中国忠旺控股有限公司*

China Zhongwang Holdings Limited

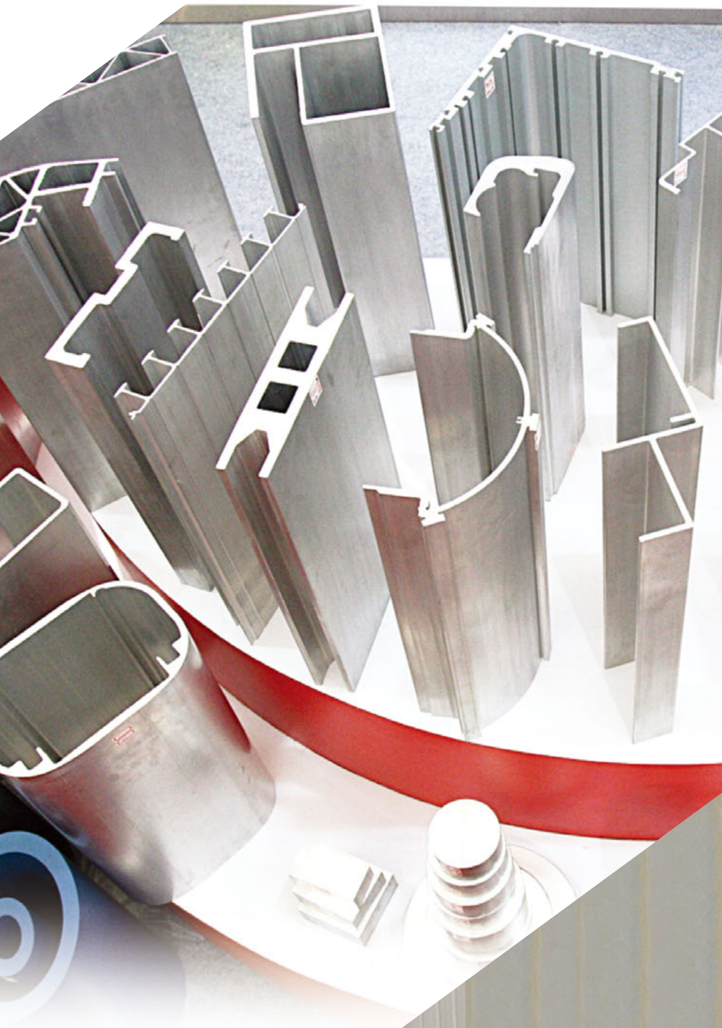
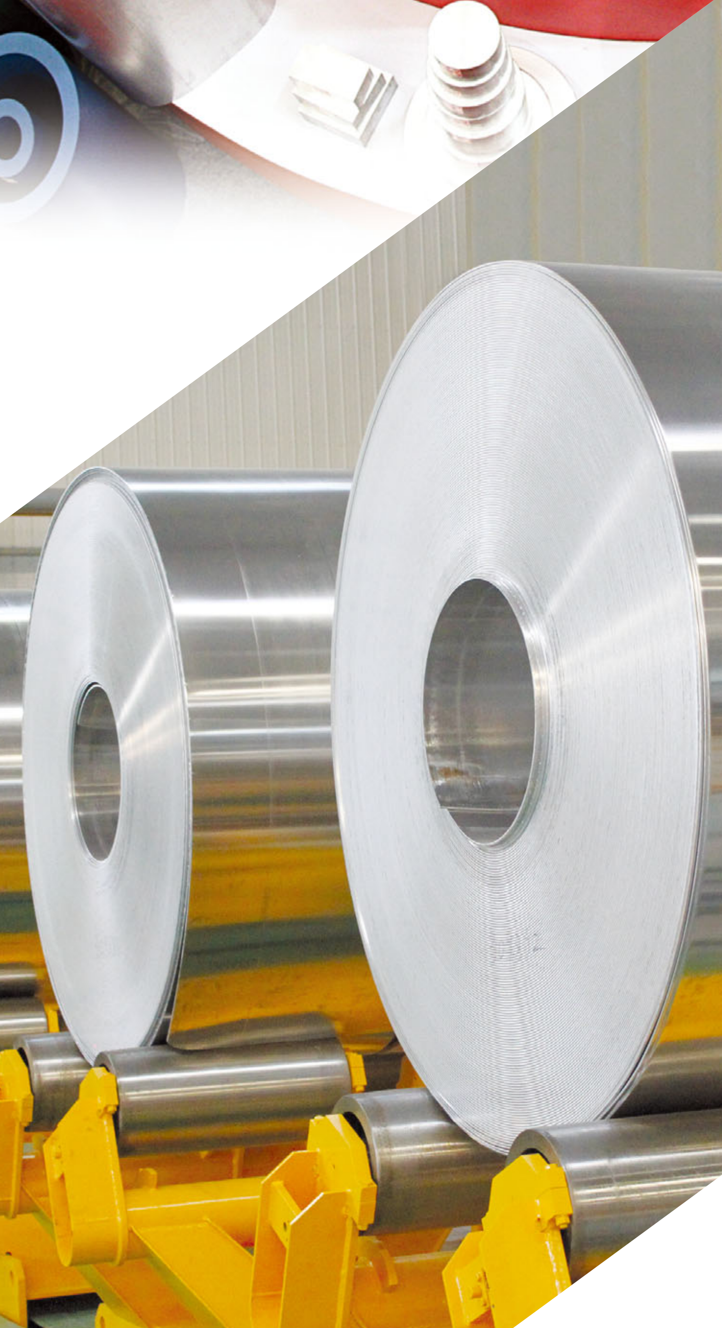
(incorporated in the Cayman Islands with limited liability)

Stock Code: 01333

A LEADING FABRICATED ALUMINIUM PRODUCT DEVELOPER AND MANUFACTURER IN ASIA

2016 Interim Report

* For identification purposes only


COMMITTED TO LIGHT-WEIGHT DEVELOPMENT FOR A GREENER WORLD

China Zhongwang is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the largest in Asia. The Group focuses on three core synergistic businesses namely, industrial aluminium extrusion, deep processing and aluminium flat rolling. The three core businesses operate together on the basis of upstream and downstream resource-sharing and benefit from mutual advantages.

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CORPORATE INFORMATION

Place of Listing
The Stock Exchange of Hong Kong Limited

Stock Code
01333

Executive Directors
Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing
Mr. Gou Xihui

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

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

Audit Committee
Mr. Wong Chun Wa *(Chairman)*
Mr. Wen Xianjun
Mr. Shi Ketong

Nomination and Remuneration Committee
Mr. Wen Xianjun *(Chairman)*
Mr. Liu Zhongtian
Mr. Shi Ketong

Corporate Governance Committee
Mr. Lo Wa Kei, Roy *(Chairman)*
Mr. Wen Xianjun
Mr. Shi Ketong

Strategy and Development Committee
Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing
Mr. Wen Xianjun

Joint Company Secretaries
Mr. Cui Weiye
Ms. Cheung Yuet Fan

Authorised Representatives
Mr. Lu Changqing
Ms. Cheung Yuet Fan

Principal Bankers
Bank of China Limited
Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Bank of Communications Corporation Limited
China Development Bank Corporation
Bank of America, N.A., Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Registered Office
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business in the PRC
No. 299, Wensheng Road
Liaoyang City
Liaoning 111003
PRC

42/F China World Tower
No. 1 Jianguomenwai Avenue
Beijing 100004
PRC

Place of Business in Hong Kong

56/F, Bank of China Tower
1 Garden Road, Admiralty
Hong Kong

Legal Advisors

As to Hong Kong laws

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws

King & Wood Mallesons
20th Floor, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing 100020
PRC

Auditor

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Principal Share Registrar in the Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar

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

Investor and Media Relations Consultant

Cornerstones Communications Ltd.
Unit 1408–10, 14F
Dominion Centre
43–59 Queen's Road East
Wanchai, Hong Kong

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 days inclusive), during which period no transfer of shares will be effected. In order to be entitled to the interim dividend, all instruments of transfers (including relevant share certificates and transfer forms) must be lodged at the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, 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.

Company Website

www.zhongwang.com

CORPORATE PROFILE

China Zhongwang Holdings Limited (the "Company", together with its subsidiaries, the "Group"), is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the largest in Asia[1]. On 8 May 2009, the Company (stock code: 01333) was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has been primarily focusing on the light-weight development in the transportation, machinery and equipment and electric power engineering downstream sectors through the provision of quality fabricated aluminium products.

The Group was founded in 1993 with its headquarters based in Liaoning Province, China, and is now mainly engaged in industrial aluminium extrusion and deep processing businesses. The Group currently has over 90 aluminium extrusion production lines, including 21 production lines of large-scale aluminium extrusion presses of 75MN or above. Meanwhile, the Group has also built a world-leading aluminium tilt smelting and casting facility which is ancillary to the extrusion production lines, as well as the largest customized industrial aluminium extrusion product die design and manufacturing centre in Asia. The Group has a professional research and development ("R&D") team and was certified by the Chinese Government as a "State Accredited Enterprise Technology Centre", a "State CNAS Laboratory" and an "Aviation and Rail Transit Aluminium Processing Technology National-local Collaborated Research Centre". The Group's unique core competitiveness in the industry lies in the comprehensive strength of its four-in-one model, i.e. the integration of smelting and casting, die design, advanced equipment and R&D capability all under one roof.

In order to further enhance its industry chain, the Group is currently investing in the construction of the high value-added aluminium flat-rolled product project in Tianjin. Upon completion, the project will become the world's largest top-notch aluminium flat rolling production base with state-of-the-art equipment. Furthermore, it will become the Group's third core business complementary to and resources sharing with the existing industrial aluminium extrusion and deep processing businesses and thereby achieving synergy.

Looking forward, the Group will continue to be committed to the R&D and manufacture of high-end aluminium alloy products and focus on light-weight development in the transportation, machinery and equipment and electric power engineering sectors that aims at reducing energy consumption and facilitating low carbon emission. The Group will actively seek to maintain its leading edge in the industrial aluminium extrusion sector, extend its reach to the high-end aluminium flat-rolled product business and develop aluminium deep processing technologies, working relentlessly to become the world's most competitive comprehensive developer and manufacturer of high-end aluminium products.

For further information on the Group, please visit our website at www.zhongwang.com.

1 Rankings and relevant information relating to aluminium extrusion product manufacturers in the world are cited from a report prepared by Beijing Antaike Information Development Co., Ltd. dated April 2016.

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (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 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (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

Notes:

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

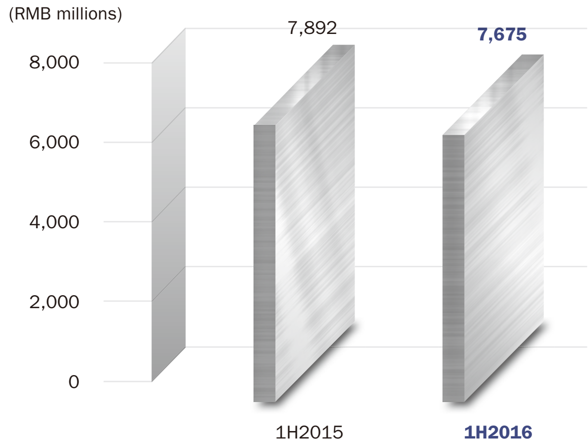
2. Adjusted profit attributable to equity shareholders is profit attributable to equity shareholders net of the effect of non-cash expenses arising from the recognition of share options which were granted on 6 January 2016 at fair value by the Group and the stamp duty incurred in connection with the 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.

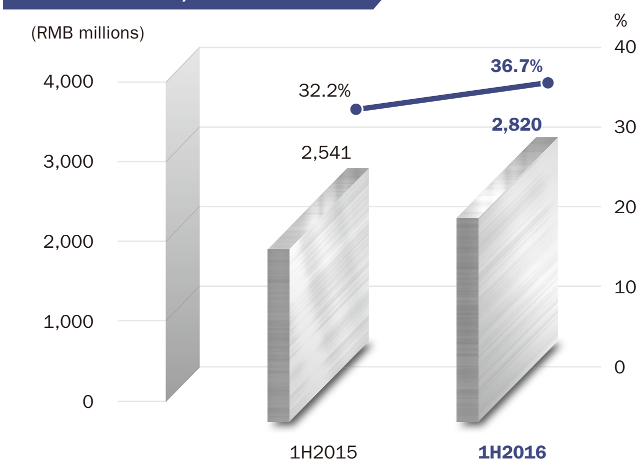
4. Bank balances and cash = cash and cash equivalents + short-term deposits + pledged bank deposits

FINANCIAL HIGHLIGHTS

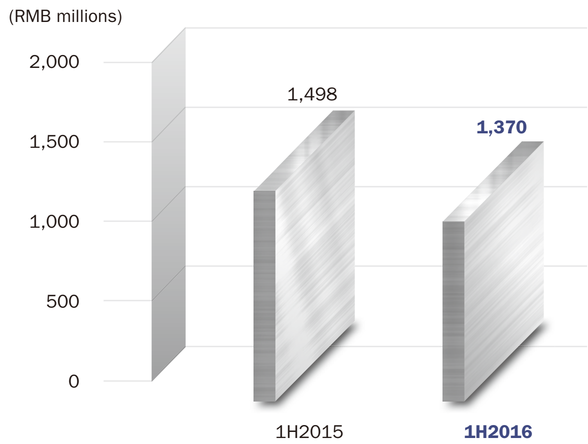
REVENUE



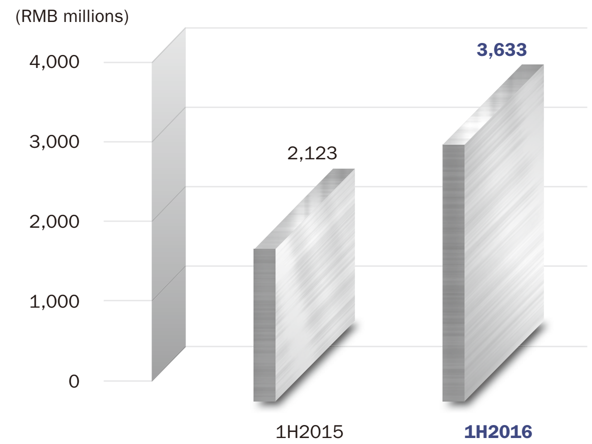
GROSS PROFIT/GROSS MARGIN



PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

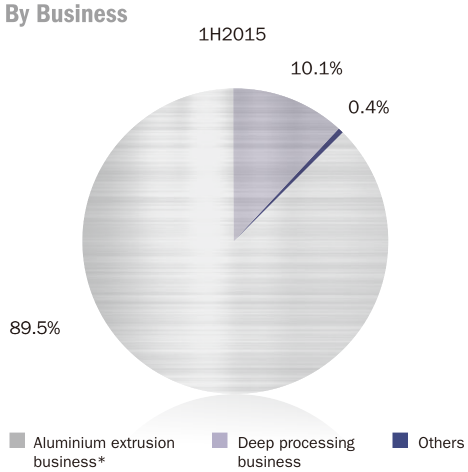


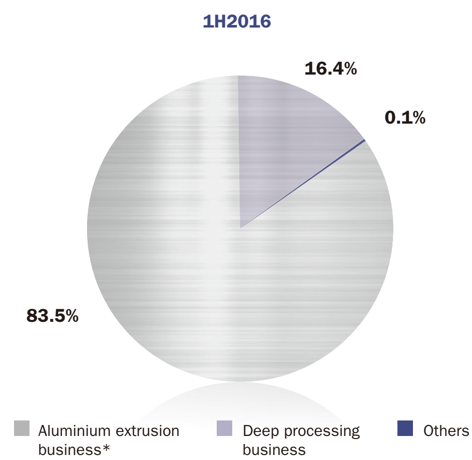
NET CASH GENERATED FROM OPERATING ACTIVITIES



REVENUE COMPOSITION

— By Business





* Revenue from aluminium extrusion business represents the revenue from sales to external customers.

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited ("China Zhongwang" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the interim report on the unaudited results of the Company for the six months ended 30 June 2016 (the "Period under Review") for your review.

Results Highlights

In the first half of 2016, the Chinese Government's active effort to drive the supply-side structural reforms and support the industrial sector to "stabilize growth, adjust structures and increase efficiency" had brought new opportunities for eco-friendly fabricated aluminium products. Fabricated aluminium alloy product is an emerging environmental-friendly material which is increasingly used in a wide range of high-end applications. As a leading fabricated aluminium product manufacturer in Asia, the Group achieved satisfactory results during the Period under Review.

Under its principal strategy of "focusing primarily on China and to a lesser extent on the overseas", the Group continued to enhance its core competitiveness through product mix optimization, capacity and equipment upgrade, in-depth R&D and innovation and industry-chain extension. During the Period under Review, the Group's revenue 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 was approximately RMB1.37 billion. Earnings per share was approximately RMB0.19.

To reward our shareholders for their support, the Board has declared an interim dividend of HKD0.11 (approximately RMB0.09) per share for the six months ended 30 June 2016, representing a dividend payout ratio of approximately 48.6%.

Product Optimization

During the Period under Review, the Group effectively strengthened its overall profitability as it continued to optimize its product mix as part of its sales strategy. In view of the new market for downstream applications, the Group was gradually transforming from a material supplier to an integrated light-weight solutions provider.

In the transportation sector, the Group continued to augment sales of its existing products of high-end aluminium parts, such as vehicle bumpers, structural parts for passenger cars and skirtboards for high-speed trains, while increasing the proportion of finished products with higher added value, such as train carriages and the body frames for new energy buses. Our outstanding product and process design team has enabled the Group to make preemptive moves in an ever-changing market. The Company recently announced in-depth cooperation with Chery Automobile in relation to the new energy battery electric vehicles ("BEV") model S51, marking another milestone in China Zhongwang's efforts in providing customized and integrated light-weight solutions to automobile manufacturers.

As for the machinery and equipment and electric power engineering sectors, aluminium alloy is gradually replacing traditional metals in the manufacturing of various parts and components of industrial equipment, as equipment made of aluminium alloy has better economic efficiency and a longer useful life. During the Period under Review, the Group jointly developed material upgrade solutions with its customers to accelerate the application of fabricated aluminium alloy products in the industrial sector, with the view of further developing the market with diversified product mix by the Group.

Capacity Upgrade

The Group is in the process of replacing and optimizing its existing equipment, while expanding its production capacity by purchasing mainly medium- to large-scale extrusion presses. During the Period under Review, the Group ordered 99 extrusion presses, including 19 large-scale presses of 75MN or above, among which one was of 175MN and four of 125MN. The installation of the main body of one of the two ultra-large 225MN extrusion presses ordered earlier has been completed, and full installation and testing are expected to complete within this year. The other one has been delivered for installation. These new large-scale extrusion presses will further expand the Group's production capacity of high-end and large-section industrial aluminium extrusion products, thereby enhancing its competitiveness and profitability in the long term.

Extension of the Industry Chain

The high value-added aluminium flat-rolled product project in Tianjin plays a significant role in the optimization of the Group's industry chain. Upon completion, it will become the world's largest and best-equipped aluminium flat rolling production base. During the Period under Review, the core equipment of the first production line has commenced trial production and is currently processing small-volume orders from potential customers on a trial basis for internal quality inspection and testing. During the Period under Review, along with the three quality management system accreditations, the project has obtained the management system certificates for the aerospace and automobile industries, setting a foundation for the products to enter high-end market.

R&D and Innovation

R&D and innovation is the key to the Group's enduring success in industry competition. During the Period under Review, the "Aviation and Rail Transit Aluminium Processing Technology National-local Collaborated Research Centre" of the Group was officially approved by the National Development and Reform Committee (the "NDRC"). In line with the development strategies of "Made in China 2025" and "One Belt One Road", the research centre will be developed into a first-rate technological R&D platform for the international rail transportation and aviation aluminium market. Riding on its industry-leading R&D capabilities, the Group continued to diversify its product profile with a number of R&D achievements making their debuts in the domestic market and the industry, steering the development of the high-end application of aluminium alloy products in the transportation, electric power engineering and machinery and equipment sectors.

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 Group Company Limited ("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. The asset restructuring contemplated under the assets transfer agreement constitutes a spin-off pursuant to the applicable requirements under Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange ("Practice Note 15"). The Company has submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 in relation to the Proposed Spin-off, and on 6 June 2016 the Company received confirmation from the Stock Exchange that it may proceed with the Proposed Spin-off.

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 enabling the market to appraise and assess the value of the Group more effectively and providing an additional fund raising platform for the Group.

The Proposed Spin-off 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 (the "CSRC")). A circular in relation to the Proposed Spin-off has been dispatched to the shareholders of the Company.

Future Outlook

The introduction of various macro-economic policies by the Chinese Government has opened up more markets for the application of aluminium alloy products, covering the transportation, machinery and equipment and electric power engineering sectors. Most notably, the increasingly stringent fuel consumption standard for passenger cars (expressed by fuel volume per 100 km) put forward by the State Council has obliged major automobile manufacturers to adopt the light-weight body feature as an important indicator for new car models. The "One Belt One Road" policy is propelling robust development of high-speed railways and infrastructure-related industries, while the norm of energy conservation and emission reduction has compelled operators in the logistics and public transport industries to explore the upgrade of materials used in transportation. Meanwhile, "Made in China 2025" is facilitating the transformation and equipment upgrade in China's manufacturing sector. The distinctive features of aluminium alloy products will enable them to stand out in terms of weight reduction and environmental protection in the aforementioned sectors.

In view of the markets with enormous potential, the Group is profoundly aware of the importance of R&D for the long-term and sustainable development of a fabricated aluminium enterprise. In the future, the Group will continue to enhance its strengths through continuous investment in R&D and technological innovation. In addition to the vigorous advancement of industry chain extension, the Group will effectively implement product optimization and capacity upgrade, with a view to enhancing our overall corporate value through synergetic development of our three core businesses, namely industrial aluminium extrusion, deep processing and aluminium flat rolling.

Acknowledgements

The Group's satisfactory results for the first half of 2016 are attributable to the perseverance of all our employees and the long-term trust and support of our shareholders, business partners, customers and suppliers. On behalf of the Board, I would like to express my sincere gratitude to all my colleagues for their dedication and efforts. China Zhongwang will continue to focus on the development of its core business of aluminium alloy processing, providing customers with quality products while delivering sustainable growth and returns to shareholders.

Liu Zhongtian
Chairman

Hong Kong, 25 August 2016

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 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. 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 is 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 technological 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 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 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 Group, 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 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 new 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 the 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 RMB'000	**Sales volume tonnes**	**Average selling price RMB/tonne**	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue %	Sales volume %	Average selling price %
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 loan during the Period under Review; and

(iv) the increase of 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 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, 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 RMB'000	2015 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). Relevant details have been disclosed in Notes 20 and 21 to the Unaudited Condensed Consolidated Financial Statements of this report.

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 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, Zhongwang Fabrication (an indirect wholly-owned subsidiary of the Company) entered into, among other agreements, an assets transfer agreement with CRED Holding (a company incorporated in the PRC and currently listed on the Shanghai Stock Exchange) in relation to the Proposed Spin-off. 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 CSRC). 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. 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. Relevant details have been disclosed in Note 23(a) to the Unaudited Condensed Consolidated Financial Statements of this report.

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.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

At 30 June 2016, the interests and short positions of our Directors and chief executive in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are as follows:

Long positions in the ordinary shares of the Company at 30 June 2016

Name of Director	Capacity/Nature of interests	Total number of ordinary shares	% of the relevant class of shares
Liu Zhongtian ("Mr. Liu")	Founder of a discretionary trust/Long position	4,041,500,000(1)	74.16
Gou Xihui	Beneficial owner/Long position	43,300,000(2)	0.79
Lu Changqing	Beneficial owner/Long position	2,000,000	0.04
		42,000,000(2)	0.77
Chen Yan	Beneficial owner/Long position	42,000,000(2)	0.77
Zhong Hong	Beneficial owner/Long position	42,000,000(2)	0.77
Lo Wa Kei, Roy	Beneficial owner/Long position	1,600,000(2)	0.03
Shi Ketong	Beneficial owner/Long position	1,600,000(2)	0.03
Wong Chun Wa	Beneficial owner/Long position	1,600,000(2)	0.03
Wen Xianjun	Beneficial owner/Long position	600,000(2)	0.01

Long positions in the underlying ordinary shares of the convertible preference shares of the Company at 30 June 2016

Name of Director	Capacity/Nature of interests	Total number of convertible preference shares	% of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/Long position(1)	1,618,955,467(1)	99.99

(1) At 30 June 2016, Zhongwang International Group Limited ("ZIGL") had interests in these shares under the SFO. The entire issued share capital of ZIGL is held by a trust the beneficiaries of which are members of the family of Mr. Liu, who is an executive Director and the chairman of the Company, as well as a director of ZIGL.

(2) Mr. Gou Xihui, Mr. Lu Changqing, Mr. Chen Yan, Ms. Zhong Hong, Mr. Lo Wa Kei, Roy, Mr. Shi Ketong, Mr. Wen Xianjun and Mr. Wong Chun Wa hold share options in respect of these shares.

Save as disclosed above, at 30 June 2016, none of the Directors or chief executive of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or is deemed to have taken under the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Share Option Scheme" below, at no time during the six months ended 30 June 2016 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Directors' Interests in Competing Business

For the six months ended 30 June 2016, none of the Directors or controlling shareholders (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2016, to the best knowledge of the Directors and the senior management of the Company, the table below lists out the persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the ordinary shares of the Company at 30 June 2016

Name of Shareholder	Capacity/Nature of interests	Total number of ordinary shares	% of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/Long position(1)	4,041,500,000	74.16
TMF (Cayman) Ltd.	Trustee/Long position(2)	4,041,500,000	74.16
Prime Famous Management Limited	Interest of controlled corporation/Long position(3)	4,041,500,000	74.16
Radiant Day Holdings Limited	Interest of controlled corporation/Long position(3)	4,041,500,000	74.16
ZIGL	Beneficial owner/Long position(1)	4,041,500,000	74.16

Long positions in the underlying ordinary shares of the convertible preference shares of the Company at 30 June 2016

Name of Shareholder	Capacity/Nature of interests	Total number of convertible preference shares	% of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/Long position[1]	1,618,955,467	99.99
TMF (Cayman) Ltd.	Trustee/Long position[2]	1,618,955,467	99.99
Prime Famous Management Limited	Interest of controlled corporation/Long position[3]	1,618,955,467	99.99
Radiant Day Holdings Limited	Interest of controlled corporation/Long position[3]	1,618,955,467	99.99
ZIGL	Beneficial owner/Long position[1]	1,618,955,467	99.99

(1) The entire issued share capital of ZIGL is held by a trust the beneficiaries of which are members of the family of Mr. Liu, who is an executive Director and the chairman of the Company, as well as a director of ZIGL.

(2) TMF (Cayman) Ltd. is trustee of the Liu Family Trust and is deemed to be interested in the shares held by the trust.

(3) Both of Prime Famous Management Limited and Radiant Day Holdings Limited are companies incorporated in the British Virgin Islands and owned by the Liu Family Trust.

Save as disclosed above, at 30 June 2016, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share-Based Incentive Schemes

Share Option Scheme

The Company adopted a share option scheme on 17 April 2008 (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, invite directors, senior management and consultants of any member of the Group to participate in the Share Option Scheme to subscribe for the ordinary shares of the Company. The period (the "Option Term") within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date the offer has been made to the grantees. The exercise price will be established by the Board at the time the grant of the options is made and shall not be less than the highest of:

(i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date;

(ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the grant date; and

(iii) the nominal value of a share on the grant date.

Each option granted has a vesting period as set out under the Share Option Scheme and the relevant granting documents. A grantee shall be entitled to exercise his/her options to subscribe for up to 20% of the total number of the Company's ordinary shares under options during each of the one year period commencing on the first, second, third, fourth and fifth anniversary of the date of grant, respectively. Where a grantee has not exercised his/her option in respect of the full amount of the vested shares during such vesting periods, the options shall continue to be exercisable in respect of the unexercised portion of the vested shares during the rest of the Option Term. All outstanding options shall lapse, among other circumstances, when the grantee ceases to be a participant of the Share Option Scheme by reason of the termination of his/her employment.

The maximum number of ordinary shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the ordinary shares in issue upon the Listing (the Company may refresh this 10% limit under certain conditions) or 30% of the ordinary shares in issue from time to time where there are options to be granted and yet to be exercised. As at the date of this interim report, the total number of shares available for issue under the Share Option Scheme is 544,947,314 shares, representing approximately 10% of the number of ordinary shares in issue, and approximately 7.71% of the aggregate number of ordinary shares and convertible preference shares in issue. The total number of ordinary shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the ordinary shares in issue. Any further grant of options which would result in the number of ordinary shares exceeding 1% requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

On 6 January 2016, the Company granted a total of 450 million share options to seven directors and 152 staff of the Company under the Share Option Scheme at the exercise price of HKD3.93 per share to subscribe for a total of 450 million ordinary shares of HKD0.1 each of the Company. The closing price of the shares of the Company on the date of grant of options on 6 January 2016 was HKD3.92 per share, and the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant was HKD3.93 per share.

Details of valuation of the options granted during the six months ended 30 June 2016 are set out in Note 26 to the Unaudited Condensed Consolidated Financial Statements on pages 59 to 60 of this report.

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2016 is as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HKD)	Number of underlying ordinary shares comprised in the options outstanding at 1 January 2016	Number of underlying ordinary shares comprised in the options granted during the six months ended 30 June 2016	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the six months ended 30 June 2016	Number of underlying ordinary shares comprised in the options exercised during the six months ended 30 June 2016	Number of underlying ordinary shares comprised in the options outstanding at 30 June 2016
Directors								
Gou Xihui	22 March 2011	21 March 2021	3.9	3,300,000	–	–	–	3,300,000
	6 January 2016	5 January 2026	3.93	–	40,000,000	–	–	40,000,000
Lu Changqing	22 March 2011	21 March 2021	3.9	2,000,000	–	–	–	2,000,000
	6 January 2016	5 January 2026	3.93	–	40,000,000	–	–	40,000,000
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	–	–	–	2,000,000
	6 January 2016	5 January 2026	3.93	–	40,000,000	–	–	40,000,000
Zhong Hong	22 March 2011	21 March 2021	3.9	2,000,000	–	–	–	2,000,000
	6 January 2016	5 January 2026	3.93	–	40,000,000	–	–	40,000,000
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000
	6 January 2016	5 January 2026	3.93	–	1,000,000	–	–	1,000,000
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000
	6 January 2016	5 January 2026	3.93	–	1,000,000	–	–	1,000,000
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000
	6 January 2016	5 January 2026	3.93	–	1,000,000	–	–	1,000,000
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000
46 Other Employees	22 March 2011	21 March 2021	3.9	33,300,000	–	(1,600,000)	–	31,700,000
152 Other Employees	6 January 2016	5 January 2026	3.93	–	287,000,000	–	–	287,000,000
Total				**45,000,000**	**450,000,000**	**(1,600,000)**	**–**	**493,400,000**

Save as disclosed above, during the six months ended 30 June 2016, no option was granted under the Share Option Scheme, and none of the share options under the Share Option Scheme had been exercised, cancelled nor lapsed.

Further particulars of the Share Option Scheme mentioned above are set out in Note 26 to the Unaudited Condensed Consolidated Financial Statements on pages 59 to 60 of this report and the section headed "Statutory and General Information – Other Information – Share Option Scheme" of the prospectus of the Company issued on 24 April 2009.

Disclosure Pursuant to Rule 13.18 of the Listing Rules

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules at 30 June 2016.

On 16 January 2013, the Company entered into a facility agreement (the "2013 Facility Agreement") with a group of banks and financial institutions relating to a term loan facility in the principal amount of USD200 million (the "2013 Facility") for a term of three years. The 2013 Facility was fully repaid on 15 January 2016 by the Company.

Due to the fact that the 2013 Facility Agreement contains a condition imposing specific performance obligations on the controlling shareholder of the Company and that breach of such obligation will cause a default in respect of the 2013 Facility, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Listing Rules on 16 January 2013. For details of such obligations, please refer to that announcement.

On 20 June 2014, the Company also entered into a facility agreement (the "2014 Facility Agreement") with a group of banks and financial institutions relating to a term loan facility in the principal amount of USD500 million (the "2014 Facility") for a term of three years. At 30 June 2016, the outstanding amount owed by the Company under the 2014 Facility Agreement was USD500 million.

Due to the fact that the 2014 Facility Agreement contains a condition imposing specific performance obligations on the controlling shareholder of the Company and that breach of such obligation will cause a default in respect of the 2014 Facility, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Listing Rules on 23 June 2014. For details of such obligations, please refer to that announcement.

On 24 July 2015, Tianjin Zhongwang Aluminium Company Limited ("Tianjin Zhongwang"), an indirect wholly-owned subsidiary of the Company entered into a syndicated facility agreement (the "2015 Facility Agreement") with a group of banks relating to a term loan facility in the principal amount of up to RMB20 billion or its equivalent (the "2015 Facility") for a term of ten years. At 30 June 2016, the outstanding amount owed by Tianjin Zhongwang under the 2015 Facility Agreement was approximately RMB10.91 billion.

Due to the fact that the 2015 Facility Agreement contains a condition imposing specific performance obligations on the controlling shareholder of the Company and that breach of such obligation will cause a default in respect of the 2015 Facility, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Listing Rules on 24 July 2015. For details of such obligations, please refer to that announcement.

Corporate Governance Practices

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. The principle of the Company's corporate governance is to promote effective risk management and internal control measures and to increase the transparency and accountability of the Board to all shareholders.

The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "Governance Code") since its listing on the Stock Exchange in 2009. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Governance Code.

For the six months ended 30 June 2016, save as disclosed below, all the code provisions set out in the Governance Code were met by the Company.

Compliance with the Model Code by Directors

The Company has adopted the Model Code set out in Appendix 10 of 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.

Compliance with the Corporate Governance Code

Chairman and Chief Executive Officer

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 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. After this change of president, the Company has complied with code provision A.2.1 of the Governance Code up to the date of this report.

Independent Non-executive Directors

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgment, scrutiny of the Company's performance, and positive and constructive contribution, which are crucial to the development of the Company's strategy and policy. They are also encouraged to attend the general meetings of the Company to develop a balanced understanding of the views of the shareholders.

For the six months ended 30 June 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least one-third of the Board of independent non-executive Directors with one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Board Committees

The Board has set up an audit committee, a nomination and remuneration committee, a corporate governance committee and a strategy and development committee (collectively the "Board Committees"). The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(a) Audit Committee

The audit committee comprises three members who are all independent non-executive Directors with one member possessing appropriate professional qualifications or accounting or related financial management expertise. Members of the audit committee comprise Mr. Wong Chun Wa (chairman), Mr. Wen Xianjun and Mr. Shi Ketong. None of them is a member of the former or existing auditors of the Company. The audit committee has reviewed and discussed with the senior management of the Company the audited annual results for the year ended 31 December 2015, the unaudited financial results and operational statistics for the three months ended 31 March 2016, and the unaudited interim results for the six months ended 30 June 2016 and has also reviewed the internal control, risk management and financial reporting matters of the Group. The terms of reference of the audit committee adopted by the Board are available on the websites of the Company and the Stock Exchange.

(b) Nomination and Remuneration Committee

We established a remuneration committee in accordance with the requirements of the Listing Rules in 2009. In compliance with the Governance Code, the Company expanded its remuneration committee's duties on 28 December 2011 to include nomination-related authority and duties and changed its name to the nomination and remuneration committee. Members of the nomination and remuneration committee comprise Mr. Wen Xianjun (chairman), Mr. Liu and Mr. Shi Ketong. The terms of reference of the nomination and remuneration committee adopted by the Board are available on the websites of the Company and the Stock Exchange.

(c) Corporate Governance Committee

We have established a corporate governance committee. Members of the corporate governance committee consist of three independent non-executive Directors of the Company, namely Mr. Lo Wa Kei, Roy (chairman), Mr. Wen Xianjun and Mr. Shi Ketong. The corporate governance committee has reviewed the Group's corporate governance matters and its internal control matters relating to compliance issues.

(d) Strategy and Development Committee

We have established a strategy and development committee. Members of the strategy and development committee are Mr. Liu (chairman), Mr. Lu Changqing and Mr. Wen Xianjun.

Risk Management and Internal Control

The Board and the senior management are responsible for establishing, implementing and maintaining a sound and effective risk management and internal control system. The goal of our risk management and internal control is to provide reasonable assurance regarding the achievement of objectives in relation to the following and to promote fulfilment of the Company's corporate development strategy:

i. effectiveness and efficiency of operations;

ii. reliability of financial reporting; and

iii. compliance with applicable laws and regulations.

Through the audit committee, the Board has reviewed the risk management and internal control mechanism in respect of financial, operational and compliance matters of the Group and its subsidiaries and has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board will conduct periodical review on the relevant improvement and enhancement procedures in order to strengthen the risk management and internal control measures of the Group.

Purchase, Sale or Redemption of Shares

There was no redemption of any shares during the six months ended 30 June 2016 by the Company. Save as disclosed in this report, there was no purchase or sale of the Company's shares during the six months ended 30 June 2016 by the Company or any of its subsidiaries.

Major Purchase and Sale of the Subsidiaries and Associates

Save as disclosed in the sections headed "Proposed Spin-off" in the Chairman's Statement and Management Discussion and Analysis in this report, there was no major purchase and sale of the subsidiaries and associates during the six months ended 30 June 2016 by our Group.

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 holders of the Company's ordinary shares and convertible preference shares, whose names appear on the register of the 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.

Directors' Profile Updates

During the six months ended 30 June 2016 and up to the date of this report, there was no change to the information which is required to be disclosed and has been disclosed by all Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Continual Communications with Shareholders, Investors and Analysts

The Company has adopted a shareholder communication policy to ensure effective communication between our shareholders and the Company. Since its listing, the Company has emphasized the importance of investor relations by establishing and developing a highly effective investor relations department (the "Investor Relations Department"). The main function of the Investor Relations Department is to make fair, consistent and transparent disclosures and maintain appropriate communications with global investors. The Investor Relations Department has strictly followed our policies and relevant regulations in treating all shareholders, investors and institutional research analysts in a fair and transparent manner. We have held a number of meetings and telephone conferences with investors and research analysts to promote and establish effective channels for dual communications between the Company and investors. In addition, we responded promptly to investors' enquiries through telephone or email.

Media Relations

We strive to establish more solid and closer relationship with the media through press releases, press meetings and management interviews in order to communicate our operating strategies and financial performance to the general public in a fast and effective manner.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**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

The notes on pages 39 to 60 form part of the unaudited condensed consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 22(a).

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	9	**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	21	**600,000**	2,500,000
Bank and other loans	20	**11,628,879**	12,432,298
Derivative financial instruments		**797**	15,403
Dividends payable	22(a)(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

	Note	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Non-current liabilities			
Bank and other loans	20	**23,873,922**	19,461,146
Debentures	21	**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	22(b)	**605,397**	605,397
Reserves	22(c)	**26,482,550**	25,385,601
TOTAL EQUITY		**27,087,947**	25,990,998

The notes on pages 39 to 60 form part of the unaudited condensed consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(Expressed in RMB)

	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 22 (c)(iv))	Other reserve RMB'000 (Note 22 (c)(iii))	Surplus reserve RMB'000 (Note 22 (c)(i))	Enterprise development fund RMB'000 (Note 22 (c)(ii))	Share option reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015		605,397	11,222,557	(2,992,978)	635,898	1,774,044	1,774,044	48,460	(4,545)	(1,213)	11,266,928	24,328,592
Changes in equity for the six months ended 30 June 2015:												
Profit for the period		—	—	—	—	—	—	—	—	—	1,498,059	1,498,059
Other comprehensive income for the period		—	—	—	—	—	—	—	(1,958)	(3,201)	—	(5,159)
Total comprehensive income for the period		—	—	—	—	—	—	—	(1,958)	(3,201)	1,498,059	1,492,900
Final dividends for the year 2014		—	(446,057)	—	—	—	—	—	—	—	—	(446,057)
Recognition of share-based payment	26	—	—	—	—	—	—	1,680	—	—	—	1,680
		—	(446,057)	—	—	—	—	1,680	—	—	—	(444,377)
At 30 June 2015 and 1 July 2015 (unaudited)		605,397	10,776,500	(2,992,978)	635,898	1,774,044	1,774,044	50,140	(6,503)	(4,414)	12,764,987	25,377,115
Changes in equity for the six months ended 31 December 2015:												
Profit for the period		—	—	—	—	—	—	—	—	—	1,306,922	1,306,922
Other comprehensive income for the period		—	—	—	—	—	—	—	(58,531)	1,501	—	(57,030)
Total comprehensive income for the period		—	—	—	—	—	—	—	(58,531)	1,501	1,306,922	1,249,892
Interim dividends for the year 2015		—	(637,043)	—	—	—	—	—	—	—	—	(637,043)
Recognition of share-based payment	26	—	—	—	—	—	—	1,034	—	—	—	1,034
Appropriations		—	—	—	—	292,148	292,148	—	—	—	(584,296)	—
		—	(637,043)	—	—	292,148	292,148	1,034	—	—	(584,296)	(636,009)
At 31 December 2015		605,397	10,139,457	(2,992,978)	635,898	2,066,192	2,066,192	51,174	(65,034)	(2,913)	13,487,613	25,990,998
At 1 January 2016		**605,397**	**10,139,457**	**(2,992,978)**	**635,898**	**2,066,192**	**2,066,192**	**51,174**	**(65,034)**	**(2,913)**	**13,487,613**	**25,990,998**
Changes in equity for the six months ended 30 June 2016:												
Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,369,790**	**1,369,790**
Other comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(19,370)**	**414**	**—**	**(18,956)**
Total comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(19,370)**	**414**	**1,369,790**	**1,350,834**
Final dividends for the year 2015		**—**	**(355,197)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(355,197)**
Recognition of share-based payment	26	**—**	**—**	**—**	**—**	**—**	**—**	**101,312**	**—**	**—**	**—**	**101,312**
		—	**(355,197)**	**—**	**—**	**—**	**—**	**101,312**	**—**	**—**	**—**	**(253,885)**
At 30 June 2016 (unaudited)		**605,397**	**9,784,260**	**(2,992,978)**	**635,898**	**2,066,192**	**2,066,192**	**152,486**	**(84,404)**	**(2,499)**	**14,857,403**	**27,087,947**

The notes on pages 39 to 60 form part of the unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

	Six months ended 30 June	
	2016 **RMB'000** **(unaudited)**	2015 RMB'000 (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

The notes on pages 39 to 60 form part of the unaudited condensed consolidated financial statements.

1 Corporate information

China Zhongwang Holdings Limited (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 Company and its subsidiaries (collectively referred to as the "Group") are 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 RMB'000 (unaudited)	2015 RMB'000 (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 RMB'000 (unaudited)	2015 RMB'000 (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.

4 Segment reporting (continued)

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

	Six months ended 30 June	
	2016 **RMB'000** **(unaudited)**	2015 RMB'000 (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 **RMB'000** **(unaudited)**	2015 RMB'000 (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%).

(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 **RMB'000** **(unaudited)**	2015 RMB'000 (unaudited)
Profit attributable to equity shareholders of the Company	**1,369,790**	1,498,059

	Six months ended 30 June	
	2016 **'000** **(unaudited)**	2015 '000 (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 anti-dilutive for each of the six-month periods ended 30 June 2016 and 2015.

9 Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of approximately RMB5,448,184,000 (six months ended 30 June 2015: RMB6,540,851,000). Items of property, plant and equipment with a net book value of approximately RMB105,000 were disposed during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB27,836,000), resulting in a gain on disposal of approximately RMB196,000 (six months ended 30 June 2015: a loss on disposal of RMB10,483,000).

At 30 June 2016, certain of the Group's machineries with a carrying amount of approximately RMB6,565,986,000 (31 December 2015: RMB3,564,185,000) were used to secure the Group's borrowings (Note 20(b)(ii), Note 20(b)(iii) and Note 20(b)(iv)).

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 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (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 (Note 20(b)(ii)).

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

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 (Note 20(b)(i)). 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 (Note 20(a)).

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 Bank and other loans

(a) Short-term bank and other loans are analysed as follows:

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Bank loans:		
— Secured by certain financial assets (Note)	**664,569**	1,950,154
— Guaranteed by subsidiaries	**500,000**	324,680
— Guaranteed by related parties	**—**	1,000,000
— Unguaranteed and unsecured	**2,471,560**	2,564,680
Loans from an associate:		
— Unguaranteed and unsecured	**2,018,529**	992,010
	5,654,658	6,831,524
Add:		
— Current portion of long-term bank and other loans	**5,974,221**	5,100,774
— Non-current portion of long-term bank loans repayable on demand	**—**	500,000
	11,628,879	12,432,298

Note: At 30 June 2016, a short-term bank loan with notional principle of Hong Kong Dollars ("HKD") 777,546,000 (equivalent to approximately RMB664,569,000) (31 December 2015: HKD777,546,000, equivalent to approximately RMB651,434,000) is secured by available-for-sale financial assets of RMB664,472,000 (31 December 2015: RMB650,124,000) (Note 16). At 31 December 2015, a short-term bank loan with notional principal of United States Dollars ("USD") 200,000,000 (equivalent to approximately RMB1,298,720,000) is secured by pledged bank deposits of RMB1,330,100,000 (Note 15).

20 Bank and other loans (continued)

(b) Long-term bank and other loans are analysed as follows:

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Bank loans:		
— Secured by bank deposits (Note (i))	**983,322**	973,766
— Secured by certain financial assets	**—**	771,413
— Guaranteed by subsidiaries	**4,310,280**	5,519,560
— Guaranteed by subsidiaries and secured by prepaid lease payments and property, plant and equipment (Note (ii))	**10,914,289**	9,567,546
— Guaranteed by related parties	**2,163,120**	649,360
— Guaranteed by a related party and secured by property, plant and equipment (Note (iii))	**595,492**	665,640
— Unguaranteed and unsecured	**5,590,000**	4,940,000
Other loans:		
— Secured by property, plant and equipment (Note (iv))	**4,491,640**	1,174,635
— Unguaranteed and unsecured	**800,000**	800,000
	29,848,143	25,061,920
Less:		
— Current portion of long-term bank and other loans	**(5,974,221)**	(5,100,774)
— Non-current portion of long-term bank loans repayable on demand	**—**	(500,000)
	23,873,922	19,461,146

Note:

(i) At 30 June 2016, current portion of long-term bank loan with notional principle of HKD565,488,000 (equivalent to approximately RMB483,322,000) (31 December 2015: HKD565,488,000, equivalent to approximately RMB473,766,000) is secured by pledged bank deposits of RMB460,000,000 (31 December 2015: RMB460,000,000); another current portion of long-term bank loan with notional principal of RMB500,000,000 (31 December 2015: RMB500,000,000) is secured by pledged bank deposits of RMB480,307,000 (31 December 2015: RMB480,307,000) (Note 15).

(ii) At 30 June 2016, a long-term bank loan is guaranteed by subsidiaries and secured by certain land use rights and property, plant and equipment of the Group (Note 9 and Note 10). The aggregate carrying value of the secured land use rights and property, plant and equipment amounted to approximately RMB1,425,989,000 and RMB176,290,000, respectively, at 30 June 2016 (31 December 2015: RMB1,441,519,000 and RMB176,290,000, respectively).

(iii) At 30 June 2016, a long-term bank loan is guaranteed by a related party and secured by certain property, plant and equipment of the Group (Note 9). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB915,600,000 at 30 June 2016 (31 December 2015: RMB915,600,000).

(iv) At 30 June 2016, some long-term loans from financial leasing institutions are secured by certain property, plant and equipment of the Group (Note 9). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB5,474,096,000 at 30 June 2016 (31 December 2015: RMB2,472,295,000).

All of the long-term bank and other loans, including the non-current portion of long-term bank loans repayable on demand, are carried at amortised cost and are not expected to be settled within one year.

20 Bank and other loans (continued)

(b) Long-term bank and other loans are analysed as follows: (continued)

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's balance sheet ratios, shareholdings of the Company or remaining listed in major stock exchange, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. In addition, as disclosed in Note 20(a), some of the Group's long-term bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled obligations.

The Group regularly monitors its compliance with these covenants, the Group is up to date with the scheduled repayments of the long-term bank loans and does not consider it probable that the banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. At 30 June 2016, none of the covenants relating to drawn down facilities had been breached (31 December 2015: nil).

21 Debentures

During the year ended 31 December 2013, the Group issued an unsecured debenture of RMB500,000,000 with maturity of three years and repayable on 8 October 2016, with effective interest rate of 6.90% per annum.

During the year ended 31 December 2014, the Group issued unsecured debentures of RMB100,000,000 and RMB1,100,000,000 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 the year ended 31 December 2015, the Group issued an unsecured debenture of RMB2,000,000,000 with maturity of 270 days and repayable on 09 April 2016, with effective interest rate of 4.60% per annum, this debenture was fully repaid on its maturity date. The Group also issued an unsecured debenture of RMB1,200,000,000 with maturity of three years and repayable on 27 May 2018, with effective interest rate of 5.40% per annum.

During the six months period ended 30 June 2016, the Group issued an unsecured debenture of RMB2,500,000,000 with maturity of five years and repayable on 22 March 2021, with effective interest rate of 4.05% per annum.

22 Capital, reserves and dividends

(a) 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 RMB'000 (unaudited)	2015 RMB'000 (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.

22 Capital, reserves and dividends (continued)

(a) 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 RMB'000 (unaudited)	2015 RMB'000 (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 RMB'000 (unaudited)	2015 RMB'000 (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

22 Capital, reserves and dividends (continued)

(b) Share capital

	No. of shares	Share capital HKD'000	RMB'000
Ordinary share of HKD0.10 each:			
Authorised:			
At 1 January 2015, 31 December 2015 and 30 June 2016	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2015	5,449,472,300	544,947	478,101
Shares issued pursuant to conversion of convertible preference share	840	—	—
At 31 December 2015, 1 January 2016 and 30 June 2016	5,449,473,140	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2015, 31 December 2015 and 30 June 2016	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2015	1,619,126,020	161,913	127,296
Shares issued pursuant to conversion of convertible preference share	(840)	—	—
At 31 December 2015,1 January 2016 and 30 June 2016	1,619,125,180	161,913	127,296

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Pursuant to an ordinary resolution passed at a board meeting of the Company on 28 November 2013, an issue of ordinary shares and/or unlisted convertible preference shares by the Company at a price of HKD2.61 per share on the basis of 3 new ordinary shares for every 10 existing ordinary shares then held by the qualifying shareholders on the record date and payable in full on the acceptance (the "Open Offer") was approved. The Open Offer was completed and 2,703,583 new ordinary shares and 1,619,188,337 convertible preference shares were issued on 28 January 2014, resulting in net proceeds of approximately HKD4,225,400,000 (approximately RMB3,322,040,000) to the Company. The Company intends to apply the net proceeds of the Open Offer in full to fund the capital commitments of high value-added aluminium flat-rolled project in Tianjin, PRC.

22 Capital, reserves and dividends (continued)

(b) Share capital (continued)

The convertible preference shares are non-redeemable by the Company. The holders of the convertible preference shares ("Convertible Preference Shareholders") may request the Company to convert one convertible preference share into one ordinary share from the date of allotment and issue of the convertible preference shares. The conversion is subject to the condition that the Convertible Preference Shareholders shall not exercise the conversion rights if upon the conversion, the percentage of the ordinary shares held by the public would drop below the minimum public float requirements under the Listing Rules applicable to the Company.

The Convertible Preference Shareholders are entitled to participate pari passu in any dividends payable to the holders of the ordinary shares on a pro rata as-if-converted basis. On return of capital on winding up or otherwise, the assets of the Company available for distribution shall be applied towards repayment of an amount equal to the aggregate of nominal amounts of the convertible preference shares, and the Convertible Preference Shareholders shall not have preference to participate in any remaining assets.

The Convertible Preference Shareholders shall not be entitled to vote at general meetings of the Company unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed at a general meeting which if passed would vary, modify or abrogate the rights and privileges of the convertible preference shares.

The convertible preference shares are not listed on the Stock Exchange.

(c) Nature and purpose of reserves

(i) Surplus reserve

The Articles of Association of Liaoning Zhongwang state that it may make an appropriation of 10% of its profit for the year (prepared in accordance with Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the PRC) each year to the surplus reserve until the balance reaches 50% of its paid-in capital. The surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of its production and operation.

(ii) Enterprise development fund

Pursuant to the PRC Company Law, Liaoning Zhongwang may make an allocation to the enterprise development fund from its profit for the year (prepared in accordance with ASBE) at a rate determined by directors. The enterprise development fund can be used for making good losses and capitalisation into paid-in capital. Both the surplus reserve and the enterprise development fund form part of the shareholders' equity but are non-distributable other than in liquidation.

22 Capital, reserves and dividends (continued)

(c) Nature and purpose of reserves (continued)

(iii) Other reserve

Other reserve mainly represents the capitalisation of accumulated profits of Liaoning Zhongwang into its paid-in capital. Pursuant to a resolution passed at the shareholder's meeting dated 18 February 2009, accumulated profits of approximately RMB506,849,000 and RMB127,287,000 was capitalised into the paid-in capital of Liaoning Zhongwang for the year ended 31 December 2009 and 2008 respectively.

(iv) Special reserve

Special reserve arising from a corporate reorganisation in 2008 represents (i) the difference between the 40% of the registered capital of Liaoning Zhongwang as well as the entire issued share capital of other subsidiaries and the nominal value of the shares of the Company issued for the acquisition and (ii) the consideration paid by a subsidiary of the Company for acquiring 60% equity interest in Liaoning Zhongwang.

(d) Distributability of reserves

At 30 June 2016, the aggregate amount of reserves available for distribution to equity Shareholders of the Company, as calculated was RMB8,811,603,000 (31 December 2015: RMB9,148,284,000). After the end of the reporting period the directors proposed a interim dividend of HKD0.06 per ordinary share (31 December 2015: a final dividend of HKD0.06 per share), amounting to RMB355,197,000 (31 December 2015: RMB355,197,000) (Note 22(a)). This dividend has not been recognised as a liability at the end of the reporting period.

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes bank and other loans and debentures as disclosed in Notes 20 and 21 respectively and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and accumulated profits.

The Group's board of directors reviews the capital structure on a continuous basis. As part of this review, the board of directors considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issuance of new shares, dividend payment, raising of new debts or repayment of existing debts. The Group's overall strategy remains unchanged from last year.

23 Fair value measurement of financial instruments

(a) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted available-for-sale debt securities which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 30 June 2016 (unaudited) RMB'000	**Fair value measurement at 30 June 2016 categorised into (unaudited)**		Fair value at 31 December 2015 (audited) RMB'000	Fair value measurement at 31 December 2015 categorised into (audited)	
		Level 2 RMB'000	**Level 3 RMB'000**		Level 2 RMB'000	Level 3 RMB'000
Group recurring fair value measurement						
Assets:						
Financial products classified as available-for-sale financial assets	**976,417**	**—**	**976,417**	1,351,418	—	1,351,418
Liabilities:						
Interest rate swaps	**(797)**	**(797)**	**—**	(15,403)	(15,403)	—

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

23 Fair value measurement of financial instruments (continued)

(a) Financial instruments carried at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of financial products classified as available-for-sale financial assets are determined using discounted cash flow method and the significant unobservable input used in the fair value measurement is risk spread. The fair value measurement is negatively correlated to the risk spread.

Reconciliation of Level 3 fair value measurement of financial instruments

	At 30 June 2016 RMB'000 (unaudited)	At 30 June 2015 RMB'000 (unaudited)
Unlisted available-for-sale financial assets:		
At 1 January	**1,351,418**	2,303,542
Payment for purchases	**310,000**	—
Total realised gains recognised in the consolidated income statement during the period	**14,377**	20,590
Total unrealised gains recognised in the consolidated income statement during the period	**21,417**	1,264
Proceeds from disposal	**(700,000)**	(1,573,600)
Interest received	**(20,795)**	(50,532)
At 30 June	**976,417**	701,264

(b) Fair values of financial instruments carried at other than fair value

The fair value of financial assets and financial liabilities recorded at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

24 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.

25 Related party transactions

During each of the six-month periods ended 30 June 2016 and 2015, the Group had entered into the following related party transactions:

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Rental income from an associate	**75**	75
Goods sold to an associate	**4,188**	13,793
Guarantees obtained from related companies	**2,758,612**	2,111,360

26 Share-based payments

Pursuant to an ordinary resolution of the board of directors passed on 17 April 2008, a share option scheme (the "Scheme") was conditionally approved and adopted to provide grantees, including directors, senior management and consultants of any member of the Group, with an opportunity to subscribe for the ordinary shares of the Company. The period within which the options must be exercised shall be determined by the directors at the time of grant and such period must expire no later than ten years from the date the offer has been made to the grantees. All outstanding options shall lapse when the employment of the holder ceases or where the holder is no longer a member of the Group. Each of the five consecutive anniversary of the grant date, a grantee shall be entitled to exercise his/her option to subscribe for up to 20% of the total number of shares of the Company under his/her option during such period.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company shall not exceed ten percent of the shares in issue upon the listing of the shares of the Company on the Stock Exchange (the Company may refresh this ten percent limit under certain conditions) or thirty percent of the shares in issue from time to time where there are options to be granted and yet to be exercised. The total number of shares issued and to be issued upon exercise of the options granted to each qualified person under the Scheme or any other share option schemes adopted by the Company in any twelve month period must not exceed one percent of the shares in issue. Any further grant of options which would result in the number of shares exceeding one percent requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

Details of the Scheme are as follows:

Grantees	Grant date	Exercisable period	Exercise price HKD	Number of share options granted on grant date	Lapsed or cancelled during the periods	Outstanding at 30 June 2016
Category:						
– Directors						
	22 March 2011	22 March 2012 to 21 March 2021	3.90	11,700,000	–	**11,700,000**
	6 January 2016	6 January 2017 to 5 January 2026	3.93	163,000,000	–	**163,000,000**
– Employees						
	22 March 2011	22 March 2012 to 21 March 2021	3.90	34,000,000	(2,300,000)	**31,700,000**
	6 January 2016	6 January 2017 to 5 January 2026	3.93	287,000,000	–	**287,000,000**
				495,700,000	(2,300,000)	**493,400,000**

(Expressed in RMB unless otherwise indicated)

26 Share-based payments (continued)

The fair value of options under the Scheme was calculated using the binominal option pricing model by an independent valuer, Savills Valuation and Professional Services Limited. The inputs into the model are as follows:

Grant date	22 March 2011	6 January 2016
Estimated share price at grant date	HKD3.83	HKD3.92
Exercise price	HKD3.90	HKD3.93
Expected volatility	53%	41.15%
Expected life	10 years	10 years
Risk-free interest rate	2.75%	1.49%
Expected dividend yield	5.9%	4.98%

Expected volatility was determined by using the historical volatility of the price return of the ordinary shares of comparable companies. Because the binominal option price model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimation.

The fair values of options under the Scheme on the grant date of 22 March 2011 and 6 January 2016 are approximately RMB52,496,000 and RMB437,025,000, respectively.

The following table discloses movement of the Company's share options held by grantees during the six months ended 30 June 2016:

Grant date	Outstanding as at 30 June 2016	Exercisable as at 30 June 2016
22 March 2011	**43,400,000**	**43,400,000**
6 January 2016	**450,000,000**	**—**

During the six months ended 30 June 2016, share-based payment expenses of approximately RMB517,000 (six months ended 30 June 2015: RMB1,680,000) and RMB100,795,000 (six months ended 30 June 2015: Nil) in relation to the Scheme with grant date of 22 March 2011 and 6 January 2016 are recognised in the consolidated income statement, respectively.