1,729,511**	1,813,723
Income tax	**(359,721)**	(315,664)
Profit for the period	**1,369,790**	1,498,059

Segment profit represents gross profit earned by each segment. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment.

The management has categorised the revenue by location of customers as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
People's Republic of China ("**PRC**")	**6,464,679**	6,825,171
United States of America	**949,112**	770,836
Belgium	**41,008**	24,145
Netherlands	**40,889**	31,099
Germany	**36,252**	99,219
United Kingdom	**31,156**	44,689
Others	**112,201**	97,243
	7,675,297	7,892,402

5 Other income

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Government subsidies *(Note)*	**109,718**	87,527
Sales of equipment	**42,368**	80,168
Cost of sales of equipment	**(33,794)**	(68,159)
Rental income	**75**	75
Gain on bargain purchase	**—**	46,688
Gain on sales of scrap materials, consumables and moulds	**14,829**	9,425
Gain/(loss) on disposal of property, plant and equipment	**196**	(10,483)
Exchange loss	**(15,815)**	(1,563)
	117,577	143,678

Note: The amounts mainly represent subsidies received from the Finance Bureau and other government departments of Liaoyang City, Daqing City, Panjin City and Tianjin City as incentive payments for the Group's achievements and contribution to the local community and to subsidise the Group's expenditure in technological research and market development.

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
(a) Finance costs		
Interests on bank loans and other borrowings	**922,121**	555,195
Less: Interest expense capitalised into property, plant and equipment, and deposits for acquisition of property, plant and equipment*	**(498,664)**	(289,760)
	423,457	265,435
Interest rate swaps: cash flow hedges, reclassified from equity	**16,888**	15,909
Total finance costs	**440,345**	281,344

* The borrowing costs have been capitalised at an average interest rate of 4.48% per annum (six months ended 30 June 2015: 4.46%).

6 Profit before taxation (Continued)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
(b) Staff costs		
Staff costs (including directors' emoluments):		
— Salaries and other benefits	**574,640**	491,646
— Contributions to defined contribution retirement plan	**29,680**	28,023
— Equity-settled share-based payment expenses	**101,312**	1,680
	705,632	521,349
(c) Other items		
Amortisation of prepaid lease payments	**67,377**	62,322
Depreciation of property, plant and equipment	**306,434**	244,775
Impairment losses on trade receivables	**17,057**	—
Operating lease charges in respect of office premises	**23,890**	24,286
Research and development costs	**205,467**	244,701
Cost of inventories recognised as an expense	**4,855,441**	5,350,935

7 Income tax

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax — PRC tax		
Provision for the period	**262,789**	249,554
Over-provision in respect of prior years	**—**	(49)
Withholding tax on intra-group interest income	**3,254**	10,467
	266,043	259,972
Deferred taxation	**93,678**	55,692
Total income tax	**359,721**	315,664

The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for the Company and certain subsidiaries of the Group incorporated in countries other than the PRC are subject to income tax rates ranging from 0% to 40% pursuant to the rules and regulations of their respective countries of incorporation.

On 11 November 2013, Liaoning Zhongwang Group Company Limited ("**Liaoning Zhongwang**") was recognised as a High and New Technology Enterprise ("**HNTE**") by Liaoning provincial government. This entitled Liaoning Zhongwang to pay PRC income tax at a 15% preferential income tax rate for a period of three years from 2013 to 2015. The HNTE certificate needs to be renewed every three years so as to enable Liaoning Zhongwang to enjoy the preferential tax rate of 15%. Upon the expiry of or in the event of failure in renewal of HNTE certificate, the tax rate applied to Liaoning Zhongwang would be 25%. Subject to renewal, Liaoning Zhongwang's HNTE status will enable it to continue to enjoy the preferential income tax rate of 15% for a period of three years from 2016 to 2018. The Group believes that Liaoning Zhongwang meets all the criteria for the renewal of HNTE and therefore, the current income tax rate for the six months ended 30 June 2016 was accrued based on income tax rate of 15%.

8 Earnings per share

The calculation of the basic and diluted earnings per share is based on the consolidated profit for the period attributable to the equity shareholders of the Company for each of the six-month periods ended 30 June 2016 and 2015 and on the number of shares as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit attributable to equity shareholders of the Company	**1,369,790**	1,498,059

	Six months ended 30 June	
	2016	2015
	'000	*'000*
	(unaudited)	*(unaudited)*
Number of shares		
Weighted average number of ordinary shares	**5,449,473**	5,449,472
Weighted average number of convertible preference shares	**1,619,125**	1,619,126
Weighted average number of shares for the purpose of basic earnings per share	**7,068,598**	7,068,598
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**—**	51
Weighted average number of shares for the purpose of diluted earnings per share	**7,068,598**	7,068,649
Earnings per share		
Basic *(RMB)*	**0.19**	0.21
Diluted *(RMB)*	**0.19**	0.21

The computation of diluted earnings per share does not assume the exercise of certain share options because they are antidilutive for each of the six-month periods ended 30 June 2016 and 2015.

9 Dividends

(i) Dividends payable to equity shareholders of the Company and holders of convertible preference shares attributable to the interim period:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interim dividend declared after the end of the reporting period of HKD0.11 (approximately equivalent to RMB0.09) per ordinary share and convertible preference share (2015: HKD0.11)	**666,123**	641,320

The interim dividend has not been recognised as a liability at the end of the reporting period.

9 Dividends (Continued)

(ii) *Dividends payable to equity shareholders of the Company and holders of convertible preference shares attributable to the previous financial year, approved during the following interim period:*

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Final dividend in respect of the previous financial year, approved during the following interim period, of HKD0.06 (approximately equivalent to RMB0.05) per ordinary share and convertible preference share	**355,197**	N/A

(iii) *Dividends payable to equity shareholders of the Company and holders of convertible preference shares attributable to the previous financial year, approved and paid during the following interim period:*

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD0.08 (approximately equivalent to RMB0.06) per ordinary share and convertible preference share	**N/A**	446,057

10 Prepaid lease payments

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	At	At
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Leasehold land in the PRC under leases	**6,012,352**	6,038,320
Analysed for reporting purpose:		
Non-current assets	**5,883,112**	5,909,731
Current assets	**129,240**	128,589
	6,012,352	6,038,320

At 30 June 2016, certain of the Group's land use rights with a carrying amount of approximately RMB1,425,989,000 (31 December 2015: RMB1,441,519,000) were used to secure the Group's bank loans.

11 Deposits for acquisition of property, plant and equipment and prepaid lease

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment *(Note)*	**4,163,514**	6,337,532
Deposits for acquisition of prepaid lease	**210,458**	6,058
	4,373,972	6,343,590

Note: Included in deposits for acquisition of property, plant and equipment are deposits paid to three suppliers of equipment for production of aluminium flat-rolled products amounting to approximately RMB3,001,011,000 (31 December 2015: RMB4,806,971,000).

12 Inventories

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Raw materials	**1,930,910**	1,942,195
Work in progress	**809,204**	711,043
Finished goods	**618,509**	673,163
	3,358,623	3,326,401

13 Trade and bills receivables

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Trade and bills receivables	**1,687,984**	1,433,664
Less: Impairment losses	**(17,057)**	—
	1,670,927	1,433,664

13 Trade and bills receivables (Continued)

For the six months ended 30 June 2016, the Group allows an average credit period of 90 days (six months ended 30 June 2015: 90 days) for domestic sales and an average credit period of 180 days (six months ended 30 June 2015: 180 days) for overseas sales. At the end of the reporting periods, the ageing analysis of trade and bills receivables based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2016 *RMB'000* *(unaudited)*	At 31 December 2015 *RMB'000* *(audited)*
0 to 90 days	**1,295,560**	995,764
91 to 180 days	**155,065**	305,509
Over 180 days	**220,302**	132,391
	1,670,927	1,433,664

At 30 June 2016, trade receivables of approximately RMB248,109,000 (31 December 2015: RMB260,438,000) were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

14 Other receivables, deposits and prepayments

At 30 June 2016, included in other receivables, deposits and prepayments of the Group are deductible value added tax amounting to approximately RMB3,783,818,000 (31 December 2015: RMB2,972,722,000).

All of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

15 Pledged bank deposits

The Group pledged bank deposits as collateral in respect of issuance of bills and letters of credit by the Group and to secure the Group's bank loans. The pledged bank deposits will be released upon the settlement of relevant payables and bank loans.

16 Available-for-sale financial assets

	At 30 June 2016 *RMB'000* *(unaudited)*	At 31 December 2015 *RMB'000* *(audited)*
Unlisted financial products, at fair value *(Note)*	**976,417**	1,351,418
Analysed for reporting purpose:		
Non-current assets	**—**	—
Current assets	**976,417**	1,351,418
	976,417	1,351,418

Note: At 30 June 2016, the financial products held by the Group generate annual target return rate ranged from 2.45% to 4.35% (31 December 2015: 4.35% to 6.05%).

At 30 June 2016, one of the Group's available-for-sale financial assets with a carrying amount of approximately RMB664,472,000 (31 December 2015: all of the Group's available-for-sale financial assets with carrying amount of approximately RMB1,351,418,000) was used to secure the Group's bank loans.

17 Short-term deposits and cash and cash equivalents

Short-term deposits are fixed deposits with banks with an original maturity of more than three months but not more than one year.

Cash and cash equivalents comprise cash held by the Group with an original maturity of three months or less. At 30 June 2016, included in cash and cash equivalents of the Group were fixed deposits of approximately RMB41,643,000 (31 December 2015: RMB30,000,000) with an original maturity of three months or less.

18 Trade payables

All the trade payables are expected to be settled within one year or are repayable on demand. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	At 30 June 2016 *RMB'000* *(unaudited)*	At 31 December 2015 *RMB'000* *(audited)*
0 to 90 days	**681,453**	1,672,120
91 to 180 days	**21,576**	675,500
181 days to 1 year	**34,741**	58,183
	737,770	2,405,803

19 Bills payable

At 30 June 2016, all the bills payable are repayable within 365 days (31 December 2015: 365 days) and are denominated in Renminbi.

At 30 June 2016, bills payable amounting to approximately RMB1,699,309,000 (31 December 2015: RMB786,356,000) was secured by deposits placed in banks with an aggregate carrying value of approximately RMB1,084,609,000 (31 December 2015: RMB364,400,000).

20 Commitments

(a) Capital commitments

	At 30 June 2016 *RMB'000* *(unaudited)*	At 31 December 2015 *RMB'000* *(audited)*
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**10,496,249**	7,435,505

(b) Operating lease commitments

The Group as lessee

At the end of each of the reporting periods, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2016 *RMB'000* *(unaudited)*	At 31 December 2015 *RMB'000* *(audited)*
Within 1 year	**48,595**	44,465
After 1 year but within 5 years	**21,438**	31,085
	70,033	75,550

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

During the Period under Review, the Group adhered firmly to the principal strategy of "focusing primarily on China and to a lesser extent on the overseas". The Group continuously expanded its production capacity and optimized its product mix by further increasing investments in product R&D and production facilities, thereby enhancing its profitability. It has successfully achieved its business objectives for the first half of 2016.

During the Period under Review, total revenue of the Group amounted to approximately RMB7.68 billion. Overall gross margin increased by 4.5 percentage points, year-on-year, to 36.7%. Profit attributable to equity shareholders amounted to approximately RMB1.37 billion. Earnings per share was approximately RMB0.19. Net of the effect of non-cash expenses arising from the recognition of share options which were granted on 6 January 2016 at fair value by the Group and the stamp duty incurred in connection with the internal reorganisation in relation to the Proposed Spin-off (as defined below) and listing of Liaoning Zhangwang, a wholly-owned subsidiary of the Company, the Company's adjusted profit attributable to equity shareholders would amount to approximately RMB1.51 billion for the Period under Review. Adjusted earnings per share was approximately RMB0.21.

Currently, the Group's income mainly comes from the aluminium extrusion and deep processing businesses. Owing to the increasing importance of the deep processing business to the Group, the financial information of the deep processing business has been presented separately from the original aluminium extrusion business for the Period under Review, due to management and operational needs. Therefore, the data of the corresponding period of 2015 (mainly comprising revenue, cost of sales and gross profit, etc.) are now restated to reflect the separate financial information of the deep processing business. Please refer to the 2015 Interim Report of the Company for the financial data of the corresponding period of 2015 prior to the restatement.

During the Period under Review, sales volume of the Group's industrial aluminium extrusion segment to external customers increased by 0.9% to 291,047 tonnes from 288,395 tonnes for the corresponding period in 2015. Revenue from sales of the Group's industrial aluminium extrusion segment to external customers decreased by 9.9% to approximately RMB5.97 billion from approximately RMB6.63 billion for the corresponding period in 2015. Gross margin of the Group's industrial aluminium extrusion segment increased by 2.0 percentage points to 32.9% for the Period under Review from 30.9% for the corresponding period in 2015, which was mainly attributable to the decrease in price of aluminium ingots and the full operation of Phase I of the Group's high-precision aluminium project located in Yingkou, which provided quality raw materials for the Group's industrial aluminium extrusion segment at a price lower than the market rate.

During the Period under Review, sales volume of the Group's deep processing business increased significantly by 64.1% from 28,866 tonnes for the corresponding period in 2015 to 47,366 tonnes, which was mainly attributable to the significant increase in sales volume of products including body parts of electric buses, engineered parts for new-energy and traditional vehicles and large-sized aluminium parts of railway vehicles supplied by the Group for the domestic market. Revenue from the Group's deep processing business increased by 57.9% from approximately RMB800 million for the corresponding period in 2015 to approximately RMB1.26 billion. Gross margin of the deep processing business increased by 1.6 percentage points from 34.9% for the corresponding period in 2015 to 36.5% for the Period under Review.

The Group continued to expand its production capacity and optimize its product mix during the Period under Review. In order to further satisfy the increasing market demands, the Group entered into purchase contracts for 99 extrusion production presses during the Period under Review to replace certain old equipment and to expand new capacity. In addition, the installation of the main body of one of the two ultra-large 225MN extrusion presses ordered earlier has been completed in Yingkou plant, while other ancillary equipment is under installation, which is expected to complete and undergo testing within this year, aiming to commence production in 2017. The other press has been delivered on site and ready for installation. These advanced large-tonnage presses will enhance the Group's overall competitiveness in high-end aluminium extrusion products. In terms of products, the Group's product mix has been further optimized following a number of key technologies breakthroughs during the Period under Review as it continued to leverage its strengths in the R&D and new products to relentlessly upgrade its technologies and production processes.

Deep-processed products require high-level technology and possess higher added value, therefore the deep processing business is one of the key business segments of the Group. The Group possesses comprehensive capabilities from independent design to manufacturing and processing. Our new products are energy-saving, environmentally friendly, highly efficient and technologically advanced, and are being applied in transportation, industrial electric and specialized products, etc. During the Period under Review, sales volume of products including body parts of electric buses, engineered parts for new-energy and traditional vehicles and large-sized aluminium parts of railway vehicles supplied by the Group for the domestic market increased significantly. Meanwhile, the Group continued to engage in technological cooperation with a number of well-known domestic manufacturers of vehicles and buses to jointly develop aluminium-intensive new energy buses. Furthermore, in respect of passenger cars, production and assembly of prototypes of the aluminium-intensive new energy battery electric vehicles (the "**BEV**"), jointly designed and developed by the Group together with companies including CH-Auto Technology Co., Ltd.* (北京長城華冠汽車科技股份有限公司) and Chery Automobile Co., Ltd.* (奇瑞汽車股份有限公司), were completed during the Period under Review. In particular, the new energy BEV model S51, jointly developed under in-depth cooperation with Chery Automobile Co., Ltd.* (奇瑞汽車股份有限公司), will be the first model among Chinese brands that applies aluminium-intensive car body.

During the Period under Review, the Group's high value-added aluminium flat-rolled product project in Tianjin has entered the final stage of optimization and testing prior to its commercial operation. The first production line of the project is designed primarily for the production of aluminium alloy plates with a designed annual production capacity of 600,000 tonnes. During the Period under Review, the core and ancillary production facilities of the first production line were in the final stage of optimization and testing following successive trial operations. The smelting and casting mill successfully produced aluminium alloy slabs of 2,670mm in width, the widest of its type manufactured in China, laying a solid foundation for subsequent production of ultra-large aluminium alloy plates through hot rolling and cold rolling. Meanwhile, the hot rolling mill also successfully produced ultra large aluminium alloy plates of 4,300mm in width, the widest of its type manufactured in Asia to date. Furthermore, the project was awarded three quality management system accreditations, namely AS9100, TS16949 and ISO9001, indicating that the Company has successfully established and applied a quality management system which is in line with the industry standards in the aerospace and automobile industries, laying the foundation for the products to enter the high-end market. Currently, the first production line is in the final stage of optimization and testing, and has processed small-volume orders from potential customers in the transportation and industrial sectors on a trial basis.

Another key project of the Group is the high-precision aluminium product project located in Yingkou, Liaoning Province. The project is now mainly supplying high-quality aluminium alloy raw material for internal production. Phase I with an annual production capacity of 400,000 tonnes has been fully put into operation, while Phase II is currently under construction and scheduled to commence production in 2017. The production base, equipped with internationally advanced purification systems, complies with international emission standards in terms of its key emission indicators.

Liaoning Zhongwang Special Vehicle Manufacturing Company Limited* (遼寧忠旺特種車輛製造有限公司), a wholly-owned subsidiary of the Company, has obtained various licenses for the production and sale of a number of aluminium-intensive commercial vehicles. Two production lines have been built for the production of aluminium-intensive semi-trailers and tanker trucks, respectively. During the Period under Review, the sales team has approached customers from the freight, logistics and urban environmental protection industries, aiming to achieve volume sales as early as possible.

During the Period under Review, the application for the establishment of the "Aviation and Rail Transit Aluminium Processing Technology National-local Collaborated Research Centre" made by the Group has been officially approved by the National Development and Reform Committee (the "**NDRC**"), which is another certified state-level R&D platform following the State Accredited Enterprise Technology Centre. It will be developed into a first-rate technological R&D platform and industrialization base for high-end aluminium products in China which aims to satisfy market demands for aluminium materials used in the international rail transportation and aviation sectors. During the Period under Review, the Group developed various new products, covering a number of application fields such as aviation and rail transportation, and filed a number of patent applications. The Group's outstanding R&D capability has enabled it to continuously launch diversified high-end products and optimize its product mix, thereby enhancing its integrated competitiveness.

II. FUTURE DEVELOPMENT

The advantages of aluminium products in industrial application are now being further explored. With the increasingly sophisticated production technology and nearly 100% recyclability unmatched by other metals, aluminium alloy products are now being used in many industrial sectors. Due to its light-weight nature, aluminium offers some of the best solutions for the transportation sector under the light-weight development trend. Its corrosion resistance makes it a perfect choice for containers of different shapes; and with excellent electrical conductivity, it is an ideal material for electric power engineering. As the Chinese Government proactively advocates energy conservation, emission reduction and sustainable development, aluminium is gradually replacing traditional metals and emerging into a new era of environmental protection through material upgrade.

The light-weight development of automobiles is a particularly strong driving force for the application of aluminium. The "Fuel Consumption Limits for Passenger Cars" (《乘用車燃料消耗量限值》) promulgated by the Ministry of Industry and Information Technology (the "**MIIT**") effective from 2016 provides that, during 2016 to 2020, the average fuel consumption of domestically manufactured passenger cars shall decrease from 6.7 litres to 5.0 litres per 100 kilometres. The provision directly contributed to the use of aluminium instead of steel by automobile enterprises to lower fuel consumption by reducing the weight of vehicles. Aluminium alloys are increasingly found in different parts of new car models, such as bumper, interior decor, body frame, door and panel. Meanwhile, new energy vehicles are becoming more popular. According to the statistics from China Association of Automobile Manufacturers, sales volume of new energy vehicles in the PRC amounted to 170,000 in the first half of 2016, a year-on-year increase of 127%. The construction of supporting infrastructure, such as charging facilities, is also being expedited by the Chinese Government. The "Circular on Incentive Policies for New Energy Vehicle Charging Facilities and the Strengthening of the Promotion and Application of New Energy Vehicles during the 13th Five-Year Plan Period"(《關於「十三五」新能源汽車充電設施獎勵政策及加強新能源汽車推廣應用的通知》) jointly promulgated by five governmental bodies including MIIT, the NDRC and the National Energy Administration early this year, requires that the Central Government shall continue to set aside funds to reward and subsidize the construction and operation of charging infrastructure. Meanwhile, local governments have successively announced specific and quantified targets for the promotion of new energy vehicles and buses, bringing an instant boost to the application of aluminium alloy products in automobiles.

Aluminium products are widely used in every aspect of national development and people's daily life. With urbanization in China continuing to increase annually, the Chinese Government has put more emphasis on infrastructure construction and centralized procurements. At the same time, the uneven geographical distribution of energy and resources in China drives the rapid growth of the logistics and transportation industries, in which aluminium has become an ideal material given its numerous features including excellent load capacity, durability, ease of maintenance and eco-friendliness. In the construction sector, the "eight-character" principle for construction mentioned in the "Several Opinions on Further Enhancing the Urban Planning and Construction Administration" (《關於進一步加強城市規劃建設管理工作的若干意見》) issued by the State Council in February 2016 incorporated the "green" concept throughout architectural designs, construction and operation for the first time. It emphasizes raising the energy conservation standard for buildings, as well as promoting green buildings and construction materials. The completely reusable and user-friendly aluminium formworks, which accelerate construction with cost effectiveness, are ideal for the construction of skyscrapers.

The Government also spares no effort to promote the high-end application of new materials. The "Guiding Opinions on Building a Favorable Market Environment to Facilitate Restructuring, Transformation and Efficiency Enhancement of Non-ferrous Metal Industries"(《關於營造良好市場環境促進有色金屬工業調結構、促轉型、增效益的指導意見》) promulgated by the General Office of the State Council in June 2016 proposed to strengthen technological innovation, develop fabricated deep processing, and broaden market applications. In particular, it proposed that emphasis will be placed on the development of high-end products such as aluminium alloy plates for passenger cars, aircrafts and vessels in order to satisfy the demands from various industries including advanced equipment, vessels and marine engineering, aviation and aerospace and national defense technology.

The above market trends and policies have created a favorable business environment for the Group as well as other aluminium processing enterprises in China. As the industry leader, the Group will seize these growth opportunities to achieve sustainable growth and to fulfil its mission of becoming one of the world's most competitive developers and manufacturers of high-end fabricated aluminium products. As such, the management has formulated the following development strategies:

1. Achieve commercial production of the first production line of the high value-added aluminium flat-rolled product project in Tianjin, adding impetus to the Group's steady development in the long term: The Group will monitor every procedure of the final testing and trial production stage to ensure the first production line is in an optimal state when production commences. In the meantime, the Group will accelerate the pace of R&D and product certification process to be fully prepared for the gradual production of high value-added products upon operation;

2. Continue to optimize and expand production capacity to increase the proportion of high value-added products: The Group ordered 99 extrusion presses during the Period under Review to increase the capacity of industrial aluminium extrusion of the Group. The Group will strive to ensure the successful installation and operation of all such equipment, including the two ultra-large 225MN extrusion presses ordered earlier. The production capacity enhanced through replacement, upgrade and purchase will satisfy the burgeoning production needs of the Group. In addition, the two indirect extrusion presses ordered by the Group will arrive at the plant for installation in the second half of the year. Meanwhile, construction of the first two production lines for aluminium-intensive special vehicles has been completed, with final stage of testing underway to ensure smooth operation. These initiatives will further diversify the Group's product range in the high-end segment;

3. Actively promote the development of the deep processing business, steadily expand production capacity and diversify product offerings: Leveraging its existing customer base as well as its design and R&D edge, the Group will make unrelenting efforts to develop deep-processed products in response to the market demand, and diversify its product offerings with a goal of further increasing the proportion of the sales volume and profit generated by the deep processing business of the Group as a whole;

4. Strengthen R&D and promote technological innovation to enhance its comprehensive strengths: The Group will continue to place emphasis on its investments in R&D. Through diversified and multilateral cooperation with industry peers, institutions of higher learning and research institutes, the Group will actively explore innovations in technology and production know-how for aluminium processing so as to provide integrated light-weight solutions for customers in a bid to improve the Group's comprehensive competitive strengths; and

5. Actively pursue business spin-off and make use of the broadened funding platform to enhance value of the Group: The Proposed Spin-off launched by the Group during the year has been approved by the Stock Exchange and is pending further approval by relevant PRC regulatory authorities and the shareholders of the Company. Currently, the Group is actively implementing the necessary processes involved in the spin-off in order to complete it smoothly and enhance the value of the Group.

The above development strategies will fully capitalize on the synergy of the Group's three core businesses, namely industrial aluminium extrusion, deep processing and aluminium flat rolling, to provide the Group with a more competitive product mix, greater high-end production capacity and a more comprehensive business model, enabling the Group to seize the opportunities brought by the industrial transformation and upgrade in China and bring satisfactory returns to shareholders.

III. FINANCIAL REVIEW

During the Period under Review, the Group's revenue amounted to approximately RMB7.68 billion (corresponding period in 2015: approximately RMB7.89 billion). Profit attributable to equity shareholders of the Company amounted to approximately RMB1.37 billion (corresponding period in 2015: approximately RMB1.50 billion).

A comparison of the financial results of the Group for the Period under Review and the corresponding period in 2015 is set out as follows.

Revenue

During the Period under Review, total revenue of the Group amounted to approximately RMB7.68 billion (corresponding period in 2015: approximately RMB7.89 billion). During the Period under Review, our major revenue was generated from sales in the aluminium extrusion business and deep processing business, which amounted to approximately RMB7.67 billion (corresponding period in 2015: approximately RMB7.86 billion). Other revenue primarily comprised metal trade agency commission and amounted to approximately RMB9.66 million (corresponding period in 2015: approximately RMB28.65 million).

The following sets forth the breakdown by segments of the Group's revenue, sales volume and average selling price of the aluminium extrusion business and deep processing business for the Period under Review and the corresponding period in 2015.

	Six months ended 30 June								
	2016			2015			Change		
	Revenue	**Sales volume**	**Average selling price**	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	RMB'000	***tonnes***	***RMB/tonne***	*RMB'000*	*tonnes*	*RMB/tonne*	%	%	%
Aluminium extrusion business	**7,391,743**	**397,050**	**18,617**	7,591,012	350,723	21,644	(2.6%)	13.2%	(14.0%)
Industrial aluminium extrusion segment	**6,960,264**	**367,684**	**18,930**	7,158,010	323,461	22,129	(2.8%)	13.7%	(14.5%)
Construction aluminium extrusion segment	**431,479**	**29,366**	**14,693**	433,002	27,262	15,883	(0.4%)	7.7%	(7.5%)
Deep processing business	**1,260,064**	**47,366**	**26,603**	797,947	28,866	27,643	57.9%	64.1%	(3.8%)
Subtotal	**8,651,807**	**444,416**	**19,468**	8,388,959	379,589	22,100	3.1%	17.1%	(11.9%)
Elimination of internal sales	**(986,165)**	**(76,637)**	**12,868**	(525,210)	(35,066)	14,978	87.8%	118.6%	(14.1%)
Total	**7,665,642**	**367,779**	**20,843**	7,863,749	344,523	22,825	(2.5%)	6.8%	(8.7%)

Revenue from the Group's industrial aluminium extrusion segment consisted of two parts, namely sales revenue from external customers and sales revenue from inter-segment. Sales revenue from inter-segment mainly represents the sales of raw materials required by the deep-processed products to the deep processing business and the high-precision aluminium raw materials used by the high value-added aluminium flat-rolled product project in Tianjin for trial run. Sales volume of the Group's industrial aluminium extrusion segment to external customers increased by 0.9% from 288,395 tonnes for the corresponding period in 2015 to 291,047 tonnes for the Period under Review. Sales volume of industrial aluminium extrusion products to the deep processing business increased by 31.3% from 35,066 tonnes for the corresponding period in 2015 to 46,047 tonnes, which was mainly attributable to the increased demands for raw materials of the deep processing business as a result of the increase in its sales volume. Sales volume of high-precision raw materials to the high value-added aluminium flat-rolled product project in Tianjin amounted to 30,590 tonnes, whereas no such sales were found in the corresponding period in 2015.

Revenue from sales of the Group's industrial aluminium extrusion segment to external customers decreased by 9.9% to approximately RMB5.97 billion for the Period under Review from approximately RMB6.63 billion for the corresponding period in 2015. Such decrease was mainly attributable to the decrease in average selling price of industrial aluminium extrusion products during the Period under Review. Revenue from sales to the deep processing business increased by 27.4% to approximately RMB670 million for the Period under Review from approximately RMB530 million for the corresponding period in 2015, which was mainly attributable to the increased demands for raw materials of the deep processing business as a result of the increase in its sales volume. Revenue from sales to the high value-added aluminium flat-rolled product project in Tianjin amounted to approximately RMB320 million, whereas no such sales were found in the corresponding period in 2015.

The average selling price of the Group's industrial aluminium extrusion products to external customers decreased by 10.8% from RMB22,999 per tonne for the corresponding period in 2015 to RMB20,526 per tonne for the Period under Review, mainly because of the decrease in the price of aluminium ingots during the Period under Review.

The Group's sales volume of construction aluminium extrusion products increased by 7.7% from 27,262 tonnes for the corresponding period in 2015 to 29,366 tonnes during the Period under Review. Revenue from the Group's construction aluminium extrusion segment amounted to approximately RMB430 million during the Period under Review, in line with approximately RMB430 million for the corresponding period in 2015. The average selling price of the Group's construction aluminium extrusion products was RMB14,693 per tonne for the Period under Review, representing a decrease of 7.5% from RMB15,883 per tonne for the corresponding period in 2015, mainly because of the decrease in the price of aluminium ingots during the Period under Review.

Revenue from the Group's deep processing business significantly increased by 57.9% from approximately RMB800 million for the corresponding period in 2015 to approximately RMB1.26 billion for the Period under Review, which was mainly attributable to the increase in sales of the deep-processed products during the Period under Review. Sales volume of the Group's deep-processed products increased by 64.1% from 28,866 tonnes for the corresponding period in 2015 to 47,366 tonnes for the Period under Review, which was mainly attributable to the significant increase in sales volume of products including body parts of electric buses, engineered parts for new-energy and traditional vehicles and large-sized aluminium parts of railway vehicles supplied by the Group for the domestic market during the Period under Review. The average selling price of the Group's deep-processed products was RMB26,603 per tonne for the Period under Review, representing a decrease of 3.8% from RMB27,643 per tonne for the corresponding period in 2015, mainly due to the decrease in the price of aluminium ingots during the Period under Review.

Geographically, the Group's overseas customers mainly came from countries and regions including the United States of America, Germany, the United Kingdom, the Netherlands and Belgium. For the Period under Review, the Group's revenue from overseas sales amounted to approximately RMB1.21 billion (corresponding period in 2015: approximately RMB1.07 billion), accounting for 15.8% of the Group's total revenue (corresponding period in 2015: 13.5%).

Cost of Sales

The Group's cost of sales amounted to approximately RMB4.86 billion for the Period under Review, representing a decrease of 9.3% from approximately RMB5.35 billion for the corresponding period in 2015.

In particular, the Group's cost of sales of the industrial aluminium extrusion segment for the Period under Review was approximately RMB4.67 billion, representing a decrease of 5.5% from approximately RMB4.95 billion for the corresponding period in 2015. The unit cost of the Group's industrial aluminium extrusion segment was RMB12,706 per tonne for the Period under Review, representing a decrease of 16.9% from RMB15,290 per tonne for the corresponding period in 2015. Cost of sales of the Group's construction aluminium extrusion segment amounted to approximately RMB370 million, representing a decrease of 9.1% from approximately RMB400 million for the corresponding period in 2015. The unit cost of the Group's construction aluminium extrusion segment was RMB12,499 per tonne during the Period under Review, representing a decrease of 15.6% from RMB14,818 per tonne for the corresponding period in 2015. The decreases in unit cost of both the industrial aluminium extrusion segment and construction aluminium extrusion segment of the Group were mainly due to the decrease in the price of aluminium ingots during the Period under Review, as well as the full operation of Phase I of the Group's high-precision aluminium alloy product project located in Yingkou, which provided quality raw materials to the Group's aluminium extrusion business at a price lower than the market rate and thus reduced the cost.

The Group's cost of sales of the deep processing business during the Period under Review was approximately RMB800 million, representing an increase of 54.0% from approximately RMB520 million for the corresponding period in 2015, which was mainly attributable to the significant increase in sales volume of the deep-processed products during the Period under Review. The Group's unit cost of the deep processing business was RMB16,888 per tonne for the Period under Review, representing a decrease of 6.1% from RMB17,991 for the corresponding period in 2015, mainly due to the decrease in the price of aluminium ingots during the Period under Review. The major raw materials used in the production of the Group's deep-processed products were provided by the industrial aluminium extrusion segment under the Group's aluminium extrusion business. During the Period under Review, the cost of the Group's deep-processed products which came from the cost of the Group's industrial aluminium extrusion segment was approximately RMB690 million (corresponding period in 2015: approximately RMB430 million).

Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB2.82 billion for the Period under Review, representing an increase of 11.0% from approximately RMB2.54 billion for the corresponding period in 2015. The gross margin increased from 32.2% for the corresponding period in 2015 to 36.7% for the Period under Review. The following sets forth the segment analysis of gross profit, share in gross profit and gross margin of the Group's aluminium extrusion business and deep processing business for the Period under Review and the corresponding period in 2015:

	Six months ended 30 June					
	2016			2015		
	Gross profit *RMB'000*	**%**	**Gross margin** **%**	Gross profit *RMB'000*	%	Gross margin %
Aluminium extrusion business	**2,353,083**	**83.7%**	**31.8%**	2,241,465	89.2%	29.5%
Industrial aluminium extrusion segment	**2,288,638**	**81.4%**	**32.9%**	2,212,420	88.0%	30.9%
Construction aluminium extrusion segment	**64,445**	**2.3%**	**14.9%**	29,045	1.2%	6.7%
Deep processing business	**460,127**	**16.4%**	**36.5%**	278,621	11.1%	34.9%
Subtotal	**2,813,210**	**100.1%**	**32.5%**	2,520,086	100.3%	30.0%
Elimination of unrealised internal sales gross profit	**(2,374)**	**(0.1%)**		(6,916)	(0.3%)	
Total	**2,810,836**	**100.0%**	**36.7%**	2,513,170	100.0%	32.0%

Gross profit of the Group's industrial aluminium extrusion segment was approximately RMB2.29 billion, representing an increase of 3.4% from approximately RMB2.21 billion for the corresponding period in 2015. Gross margin from the industrial aluminium extrusion segment increased from 30.9% for the corresponding period in 2015 to 32.9% for the Period under Review. Gross profit of the Group's industrial aluminium extrusion segment comprises gross profit of external sales and gross profit of inter-segment sales.

Gross profit of the Group's construction aluminium extrusion segment amounted to approximately RMB64.45 million for the Period under Review, representing an increase of 121.9% over the corresponding period in 2015. Gross margin of the Group's construction aluminium extrusion segment increased from 6.7% for the corresponding period in 2015 to 14.9% for the Period under Review.

Gross profit of the Group's deep processing business amounted to approximately RMB460 million for the Period under Review, representing an increase of 65.1% over the corresponding period in 2015. Gross margin of the Group's products of its deep processing business increased from 34.9% for the corresponding period in 2015 to 36.5% for the Period under Review.

The significant increases in gross margin of the Group's aluminium extrusion business and deep processing business were mainly attributable to the decrease in price of aluminium ingots during the Period under Review, as well as the full operation of Phase I of the Group's high-precision aluminium product project located in Yingkou, which provided quality raw materials to the Group's aluminium extrusion business at a price lower than the market rate and thus reduced the cost.

Investment Income

Investment income, which mainly consists of interest income from bank deposits and interest income from available-for-sale financial assets, decreased from approximately RMB150 million for the corresponding period in 2015 to approximately RMB140 million for the Period under Review, which was mainly due to the lower benchmark deposit rate by the People's Bank of China.

Other Income

Other income decreased from approximately RMB140 million for the corresponding period in 2015 to approximately RMB120 million for the Period under Review, which was mainly due to the gain on bargain purchase during the corresponding period in 2015 of approximately RMB46.69 million as a result of the Group's acquisition of two subsidiaries, while there was no such gain during the Period under Review. Furthermore, government subsidies increased to approximately RMB110 million for the Period under Review from approximately RMB87.53 million for the corresponding period in 2015.

Selling and Distribution Costs

Selling and distribution costs increased from approximately RMB64.32 million for the corresponding period in 2015 to approximately RMB71.53 million for the Period under Review primarily due to the increase in advertising expenses during the Period under Review.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise share option expenses, R&D expenditures, amortization of land use rights, land use taxes, wages, salaries and benefit expenses, bank handling fees, rentals, intermediary fees and depreciation charges of office equipment. Administrative and other operating expenses increased to approximately RMB880 million for the Period under Review from approximately RMB680 million for the corresponding period in 2015, which was primarily attributable to the following factors:

(i) the grant of 450 million share options by the Company during the Period under Review resulted in an increase in non-cash expenses arising from the recognition of share options at fair value from approximately RMB1.68 million for the corresponding period in 2015 to approximately RMB100 million for the Period under Review;

(ii) stamp duty paid by the Group for the internal reorganisation in relation to the Proposed Spin-off and listing of Liaoning Zhongwang during the Period under Review, which increased the stamp duty under the administrative and other operating expenses from approximately RMB3.23 million for the corresponding period in 2015 to approximately RMB40.21 million for the Period under Review;

(iii) the Group's financing fees under administrative and other operating expenses increased from approximately RMB58.44 million for the corresponding period in 2015 to approximately RMB85.55 million for the Period under Review, primarily due to the increase in the scale of the Group's loans during the Period under Review; and

(iv) the increase in other administrative and operating related expenses, comprising mainly amortization of land use rights, land use taxes, wages, salaries and benefit expenses.

Share of Profits Less Losses of Associates

The Group's share of profits less losses of associates for the Period under Review was approximately RMB41.01 million (corresponding period in 2015: approximately RMB1.13 million), which was the share of profit or loss of the Group's associates recognized using equity method.

Finance Costs

The Group's finance costs increased from approximately RMB280 million for the corresponding period in 2015 to approximately RMB440 million for the Period under Review, mainly due to the increase in the scale of the Group's debentures and loans for the Period under Review as compared to that for the corresponding period in 2015.

During the Period under Review, the Group's interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment amounted to approximately RMB500 million (corresponding period in 2015: approximately RMB290 million) at an annualized capitalization rate of 4.48% (corresponding period in 2015: 4.46%).

During the corresponding period in 2015 and the Period under Review, the Group's loans carried average interest rates of 4.25% and 4.14% per annum, respectively. During the Period under Review, the debentures carried interest rates ranging from 4.05% to 7.50% per annum (corresponding period in 2015: from 4.93% to 7.50% per annum).

Profit before Taxation

The Group's profit before taxation decreased from approximately RMB1.81 billion for the corresponding period in 2015 to approximately RMB1.73 billion for the Period under Review.

Income Tax

The Group's income tax increased from approximately RMB320 million for the corresponding period in 2015 to approximately RMB360 million for the Period under Review.

The Group's effective tax rates for the corresponding period in 2015 and the Period under Review were 17.4% and 20.8%, respectively.

Profit Attributable to Equity Shareholders

The Company's profit attributable to equity shareholders decreased to approximately RMB1.37 billion for the Period under Review from approximately RMB1.50 billion for the corresponding period in 2015. The Group's net profit margin decreased from 19.0% for the corresponding period in 2015 to 17.8% for the Period under Review. Net of the effect of non-cash expenses arising from the recognition of share options which granted on 6 January 2016 at fair value by the Group and the stamp duty incurred in connection with the internal reorganisation in relation to the Proposed Spin-off and listing of Liaoning Zhongwang, a wholly-owned subsidiary of the Company, the Company's adjusted profit attributable to equity shareholders would amount to approximately RMB1.51 billion for the Period under Review, representing an increase of 0.5% from approximately RMB1.50 billion for the corresponding period in 2015.

Cash Flows

The following sets forth the Group's cash flows for the Period under Review and the corresponding period in 2015:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Net cash generated from operating activities	**3,632,552**	2,122,765
Net cash generated from/(used in) investing activities	**491,020**	(3,981,369)
Net cash generated from/(used in) financing activities	**3,051,880**	(102,107)

Net Current Assets

At 30 June 2016, the Group's net current assets amounted to approximately RMB7.01 billion, which was approximately RMB5.22 billion higher than net current assets of approximately RMB1.79 billion as at 31 December 2015. The increase was mainly due to the fact that the increase in current assets was greater than the increase in current liabilities:

(i) at 30 June 2016, the Group's current assets amounted to approximately RMB30.43 billion, representing an increase of approximately RMB5.72 billion over approximately RMB24.71 billion at 31 December 2015. The increase was primarily due to the increase in cash and cash equivalents; and

(ii) at 30 June 2016, the Group's current liabilities amounted to approximately RMB23.42 billion, representing an increase of approximately RMB500 million over approximately RMB22.92 billion at 31 December 2015. The increase was primarily due to the increase in bills payable.

Liquidity

At 30 June 2016 and 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB17.38 billion and RMB10.20 billion, respectively; balance of short-term deposits amounted to approximately RMB32.39 million and RMB25.92 million, respectively; and balance of pledged bank deposits under current assets amounted to approximately RMB2.50 billion and RMB2.79 billion, respectively.

Borrowings

At 30 June 2016, the Group's debentures and loans amounted to approximately RMB40.90 billion in aggregate, representing an increase of approximately RMB4.11 billion from approximately RMB36.79 billion at 31 December 2015.

At 30 June 2016, the Group's debentures and loans under current liabilities amounted to approximately RMB12.23 billion (31 December 2015: approximately RMB14.93 billion) and debentures and loans under non-current liabilities amounted to approximately RMB28.67 billion (31 December 2015: approximately RMB21.86 billion).

The Group's gearing ratio was approximately 66.1% at 30 June 2016, while it was approximately 63.6% at 31 December 2015. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

At 30 June 2016, assets with a total carrying amount of approximately RMB9.60 billion of the Group were pledged, including pledged bank deposits, available-for-sale financial assets, property, plant and equipment and prepaid lease payments for financing arrangements (31 December 2015: approximately RMB8.63 billion).

Contingent Liabilities

At 30 June 2016 and 31 December 2015, the Group had no material contingent liabilities.

Employees

At 30 June 2016, the Group had 14,119 full-time employees responsible for, inter alia, production, R&D, sales and management, representing an increase of 17.1% from 12,062 employees as at 30 June 2015. During the Period under Review, relevant employee costs (including Directors' remuneration) amounted to approximately RMB710 million (including share option charges of approximately RMB100 million), an increase of 35.3% as compared with approximately RMB520 million (including share option charges of approximately RMB1.68 million) for the corresponding period in 2015. The Group's employee costs (excluding share option charges) increased mainly due to the increase in the number of employees as a result of the Group's business expansion both in scope and size.

Research and Development

Continuous investment in R&D has helped the Group establish a high-level R&D and technical team. At 30 June 2016, the Group had 985 R&D and quality control personnel which accounted for 7.0% of the Group's total number of employees. Apart from possessing strong R&D capability in new materials and new technologies, and operating the largest die design and manufacturing centre in Asia, the Group has also built a first-rate product and process design team in particular to meet the ever-increasing demand from clients for light-weight development in order to provide the integrated solution from product design to production services. In addition, the Group has entered into cooperation with various leading industrial research institutions as well as scientific research institutes to vigorously upgrade the Group's scientific research level while effectively expanding the downstream application scope of aluminium products.

Capital Commitments

At 30 June 2016, the Group's capital expenditures in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements amounted to approximately RMB10.50 billion, which was primarily used for the construction of infrastructure used in the Group's growth projects such as high-end aluminium flat-rolled product project, and for the purchase expenses of equipment related to the expansion of its production capacity for extrusion. The Group intends to apply funds generated from operating activities, commercial bank loans and other available means to finance the purchase.

Proposed Spin-off

On 22 March 2016, Liaoning Zhongwang Superior Fabrication Investment Limited* (遼寧忠旺精製投資有限公司) ("**Zhongwang Fabrication**") (an indirect wholly-owned subsidiary of the Company) entered into, among other agreements, an assets transfer agreement with CRED Holding Co., Ltd.* (中房置業股份有限公司) ("**CRED Holding**") (a company incorporated in the PRC and currently listed on the Shanghai Stock Exchange) in relation to the proposed spin-off (the "**Proposed Spin-off**") of Liaoning Zhongwang (a direct wholly-owned subsidiary of Zhongwang Fabrication) by way of, among other things, disposal of all the equity interests in Liaoning Zhongwang to CRED Holding. On 19 August 2016, Zhongwang Fabrication entered into, among other agreements, a supplemental assets transfer agreement with CRED Holding to further confirm certain principal terms of the Proposed Spin-off. Upon completion of the Proposed Spin-off, Liaoning Zhongwang will become an indirect non-wholly owned subsidiary of the Company through CRED Holding.

The Proposed Spin-off will benefit the Group's future development by (1) enabling the market to appraise and assess the value of the Group more effectively; and (2) providing an additional fund raising platform for the Group.

The Proposed Spin-off has been approved by the Stock Exchange, and is subject to approvals by the shareholders of the Company and the relevant PRC regulatory authorities (including the Ministry of Commerce and the China Securities Regulatory Commission). A circular in relation to the Proposed Spin-off has been dispatched to the shareholders of the Company.

Grant of Share Options

On 6 January 2016, the Company announced that it granted a total of 450 million share options (the "**Share Options**") to 7 directors and 152 staff of the Company (the "**Grantees**"), subject to acceptance of the Grantees, to subscribe for a total of 450 million ordinary shares of HKD0.1 each of the Company under the share option scheme of the Company adopted on 17 April 2008. For details, please refer to the Company's announcement dated 6 January 2016.

Financial Risks

The Group is exposed to various financial risks, such as foreign currency risk, the interest rate risk and aluminium ingot price fluctuation risk in the ordinary course of its business.

Foreign Currency Risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies. During the Period under Review, approximately 84.2% of the Group's revenue was settled in Renminbi and approximately 15.8% was settled in foreign currencies while approximately 78.6% of the Group's borrowings was denominated in Renminbi and approximately 21.4% was denominated in foreign currencies at 30 June 2016.

Exchange rate fluctuations will affect contractual sales revenue denominated in foreign currencies and on borrowings denominated in foreign currencies, which in turn may have adverse effects on the Group. The Group's financial and capital policies aim to control the foreign currency fluctuation risk and the interest rate fluctuation risk of individual transactions. The Group did not hedge against currency risk by using any financial instruments. However, the management of the Group has been monitoring the exchange rate risk, and will consider hedging against major foreign currency risk when required.

Interest Rate Risk

As the Group does not have any significant interest-bearing assets, most of the Group's revenue and operating cash flow are not affected by interest rate changes in the market. Interest rate change risk borne by the Group is primarily derived from debentures and loans. The Group has to face the cash-flow interest rate risk on floating-rate loans and fair value interest rate risk on fixed-rate loans. As at 30 June 2016, the Group's fixed-rate loans were approximately RMB13.29 billion (31 December 2015: approximately RMB7.90 billion).

During the Period under Review, the Group issued an unsecured debenture of RMB2.5 billion with maturity of five years and repayable on 22 March 2021, with effective interest rate of 4.05% per annum.

During 2015, the Group issued an unsecured debenture of RMB1.2 billion with maturity of three years and repayable on 27 May 2018, and with effective interest rate of 5.40% per annum. In addition, the Group issued unsecured debenture of RMB2 billion with maturity of 270 days and repayable on 9 April 2016, and with effective interest rate of 4.60% per annum, which had been fully settled on its maturity date.

During 2014, the Group issued unsecured debentures of RMB100 million and RMB1.1 billion with maturity of three years and six years and repayable on 10 January 2017 and 22 October 2020, respectively, and with effective interest rate of 7.50% and 5.48% per annum, respectively.

During 2013, the Group issued an unsecured debenture of RMB500 million with maturity of three years and repayable on 8 October 2016, and with effective interest rate of 6.90% per annum.

During 2014, two interest rate swap contracts, which were denominated in Hong Kong dollars, with a total notional contracted amount of approximately HKD1.49 billion, have been entered into by the Group with bank counterparties and were designated as cash flow hedges to reduce the interest rate risk arising from the floating-rate bank borrowings during the period from the borrowing date to the repayment date.

The swaps match the maturity of the related loans and have fixed swap rates. One of the swaps with a nominal contract amount of approximately HKD920 million and an annual swap rate of 3.40% matured on 1 June 2016, while the other swap with a nominal contract amount of approximately HKD570 million and an annual swap rate of 1.94% will mature on 28 October 2016. The net fair value of swaps entered into by the Group at 30 June 2016 was approximately RMB0.80 million (31 December 2015: approximately RMB15.40 million). These amounts are recognized as derivative financial instruments.

Price Fluctuation Risk of Aluminium Ingot

The Group's principal raw materials in the aluminium extrusion product business include aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc. Generally, the Group's pricing of aluminium extrusion products is on a "cost-plus" basis, pursuant to which the selling price for the products are determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. The Group's pricing policy is to pass the price fluctuation risk to its customers. However, the Group may not be able to pass the entire cost of price increases to customers or completely offset the effect of increases in raw material prices, thus the profitability of the Group may be slightly affected. The Group has not entered into any aluminium ingot forward contracts to hedge against aluminium ingot price fluctuation risk.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

For the six months ended 30 June 2016, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following provision.

Code provision A.2.1 of the Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person, and the division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The Company had deviated from this provision from 1 January 2016 to 21 March 2016 because Mr. Liu Zhongtian ("**Mr. Liu**") had performed both the roles of chairman of the Board and the president (i.e. the chief executive) of the Company during this period. Mr. Liu is the founder of the Group and has extensive experience in enterprise operation and management in general. Having considered this and the development of the Group, the Board had believed that vesting the two roles in the same person provided the Company with strong and consistent leadership and facilitated the implementation and execution of the Group's business strategies which was in the best interests of the Company.

As disclosed in the Company's announcement dated 22 March 2016, Mr. Liu has resigned as the president of the Company on the same date for the purpose of improving and optimizing the corporate governance of the Company as required by its internal management in light of the implementation of the Proposed Spin-off of Liaoning Zhongwang. At the same time, Mr. Lu Changqing has been appointed as the president of the Company on 22 March 2016 and his term of office will last up to the date of appointment of the next president by the Board. Since this change of president, the Company has complied with code provision A.2.1 of the Governance Code up to the date of this announcement.

Compliance with the Model Code by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board has declared an interim dividend of HKD0.11 (equivalent to approximately RMB0.09) per share for the six months ended 30 June 2016 to the holders of the Company's ordinary shares and convertible preference shares, whose names appear on the register of members of the Company on Friday, 14 October 2016, with an aggregate amount of approximately HKD780 million (equivalent to approximately RMB670 million). The interim dividend will be paid on or around 31 October 2016.

Closure of Register of Members

For the purpose of determining the shareholders of the Company who are entitled to the interim dividend, the register of members of the Company will be closed from Tuesday, 11 October 2016 to Friday, 14 October 2016 (both dates inclusive), during which period no transfer of shares in the Company will be effected.

In order to be entitled to the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 7 October 2016.

Review of Financial Statements

The audit committee of the Board has discussed with the Company's management and reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2016.

Publication of Interim Report on the Websites of the Stock Exchange and the Company

The Company's interim report for the six months ended 30 June 2016 will be published on the website of the Stock Exchange and the Company's website at www.zhongwang.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to our shareholders, customers and business partners for their continued support, and all our employees for their dedication and hard work.

By order of the Board
China Zhongwang Holdings Limited
Liu Zhongtian
Chairman

Hong Kong, 25 August 2016

As at the date of this announcement, the Board consists of:

Executive Directors
Mr. Liu Zhongtian, Mr. Lu Changqing and Mr. Gou Xihui

Non-executive Directors
Mr. Chen Yan and Ms. Zhong Hong

Independent non-executive Directors
Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy