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

2017 Interim Report

* For identification purposes only

Committed to light-weight development for a greener world

China Zhongwang is a world-leading fabricated aluminium product developer and manufacturer. The Group's products are widely used in the transportation, machinery and equipment and electric power engineering sectors. It has been primarily focusing on three core synergistic businesses namely

- Aluminium extrusion
- Deep processing
- Aluminium flat rolling

Contents

Corporate Information

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

01333

Executive Directors

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

Non-executive Director

Mr. Chen Yan

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
Mr. Cui Weiye

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.
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 Centre
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
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, 10 October 2017 to Friday, 13 October 2017 (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 Monday, 9 October 2017.

Company Website

www.zhongwang.com

Corporate Profile

China Zhongwang Holdings Limited (the "Company", together with its subsidiaries, the "Group"), is the second largest 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 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 rolling project in Tianjin. Upon completion, the project will become the world's largest and most advanced 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 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 aluminium extrusion sector, extend its reach to the high-end aluminium flat rolling 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 Co., Ltd dated June 2017.

Financial Highlights

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Revenue	**7,325,182**	7,675,297
Gross profit	**2,435,250**	2,819,856
EBITDA (Note 1)	**2,439,406**	2,543,667
Profit for the period	**1,259,736**	1,369,790
Earnings per share (RMB) (Note 2)	**0.15**	0.19
Interim dividend per share (HKD)	**0.10**	0.11

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Bank balances and cash (Note 3)	**15,920,624**	14,248,739
Total equity attributable to equity shareholders	**28,564,120**	28,015,902
Total assets	**90,270,542**	79,037,746

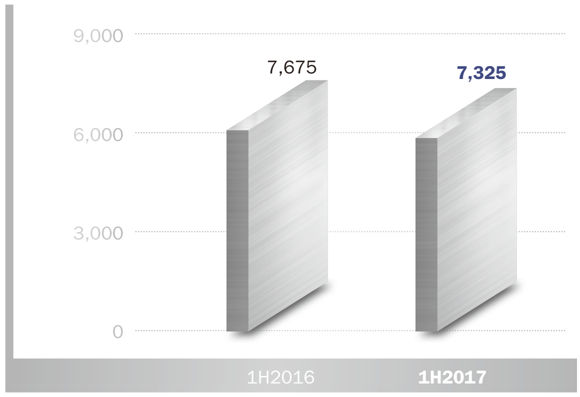
Notes:

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

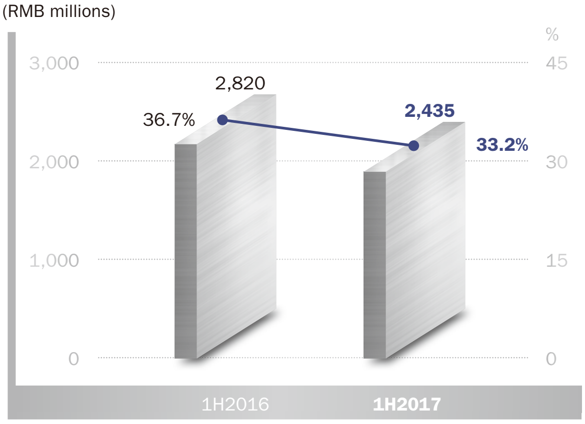
2. The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company for each of the six-month periods ended 30 June 2017 and 2016 and on the weighted average number of ordinary shares, convertible preference shares and share options for the respective period.

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

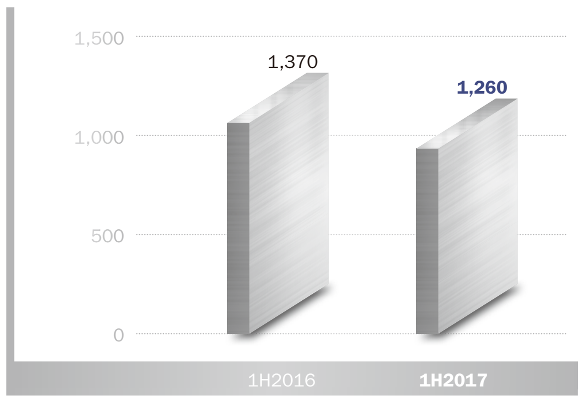
Revenue
(RMB millions)



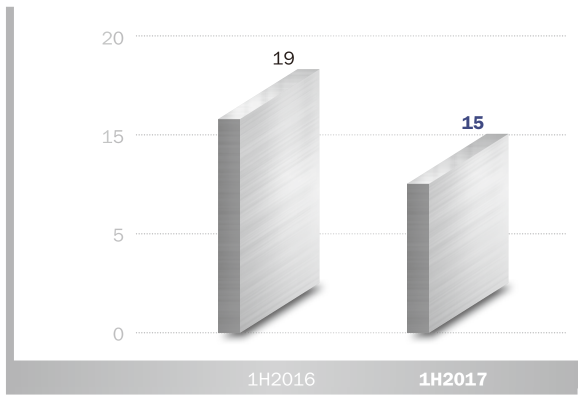
Gross Profit/Gross Margin
(RMB millions)



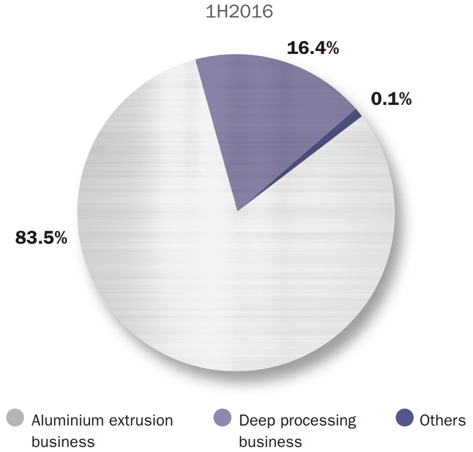
Profit for the Period
(RMB millions)

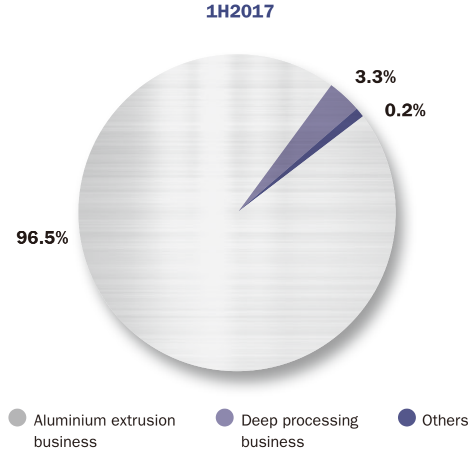


Earnings Per Share
(RMB cents)



Revenue Composition
— By Business





Chairman's Statement

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 2017 (the "Period under Review") for your perusal.

In the first half of 2017, the global economy remained in a moderate recovery, however the rise of trade protectionism caused uncertainties to economic development. China's economy maintained a steady momentum, and the implementation of supply-side structural reforms provided driving force for long-term growth of various industries. Upgrade and transformation of downstream applications in the aluminium processing industry have been accelerated, particularly the new applications of high-end segments increased remarkably, such as transportation and mechanical equipment, providing opportunities to the leading companies which have extended their foothold in these segments in advance.

Results highlights

Guided by the principal strategy of "focusing primarily on China and to a lesser extent on the overseas", the Group optimised its product mix, intensified cooperation model and adhered to research and development as well as innovation, to build a concrete foundation for long-term development. During the Period under Review, the Group's revenue amounted to approximately RMB7.33 billion. Overall gross margin was 33.2%. Profit for the period was approximately RMB1.26 billion. Earnings per share was approximately RMB0.15. The proportion of new high value-added products in the Group's product mix increased, lifting average selling price of the Group's aluminium extrusion product by 23.4% to RMB25,742 per tonne.

To reward our shareholders for their support, the Board has declared an interim dividend of HKD0.10 per share for the six months ended 30 June 2017, representing a dividend payout ratio of approximately 55.0%.

Optimising product mix to provide integrated light-weight solution

As the demand for aluminium consumption in high-end applications in China has been growing, the Group adjusted its product mix in advance to strengthen long-term profitability. During the Period under Review, we continued to implement the strategy of optimising product mix and were committed to enhancing added value of the products through technological improvement as well as research in function and performance. Among the new products, the aluminium alloy formwork used for large-scale residential projects and construction works not only reduces average construction costs, but also elevate construction efficiency, therefore gaining popularity in the market. In addition to our R&D initiatives on new products, the Group has strived to maximise the quality of existing products as well as improve product quality and performance consistency, offering integrated light-weight solution with our balanced product mix to the customers.

The outstanding product and process design team of the Group has brought our cooperation with customers forward to the initial stage of product development, which increased the added value of the Group as a supplier, and enables the Group to take part in key processes including design, R&D, production and quality control. Such move allowed a longer cooperation period and better understanding with our customers. The synergies generated from the Group's professional know-how about aluminium and the familiarity of our customers with the function and performance of the products have guaranteed that the products will keep up with various standards, including functionality, safety and aesthetics. Through a closer collaboration with its customers, the Group has become the sole supplier of automobile body for Chery's "Little Ant" model (eQ1), and has been listed as one of the suppliers of aluminium parts for train body of the next generation of high-speed train "Renaissance EMU". Unremitting optimisation of product mix and the full cooperation model are the key elements to consolidate the Group's integrated strength.

To achieve better mass production by improving industry chain deployment

To meet China's potential demand for high-end aluminium products, the Group is improving its business distribution along the industry chain. One of the 225MN ultra-large extrusion presses equipped in Yingkou has been put into trial operation, ready to achieve mass production of ultra-large section aluminium extrusion products.

The first production line of the aluminium flat rolling project in Tianjin has commenced production. During the Period under Review, the project obtained authoritative accreditations for a number of key industries, including aviation, vessels, automobile and rail transportation. With the effort of the technology and R&D teams, small-volume samples of certain high-end products have been delivered to customers for product accreditations. Meanwhile, the second production line is in the process of equipment installation and testing as scheduled. Upon completion, the project will become the world's largest and most advanced eco-friendly aluminium flat rolling production base with state-of-the-art equipment. It will be a new flagship for the aluminium processing industry in China and globally. With gradual release of production capacity for aluminium flat-rolled products, the Group's high-end production capacity will be better set in the industry chain.

Emphasis on R&D and innovation to strive for sustainable growth

As a leading company in the aluminium processing industry, China Zhongwang has been committed to promoting the materials upgrade in downstream sectors by maximising the green and eco-friendly features of the aluminium alloy. With collaboration between upstream and downstream enterprises, aluminium alloy has been widely used in every aspect for social development. The application of aluminium has increased capacity of urban public transport and reduced pollutant emission. Moreover, it has increased production efficiency and reduced maintenance cost for enterprises, prolonged product life and thereby enhanced economic efficiency.

Sustainable growth relies on staying focused and being innovative. During the Period under Review, we continued to invest in R&D and innovation to diversify our product portfolio while maintaining good product quality. Leveraging its strengths in R&D, China Zhongwang has optimised a number of specific production processes, such as alloying, production techniques and surface finishing, with an aim to enhance the added value of its products.

Cautiously extending our global foothold following the first acquisition of overseas project

In August 2017, Zhongwang Aluminium Deutschland GmbH, an indirect wholly-owned subsidiary of the Company, basically completed the acquisition of Aluminiumwerk Unna AG ("Alunna"), a manufacturer of high-end semi-finished aluminium products. Upon completion of the acquisition, the Group will hold 99.72% equity interest in Alunna. Founded in 1914, Alunna manufactures a variety of high value-added aluminium alloy extrusion products including seamless and porthole extruded aluminium tubes, which are extensively applied in various sectors such as aerospace and automotive industry, serving a number of world-renowned clients including Airbus, Boeing, Bombardier, Mercedes-Benz and BMW. It has established itself as one of the industry-leading manufacturers in Europe and around the world. With a history of over 100 years, Alunna has accumulated impeccable R&D capability and developed an integrated production line. This transaction marks a milestone in the Group's international expansion, and would substantially enhance the Group's production capability in seamless extruded aluminium tubes for further optimising its product mix. Furthermore, it will accelerate business expansion of the Group into, among others, aviation and automobile industries with the product quality credentials and experience in developing customers of Alunna, therefore enhance the competitiveness of the Group as a whole.

Acknowledgements

The Group's satisfactory results for the first half of 2017 are attributable to the perseverance of all our employees and the long-term trust and support from 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 long-term growth and returns to shareholders.

Liu Zhongtian
Chairman

Hong Kong, 25 August 2017

Management Discussion and Analysis

I. Business Review

During the Period under Review, the Group, by adhering firmly to the principal strategy of "focusing primarily on China and to a lesser extent on the overseas", devoted its efforts to product research and development, as well as improvement and advancement of the production process. Through continued optimisation of product mix and innovation of high value-added products, the Group has been transforming from a high-end fabricated aluminium material supplier to an integrated light-weight solution provider.

During the Period under Review, total revenue of the Group amounted to approximately RMB7.33 billion. Overall gross margin was 33.2%. Profit for the period amounted to approximately RMB1.26 billion. Earnings per share was approximately RMB0.15.

The Group has developed a new system for aluminium alloy formwork in reference to the characteristics of domestic and international construction industry in its ongoing efforts of product optimisation and market development, on the strength of the Group's national grade laboratory, top professional technical team in the industry, globally first-class large-sized equipment and rich experience in aluminium extrusion. The Group's aluminium alloy formwork has gained good market response with increasing sales volume since being launched, mainly attributable to its lighter weight, better surface quality, greater strength and longer life that lower the average construction cost and improve the construction efficiency compared with the market standard. As such, the aluminium alloy formwork segment of the Group has been presented separately as a single segment since the Period under Review. During the Period under Review, sales volume of the Group's aluminium alloy formwork segment was 111,313 tonnes with revenue of approximately RMB3.62 billion.

During the Period under Review, sales volume of the Group's industrial aluminium extrusion segment was 148,518 tonnes and the revenue amounted to approximately RMB3.23 billion, representing a decrease of 46.0% from approximately RMB5.97 billion for the corresponding period of 2016. Such decrease was principally due to optimisation of product mix by the Group, emphasis on developing high value-added products, such as aluminium alloy formwork and aluminium alloy product used in the transportation industry, as well as developing and manufacturing of new products that has occupied partial production capacity during the Period under Review.

The Group continued to expand its production capacity and optimise its product mix during the Period under Review. Trial production of one of the two ultra-large 225MN extrusion presses ordered earlier was underway, while the other press was being installed. These advanced large-tonnage presses will further enhance the Group's overall competitiveness in high-end products for, among others, rail transportation and vessel manufacturing.

During the Period under Review, sales volume of the Group's deep processing business was 10,868 tonnes and the revenue amounted to approximately RMB240 million, representing a decrease by 80.7% from approximately RMB1.26 billion for the corresponding period of 2016. Such decrease was mainly due to the declined sales volume of deep-processed product exporting to the United States of America (the "US") caused by the increasingly heating up trade friction in aluminium industry between the US and China during the Period under Review. However, sales volume of products including deep-processed engineered parts for passenger vehicles and commercial vehicles supplied by the Group for the domestic market has been increasing during the Period under Review.

Deep-processed products require sophisticated technical know-how 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, specialty products and industrial electronic products, etc. During the Period under Review, the Group continued to lead the light-weight developments of automobiles in China by engaging in technological cooperation with a number of well-known domestic manufacturers of vehicles and buses, such as CH-Auto Technology Co., Ltd., Chery New Energy Automotive Technology Co., Ltd. ("Chery New Energy"), Zhengzhou Yutong Bus Co., Ltd. and Xiamen Golden Dragon Bus Co., Ltd., to jointly develop aluminium-intensive new energy buses and electric cars. Thanks to the Group's strategic business layout, sales volume of products including deep-processed engineered parts for passenger vehicles and commercial vehicles increased significantly during the Period under Review. In particular, Chery New Energy was the first domestic self-owned brand to launch pure electric car with extensive use of aluminium (eQ1), which received excellent market response upon its launch and has been supplying in bulk.

The first production line of the Group's high value-added aluminium flat rolling project in Tianjin has commenced production recently. The project has passed the authoritative certification programme Nadcap for international aviation industry, and passed the accreditation from Det Norske Veritas (DNV), Nippon Kaiji Kyokai (NK), American Bureau of Shipping (ABS), China Classification Society (CCS), Lloyd's Register of Shipping (LR) and International Railway Industry Standard (IRIS). These credentials demonstrate the superior technological strength and high level of management capacity of the project, which are also strategically significant in that the accreditations are necessary for the project to enter international markets of aviation, vessel and rail transportation in the future. Meanwhile, the installation and testing of the equipment for the second production line are underway as scheduled.

During the Period under Review, the establishment of the Public Service Platform for Inspecting and Testing Metal Materials by the Group has been officially approved by the National Development and Reform Commission of China. The completion of the establishment of the platform will, in addition to a significant enhancement of the Group's capacity for inspecting and testing metal materials, offer considerable benefits, including further improvement of metal materials industry and the industry chain of relevant sectors in the region, full-scale collaboration of service industry and manufacturing industry, promotion of development of metal materials industry as well as significant enhancement of the competitiveness of China's metal materials industry in the world. During the Period under Review, the Group developed various new products, which cover a number of application fields such as aviation and rail transportation, and filed a number of patent applications. The Group also participated in the formulation of, and amendments to, various national and industry standards. The Group's outstanding R&D capability has enabled it to continuously launch diversified high-end products and optimise its product mix, thereby strengthening its integrated competitiveness.

II. Future Development

With the vigorous progress of light-weight development, rising awareness of energy conservation and emissions reduction, together with the implementation of favourable policies by the PRC government, aluminium has been widely used and highlighted in various industries, due to its outstanding features, such as being light-weight, corrosion-resistant, 100% recyclable and electrical conductivity. The "Belt and Road Initiative" Forum held in May 2017 in Beijing announced a grand investment scheme in infrastructure across over 60 countries from Asia to Europe via Middle East and Southeast Asia. It covers multiple industries including railway, port, pipeline, power grid and mechanical engineering. The investment in infrastructure per annum along the "Belt and Road Initiative" is estimated to be in excess of US$1,000 billion, which will boost the demand for aluminium, in particular high-end aluminium products, therefore provides the aluminium processing industry new opportunities for development.

The planned infrastructure facilities under the "Belt and Road Initiative", such as airports, vessels, ports and highways, create enormous demand for high-end aluminium products, as construction of infrastructure involves extensive use of aluminium, such as airport, aluminium curtain wall, shipping containers for marine and road transport. The requirement of energy conservation and emissions reduction for transport networks under the "Belt and Road Initiative" will increase aluminium consumption for bodies of, among others, high-speed trains, urban rail transit and double-decker buses. In addition, the promotion of the "21st Century Maritime Silk Road" will potentially create demand for aluminium products from various sectors, such as shipbuilding and port shipping containers.

There is a trend towards light-weight materials in the transportation sectors in recent years, in particular the rapid development of new energy automobiles, providing strong impetus for growth in demand for aluminium products. According to the "Research Report on Domestic and International Aluminium Extrusion Products Market" issued by Beijing Antaike Information Co., Ltd. this year, the demand for aluminium extrusion products from transportation sectors during the period from 2017 to 2021 was estimated to grow at a compound annual growth rate of 8.9%. The "Integrated Work Proposal for Energy Conservation and Emission Reduction for the 13th Five-Year Plan Period" (《「十三五」節能減排綜合工作方案》) issued by the State Council in 2017 stated that developments have to be accelerated for strategic emerging industries, such as new energy automobiles and energy-efficient and environmentally-friendly technologies. According to figures from the China Association of Automobile Manufacturers, during the Period under Review, the output of new energy vehicles in China was 212,000, representing a year-on-year increase of 19.7%. In addition, the "Mid-to Long-term Development Plan for the Automobile Industry" (《汽車產業中長期發展規劃》) issued by the Ministry of Industry and Information Technology (the "MIIT") also projected that the annual output of new energy vehicles in China would reach 2 million units by 2020, and they would account for over 20% of the total sales of passenger cars by 2025. The application of aluminium in new energy vehicles as well as energy-efficient and environmental-friendly transport will unlock huge potential of the aluminium market for growth.

With the increasing significance of aluminium in the transition to light-weight automobiles and the tightening of fuel consumption limits by the PRC government, aluminium has been applied more and more extensively in the automobile manufacturing industry. In the "Made in China 2025" initiative launched by the State Council, the PRC government highlighted 10 priority sectors. Five of these sectors are in the field of transportation and are the key areas for light-weight development, such as aerospace and aviation equipment, marine engineering equipment and high-tech vessel, advanced railway equipment, energy-efficient and new energy vehicle. The MIIT also estimated that the average fuel consumption of passenger cars produced in China would be reduced to 5.0 litres per 100 kilometres in 2020. In order to meet the requirement of reduction of fuel consumption and emission, aluminium is used by various automobile companies in place of steel and is widely applied in the production of engines, vehicle body frames, and parts. At present, the Group has jointly developed aluminium-intensive new energy buses and electric cars with major automobile manufacturers, such as Chery New Energy. As mentioned in the "Technology Roadmap for Energy Conservation and New Energy Automobiles" (《中國節能與新能源汽車技術路綫圖》) promulgated by the Society of Automotive Engineers of China in October 2016, the average aluminium consumption per passenger car in developed countries is 145kg as compared to 105kg in China. It is estimated that aluminium consumption per vehicle will be over 350kg in 2030, leaving huge room for aluminium market to expand in automobile industry in the future.

The above market trends and policies created a favourable development landscape for fabricated aluminium companies including the Group. As such, the management has formulated the following development strategies:

1. Commenced production of the first production line of the aluminium flat rolling project in Tianjin, adding impetus to the Group's steady development in the long term: As the first production line has commenced production, the Group will strictly control product quality and consistency. In the meantime, the Group will accelerate the pace of R&D and high-end product certification process to be fully prepared for the gradual production of high value-added products;

2. Continue to optimise and expand capacities to reinforce the Group's profitability: The aluminium extrusion equipment purchased by the Group last year will be installed and begin production in phases in the coming two to three years. Meanwhile, the first 225MN ultra-large extrusion press has commenced its trial production, further enhancing the Group's leading advantage in terms of capacity for high-precision large-section industrial aluminium extrusion. The optimisation and expansion of capacities will reinforce the Group's integrated competitiveness in the high-end aluminium processing industry;

3. Enhance the diversity of high-end product offerings and increase the proportion of the high value-added products: The Group is optimistic about the enormous potential for development of the high value-added product market, leveraging its state-of-the-art techniques of the product and design team to provide integrated light-weight solutions for customers. In the future, we will continue to take advantage of our superior R&D, relentlessly diversify the product offerings, enhance quality and performance of the products and encourage in-depth cooperation, eventually increasing the contribution from the high value-added product to the sales and profit of the Group as a whole; and

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, educational institutions and research institutes, the Group will actively explore innovations in technology and production know-how for aluminium processing so as to improve the Group's comprehensive competitive strengths.

The above development strategies will fully capitalise on the synergy of the Group's three core businesses, helping the Group tap into the opportunities brought by the industrial upgrade in China with a more competitive product mix and more comprehensive business layout. Looking forward, as the projects currently in progress will commence production shortly and become more sophisticated, together with the optimisation of capacity and product mix, the Group's revenue and profit base will expand further, providing satisfactory returns to shareholders.

III. Financial Review

A comparison of the financial results of the Group for the Period under Review and the corresponding period in 2016 is set out as follows.

Revenue

During the Period under Review, total revenue of the Group amounted to approximately RMB7.33 billion, representing a decrease of 4.6% from approximately RMB7.68 billion for the corresponding period in 2016. During the Period under Review, the Group's revenue was mainly generated from sales in the aluminium extrusion business and deep processing business, which amounted to approximately RMB7.31 billion (the corresponding period in 2016: approximately RMB7.67 billion). Other revenue primarily comprised metal trade agency commission and amounted to approximately RMB10.54 million (the corresponding period in 2016: approximately RMB9.66 million).

The following sets forth the breakdown by segments of the Group's revenue, sales volume and average selling price of the Group for the Period under Review and the corresponding period in 2016:

Six months ended 30 June	2017			2016			Change		
	Revenue RMB'000	Sales volume tonne	Average selling price RMB/tonne	Revenue RMB'000	Sales volume tonne	Average selling price RMB/tonne	Revenue %	Sales volume %	Average selling price %
Aluminium extrusion business	**7,071,429**	**273,693**	**25,837**	6,405,578	320,413	19,992	10.4%	(14.6%)	29.2%
Aluminium alloy formwork segment	**3,615,469**	**111,313**	**32,480**	—	—	N/A	N/A	N/A	N/A
Industrial aluminium extrusion segment	**3,225,914**	**148,518**	**21,721**	5,974,099	291,047	20,526	(46.0%)	(49.0%)	5.8%
Construction aluminium extrusion segment	**230,046**	**13,862**	**16,595**	431,479	29,366	14,693	(46.7%)	(52.8%)	12.9%
Deep processing business	**243,218**	**10,868**	**22,379**	1,260,064	47,366	26,603	(80.7%)	(77.1%)	(15.9%)
Others	**10,535**	**N/A**	**N/A**	9,655	N/A	N/A	9.1%	N/A	N/A
Total	**7,325,182**	**284,561**	**25,742**	7,675,297	367,779	20,869	(4.6%)	(22.6%)	23.4%

Aluminium alloy formwork is the newly developed product of the Group. As the higher quality of the aluminium alloy formwork manufactured by the Group, it gained popularity in the market since its launch with increasing sales volume. As such, the aluminium alloy formwork segment of the Group has been presented separately as a single segment during the Period under Review. During the Period under Review, sales amount of the Group's aluminium alloy formwork segment was approximately RMB3.62 billion (the corresponding period in 2016: Nil) with sales volume of 111,313 tonnes (the corresponding period in 2016: Nil) and average selling price of RMB32,480 per tonne (the corresponding period in 2016: Nil).

Sales of the Group's industrial aluminium extrusion segment for the Period under Review decreased by 46.0% to approximately RMB3.23 billion from approximately RMB5.97 billion for the corresponding period in 2016, and sales volume of the segment for the Period under Review decreased by 49.0% to 148,518 tonnes from 291,047 tonnes for the corresponding period in 2016. Such decrease was mainly due to optimisation of product mix by the Group, emphasis on developing high value-added products, such as aluminium alloy formwork and aluminium alloy products used in the transportation industry, as well as developing and manufacturing of new products has occupied partial production capacity during the Period under Review. The average selling price of the Group's industrial aluminium extrusion products increased by 5.8% from RMB20,526 per tonne for the corresponding period in 2016 to RMB21,721 per tonne for the Period under Review, mainly attributable to the increase in the price of aluminium ingots during the Period under Review.

Revenue, sales volume and average selling price of the above industrial aluminium extrusion segment have eliminated the internal sales between the industrial aluminium extrusion segment and deep processing business as well as aluminium flat rolling business, of which sales volume of raw material to deep processing business was 12,972 tonnes (the corresponding period in 2016: 46,047 tonnes) with sales amount of approximately RMB200 million (the corresponding period in 2016: approximately RMB670 million); sales volume of high-precision aluminium raw material to the high value-added aluminium flat rolling project in Tianjin amounted to 97,363 tonnes (the corresponding period in 2016: 30,590 tonnes) with sales amount of approximately RMB1.14 billion (the corresponding period in 2016: approximately RMB320 million).

During the Period under Review, revenue of the Group's deep processing business was approximately RMB240 million (the corresponding period in 2016: approximately RMB1.26 billion) with sales volume of 10,868 tonnes (the corresponding period in 2016: 47,366 tonnes) and average selling price of RMB22,379 per tonne (the corresponding period in 2016: RMB26,603 per tonne). The decrease of revenue and sale volume of the Group's deep processing business was mainly due to increasingly heating up trade friction in aluminium industry between the US and China during the Period under Review, leading to a decrease in sales volume of deep-processed product exporting to the US. However, sales volume of products including deep-processed engineered parts for passenger vehicles and commercial vehicles supplied by the Group for the domestic market has been increasing in the Period under Review resulting from the Group's aggressive expansion of deep processing market in the PRC and greater effort made by the Group in R&D and promotion of high value-added deep-processed products.

Geographically, the Group's overseas customers mainly came from countries and regions including Germany, the United Kingdom, Belgium and the Netherlands. For the Period under Review, the Group's revenue from overseas sales amounted to approximately RMB450 million (the corresponding period in 2016: approximately RMB1.21 billion), accounting for 6.1% of the Group's total revenue (the corresponding period in 2016: 15.8%).

Cost of Sales

The Group's cost of sales amounted to approximately RMB4.89 billion for the Period under Review, substantially maintained at the same level of approximately RMB4.86 billion for the corresponding period in 2016. The unit cost of products for the Period under Review increased by 30.2% to RMB17,184 per tonne from RMB13,202 per tonne for the corresponding period in 2016. Such increase was due to an increase in price of aluminium ingots during the Period under Review; and a decrease in sales volume of aluminium extrusion business and deep processing business after optimising and adjusting production capacity and product mix by the Group, resulting in an increase of fixed costs per unit.

Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB2.44 billion for the Period under Review, representing a decrease of 13.6% from approximately RMB2.82 billion for the corresponding period in 2016. The gross margin decreased from 36.7% for the corresponding period in 2016 to 33.2% 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 for the Period under Review and the corresponding period in 2016:

	Six months ended 30 June					
	2017			2016		
	Gross profit RMB'000	%	Gross margin %	Gross profit RMB'000	%	Gross margin %
Aluminium extrusion business	2,411,769	99.0%	34.1%	2,274,980	80.7%	35.5%
Aluminium alloy formwork segment	1,601,835	65.8%	44.3%	—	—	N/A
Industrial aluminium extrusion segment	794,725	32.6%	24.6%	2,210,535	78.4%	37.0%
Construction aluminium extrusion segment	15,209	0.6%	6.6%	64,445	2.3%	14.9%
Deep processing business	13,159	0.6%	5.4%	535,856	19.0%	42.5%
Others	10,322	0.4%	N/A	9,020	0.3%	N/A
Total	2,435,250	100.0%	33.2%	2,819,856	100.0%	36.7%

Gross profit of the Group's aluminium alloy formwork segment for the Period under Review was approximately RMB1.60 billion (the corresponding period in 2016: Nil). Gross margin of the Group's aluminium alloy formwork segment was 44.3% (the corresponding period in 2016: Nil).

Gross profit of the Group's industrial aluminium extrusion segment for the Period under Review was approximately RMB790 million, representing a decrease of 64.0% from approximately RMB2.21 billion for the corresponding period in 2016. Gross margin of the Group's industrial aluminium extrusion segment decreased from 37.0% for the corresponding period in 2016 to 24.6% for the Period under Review.

Gross profit of the Group's construction aluminium extrusion segment for the Period under Review decreased by 76.4% to approximately RMB15.21 million from approximately RMB64.45 million for the corresponding period in 2016. Gross margin of the Group's construction aluminium extrusion segment decreased from 14.9% for the corresponding period in 2016 to 6.6% for the Period under Review.

Gross profit of the Group's deep processing business for the Period under Review decreased by 97.5% to approximately RMB13.16 million from approximately RMB540 million for the corresponding period in 2016. Gross margin of the Group's products of its deep processing business decreased from 42.5% for the corresponding period in 2016 to 5.4% for the Period under Review.

The decrease in gross margin of the Group's aluminium extrusion business and deep processing business was principally due to a decrease in sales volume of aluminium extrusion business and deep processing business after optimising and adjusting production capacity and product mix by the Group during the Period under Review, resulting in an increase of fixed costs per unit.

Investment Income

Investment income, which mainly consists of interest income from bank deposits and interest income from available-for-sale financial assets, increased by 11.6% from approximately RMB140 million for the corresponding period in 2016 to approximately RMB160 million for the Period under Review, which was mainly due to the increase in average balance of short-term deposit during the Period under Review.

Other Income

Other income increased by 142.6% from approximately RMB120 million for the corresponding period in 2016 to approximately RMB290 million for the Period under Review, which was mainly due to the significant increase in exchange gain for the Period under Review arising from the Group's borrowings denominated in foreign currencies, which was caused by the appreciation of RMB.

Selling and Distribution Costs

Selling and distribution costs increased from approximately RMB71.53 million for the corresponding period in 2016 to approximately RMB95.20 million for the Period under Review primarily due to the increase in salaries for sales staffs resulting from the increase in number of employees for the Group's expansion of business scope and scale during the Period under Review.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise share option expenses, R&D expenditures, amortisation of prepaid lease payments, 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 decreased to approximately RMB810 million for the Period under Review from approximately RMB880 million for the corresponding period in 2016. Such decrease was primarily attributable to a decrease in non-cash expenses of approximately RMB45.23 million arising from the recognition of share options at fair value during the Period under Review; and during the corresponding period in 2016, the Group paid the stamp duty of approximately RMB34.63 million for the internal reorganisation in relation to the proposed spin-off and listing of Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang"), a wholly-owned subsidiary of the Company, while no such stamp duty recorded in the Period under Review.

Share of Profits less Losses of Associates

The Group's share of profits less losses of associates for the Period under Review was approximately RMB75.45 million (the corresponding period in 2016: approximately RMB41.01 million), which was the share of profits or losses of the Group's associates recognized using equity method.

Finance Costs

The Group's finance costs increased from approximately RMB440 million for the corresponding period in 2016 to approximately RMB500 million for the Period under Review, mainly due to the decrease in the scale of the Group's interest expenses on loans directly capitalised into deposits for acquisitions of property, plant and equipment for the Period under Review as compared to that for the corresponding period in 2016.

During the Period under Review, the Group's interest expenses on loans directly capitalized into property, plant and equipment, and deposits for acquisitions of property, plant and equipment amounted to approximately RMB280 million (the corresponding period in 2016: approximately RMB500 million) at an annualized capitalisation rate of 5.05% (the corresponding period in 2016: 4.48%).

During the corresponding period in 2016 and the Period under Review, the Group's interest-bearing loans carried average interest rates of 4.14% and 4.40% per annum, respectively. During the Period under Review, the debentures carried interest rates ranging from 3.49% to 7.50% per annum (the corresponding period in 2016: from 4.05% to 7.50% per annum).

Profit before Taxation

The Group's profit before taxation decreased from approximately RMB1.73 billion for the corresponding period in 2016 to approximately RMB1.55 billion for the Period under Review.

Income Tax

The Group's income tax decreased from approximately RMB360 million for the corresponding period in 2016 to approximately RMB290 million for the Period under Review.

The Group's effective tax rates for the corresponding period in 2016 and the Period under Review were 20.8% and 18.8%, respectively.

Profit for the Period

The Group's profit for the period decreased to approximately RMB1.26 billion for the Period under Review from approximately RMB1.37 billion for the corresponding period in 2016. The Group's net profit margin decreased from 17.8% for the corresponding period in 2016 to 17.2% for the Period under Review.

Cash Flows

The following sets forth the Group's cash flows for the Period under Review and the corresponding period in 2016:

	Six months ended 30 June	
	2017 **RMB'000**	2016 RMB'000
Net cash (used in)/generated from operating activities	**(496,100)**	3,632,552
Net cash (used in)/generated from investing activities	**(1,801,970)**	491,020
Net cash generated from financing activities	**8,068,769**	3,051,880

Net Current Assets

At 30 June 2017, the Group's net current assets amounted to approximately RMB5.81 billion, which was approximately RMB660 million higher than net current assets of approximately RMB5.15 billion at 31 December 2016. 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 2017, the Group's current assets amounted to approximately RMB26.95 billion, representing an increase of approximately RMB2.26 billion over approximately RMB24.69 billion at 31 December 2016. The increase was primarily due to the increase in cash and cash equivalents; and

(ii) at 30 June 2017, the Group's current liabilities amounted to approximately RMB21.13 billion, representing an increase of approximately RMB1.59 billion over approximately RMB19.54 billion at 31 December 2016. The increase was primarily due to the increase in current portion of debentures.

Liquidity

At 30 June 2017 and 31 December 2016, the Group's cash and cash equivalents amounted to approximately RMB13.80 billion and RMB8.02 billion, respectively; balance of short-term deposits amounted to nil and approximately RMB3.33 billion, respectively; and balance of pledged bank deposits under current assets amounted to approximately RMB2.13 billion and RMB2.90 billion, respectively.

Borrowings

At 30 June 2017, the Group's debentures and loans amounted to approximately RMB42.60 billion in aggregate, representing an increase of approximately RMB9.58 billion from approximately RMB33.02 billion at 31 December 2016.

At 30 June 2017, the Group's debentures and loans under current liabilities amounted to approximately RMB8.82 billion (31 December 2016: approximately RMB8.32 billion) and debentures and loans under non-current liabilities amounted to approximately RMB33.78 billion (31 December 2016: approximately RMB24.70 billion), among which, a long term loan amounting to approximately RMB11.62 billion was an interest-free and unsecured loan from a related party (31 December 2016: Nil).

The Group's gearing ratio was approximately 61.7% at 30 June 2017, while it was approximately 57.0% at 31 December 2016. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

At 30 June 2017, assets with a total carrying amount of approximately RMB4.72 billion of the Group were pledged, including property, plant and equipment and prepaid lease payments for financing arrangements (31 December 2016: approximately RMB5.36 billion assets were pledged, including pledged bank deposits, property, plant and equipment and prepaid lease payments for financing arrangements).

Contingent Liabilities

At 30 June 2017 and 31 December 2016, the Group had no material contingent liabilities.

Employees

At 30 June 2017, the Group had 29,593 full-time employees responsible for, inter alia, production, R&D, sales and management, representing an increase of 109.6% from 14,119 employees as at 30 June 2016. During the Period under Review, relevant employee costs (including Directors' remuneration) amounted to approximately RMB1.14 billion (including share option charges of approximately RMB56.09 million), an increase of 61.9% as compared with approximately RMB710 million (including share option charges of approximately RMB100 million) for the corresponding period in 2016. The Group's employee costs (excluding share option charges) increased mainly due to the increase in the number of employees as a result of the Group's business expansion both in scope and size.

Research and Development

Continuous investment in R&D has helped the Group establish a high-level R&D and technical team. At 30 June 2017, the Group had 1,678 R&D and quality control personnel which accounted for 5.7% 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 firstrate 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 2017, the Group's capital expenditures in respect of the acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated interim financial statements amounted to approximately RMB10.18 billion, which was primarily used for the construction of infrastructure used in the Group's growth projects such as high-end aluminium flat rolling project, and for the purchase expenses of equipment related to the expansion of its production capacity for extrusion. The Group intends to apply funds generated from operating activities, commercial bank loans and other available means to finance the purchase.

Proposed Spin-off

On 22 March 2016, Liaoning Zhongwang Superior Fabrication Investment Limited ("Zhongwang Fabrication") (an indirect wholly-owned subsidiary of the Company) entered into an assets transfer agreement with CRED Holding Co., Ltd. ("CRED Holding") (a company incorporated in the PRC and currently listed on the Shanghai Stock Exchange) for the disposal of all the equity interests in Liaoning Zhongwang, a direct wholly-owned subsidiary of Zhongwang Fabrication. The agreement was approved by the Hong Kong Stock Exchange on 6 June 2016 and was passed with a great majority by shareholders of the Company and CRED Holding on 6 September 2016. On 18 August 2017, Zhongwang Fabrication and CRED Holding entered into a supplemental agreement to the assets restructuring agreements, pursuant to which the long stop date was extended to 21 September 2018 in order to allow more time to complete the PRC regulatory procedures in connection with the assets restructuring and the proposed spin-off. The supplemental agreement was approved at the shareholder's meeting of CRED Holding held on 5 September 2017.

Overseas Acquisition

In August 2017, Zhongwang Aluminium Deutschland GmbH, an indirect wholly-owned subsidiary of the Company, basically completed the acquisition of Alunna. Upon completion of the acquisition, the Group will hold 99.72% equity interest in Alunna.

Alunna, founded in 1914, is a manufacturer of high-end semi-finished aluminium products, including seamless extruded tubes and porthole extruded tubes as well as other high value-added aluminium alloy extrusion products. Application of the products principally covers, among others, aviation and automobile industries.

The acquisition of Alunna will substantially improve the Group's capability in seamless tube extrusion and further optimize its product mix. It will also accelerate the business expansion of the Group into, among others, aviation and automobile industries on the strength of Alunna's product credentials and its experience in customer development, thus enhancing the competitiveness of the Group as a whole.

Financial Risks

The Group is exposed to various financial risks, such as foreign currency risk, 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 RMB. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies. During the Period under Review, approximately 93.9% of the Group's revenue was settled in RMB and approximately 6.1% was settled in foreign currencies while approximately 88.9% of the Group's borrowings was denominated in RMB and approximately 11.1% was denominated in foreign currencies at 30 June 2017.

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 2017, the Group's fixed rate loans were approximately RMB6.23 billion (31 December 2016: approximately RMB5.02 billion).

During the year ended 31 December 2016, the Group issued unsecured debentures of RMB2.5 billion, RMB500 million and RMB4 billion, respectively, with maturity of five years, one year and five years, respectively, which are repayable on 22 March 2021, 8 July 2017 and 26 September 2021, respectively, with effective interest rate of 4.05%, 3.49% and 3.75% per annum, respectively.

During the year ended 31 December 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.

During the year ended 31 December 2014, the Group issued unsecured debentures of RMB1.1 billion with maturity of six years and repayable on 22 October 2020, and with effective interest rate of 5.48% per annum. In addition, the Group issued unsecured debenture of RMB100 million with maturity of three years and repayable on 10 January 2017, and with effective interest rate of 7.50% per annum, which had been fully settled on its maturity date.

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 2017, 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 2017

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(3)	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 2017

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 2017, 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.

(3) Ms. Zhong Hong passed away on 16 February 2017.

Save as disclosed above, at 30 June 2017, 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 2017 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 2017, 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 2017, 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 2017

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 2017

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 2017, 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 Share Option Scheme is to provide the participants who have been granted options under the Share Option Scheme to subscribe for Shares with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. 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.

The amount payable on acceptance of an option under the Share Option Scheme is HKD1.00 (or its equivalent). 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.

The Share Option Scheme is valid and effective for a period of ten years commencing on 17 April 2008 (being the date of adoption of the Share Option Scheme).

Details of valuation of the options are set out in Note 27 to the Unaudited Condensed Consolidated Financial Statements on pages 58 to 61 of this report.

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2017 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 2017	Number of underlying ordinary shares comprised in the options granted during the six months ended 30 June 2017	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the six months ended 30 June 2017	Number of underlying ordinary shares comprised in the options exercised during the six months ended 30 June 2017	Number of underlying ordinary shares comprised in the options outstanding at 30 June 2017
Directors								
Gou Xihui	22 March 2011	21 March 2021	3.9	3,300,000	—	—	—	3,300,000(2)
	6 January 2016	5 January 2026	3.93	40,000,000	—	—	—	40,000,000(3)
Lu Changqing	22 March 2011	21 March 2021	3.9	2,000,000	—	—	—	2,000,000(2)
	6 January 2016	5 January 2026	3.93	40,000,000	—	—	—	40,000,000(3)
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	—	—	—	2,000,000(2)
	6 January 2016	5 January 2026	3.93	40,000,000	—	—	—	40,000,000(3)
Zhong Hong(1)	22 March 2011	21 March 2021	3.9	2,000,000	—	—	—	2,000,000(2)
	6 January 2016	5 January 2026	3.93	40,000,000	—	—	—	40,000,000(3)
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	—	—	—	600,000(2)
	6 January 2016	5 January 2026	3.93	1,000,000	—	—	—	1,000,000(3)
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	—	—	—	600,000(2)
	6 January 2016	5 January 2026	3.93	1,000,000	—	—	—	1,000,000(3)
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	—	—	—	600,000(2)
	6 January 2016	5 January 2026	3.93	1,000,000	—	—	—	1,000,000(3)
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	—	—	—	600,000(2)
46 Other Employees	22 March 2011	21 March 2021	3.9	31,700,000	—	—	—	31,700,000(2)
152 Other Employees	6 January 2016	5 January 2026	3.93	287,000,000	—	—	—	287,000,000(3)
Total				**493,400,000**	**—**	**—**	**—**	**493,400,000**

(1) Ms. Zhong Hong passed away on 16 February 2017.

(2) The options granted on 22 March 2011 were vested in five equal tranches on 22 March 2012, 22 March 2013, 22 March 2014, 22 March 2015 and 22 March 2016, respectively. Each tranche is exercisable on or before 21 March 2021.

(3) The options granted on 6 January 2016 are to be vested in five equal tranches. The first tranche was vested on 6 January 2017, and the rest will be vested on 6 January 2018, 6 January 2019, 6 January 2020 and 6 January 2021, respectively. Each tranche is exercisable from the date of vesting up to 5 January 2026.

During the six months ended 30 June 2017, no option was granted by the Company 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 27 to the Unaudited Condensed Consolidated Financial Statements on pages 58 to 61 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 2017.

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. The 2014 Facility was fully repaid on 20 June 2017 by the Company.

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 2017, the outstanding amount owed by Tianjin Zhongwang under the 2015 Facility Agreement was approximately RMB10.96 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 and Other Information

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 2017, all the code provisions set out in the Governance Code have been complied with 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 2017.

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 2017, 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 formed with specific written terms of reference which deal with their authority and duties clearly. 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 of the Company ("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 2016, the unaudited financial results and operational statistics for the three months ended 31 March 2017, and the unaudited interim results for the six months ended 30 June 2017 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 ("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 ("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 mechanism 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 and corporate management processes;

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 management monitors the assessment of the risk management and internal controls and has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the six months ended 30 June 2017.

The Company has developed and adopted different risk management procedures and guidelines with defined authority. Self-evaluation has been conducted semi-annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings to the Audit Committee.

The Board considered that, for the six months ended 30 June 2017, the risk management and internal control systems of the Company are effective and adequate. 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.

The Company has developed its procedures and designated specified persons to provide guidance to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures are implemented and specified persons are designated to ensure that unauthorised access to and use of inside information are strictly prohibited.

Purchase, Sale or Redemption of Shares

There was no redemption of any shares during the six months ended 30 June 2017 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 2017 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 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 2017 by our Group.

Interim Dividend

The Board has declared an interim dividend of HKD0.10 per share for the six months ended 30 June 2017 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, 13 October 2017, with an aggregate amount of approximately HKD707 million. The interim dividend will be paid on or around 1 November 2017.

Directors' Profile Updates

As announced previously by the Company, Ms. Zhong Hong tragically passed away on 16 February 2017.

Mr. Lo Wa Kei, Roy was appointed as an independent non-executive director of G-Resources Group Limited, a company listed on the Hong Kong Stock Exchange, with effect from 17 July 2017.

Mr. Chen Yan became a director of June Life Insurance Company Limited on 18 July 2017, as approved by the China Insurance Regulatory Commission.

Save as disclosed above, during the six months ended 30 June 2017 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 2017
(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June **2017** **RMB'000** **(unaudited)**	 2016 RMB'000 (unaudited)
Revenue	4	**7,325,182**	7,675,297
Cost of sales		**(4,889,932)**	(4,855,441)
Gross profit		**2,435,250**	2,819,856
Investment income		**155,782**	139,627
Other income	5	**285,267**	117,577
Selling and distribution costs		**(95,195)**	(71,526)
Administrative and other operating expenses		**(806,700)**	(876,686)
Share of profits less losses of associates		**75,453**	41,008
Finance costs	6(a)	**(498,010)**	(440,345)
Profit before taxation	6	**1,551,847**	1,729,511
Income tax	7	**(292,111)**	(359,721)
Profit for the period		**1,259,736**	1,369,790
Attributable to:			
Equity shareholders of the Company		**1,092,536**	1,369,790
Holders of perpetual capital instruments	28	**167,200**	—
Profit for the period		**1,259,736**	1,369,790
Earnings per share			
Basic (RMB)	8	**0.15**	0.19
Diluted (RMB)	8	**0.15**	0.19
Profit for the period		**1,259,736**	1,369,790
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of financial statements		**13,275**	(19,370)
— Cash flow hedge: net movement in the hedging reserve		**—**	414
— Available-for-sale financial assets: net movements in the fair value reserve		**(195)**	—
Other comprehensive income for the period		**13,080**	(18,956)
Total comprehensive income for the period		**1,272,816**	1,350,834
Attributable to:			
Equity shareholders of the Company		**1,105,616**	1,350,834
Holders of perpetual capital instruments	28	**167,200**	—
Total comprehensive income for the period		**1,272,816**	1,350,834

The notes on pages 40 to 62 form part of the unaudited condensed consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 23(a).

Consolidated Statement of Financial Position

At 30 June 2017
(Expressed in RMB)

	Note	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**45,067,025**	41,220,504
Prepaid lease payments	10	**6,567,173**	6,147,647
Interest in associates		**3,439,652**	2,714,922
Deposits for acquisition of property, plant and equipment and prepaid lease	11	**4,781,158**	4,139,933
Deferred tax assets		**123,958**	118,971
Other non-current assets	12	**3,345,783**	—
		63,324,749	54,341,977
Current assets			
Inventories	13	**4,212,553**	3,718,262
Trade and bills receivables	14	**4,272,872**	1,834,078
Other receivables, deposits and prepayments	15	**2,111,946**	4,491,610
Available-for-sale financial assets	17	**277,445**	266,981
Prepaid lease payments	10	**150,353**	136,099
Pledged bank deposits	16	**2,125,361**	2,897,773
Short-term deposits	18	**—**	3,326,402
Cash and cash equivalents	18	**13,795,263**	8,024,564
		26,945,793	24,695,769
Current liabilities			
Trade payables	19	**2,054,552**	1,610,140
Bills payable	20	**4,557,521**	4,301,928
Other payables and accrued charges		**5,440,946**	5,065,990
Current tax liabilities		**254,712**	250,039
Debentures	22	**1,700,000**	600,000
Bank and other loans	21(a)	**7,123,085**	7,714,354
		21,130,816	19,542,451
Net current assets		**5,814,977**	5,153,318
Total assets less current liabilities		**69,139,726**	59,495,295

Consolidated Statement of Financial Position
At 30 June 2017
(Expressed in RMB)

	Note	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Non-current liabilities			
Bank and other loans	21(b)	**26,176,679**	15,903,057
Debentures	22	**7,600,000**	8,800,000
Deferred tax liabilities		**804,927**	782,336
		34,581,606	25,485,393
NET ASSETS		**34,558,120**	34,009,902
CAPITAL AND RESERVES			
Share capital	23(b)	**605,397**	605,397
Reserves	23(c)	**27,958,723**	27,410,505
Total equity attributable to equity shareholders of the Company		**28,564,120**	28,015,902
Perpetual capital instruments	28	**5,994,000**	5,994,000
TOTAL EQUITY		**34,558,120**	34,009,902

The notes on pages 40 to 62 form part of the unaudited condensed consolidated financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017
(Expressed in RMB)

		Attributable to equity shareholders of the Company													
	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 23(c)(iv))	Other reserve RMB'000 (Note 23(c)(iii))	Surplus reserve RMB'000 (Note 23(c)(i))	Enterprise development fund RMB'000 (Note 23(c)(ii))	Share option reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Perpetual capital instruments RMB'000 (Note 28)	Total equity RMB'000
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	—	25,990,998
Changes in equity for the six months ended 30 June 2016:															
Profit for the period		—	—	—	—	—	—	—	—	—	—	1,369,790	1,369,790	—	1,369,790
Other comprehensive income for the period		—	—	—	—	—	—	—	(19,370)	414	—	—	(18,956)	—	(18,956)
Total comprehensive income for the period		—	—	—	—	—	—	—	(19,370)	414	—	1,369,790	1,350,834	—	1,350,834
Final dividends for the year 2015		—	(355,197)	—	—	—	—	—	—	—	—	—	(355,197)	—	(355,197)
Recognition of share-based payment	27	—	—	—	—	—	—	101,312	—	—	—	—	101,312	—	101,312
		—	(355,197)	—	—	—	—	101,312	—	—	—	—	(253,885)	—	(253,885)
At 30 June 2016 and 1 July 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	—	27,087,947
Changes in equity for the six months ended 31 December 2016:															
Profit for the period		—	—	—	—	—	—	—	—	—	—	1,501,589	1,501,589	35,780	1,537,369
Other comprehensive income for the period		—	—	—	—	—	—	—	10,464	2,499	195	—	13,158	—	13,158
Total comprehensive income for the period		—	—	—	—	—	—	—	10,464	2,499	195	1,501,589	1,514,747	35,780	1,550,527
Issuance of perpetual capital instruments, net of issuing expenses		—	—	—	—	—	—	—	—	—	—	—	—	5,994,000	5,994,000
Final dividends for the year 2015		—	(9,163)	—	—	—	—	—	—	—	—	—	(9,163)	—	(9,163)
Interim dividends for the year 2016		—	(678,425)	—	—	—	—	—	—	—	—	—	(678,425)	—	(678,425)
Recognition of share-based payment	27	—	—	—	—	—	—	100,796		—	—	—	100,796	—	100,796
Appropriations		—	—	—	—	1,713,289	316,561	—	—	—	—	(2,029,850)	—	—	—
Distribution for perpetual capital instruments	28	—	—	—	—	—	—	—	—	—	—	—	—	(35,780)	(35,780)
		—	(687,588)	—	—	1,713,289	316,561	100,796	—	—	—	(2,029,850)	(586,792)	5,958,220	5,371,428
At 31 December 2016		605,397	9,096,672	(2,992,978)	635,898	3,779,481	2,382,753	253,282	(73,940)	—	195	14,329,142	28,015,902	5,994,000	34,009,902

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017
(Expressed in RMB)

		Attributable to equity shareholders of the Company													
	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 23(c)(iv))	Other reserve RMB'000 (Note23(c)(iii))	Surplus reserve RMB'000 (Note 23(c)(i))	Enterprise development fund RMB'000 (Note 23(c)(ii))	Share option reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Perpetual capital instruments RMB'000 (Note 28)	Total equity RMB'000
At 1 January 2017		605,397	9,096,672	(2,992,978)	635,898	3,779,481	2,382,753	253,282	(73,940)	–	195	14,329,142	28,015,902	5,994,000	34,009,902
Changes in equity for the six months ended 30 June 2017:															
Profit for the period		–	–	–	–	–	–	–	–	–	–	1,092,536	1,092,536	167,200	1,259,736
Other comprehensive income for the period		–	–	–	–	–	–	–	13,275	–	(195)	–	13,080	–	13,080
Total comprehensive income for the period		–	–	–	–	–	–	–	13,275	–	(195)	1,092,536	1,105,616	167,200	1,272,816
Final dividends for the year 2016		–	(613,484)	–	–	–	–	–	–	–	–	–	(613,484)	–	(613,484)
Recognition of share-based payment	27	–	–	–	–	–	–	56,086	–	–	–	–	56,086	–	56,086
Distribution for perpetual capital instruments	28	–	–	–	–	–	–	–	–	–	–	–	–	(167,200)	(167,200)
		–	(613,484)	–	–	–	–	56,086	–	–	–	–	(557,398)	(167,200)	(724,598)
At 30 June 2017 (unaudited)		605,397	8,483,188	(2,992,978)	635,898	3,779,481	2,382,753	309,368	(60,665)	–	–	15,421,678	28,564,120	5,994,000	34,558,120

The notes on pages 40 to 62 form part of the unaudited condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017
(Expressed in RMB)

	Six months ended 30 June	
	2017 **RMB'000** **(unaudited)**	2016 RMB'000 (unaudited)
Net cash (used in)/generated from operating activities	**(496,100)**	3,632,552
Net cash (used in)/generated from investing activities	**(1,801,970)**	491,020
Net cash generated from financing activities	**8,068,769**	3,051,880
Net increase in cash and cash equivalents	**5,770,699**	7,175,452
Cash and cash equivalents at the beginning of the period	**8,024,564**	10,200,103
Cash and cash equivalents at the end of the period	**13,795,263**	17,375,555

The notes on pages 40 to 62 form part of the unaudited condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 Corporate information

China Zhongwang Holdings Limited (the "Company") is a public limited company incorporated in the 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, 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 2017. They are unaudited.

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any 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 2016 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 2016 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 2016 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 2017.

3 Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the condensed consolidated interim financial statements.

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

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 alloy formworks, aluminium extrusion products produced for industrial use or construction use, aluminium deep-processed products and aluminium flat-rolled products). Each type of products has certain difference in client base and production technology. The Group's operating segments under IFRS 8 are as follows:

— aluminium alloy formworks ("Aluminium Alloy Formwork");

— 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").

During the six months ended 30 June 2017, the revenue and profit generated from Aluminium Alloy Formwork segment has grown rapidly up to more than 10% of the combined revenue and profit of all reporting segments, due to the Group's strategic transformation. The financial information of the Aluminium Alloy Formwork segment is separately reported to and reviewed by the chief operating maker, in order to present a more meaningful representation of the Group's business operations.

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

	Segment revenue Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Aluminium Alloy Formwork	**3,615,469**	—
Industrial		
— Revenue from external customers	**3,225,914**	5,974,099
— Inter-segment sales	**1,342,082**	986,165
Deep-processed	**243,218**	1,260,064
Construction	**230,046**	431,479
Others	**10,535**	9,655
	8,667,264	8,661,462
Elimination of inter-segment revenue	**(1,342,082)**	(986,165)
Total	**7,325,182**	7,675,297

4 Segment reporting (Continued)

	Segment profit Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Aluminium Alloy Formwork	**1,601,835**	—
Industrial	**795,089**	2,288,638
Deep-processed	**13,572**	460,127
Construction	**15,209**	64,445
Others	**10,322**	9,020
	2,436,027	2,822,230
Elimination of unrealised inter-segment profits	**(777)**	(2,374)
Total	**2,435,250**	2,819,856
Investment income and other income	**441,049**	257,204
Selling and distribution costs	**(95,195)**	(71,526)
Administrative and other operating expenses	**(806,700)**	(876,686)
Share of profits less losses of associates	**75,453**	41,008
Finance costs	**(498,010)**	(440,345)
Profit before taxation	**1,551,847**	1,729,511
Income tax	**(292,111)**	(359,721)
Profit for the period	**1,259,736**	1,369,790

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	
	2017 **RMB'000** **(unaudited)**	2016 RMB'000 (unaudited)
People's Republic of China ("PRC")	**6,875,249**	6,464,679
Germany	**74,655**	36,252
United Kingdom	**54,586**	31,156
Belgium	**50,926**	41,008
Netherlands	**39,838**	40,889
Others	**229,928**	1,061,313
	7,325,182	7,675,297

5 Other income

	Six months ended 30 June	
	2017 **RMB'000** **(unaudited)**	2016 RMB'000 (unaudited)
Government subsidies (Note)	**104,286**	109,718
Sales of equipment	**62,308**	42,368
Cost of sales of equipment	**(50,889)**	(33,794)
Rental income	**—**	75
Gains on sales of scrap materials, consumables and moulds	**18,033**	14,829
(Loss)/gain on disposal of property, plant and equipment	**(29)**	196
Exchange gain/(loss)	**151,558**	(15,815)
	285,267	117,577

Note: The amounts mainly represent subsidies received from the Finance Bureau and other government departments of Liaoyang City, Daqing City, Yingkou City and Panjin 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	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
(a)	**Finance costs**		
	Interests on bank loans and other borrowings	**776,911**	922,121
	Less: Interest expense capitalised into property, plant and equipment, and deposits for acquisition of property, plant and equipment*	**(278,901)**	(498,664)
		498,010	423,457
	Interest rate swaps: cash flow hedges, reclassified from equity	**—**	16,888
	Total finance costs	**498,010**	440,345

* The borrowing costs have been capitalised at an average interest rate of 5.05% per annum (six months ended 30 June 2016: 4.48%).

(b)	**Staff costs**		
	Staff costs (including directors' emoluments):		
	— Salaries and other benefits	**1,012,535**	574,640
	— Contributions to defined contribution retirement plan	**73,501**	29,680
	— Equity-settled share-based payment expenses	**56,086**	101,312
		1,142,122	705,632
(c)	**Other items**		
	Amortisation of prepaid lease payments	**73,209**	67,377
	Depreciation of property, plant and equipment	**316,340**	306,434
	Impairment losses on trade receivables	**9,127**	17,057
	Operating lease charges in respect of office premises	**33,439**	23,890
	Research and development costs	**161,231**	205,467
	Cost of inventories recognised as an expense	**4,889,932**	4,855,441

7 Income tax

	Six months ended 30 June	
	2017 **RMB'000** **(unaudited)**	2016 RMB'000 (unaudited)
Current tax — PRC tax		
Provision for the period	**274,459**	262,789
Under-provision in respect of prior years	**14**	—
Withholding tax on intra-group interest income	**—**	3,254
	274,473	266,043
Deferred taxation	**17,638**	93,678
Total income tax	**292,111**	359,721

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%. On 30 November 2016, Liaoning Zhongwang obtained its latest renewed certificate of HNTE with an effective period from 2016 to 2018. Therefore, income tax expense of Liaoning Zhongwang for each of the six-month periods ended 30 June 2017 and 2016 were calculated based on an 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 2017 and 2016 and on the number of shares as follows:

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Profit attributable to equity shareholders of the Company	**1,092,536**	1,369,790

	Six months ended 30 June	
	2017 '000 (unaudited)	2016 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares	**5,449,473**	5,449,473
Weighted average number of convertible preference shares	**1,619,125**	1,619,125
Weighted average number of shares for the purpose of basic and diluted earnings per share	**7,068,598**	7,068,598
Earnings per share		
Basic (RMB)	**0.15**	0.19
Diluted (RMB)	**0.15**	0.19

The computation of diluted earnings per share does not assume the exercise of certain share options because they are antidilutive for each of the six-month periods ended 30 June 2017 and 2016.

9 Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of approximately RMB4,162,975,000 (six months ended 30 June 2016: RMB5,448,184,000). Items of property, plant and equipment with a net book value of approximately RMB115,000 were disposed during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB105,000), resulting in a loss on disposal of approximately RMB29,000 (six months ended 30 June 2016: a gain on disposal of RMB196,000).

At 30 June 2017, certain of the Group's machineries with a carrying amount of approximately RMB3,329,671,000 (31 December 2016: RMB3,444,617,000) were used to secure the Group's borrowings (Note 21(b)(i), Note 21(b)(ii) and Note 21(b)(iii)).

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 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Leasehold land in the PRC under leases	**6,717,526**	6,283,746
Analysed for reporting purpose:		
Non-current assets	**6,567,173**	6,147,647
Current assets	**150,353**	136,099
	6,717,526	6,283,746

At 30 June 2017, certain of the Group's land use rights with a carrying amount of approximately RMB1,394,929,000 (31 December 2016: RMB1,410,459,000) were used to secure the Group's borrowings (Note 21(b)(i)).

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment (Note)	**4,566,756**	3,753,822
Deposits for acquisition of prepaid lease	**214,402**	386,111
	4,781,158	4,139,933

Note: Included in deposits for acquisition of property, plant and equipment are deposits paid to two suppliers of equipment for production of aluminium flat-rolled products amounting to approximately RMB3,054,536,000 (31 December 2016: RMB2,378,505,000).

12 Other non-current assets

At 30 June 2017, other non-current assets of the Group are mainly representing deductible input value added tax ("VAT"), which is expected to be deducted after one year.

13 Inventories

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Raw materials	**2,531,995**	2,398,849
Work in progress	**1,320,651**	956,947
Finished goods	**359,907**	362,466
	4,212,553	3,718,262

14 Trade and bills receivables

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Trade and bills receivables	**4,298,179**	1,850,258
Less: Impairment losses	**(25,307)**	(16,180)
	4,272,872	1,834,078

For the six months ended 30 June 2017, the Group allows an average credit period of 90 or 180 days (six months ended 30 June 2016: 90 days) for domestic sales and an average credit period of 180 days (six months ended 30 June 2016: 180 days) for overseas sales. At the end of the reporting period, 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 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
0 to 90 days	**3,743,178**	1,610,193
91 to 180 days	**259,090**	72,413
Over 180 days	**270,604**	151,472
	4,272,872	1,834,078

At 30 June 2017, trade receivables of approximately RMB390,696,000 (31 December 2016: RMB213,960,000) 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.

15 Other receivables, deposits and prepayments

At 30 June 2017, included in other receivables, deposits and prepayments of the Group are deductible input VAT amounting to approximately RMB1,384,476,000 (31 December 2016: RMB4,240,041,000).

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

16 Pledged bank deposits

The Group pledged bank deposits as collateral in respect of issuance of bills (Note 20) and letters of credit by the Group. The pledged bank deposits will be released upon the settlement of relevant payables.

17 Available-for-sale financial assets

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Unlisted financial products, at fair value (Note)	**277,445**	266,981

Note: At 30 June 2017, the financial products held by the Group generate annual target return rate ranged from 2.45% to 2.55% (31 December 2016: 2.45%).

18 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.

19 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 period:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
0 to 90 days	**1,977,590**	1,562,217
91 to 180 days	**54,740**	23,852
181 days to 1 year	**22,222**	24,071
	2,054,552	1,610,140

20 Bills payable

At 30 June 2017, all the bills payable are repayable within 365 days (31 December 2016: 365 days) and are denominated in RMB.

At 30 June 2017, bills payable amounting to approximately RMB1,052,959,000 (31 December 2016: RMB651,928,000) were secured by deposits placed in banks with an aggregate carrying value of approximately RMB1,052,959,000 (31 December 2016: RMB651,928,000).

21 Bank and other loans

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Bank loans:		
— Guaranteed by subsidiaries	**676,962**	697,710
— Unguaranteed and unsecured	**3,300,000**	2,459,925
	3,976,962	3,157,635
Add:		
— Current portion of long-term bank and other loans	**3,146,123**	4,556,719
	7,123,085	7,714,354

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Bank loans:		
— Secured by bank deposits	**—**	500,000
— Guaranteed by subsidiaries	**1,016,160**	4,509,050
— Guaranteed by subsidiaries and secured by prepaid lease payments and property, plant and equipment (Note (i))	**10,964,266**	11,021,013
— Guaranteed by related parties	**2,177,440**	2,193,700
— Guaranteed by a related party and secured by property, plant and equipment (Note (ii))	**455,305**	525,351
— Unguaranteed and unsecured	**1,930,000**	330,000
Other loans:		
— Secured by property, plant and equipment (Note (iii))	**1,159,386**	1,380,662
— Unguaranteed and unsecured (Note (iv))	**11,620,245**	—
	29,322,802	20,459,776
Less:		
— Current portion of long-term bank and other loans	**(3,146,123)**	(4,556,719)
	26,176,679	15,903,057

21 Bank and other loans (Continued)

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

Note:

(i) At 30 June 2017, a long-term bank loan was 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 RMB1,394,929,000 and RMB176,290,000, respectively, at 30 June 2017 (31 December 2016: RMB1,410,459,000 and RMB176,290,000, respectively).

(ii) At 30 June 2017, a long-term bank loan was 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 2017 (31 December 2016: RMB915,600,000).

(iii) At 30 June 2017, certain long-term loans from financial leasing institutions were 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 RMB2,237,781,000 at 30 June 2017 (31 December 2016: RMB2,352,727,000).

The Group has entered into several arrangements with financial leasing institutions in which the Group sold certain equipment to these institutions and then leased back with scheduled lease payments. The Group has an option to buy back these equipment at a token price at the end of each lease term, i.e. the bargain purchase option.

In the context of IAS 17, the leaseback of these equipment results in a finance lease due to the bargain purchase option. However, considering the facts that (1) the consideration of the bargain purchase option is set at a token price, and (2) it is almost certain that the Group would exercise such option since these equipment are closely related to the business operations of the Group and their remaining estimated useful lives would be ranging from ten to fourteen years at the end of each lease term, the predetermined bargain purchase option will in effect cause the financial institution (the legal owner of the equipment) to resell the equipment back to the Group at the end of each lease term. On this basis, even though there is no legal obligation for the Group to repurchase, the repurchase is almost certain with the presence of the bargain purchase option.

Accordingly, this indicates that these arrangements do not, in substance, involve a lease under IAS 17, instead, the sales and leaseback transaction is closely interrelated and shall be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The substance of these arrangements are cash borrowings, secured by the underlying assets and repayable in instalments over the lease term. The information of the underlying assets is disclosed in Note 9.

(iv) At 30 June 2017, a long term loan was from a related party of the Group. It was interest-free, unsecured and repayable on 1 August 2019.

All of the long-term bank and other loans are carried at amortised cost and are not expected to be settled within one year.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's balance sheet ratios or shareholdings of the Company, 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.

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 2017, none of the covenants relating to drawn down facilities had been breached (31 December 2016: Nil).

22 Debentures

During the year ended 31 December 2014, the Group issued an unsecured debenture of RMB100,000,000 with maturity of three years and repayable on 10 January 2017, with effective interest rate of 7.50% per annum, this debenture was fully repaid on its maturity date. The Group also issued an unsecured debenture of RMB1,100,000,000 with maturity of six years and repayable on 22 October 2020, with effective interest rate of 5.48% per annum.

During the year ended 31 December 2015, the Group 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 year ended 31 December 2016, the Group issued unsecured debentures of RMB2,500,000,000, RMB500,000,000 and RMB4,000,000,000 with maturity of five years, one year and five years, and repayable on 22 March 2021, 8 July 2017 and 26 September 2021, respectively, and with effective interest rate of 4.05%, 3.49% and 3.75% per annum, respectively.

23 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	
	2017 **RMB'000** **(unaudited)**	2016 RMB'000 (unaudited)
Interim dividend declared after the end of the reporting period of HKD0.10 per ordinary share and convertible preference share (2016: HKD0.11)	**600,902**	666,123

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

(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	
	2017 **RMB'000** **(unaudited)**	2016 RMB'000 (unaudited)
Final dividend in respect of the previous financial year, approved during the following interim period, of HKD0.06 per ordinary share and convertible preference share	**N/A**	355,197

23 Capital, reserves and dividends (Continued)

(a) Dividends (Continued)

(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	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD0.10 per ordinary share and convertible preference share	**613,484**	N/A

(b) Share capital

	No. of shares	Share capital HKD'000	Share capital RMB'000
Ordinary share of HKD0.10 each:			
Authorised:			
At 1 January 2016, 31 December 2016 and 30 June 2017	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2016, 31 December 2016 and 30 June 2017	5,449,473,140	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2016, 31 December 2016 and 30 June 2017	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2016, 31 December 2016 and 30 June 2017	1,619,125,180	161,913	127,296

23 Capital, reserves and dividends (Continued)

(b) Share capital (Continued)

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, the issuance 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 rolling project in Tianjin, PRC.

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.

23 Capital, reserves and dividends (Continued)

(c) Nature and purpose of reserves

(i) Surplus reserve

The Articles of Association of the subsidiaries of the Group established in the PRC (excluding Hong Kong) state that they may make an appropriation of 10% of their 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 their paid-in capital. The surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of their 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.

(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 years 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) 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 (Notes 21 and 22), perpetual capital instruments (Note 28) and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and accumulated profits.

The Company'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.

24 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.

		Fair value measurements as at 30 June 2017 categorised into (unaudited)			Fair value measurements as at 31 December 2016 categorised into (audited)	
	Fair value at 30 June 2017 (unaudited) RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value at 31 December 2016 (audited) RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement						
Assets:						
Available-for-sale financial assets	277,445	277,445	—	266,981	266,981	—

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: 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.

The fair value of available-for-sale financial assets is determined by discounting the contractual future cash flows using interest rates of bank deposits with similar duration.

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

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

25 Commitments

(a) Capital commitments

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**10,176,766**	9,650,432

(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 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Within 1 year	**29,681**	37,746
After 1 year but within 5 years	**7,569**	9,436
	37,250	47,182

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.

26 Material related party transactions

Particulars of significant related party transactions during each of the six-month periods ended 30 June 2017 and 2016 are as follows:

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Provision of guarantees by related parties (Note 21(b))	**2,632,745**	2,758,612
A long-term loan obtained from a related party (Note 21(b))	**11,620,245**	—
Proceeds received from disposal of a subsidiary to associates	**—**	1,700,000
Disposal of an associate to another associate	**49,000**	—
Sales of goods to an associate	**—**	4,188
Sales of goods to a related party	**255**	—
Rental income from an associate	**—**	75

27 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. On 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.

(Expressed in RMB unless otherwise indicated)

27 Share-based payments (Continued)

(a) The terms and conditions of the grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to directors:			
— on 22 March 2011	2,340,000	One year after the date of grant	10 years
— on 22 March 2011	2,340,000	Two years after the date of grant	10 years
— on 22 March 2011	2,340,000	Three years after the date of grant	10 years
— on 22 March 2011	2,340,000	Four years after the date of grant	10 years
— on 22 March 2011	2,340,000	Five years after the date of grant	10 years
— on 6 January 2016	32,600,000	One year after the date of grant	10 years
— on 6 January 2016	32,600,000	Two years after the date of grant	10 years
— on 6 January 2016	32,600,000	Three years after the date of grant	10 years
— on 6 January 2016	32,600,000	Four years after the date of grant	10 years
— on 6 January 2016	32,600,000	Five years after the date of grant	10 years
Options granted to employees:			
— on 22 March 2011	6,800,000	One year after the date of grant	10 years
— on 22 March 2011	6,800,000	Two years after the date of grant	10 years
— on 22 March 2011	6,800,000	Three years after the date of grant	10 years
— on 22 March 2011	6,800,000	Four years after the date of grant	10 years
— on 22 March 2011	6,800,000	Five years after the date of grant	10 years
— on 6 January 2016	57,400,000	One year after the date of grant	10 years
— on 6 January 2016	57,400,000	Two years after the date of grant	10 years
— on 6 January 2016	57,400,000	Three years after the date of grant	10 years
— on 6 January 2016	57,400,000	Four years after the date of grant	10 years
— on 6 January 2016	57,400,000	Five years after the date of grant	10 years
Total share options granted	495,700,000		

(Expressed in RMB unless otherwise indicated)

27 Share-based payments (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	30 June 2017		31 December 2016	
	Weighted average exercise price (unaudited)	Number of options (unaudited)	Weighted average exercise price (audited)	Number of options (audited)
Outstanding at the beginning of the period	**HKD3.93**	**493,400,000**	HKD3.90	45,000,000
Exercised during the period	—	—	—	—
Forfeited during the period	—	—	HKD3.90	(1,600,000)
Granted during the period	—	—	HKD3.93	450,000,000
Outstanding at the end of the period	**HKD3.93**	**493,400,000**	HKD3.93	493,400,000
Exercisable at the end of the period	**HKD3.92**	**133,400,000**	HKD3.90	43,400,000

The options outstanding at 30 June 2017 had an exercise price of HKD3.90 or HKD3.93 (31 December 2016: HKD3.90 or HKD3.93) and a weighted average remaining contractual life of 8.10 years (31 December 2016: 8.60 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions	**Granted on 22 March 2011**	**Granted on 6 January 2016**
Fair value at measurement date	HKD0.97	HKD1.15
Share price	HKD3.83	HKD3.92
Exercise price	HKD3.90	HKD3.93
Expected volatility	53%	41.15%
Option life	10 years	10 years
Expected dividend yield	5.9%	4.98%
Risk-free interest rate	2.75%	1.49%

27 Share-based payments (Continued)

(c) Fair value of share options and assumptions (Continued)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

28 Perpetual capital instruments

(a) Perpetual note

On 25 October 2016, a subsidiary of the Company (the "Issuer") issued perpetual note amounting to RMB2,000,000,000. The perpetual note was issued at par value with initial interest rate of 4.50%. The perpetual note was recorded as equity, after netting off related issuance costs of RMB6,000,000.

Interest of the perpetual note is recorded as distributions, which is paid annually in arrears on 27 October each year ("Distribution Payment Date") and may be deferred at the discretion of the Issuer unless any of the compulsory distribution payment events (including distributions to ordinary shareholders of the Issuer or reduction of the registered capital of the Issuer) has occurred.

The perpetual note has no fixed maturity date and is callable at the Issuer's option on 27 October 2019 ("First Call Date") or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable interest rate will reset, on First Call Date and every three years after the First Call Date, to the sum of the applicable benchmark interest rate, the initial spread and a premium. The premium for First Call Date is 300 basis points per annum and will increase by 300 basis points every three years after the First Call Date.

During the six months ended 30 June 2017, profit attributable to the holders of perpetual note, based on the applicable distribution rate, was RMB45,000,000 (six months ended 30 June 2016: Nil).

(b) Perpetual trust loans

On 1 December 2016 and 2 December 2016, a subsidiary of the Company (the "Borrower") issued two tranches of perpetual trust loans amounting to RMB2,000,000,000 respectively. These perpetual trust loans were issued at par value with initial interest rate of 6.10% and 6.12% per annum, respectively.

28 Perpetual capital instruments (Continued)

(b) Perpetual trust loans (Continued)

Interest of the perpetual trust loans is recorded as distributions, which is paid quarterly in arrears on the 21st day in the last month of each quarter and may be deferred at the discretion of the Borrower unless any of the compulsory distribution payment events (including distributions to ordinary shareholders of the Borrower or reduction of the registered capital of the Borrower) has occurred.

The interest rates for these two tranches of perpetual trust loans for the first three years commencing from the borrowing date are fixed at 6.10% and 6.12% per annum, respectively. The applicable interest rate for these two tranches of perpetual trust loans will be reset after the third year as following: 8.10% and 8.12% per annum for the fourth year; 10.10% and 10.12% per annum for the fifth year; 12.10% and 12.12% per annum for the sixth year and thereafter, respectively.

The perpetual trust loans have no fixed maturity date and the conditions of maturity include:

(a) the Borrower notifies in advance that the trust loan is matured;

(b) the shareholder of the Borrower decides to liquidate the Borrower;

(c) the Borrower is required to be liquidated by law or regulation.

The perpetual trust loans are repayable at the Borrower's option at their principal amounts together with any accrued, unpaid or deferred distributions.

During the six months ended 30 June 2017, profit attributable to the holders of perpetual trust loans, based on the applicable distribution rate, was RMB122,200,000 (six months ended 30 June 2016: Nil).

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing the condensed consolidated interim financial statements.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the condensed consolidated interim financial statements.