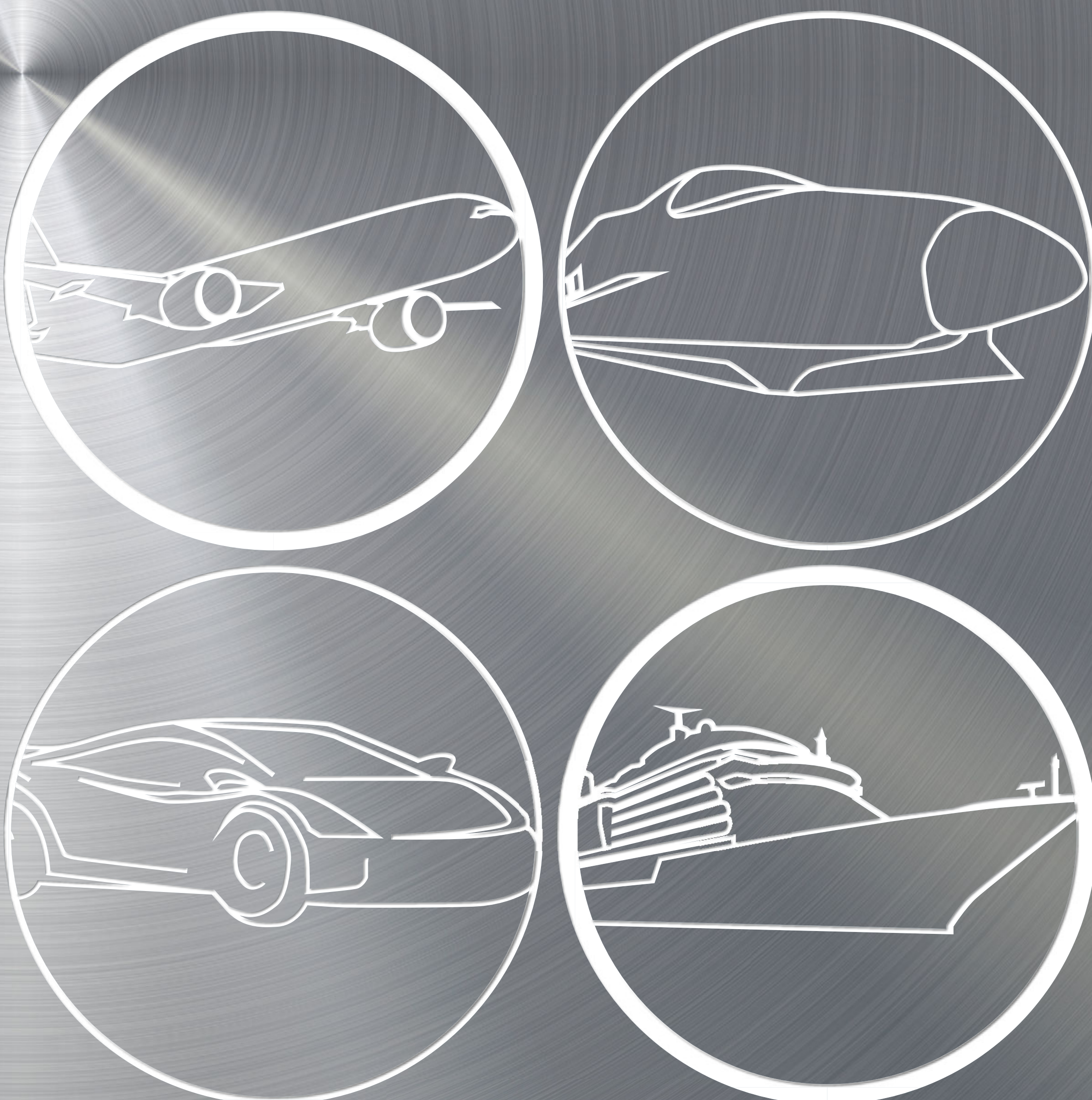
中国忠旺控股有限公司*
China Zhongwang Holdings Limited
(incorporated in the Cayman Islands with limited liability)
Stock Code: 01333

INTERIM REPORT 2018

A GLOBAL-LEADING
FABRICATED ALUMINIUM PRODUCT DEVELOPER AND MANUFACTURER



* For identification purposes only


AN INTEGRATED
LIGHT-WEIGHT
SOLUTION PROVIDER

Contents

Corporate Information

Place of Listing
The Stock Exchange of Hong Kong Limited

Stock Code
01333

Executive Directors
Mr. Lu Changqing *(Chairman and President)*
Ms. Ma Qingmei

Non-executive Directors
Mr. Chen Yan
Mr. Liu Zhisheng
Mr. Zhang Hui

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. Lu Changqing
Mr. Shi Ketong

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

Strategy and Development Committee
Mr. Lu Changqing *(Chairman)*
Ms. Ma Qingmei
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
Commerzbank AG Deutschland
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

Corporate Information

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

BDO Limited
25th Floor, Wing On Centre
111 Connaught 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

iPR Ogilvy Limited
23rd Floor, The Center
99 Queen's Road Central
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 Monday, 8 October 2018 to Thursday, 11 October 2018 (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. (Hong Kong time) on Friday, 5 October 2018.

Company Website

www.zhongwang.com

Corporate Profile

China Zhongwang Holdings Limited (the "Company", together with its subsidiaries, the "Group") is the second largest aluminium extruded products developer and manufacturer in the world and the largest in Asia.[1] The Group has been focusing on the development of light-weight materials for such downstream sectors and fields as ecological construction, transportation, machinery and equipment and electric power engineering and provides a wide range of quality fabricated aluminium products for them. Founded in 1993, the Group is headquartered and operates in Liaoning Province, China, with another principal production base located in Tianjin City. On 8 May 2009, the Company (stock code: 01333) was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The core businesses of the Group are aluminium extrusion, aluminium flat rolling and further fabrication. The Group started off its business with aluminum extrusion, and has developed advantages in integration of smelting and casting, die design, advanced equipment and capability of research and development (R&D). In order to further enhance the value chain of its business, the Group has invested in and established the aluminium flat rolling project, which will achieve synergies with the aluminium extrusion business by sharing their resources. The further fabrication business includes further processing, cutting, surface treatment and welding, which turns extruded or flat-rolled products into semi-finished or finished products with added value. In 2017, the Group expanded its business presence in the transportation sector by completing acquisitions of Aluminiumwerk Unna AG. ("Alunna"), a high-end seamless aluminium tubes manufacturer, and Silver Yachts Ltd. ("Silver Yachts"), a large-scale all-aluminium superyacht builder, tapping into the end-use manufacturing in the marine sector as well. Having built excellent teams of R&D, technology and design, the Group is able to deliver one-stop light-weight solutions that cover independent design, manufacturing, fabrication and after-sales services to customers.

With over 20 years of experience in the industry, the Group has obtained a number of certificates of accreditation from authorities in several high-end industries, such as aviation, shipbuilding, railway transportation and automotive industry. Such certificates of accreditation include Nadcap Aviation Certification, Aerospace Quality Management System Certification, and the letters of accreditation from Det Norske Veritas (DNV), American Bureau of Shipping (ABS), Nippon Kaiji Kyokai (NK), China Classification Society (CCS) and Lloyd's Register of Shipping (LR), as well as International Railway Industry Standard (IRIS) Certification, and Automotive Industry Quality Management System Certification.

Looking ahead to the future, the Group will continue to promote the applications of high-end fabricated aluminium products while fulfilling its social responsibility as a corporate citizen. It aims to offer light-weight solutions to the society so that people can live a quality life with low energy consumption.

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

1 Rankings and relevant information relating to aluminium extrusion product manufacturers in the world are cited from the August 2018 issue of a report prepared by Beijing Antaike Information Co., Ltd.

Financial Highlights

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**9,329,401**	7,325,182
Gross profit	**2,961,211**	2,435,250
EBITDA (Note 1)	**2,817,756**	2,439,406
Profit for the period	**1,266,182**	1,259,736
Earnings per share(RMB) (Note 2)	**0.15**	0.15
Interim dividend per share (HKD)	**0.10**	0.10

	At 30 June 2018	At 31 December 2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Bank balances and cash (Note 3)	**10,750,962**	10,691,944
Total equity attributable to equity shareholders of the Company	**30,717,811**	30,487,891

Notes:

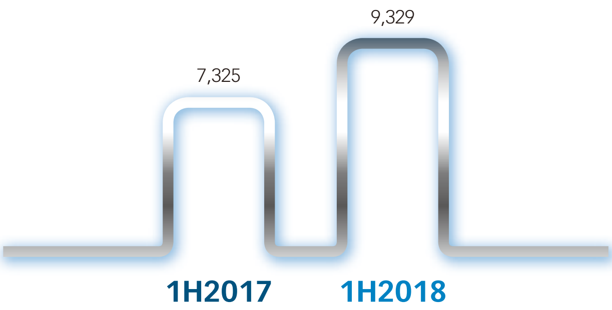
1. EBITDA = profit before taxation + finance costs +amortisation of prepaid lease payments + depreciation of property, plant and equipment + amortisation of other intangible assets

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 2018 and 2017 and on the weighted average number of ordinary shares, convertible preference shares and share options for the respective period.

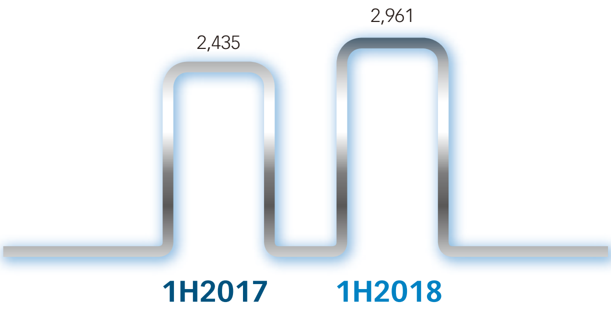
3. Bank balances and cash = cash and cash equivalents + pledged bank deposits

Financial Highlights

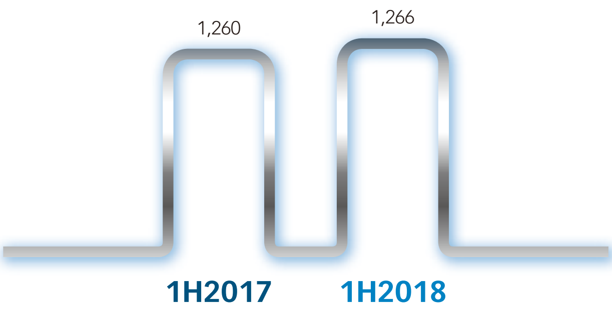
Revenue
(RMB million)



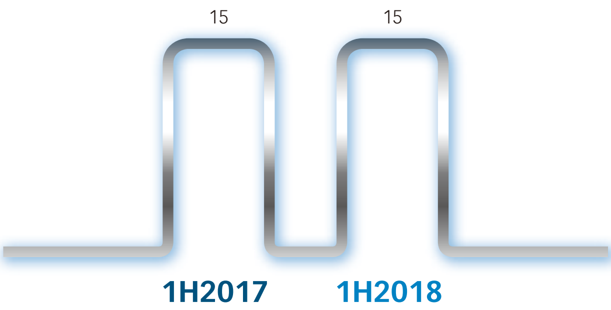
Gross Profit
(RMB million)



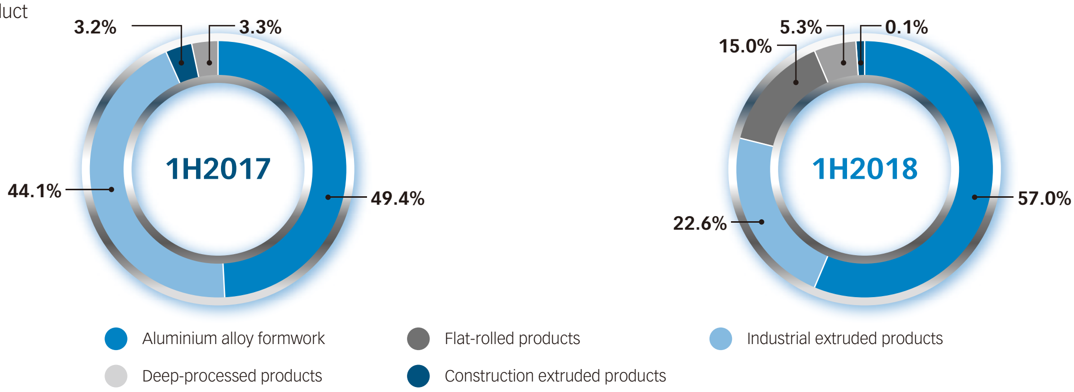
Profit for the Period
(RMB million)



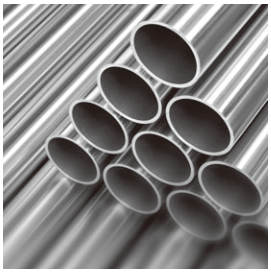
Earnings Per Share
(RMB cent)



Revenue Composition
— By Product



Chairman's Statement



Dear Shareholders,

In the first half of 2018, global economic growth remained robust, and China's economy maintained steady growth. However, the trade war started by the United States of America has cast uncertainties over the recovery in the global market. Against this backdrop, the Group has taken a cautious approach to foreign trade and has extensively explored opportunities in the domestic market by expanding the scope of applications of aluminium in high-end sectors, such as ecological construction, transportation, and the manufacturing of machinery and equipment.

The acquisition of Alunna and Silver Yachts last year has broadened the Group's business portfolio. Our aluminium flat rolling business, which commenced commercial production in the second half of 2017, has started to generate stable revenue for the Group.

Performance Review

For the six months ended 30 June 2018 (the "Period under Review"), the overall sales volume of the Group was approximately 325,096 tonnes, representing a year-on-year increase of 14.2% compared with that for the corresponding period last year. Due to an increase in average selling price that had resulted from the optimisation of product mix, the total revenue of the Group increased by 27.4% year on year to RMB9.33 billion. Profit for the period rose by 0.5% year on year to approximately RMB1.27 billion. Earnings per share were approximately RMB0.15. Gross margin was 31.7%.

To reward our shareholders for their support, the board (the "Board") of directors (the "Directors") of the Company has declared an interim dividend of HKD0.10 per share for the six months ended 30 June 2018 which represents a dividend payout ratio of approximately 56.3%.

"Quality", "technology" and "people" are the keys to the Group's steady growth so we have attached great importance to these elements.

Light-weight Solution with Outstanding Quality

Always committed to quality, the Group has adopted the highest product quality standards in the industry and has taken great effort to ensure consistency in product quality, which is a tradition that we take pride in. As a result, all our products, ranging from components, product series to light-weight solutions, are of high and consistent quality, thus earning China Zhongwang its customers' trust.

The mutual trust thus fostered is the solid foundation of the Group's close cooperation with customers. As aluminium alloy is gaining in popularity as a new ecological material, the Group plays an increasingly important role in assisting downstream industries with the upgrading of materials. Our cooperation with customers begins at research and development, thus allowing customers to gain comprehensive knowledge of aluminium, especially that of the advantages of aluminium as a material used in the final products. Such cooperation is how the Group provides one-stop services that cover design, production and after-sales services to the customers and create efficient cooperation at mutual benefits.

Aspiring to become a global-leading supplier of integrated light-weight solutions, the Group leverages its strengths to cooperate with construction contractors, automakers and manufacturers in various industries respectively in developing light-weight materials for ecological construction, new energy vehicles as well as alternative materials.

In-Depth Research on Technology Manifests Spirit of Modern Craftsmanship

As a company that engages in manufacturing, the Group always attaches great importance to technology. As the proverb goes, "Practice makes perfect". The saying aptly expresses a craftsman's determination to hone his skills. The frontline staff and technology team can embody the spirit of craftsmanship that drives the Group's development. The team has unceasingly conducted in-depth research on product performance and carried out timely technological improvement, adding value to our products.

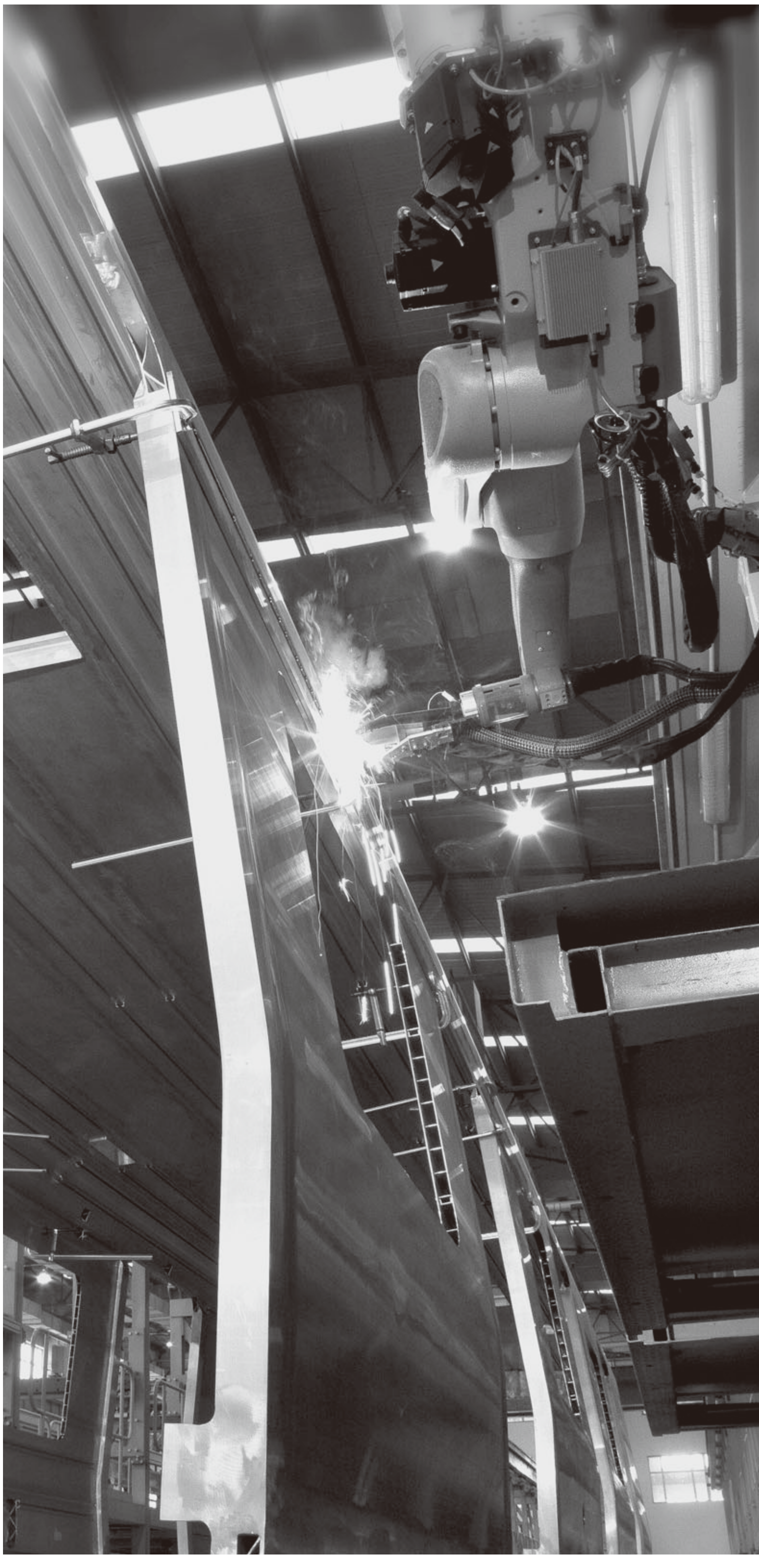
The aluminium alloy formwork, the star product of the Group, once subverted the tradition in terms of appearance, performance and processing technique, and such unique product was the masterwork of our technology team after several years of research effort. Since the beginning of this year, our team has taken on another extreme challenge to further improve the metal coating in consideration of environmental performance of the material used for surface treatment, and has launched an upgraded version of the Group's aluminum alloy formwork.

To enhance the processing, the Group has introduced automated processing equipment into its factories. The move has allowed it to combine its traditional craftsmanship with modern machinery and technology to improve significantly the efficiency and precision in production. To satisfy the market's changing needs and wants, our research and development team has been making breakthroughs by broadening the scope of the applications of aluminium by improving the products with its experience and knowledge. Such move has enhanced our overall competitiveness and consolidated our leading position in the industry.

Back to Basics: Bringing Out the Best in Our People

The key to our success is our people and we place great importance on long-term relationships with people. Our achievements have resulted from the combined efforts of all parties. We are committed to creating a safe, fair and inclusive environment so that our staff can give full play to their abilities. This has earned us our customers' trust and has aligned the interests of the Company with those of our shareholders and business partners.

On behalf of the Board, I would like to extend my thanks to all my colleagues for their dedication and efforts in the first half of 2018. Aiming to develop China Zhongwang into a stronger enterprise, we will try our best in the ongoing projects and to decide on the best courses of action. China Zhongwang will keep on promoting the applications of aluminium in high-end industries so that we can create value for customers, generate returns to shareholders and fulfil our social responsibility.



Lu Changqing
Chairman

Hong Kong, 24 August 2018

Management Discussion and Analysis

I. Business Review

During the Period under Review, the Group steadily implemented its strategy for "focusing primarily on China market and to a lesser extent on the overseas markets". Under this strategy, it stepped up its technological research and development. It innovated high value-added products, thus gradually transforming itself from a supplier of high-end fabricated aluminium products into a provider of integrated light-weight solution.

During the Period under Review, total revenue of the Group amounted to approximately RMB9.33 billion. Overall gross margin was 31.7%. Profit for the period amounted to approximately RMB1.27 billion. Earnings per share were approximately RMB0.15.

Aluminium alloy formwork has advantages over traditional formwork in lightness, convenient application in construction, the ability to raise efficiency and recyclability. The Group's aluminium alloy formwork has gained prominence on the market and becomes a key product of the Group. Moreover, the Group improved the product performance of aluminium alloy formwork, enhanced its surface treatment and made it more environmentally friendly. The upgraded aluminium alloy formwork has been launched in the market and received good responses. The Group has since built a nationwide clientele for its aluminium alloy formwork. Among its major customers are those that engage in construction or real estate development sectors. During the Period under Review, the Group sold 140,593 tonnes of aluminium alloy formwork, representing an increase of 26.3% compared with 111,313 tonnes for the corresponding period in 2017, generating revenue of approximately RMB5.31 billion.

During the Period under Review, the Group sold 81,235 tonnes of industrial aluminium extruded products, generating revenue of approximately RMB2.11 billion, which was lower than that for the corresponding period in 2017. Both the sales volume and revenue decreased, mainly due to the fact that the production of key high value-added products such as aluminium alloy formwork and aluminium alloy products for transportation sector occupied part of the capacity of industrial aluminium extruded products, as a result of the Group's product mix optimisation.

The Group completed the acquisition of Alunna, a high-end aluminium extrusion manufacturer, in Germany, and Silver Yachts, a large-scale all-aluminium superyacht builder, in the second half of last year. With the most advanced technologies and high value-added products, the acquisitions are complementary to the Group's businesses. The Group will further improve its production techniques through technological exchange and will continue to expand the production capacity of Alunna. Recently, Silver Yachts has established a shipyard in the coastal area of Guangdong Province, China, principally for the manufacturing of all-aluminium yachts and commercial vessels.

During the Period under Review, sales volume of the Group's deep-processed products was 19,145 tonnes and the revenue amounted to approximately RMB500 million, representing an increase of 104.9% compared with RMB240 million for the corresponding period in 2017. The increase was principally due to the growth in volume of domestic sales of fabricated aluminium parts for automobiles, passenger cars and railway vehicles during the Period under Review.

The deep processing business is a key business segment of the Group. The Group possesses comprehensive capabilities that range from independent design to manufacturing and fabrication. During the Period under Review, the Group continued to lead the way in the development of the light-weight materials for car body in China, and is at the forefront of the industry in terms of technology, production technique, product variety, product mix optimisation and cost control. The Group developed and launched large-sectional aluminium parts for passenger cars and commercial vehicles, which received positive market response. In particular, the Group has begun a partnership with FAW Jiefang Automotive Co., Ltd. ("FAW Jiefang") to co-develop an unmanned container handler designed for port's container transportation. In addition to provision of welded components made from relevant materials, technicians of the Group have also provided FAW Jiefang welding and assembling services. The Group also cooperated closely with CH-Auto Technology Co., Ltd. in developing the "Qiantu K50", an electric sports car which has been newly-launched recently. The Group was involved in the early stage of design and development of the prototype, working on component structure optimisation, material testing, and section improvement, and making plans for mass production of the product. The Group has developed high value-added large-sectional parts and other components for passenger cars and commercial vehicles through on-going product improvements and technology upgrades, ensuring sufficient resources to match the rapid development of China's market for new energy vehicles.

The first production line of the Group's aluminium flat rolling project has commenced commercial production. It has been producing principally high-quality standard products for customers from different sectors, such as manufacturing and transportation. The project has successfully obtained industry standard certifications covering a wide range of sectors, including automobiles, aviation, shipbuilding and railway. During the Period under Review, the Group's aluminium flat rolling business sold 83,768 tonnes of products and generated revenue of approximately RMB1.39 billion. Meanwhile, the second production line is undergoing final optimization and commissioning, and trial production of sample orders from prospective customers was also carried out at that production line.

In the Period under Review, the Group was named as a Model Enterprise/Sectoral Champion of the Manufacturing Industry for industrial aluminium extrusion by the Ministry of Industry and Information Technology. To win this recognition, companies have to meet two requirements: having developed specific market segments for a long time, and having a strong market position and a large market share. Winning this recognition highlights the Group's strong comprehensive strength accumulated during the years of development in the field of Industrial aluminium extrusion, which is also a national-level recognition of the Group's contribution to promoting the upgrading of China's manufacturing industry. In addition, the Group has made an all-out effort to develop new and advanced products with superior performance, and has expanded the scope of applications of new technologies, new techniques and new approaches in the fields of rail transportation, aviation and aerospace, shipbuilding and ocean engineering. The Group has a national-level enterprise technology centre, a research centre for cooperation between the central and provincial governments in engineering, a national-level postdoctoral workshop and a provincial-level engineering and technological research centre. This can help the Group develop itself into an aluminium fabrication enterprise that meets international standards.

II. Future Development

China's economy has entered a stage of high-quality development with an emphasis on ecological development, posing a challenge to industrial manufacturers in striving for high-end distinction and low-carbon upgrade, while creating new market opportunities for eco-friendly aluminium alloy that is light-weight, highly recyclable and energy-efficient. As the best alternative light-weight material to steel, aluminium alloy plays an important role in the upgrade and transformation of manufacturing industry in China, especially in the high-end manufacturing sectors, such as light-weight transportation and eco-friendly construction.

In response to the development needs of China's new urbanisation drive, government policies encourage ecological construction and the replacement of wood with aluminium. Aluminium alloy formwork attracted instant attention as it was one of the ten new technologies recommended in the construction industry in 2017. The "Key Tasks of the Building Energy Efficiency and Technology Division of the Ministry of Housing and Urban-Rural Development 2018" (《住房城鄉建設部建築節能與科技司二零一八年工作要點》) issued in April 2018 reiterated the importance of energy efficiency in construction and the importance of extending eco-awareness to all segments of the construction industry as well as every production process. It set a target that eco-friendly buildings should account for 40% of newly constructed buildings by the end of this year. The "Comprehensive Work Plan for Energy Conservation and Emission Reduction in the 13th Five-Year Plan Period"(《「十三五」節能減排綜合工作方案》) aims to increase the proportion of ecological buildings in urban areas to 50% by 2020. In comparison with the conventional formwork that are made of wood, plastic and steel, aluminium alloy formwork is pollution-free, highly reusable and recyclable, making it an important material for ecological construction. There remains plenty room for further increase in the proportion of aluminium alloy formwork used in China's construction market.

Due to its advantages of weight reduction and supremacy in safety and performance, aluminium alloy is regarded as the first-choice material for light-weight vehicles. With the improvement in production techniques, aluminium alloy has been widely used in the manufacturing process of automobiles, such as the manufacturing of engines, vehicle frames as well as other vehicle components and parts. The rapid development of the new energy vehicle industry in China has stimulated a strong growth of the aluminium application in the automotive industry. According to the China Association of Automobile Manufacturers (the "CAAM"), the production and sales volumes of new energy vehicles in China were approximately 413,000 and 412,000, respectively, in the first half of 2018, representing a significant year-on-year increase of 94.9% and 111.5%, respectively. The industry of new energy vehicle will create huge demand for aluminium, as projected by the CAAM, the annual production and sales volumes of new energy vehicles will exceed 1 million in 2018.

Meanwhile, the favourable policies have motivated automakers to seek light-weight solutions, accelerating the development of the new energy vehicle market. In June, the State Council released the "Three-Year Action Plan for Winning the Blue Sky Defense Battle" (《打贏藍天保衛戰三年行動計劃》) (the "Action Plan"). It pledges to implement the "China VI" emission standard in advance in some key regions starting from 1 July 2019, to push the major automakers to upgrade their energy-saving and emission reduction solutions. In addition, the Action Plan explicitly states that the country will develop a green transportation system and promote the use of new energy vehicles in public transportation, sanitation vehicle and logistics vehicle, with an aim to achieve 80% of the above vehicles used in the key regions becoming new energy vehicles by 2020. Ports, airports and railway freight yards in the key regions are expected to purchase new energy or clean energy vehicles for addition to their fleets or replacement of obsolete vehicles. Furthermore, all buses in the key regions will be replaced by new energy vehicles. The growing demand for light-weight vehicles and the development of green transportation system will continuously foster growth of high-end aluminum alloy applications.

At present, aluminium alloy has been widely used for manufacturing rail trains in China, such as high-speed trains, subway trains and light rail trains. High-speed rail and urban rail transport are in a golden era of development, creating a Blue Ocean for the high-end applications of aluminium alloy. On 1 July 2018, the long version of "Fuxing EMU" with aluminium intensive carriage ran on the Beijing-Shanghai line for the first time. The Group, as the key supplier of aluminium parts for "Fuxing EMU", has provided a variety of fabricated aluminium products. According to the statistics from the National Railway Administration of the People's Republic of China ("PRC"), the national railway network expanded by 2.4% in 2017 over the previous year to 127,000 km, of which 25,000 km was attributable to the high-speed rail network. According to the estimation cited in the "Medium-and Long-Term Railway Network Plan"(《中長期鐵路網規劃》), the railway network will reach 175,000 km in 2025, of which 38,000 km will be attributable to the high-speed rail network. According to a report issued by the China Association of Metros, China's urban rail transit has entered a stage of rapid development, and by the end of 2017, a total of 34 cities in China had launched rail-based systems with a total length of 5,033 km in operation, hitting a record high level. Moreover, by the end of 2017, construction plans of urban rail transit networks of 7,321 km in 62 cities were approved.

The above market trends and policies have created a favorable environment for the growth of fabricated aluminium product suppliers in China. In this respect, the management has formulated the following development strategies:

1. Continue to optimise and expand capacities to reinforce the Group's overall competitiveness: The aluminium extrusion equipment purchased by the Group in 2016 will commence commercial production in phases in two to three years. Such move will reinforce the Group's integrated competitiveness in the high-end aluminium fabrication industry;

2. Diversify high-end product offerings and enhance the overall added value of products: The Group shall continue to leverage its strengths in cutting-edge production techniques and the ability of its design team to provide customers with more integrated light-weight solutions. By strengthening its R&D and production capabilities, the Group will continue to diversify product offerings, improve product quality and enhance the overall added value of products; and

3. Unleash the value of the Tianjin-based aluminium flat rolling project, adding a new growth engine to drive the Group's long-term development: The Group shall further improve the product quality and stability of the first production line to accelerate its capacity ramp-up. Rigorous equipment testing of the second production line shall be conducted in order to achieve early commencement of production. At the same time, the Group shall accelerate the pace of R&D and the process of high-end product certification to optimise product mix.

The above development strategies will fully capitalise the synergy of the Group's core businesses, and enable the Group to tap the opportunities brought about by the industrial upgrade in China with a more competitive product mix and more comprehensive business strategy planning.

III. Financial Review

A comparison of the financial results of the Group for the Period under Review and the corresponding period in 2017 is set out as follows.

Revenue

During the Period under Review, total revenue of the Group amounted to approximately RMB9.33 billion, representing an increase of 27.4% from approximately RMB7.33 billion for the corresponding period in 2017. During the Period under Review, the Group's revenue was mainly generated from sales in the aluminium extrusion business, aluminium flat rolling business and deep processing business, which amounted to approximately RMB9.32 billion (the corresponding period in 2017: approximately RMB7.31 billion). Other revenue primarily comprised metal trade agency commission, which amounted to approximately RMB12.24 million (the corresponding period in 2017: approximately RMB10.54 million).

The following table sets forth the breakdown by segments of the Group's revenue, sales volume and average selling price for the Period under Review and the corresponding period in 2017:

	Six months ended 30 June								
	2018			2017			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	7,424,428	222,183	33,416	7,071,429	273,693	25,837	5.0%	−18.8%	29.3%
Aluminium alloy formwork segment	5,311,304	140,593	37,778	3,615,469	111,313	32,480	46.9%	26.3%	16.3%
Industrial aluminium extrusion segment	2,106,765	81,235	25,934	3,225,914	148,518	21,721	−34.7%	−45.3%	19.4%
Construction aluminium extrusion segment	6,359	355	17,913	230,046	13,862	16,595	−97.2%	−97.4%	7.9%
Aluminium flat rolling business	1,394,410	83,768	16,646	—	—	N/A	N/A	N/A	N/A
Deep processing business	498,319	19,145	26,029	243,218	10,868	22,379	104.9%	76.2%	16.3%
Others	12,244	N/A	N/A	10,535	N/A	N/A	16.2%	N/A	N/A
Total	9,329,401	325,096	28,697	7,325,182	284,561	25,742	27.4%	14.2%	11.5%

During the Period under Review, sales amount of the Group's aluminium alloy formwork segment increased by 46.9% to approximately RMB5.31 billion from approximately RMB3.62 billion for the corresponding period in 2017, sales volume increased by 26.3% to 140,593 tonnes from 111,313 tonnes for the corresponding period in 2017, and average selling price increased by 16.3% to RMB37,778 per tonne from RMB32,480 per tonne for the corresponding period in 2017.

Sales volume of the Group's industrial aluminium extrusion segment for the Period under Review was 81,235 tonnes with sales amount of approximately RMB2.11 billion. The year-on-year decrease in both sales volume and sales amount was mainly due to the fact that the production of key products occupied some production capacity for the industrial aluminium extruded products, as a result of the Group's product mix optimisation and emphasis on developing high value-added products, such as aluminium alloy formwork and aluminium alloy applications in transportation. For the Period under Review, the average selling price of the Group's industrial aluminium extruded products increased by 19.4% to RMB25,934 per tonne from RMB21,721 per tonne for the corresponding period in 2017, mainly attributable to an increase in processing fee for industrial aluminium extruded products and an increase in price of aluminium ingots during the Period under Review.

Revenue, sales volume and average selling price of the above industrial aluminium extrusion segment offset 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 23,704 tonnes (the corresponding period in 2017: 12,972 tonnes) with sales amount of approximately RMB380 million (the corresponding period in 2017: approximately RMB200 million); sales volume of high-precision aluminium raw material to the aluminium flat rolling project in Tianjin amounted to 61,163 tonnes (the corresponding period in 2017: 97,363 tonnes) with sales amount of approximately RMB750 million (the corresponding period in 2017: approximately RMB1.14 billion).

For the Period under Review, revenue of the Group's aluminium flat rolling business was approximately RMB1.39 billion (the corresponding period in 2017: nil) with sales volume of 83,768 tonnes (the corresponding period in 2017: nil) and average selling price of RMB16,646 per tonne (the corresponding period in 2017: nil).

For the Period under Review, revenue of the Group's deep processing business was approximately RMB500 million (the corresponding period in 2017: approximately RMB240 million) with sales volume of 19,145 tonnes (the corresponding period in 2017: 10,868 tonnes) and average selling price of RMB26,029 per tonne (the corresponding period in 2017: RMB22,379 per tonne). The increase in revenue, sales volume and average selling price of the Group's deep processing business was mainly due to an increase in volume of domestic sales of processed parts for automobiles and passenger vehicles and large-sectional aluminium parts for railway vehicles supplied by the Group during the Period under Review.

Geographically, the Group's overseas customers mainly came from, among others, Germany, the United States, the Netherlands. For the Period under Review, the Group's revenue from overseas sales amounted to approximately RMB1.12 billion (the corresponding period in 2017: approximately RMB450 million), of which approximately RMB280 million (the corresponding period in 2017: nil) was from Alunna, a subsidiary of the Group and approximately RMB480 million (the corresponding period in 2017: nil) was from the Group's overseas sales of aluminium flat rolling business. During the Period under Review, overseas sales accounted for 12.0% of the Group's total revenue (the corresponding period in 2017: 6.1%).

Cost of Sales

For the Period under Review, the Group's cost of sales increased by 30.2% to approximately RMB6.37 billion as compared to approximately RMB4.89 billion for the corresponding period in 2017, and the unit cost of products increased by 14.0% to RMB19,589 per tonne from RMB17,184 per tonne for the corresponding period in 2017. Such increase was due to an increase in price of raw material and an increase of staff cost during the Period under Review.

Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB2.96 billion for the Period under Review, representing an increase of 21.6% from approximately RMB2.44 billion for the corresponding period in 2017. The overall gross margin of the Group slightly decreased to 31.7% for the Period under Review from 33.2% for the corresponding period in 2017. Such decrease was principally because the Group's production volume and efficiency of the aluminium flat-rolled products did not reach the optimal level during the Period under Review, and a decrease in sales volume of aluminium extrusion business resulted in an increase in fixed costs per unit.

The following table sets forth the segment analysis of gross profit, share in gross profit and gross margin of the Group for the Period under Review and for the corresponding period in 2017:

	Six months ended 30 June					
	2018			2017		
	Gross profit RMB'000	%	Gross margin %	Gross profit RMB'000	%	Gross margin %
Aluminium extrusion business	**2,876,246**	**97.1%**	**38.7%**	2,411,769	99.0%	34.1%
Aluminium alloy formwork segment	**2,344,138**	**79.1%**	**44.1%**	1,601,835	65.8%	44.3%
Industrial aluminium extrusion segment	**531,563**	**18.0%**	**25.2%**	794,725	32.6%	24.6%
Construction aluminium extrusion segment	**545**	**0.0%**	**8.6%**	15,209	0.6%	6.6%
Aluminium flat rolling business	**19,606**	**0.7%**	**1.4%**	—	—	N/A
Deep processing business	**53,115**	**1.8%**	**10.7%**	13,159	0.6%	5.4%
Others	**12,244**	**0.4%**	**N/A**	10,322	0.4%	N/A
Total	**2,961,211**	**100.0%**	**31.7%**	2,435,250	100.0%	33.2%

Investment Income

Investment income, which mainly consists of interest income from bank deposits and interest income from available-for-sale financial assets, decreased to approximately RMB130 million for the Period under Review from approximately RMB160 million for the corresponding period in 2017, which was mainly due to a decrease in average balance of short-term deposits during the Period under Review.

Other Income

Other income decreased to approximately RMB110 million for the Period under Review from approximately RMB290 million for the corresponding period in 2017, mainly due to a shift from an exchange gain for the corresponding period in 2017 to an exchange loss for the Period under Review arising from the Group's borrowings denominated in foreign currencies caused by the depreciation of Renminbi.

Selling and Distribution Costs

Selling and distribution costs increased to approximately RMB160 million for the Period under Review from approximately RMB95.20 million for the corresponding period in 2017, primarily due to an increase in the number of sales staff for the Group's expansion of business scope and scale during the Period under Review, which led to an increase in staff cost, as well as an increase in transportation costs resulting from higher proportion of the revenue from overseas sales to the total revenue of the Group.

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 increased to approximately RMB1.01 billion for the Period under Review from approximately RMB810 million for the corresponding period in 2017. Such increase was primarily attributable to an increase in the number of employees arising from the Group's expansion of business scope and scale, resulting in an increase in management salary by approximately RMB83 million, as well as an increase in research and development expenses by approximately RMB82 million as compared to the corresponding period in 2017.

Share of Profits less Losses of Associates

The Group's share of profits less losses of associates for the Period under Review was approximately RMB77.93 million (the corresponding period in 2017: approximately RMB75.45 million), which was the share of profits of the Group's associates recognised using equity method.

Finance Costs

The Group's finance costs increased to approximately RMB630 million for the Period under Review from approximately RMB500 million for the corresponding period in 2017. Such increase was principally due to a decrease in the Group's capitalised interest expenses for the Period under Review as compared to the corresponding period in 2017, as well as an increase in the Group's average borrowings for the Period under Review as compared to the corresponding period in 2017.

During the Period under Review, the Group's capitalised interest expenses amounted to approximately RMB210 million (the corresponding period in 2017: approximately RMB280 million).

During the corresponding period in 2017 and the Period under Review, the Group's interest-bearing loans carried average interest rates of 4.40% and 4.55% per annum, respectively. During the Period under Review, the debentures carried interest rates ranging from 3.75% to 5.40% per annum (the corresponding period in 2017: from 3.49% to 7.50% per annum).

Profit before Taxation

The Group's profit before taxation slightly decreased to approximately RMB1.49 billion for the Period under Review from approximately RMB1.55 billion for the corresponding period in 2017.

Income Tax

The Group's income tax decreased to approximately RMB230 million for the Period under Review from approximately RMB290 million for the corresponding period in 2017.

The Group's effective tax rates for the corresponding period in 2017 and the Period under Review were 18.8% and 15.3%, respectively.

Profit for the Period

The Group's profit for the period increased to approximately RMB1.27 billion for the Period under Review from approximately RMB1.26 billion for the corresponding period in 2017. The Group's net profit margin decreased to 13.6% for the Period under Review from 17.2% for the corresponding period in 2017.

Cash Flows

The following sets forth the Group's cash flows for the Period under Review and the corresponding period in 2017:

	For the six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Net cash used in operating activities	**(5,656,011)**	(496,100)
Net cash generated from/(used in) investing activities	**2,448,962**	(1,801,970)
Net cash generated from financing activities	**5,592,121**	8,068,769

Net Current Assets

At 30 June 2018, the Group's net current assets amounted to approximately RMB4.13 billion, which was approximately RMB2.63 billion higher than net current assets of approximately RMB1.50 billion at 31 December 2017. The increase was mainly due to the decrease in current liabilities was greater than the decrease in current assets:

(i) at 30 June 2018, the Group's current assets amounted to approximately RMB32.26 billion, representing a decrease of approximately RMB1.31 billion over approximately RMB33.57 billion at 31 December 2017. The decrease was primarily due to the decline in other receivables, deposits and prepayments; and

(ii) at 30 June 2018, the Group's current liabilities amounted to approximately RMB28.13 billion, representing a decrease of approximately RMB3.94 billion over approximately RMB32.07 billion at 31 December 2017. The decrease was primarily due to the decline in trade payables, bill payables and current portion of debentures.

Liquidity

At 30 June 2018 and 31 December 2017, the Group's cash and cash equivalents amounted to approximately RMB9.20 billion and RMB6.83 billion, respectively; and balance of pledged bank deposits under current assets amounted to approximately RMB1.54 billion and RMB3.86 billion, respectively.

Borrowings

At 30 June 2018, the Group's debentures and loans under current liabilities amounted to approximately RMB12.33 billion (31 December 2017: approximately RMB11.90 billion) and debentures and loans under non-current liabilities amounted to approximately RMB39.66 billion (31 December 2017: approximately RMB31.62 billion).

The Group's gearing ratio was approximately 65.5% at 30 June 2018 and 63.8% at 31 December 2017. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

At 30 June 2018, assets with a total carrying amount of approximately RMB5.66 billion of the Group were pledged, including property, plant and equipment and prepaid lease payments, for financing arrangements (31 December 2017: approximately RMB5.86 billion were pledged, including pledged bank deposits, property, plant and equipment and prepaid lease payments, for financing arrangements).

Contingent Liabilities

At 30 June 2018 and 31 December 2017, the Group had no material contingent liabilities.

Employees

At 30 June 2018, the Group had 37,121 full-time employees responsible for production, R&D, sales and management. During the Period under Review, the Group's average number of full-time employees amounted to 34,688, representing an increase of 49.7% from 23,171 for the corresponding period in 2017. During the Period under Review, staff costs (including Directors' remuneration) amounted to approximately RMB1.83 billion (including share option expenses of approximately RMB33.92 million), an increase of 60.2% as compared with approximately RMB1.14 billion (including share option expenses of approximately RMB56.09 million) for the corresponding period in 2017. The Group's staff costs (excluding share option expenses) increased mainly due to the increase in the number of staff as a result of the Group's expansion in both business scope and scale.

Research and Development

Continuous investment in R&D has helped the Group establish a high-level R&D and technical team. At 30 June 2018, the Group had 2,191 R&D and quality control personnel which accounted for 5.9% of the Group's total number of employees. Apart from possessing strong R&D capability in new materials and new technologies, and operating the largest die design and manufacturing centre in Asia, the Group has also built a first-class product and process design team to meet the ever-increasing demand from clients for the integrated solution from product design to production of light-weight materials. 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 scope of application of aluminium products.

Capital Commitments

At 30 June 2018, 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 RMB15.30 billion, which was primarily used for the construction of infrastructure used in the Group's growth projects such as aluminium flat rolling project, and for the expenses of equipment purchase relating to the expansion of its production capacity for extrusion. The Group intends to apply funds generated from operating activities, commercial bank loans and other available means to finance the purchase.

Proposed Spin-off

On 22 March 2016, Liaoning Zhongwang Superior Fabrication Investment Limited* (遼寧忠旺精製投資有限公司) ("Zhongwang Fabrication") (an indirect wholly-owned subsidiary of the Company) entered into an assets transfer agreement with CRED Holding Co., Ltd.* (中房置業股份有限公司) ("CRED Holding") (a company incorporated in the PRC and currently listed on the Shanghai Stock Exchange) for, among others, the disposal of all the equity interests in Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang"), a direct wholly-owned subsidiary of Zhongwang Fabrication. On 10 August 2018, 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 2019 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 27 August 2018.

Financial Risks

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

* For identification purpose only

Foreign Currency Risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies. During the Period under Review, approximately 88.0% of the Group's revenue was settled in Renminbi and approximately 12.0% was settled in foreign currencies, while approximately 92.7% of the Group's borrowings was denominated in Renminbi and approximately 7.3% was denominated in foreign currencies at 30 June 2018.

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 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 2018, the Group's fixed-rate loans were approximately RMB12.09 billion (31 December 2017: approximately RMB6.19 billion).

During the year ended 31 December 2016, the Group issued unsecured debentures of RMB2.5 billion, RMB500 million and RMB4.0 billion with maturity of 5 years, 1 year and 5 years respectively, which are repayable on 22 March 2021, 8 July 2017 and 26 September 2021, respectively, and with effective interest rates of 4.05%, 3.49% and 3.75% per annum, respectively. The debenture of RMB500 million was fully settled on its maturity date.

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. The debenture was fully settled on its maturity date.

Price Fluctuation Risk of Aluminium Ingot

The Group's principal raw materials in the aluminium extrusion business include aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc. Generally, the Group's pricing of fabricated aluminium 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 on the price fluctuation risk to its customers. However, the Group may not be able to pass on the entire cost of price increases to customers or completely offset the impact 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 2018, 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 (the "Listing Rules"), were as follows:

Long positions in the ordinary shares of the Company at 30 June 2018

Name of Director	Capacity/Nature of Interests	Total number of ordinary shares	% of the relevant class of shares
Lu Changqing ("Mr. Lu")	Beneficial owner/Long position	2,000,000	0.04
		42,000,000(1)	0.77
Ma Qingmei	Beneficial owner/Long position	3,800,000(1)	0.07
Chen Yan	Beneficial owner/Long position	42,000,000(1)	0.77
Liu Zhisheng	Beneficial owner/Long position	5,700,000(1)	0.10
	Interest of spouse/Long position	5,600,000(2)	0.10
Zhang Hui	Beneficial owner/Long position	5,700,000(1)	0.10
Lo Wa Kei, Roy	Beneficial owner/Long position	1,600,000(1)	0.03
Shi Ketong	Beneficial owner/Long position	1,600,000(1)	0.03
Wong Chun Wa	Beneficial owner/Long position	1,600,000(1)	0.03
Wen Xianjun	Beneficial owner/Long position	600,000(1)	0.01

(1) Mr. Lu, Ms. Ma Qingmei, Mr. Chen Yan, Mr. Liu Zhisheng, Mr. Zhang Hui, Mr. Lo Wa Kei, Roy, Mr. Shi Ketong, Mr. Wong Chun Wa and Mr. Wen Xianjun hold share options in respect of these underlying shares.

(2) These interests represent share options in respect of these underlying shares held by the spouse of Mr. Liu Zhisheng, which Mr. Liu Zhisheng is deemed under SFO to be interested in.

Save as disclosed above, at 30 June 2018, 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 herein, at no time during the six months ended 30 June 2018 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' and Controlling Shareholders' Interests in Competing Business

For the six months ended 30 June 2018, 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 2018, 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 2018

Name of Shareholder	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[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
Zhongwang International Group Limited ("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 2018

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 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 2018, 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

2008 Share Option Scheme and 2018 Share Option Scheme

The Company adopted a share option scheme on 17 April 2008 (the "2008 Share Option Scheme"), which was valid and effective for a period of 10 years commencing on the adoption date and expiring on the tenth anniversary of the adoption date. Accordingly, the 2008 Share Option Scheme expired on 17 April 2018 and no further options could be thereafter granted under the 2008 Share Option Scheme. However, the options granted under the 2008 Share Option Scheme prior to its expiration may continue to be exercisable and all remaining provisions remain in full force and effect to govern the exercise of all the share options granted under the 2008 Share Option Scheme prior to its expiration. As at the date of this report, the total number of shares in respect of which options have been granted and remained outstanding under the 2008 Share Option Scheme was 399,900,000 shares (representing 7.34% of the shares in issue as at the date of this report).

Movements of the options granted under the 2008 Share Option Scheme during the six months ended 30 June 2018 are 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 2018	Number of underlying ordinary shares comprised in the options granted during the six months ended 30 June 2018	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the six months ended 30 June 2018	Number of underlying ordinary shares comprised in the options exercised during the six months ended 30 June 2018	Number of underlying ordinary shares comprised in the options outstanding at 30 June 2018
Directors								
Mr. Lu	22 March 2011	21 March 2021	3.9	2,000,000	–	–	–	2,000,000(1)
	6 January 2016	5 January 2026	3.93	40,000,000	–	–	–	40,000,000(2)
Ma Qingmei	6 January 2016	5 January 2026	3.93	3,800,000	–	–	–	3,800,000(2)
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	–	–	–	2,000,000(1)
	6 January 2016	5 January 2026	3.93	40,000,000	–	–	–	40,000,000(2)
Liu Zhisheng	22 March 2011	21 March 2021	3.9	3,700,000(3)	–	–	–	3,700,000(1)
	6 January 2016	5 January 2026	3.93	7,600,000(3)	–	–	–	7,600,000(2)
Zhang Hui	22 March 2011	21 March 2021	3.9	1,900,000	–	–	–	1,900,000(1)
	6 January 2016	5 January 2026	3.93	3,800,000	–	–	–	3,800,000(2)
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000(1)
	6 January 2016	5 January 2026	3.93	1,000,000	–	–	–	1,000,000(2)
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000(1)
	6 January 2016	5 January 2026	3.93	1,000,000	–	–	–	1,000,000(2)
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000(1)
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000(1)
	6 January 2016	5 January 2026	3.93	1,000,000	–	–	–	1,000,000(2)
Other Past and Present Employees	22 March 2011	21 March 2021	3.9	31,400,000	–	(8,400,000)	–	23,000,000(1)
Other Past and Present Employees	6 January 2016	5 January 2026	3.93	351,800,000	–	(85,100,000)	–	266,700,000(2)
Total				**493,400,000**	**–**	**(93,500,000)**	**–**	**399,900,000**

(1) 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.

(2) The options granted on 6 January 2016 are to be vested in five equal tranches. The first two tranche was vested on 6 January 2017 and 6 January 2018, and the rest will be vested on 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.

(3) Mr. Liu Zhisheng is deemed to be interested in 11,300,000 shares of the Company, which includes (i) the options granted to him under the 2008 Share Option Scheme entitling him to subscribe for 1,900,000 shares of the Company at an exercise price of HKD3.9 per share and 3,800,000 shares of the Company at an exercise price of HKD3.93 per share and (ii) the options granted to his spouse under the 2008 Share Option Scheme entitling her to subscribe for 1,800,000 shares of the Company at an exercise price of HKD3.9 per share and 3,800,000 shares of the Company at an exercise price of HKD3.93 per share.

Saved as disclosed above, during the six months ended 30 June 2018, no option was granted by the Company under the 2008 Share Option Scheme, and none of the share options under the 2008 Share Option Scheme had been exercised, cancelled nor lapsed.

Further particulars of the 2008 Share Option Scheme mentioned above are set out in Note 29 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.

Major Terms of the Share Option Schemes

On 25 May 2018, the Shareholders approved and adopted the 2018 Share Option Scheme ("2018 Share Option Scheme", together with the 2008 Share Option Scheme, the "Share Option Schemes", each a "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 2018 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 major terms of the 2008 Share Option Scheme and the 2018 Share Option Scheme are summarized below:

Each Share Option Scheme is to provide the participants who have been granted options under each 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. Each 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 each 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 each 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 2018 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 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 2018 Share Option Scheme is valid and effective for a period of ten years commencing on 25 May 2018 (being the date of adoption of the 2018 Share Option Scheme).

During the period between 25 May 2018 (the date on which the 2018 Share Option Scheme was adopted) and 30 June 2018, no option was granted by the Company under the 2018 Share Option Scheme.

Details of valuation of the options are set out in Note 29 to the Unaudited Condensed Consolidated Financial Statements on pages 58 to 61 of this report.

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 2018.

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 2018, the outstanding amount owed by Tianjin Zhongwang under the 2015 Facility Agreement was approximately RMB10.91 billion.

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

Convertible Preference Shares

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 three new ordinary shares for every ten 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 HKD4.23 billion (approximately RMB3.32 billion) 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. As of 30 June 2018, the net proceeds have been fully applied to the aforementioned purpose.

Disclosure of Interests

The convertible preference shares are non-redeemable by the Company and are not listed on the Stock Exchange. 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 following table sets out the dilutive impact on the respective shareholdings of the substantial shareholder of the Company:

	As at 30 June 2018		Upon full conversion of the convertible preference shares	
Name of Shareholder	**Number of ordinary shares**	**% of the relevant class of shares**	**Number of ordinary shares**	**% of the relevant class of shares**
Mr. Liu	4,041,500,000	74.16	5,660,455,467	80.08

The earnings per share attributable to equity shareholders of the Company has been calculated on a fully-diluted basis.

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 2018, saved as disclosed below, all the code provisions set out in the Governance Code were met by the Company.

Code Provision A.2.1 of the Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. As Mr. Lu performs the roles of chairman and president (i.e. chief executive officer) of the Company, the Company has deviated from this code provision from 1 January 2018 to the date of this interim report. However, the Board considers that this arrangement will not impair the balance of power and authority between the Board and the management of the Company as a majority of the Board members are non-executive Directors and independent non-executive Directors and the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information.

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 its Directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

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 2018, 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 established the audit committee, the nomination and remuneration committee, the corporate governance committee and the 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 2017, the unaudited quarterly results for the three months ended 31 March 2018 and the unaudited interim results for the six months ended 30 June 2018, and has also reviewed the effectiveness of the risk management and internal control systems as well as the internal audit function and financial reporting matters of the Group.

The terms of reference of the Audit Committee is available on the Company's website and the Stock Exchange's website.

(b) Nomination and Remuneration Committee

We established a remuneration committee in accordance with the requirements of Appendix 14 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 Nomination and Remuneration Committee ("Nomination and Remuneration Committee"). Members of the Nomination and Remuneration Committee comprise one executive Director, namely Mr. Lu, and two independent non-executive Directors, namely Mr. Wen Xianjun (chairman) and Mr. Shi Ketong. The Nomination and Remuneration Committee has reviewed the qualification of the retiring directors standing for election at the annual general meeting, the remuneration of Directors and the diversity of the Board and assess relevant policies. The terms of reference of the Nomination and Remuneration Committee is available on the Company's website and the Stock Exchange's website.

(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, 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 comprise Mr. Lu (chairman), Ms. Ma Qingmei and Mr. Wen Xianjun.

Risk Management and Internal Control

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of the operation of the Group. 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 2018.

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 2018, 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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Major Purchase and Sale of the Subsidiaries and Associates

There was no major purchase and sale of the subsidiaries and associates of the Company during the six months ended 30 June 2018.

Interim Dividend

The Board has declared an interim dividend of HKD0.10 per share for the six months ended 30 June 2018 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 Thursday, 11 October 2018, with an aggregate amount of approximately HKD707 million. The interim dividend will be paid on or around 2 November 2018.

Directors' Profile Updates

During the six months ended 30 June 2018 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 2018
(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	4	**9,329,401**	7,325,182
Cost of sales		**(6,368,190)**	(4,889,932)
Gross profit		**2,961,211**	2,435,250
Investment income		**132,680**	155,782
Other income	6	**112,921**	285,267
Selling and distribution costs		**(155,581)**	(95,195)
Administrative and other operating expenses		**(1,006,641)**	(806,700)
Share of profits less losses of associates		**77,927**	75,453
Finance costs	7	**(628,024)**	(498,010)
Profit before taxation	8	**1,494,493**	1,551,847
Income tax	9	**(228,311)**	(292,111)
Profit for the period		**1,266,182**	1,259,736
Attributable to:			
Equity shareholders of the Company		**1,093,420**	1,092,536
Non-controlling interests		**(836)**	—
Holders of perpetual capital instruments	30	**173,598**	167,200
Profit for the period		**1,266,182**	1,259,736
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of financial statements		**(9,439)**	13,275
— Available-for-sale financial assets: net movements in the fair value reserve		**—**	(195)
Other comprehensive income for the period		**(9,439)**	13,080
Total comprehensive income for the period		**1,256,743**	1,272,816
Total comprehensive income attributable to:			
Equity shareholders of the Company		**1,087,067**	1,105,616
Non-controlling interests		**(3,922)**	—
Holders of perpetual capital instruments	30	**173,598**	167,200
Total comprehensive income for the period		**1,256,743**	1,272,816
Earnings per share			
Basic (RMB)	10	**0.15**	0.15
Diluted (RMB)	10	**0.15**	0.15

Note: The Group has initially applied IFRS 15 and IFRS 9 starting from 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 39 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 25(a).

Consolidated Statement of Financial Position

At 30 June 2018
(Expressed in RMB)

	Note	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	**51,314,237**	48,572,054
Prepaid lease payments	12	**5,989,339**	5,551,327
Goodwill and other intangible assets		**650,045**	653,245
Interest in associates		**3,665,379**	3,537,452
Deposits for acquisition of property, plant and equipment and prepaid lease	13	**6,606,902**	5,654,052
Deferred tax assets		**236,174**	155,929
Other non-current assets	16	**4,078,570**	3,571,362
		72,540,646	67,695,421
Current assets			
Inventories	14	**9,812,841**	7,241,180
Trade and bills receivables	15	**7,821,043**	8,069,127
Other receivables, deposits and prepayments	16	**2,912,359**	4,558,451
Current financial assets at amortised cost	18	**818,976**	—
Available-for-sale financial assets	18	**—**	2,882,968
Prepaid lease payments	12	**138,859**	128,773
Pledged bank deposits	17	**1,535,996**	3,862,050
Cash and cash equivalents	19	**9,214,966**	6,829,894
		32,255,040	33,572,443
Current liabilities			
Trade payables	20	**1,232,243**	8,389,184
Bills payable	21	**823,155**	3,944,691
Contract liabilities	22	**4,221,091**	—
Other payables and accrued charges	22	**9,217,783**	7,355,239
Current tax liabilities		**295,340**	479,168
Debentures	24	**—**	1,200,000
Bank and other loans	23(a)	**12,333,409**	10,700,374
		28,123,021	32,068,656
Net current assets		**4,132,019**	1,503,787
Total assets less current liabilities		**76,672,665**	69,199,208

Consolidated Statement of Financial Position

At 30 June 2018
(Expressed in RMB)

	Note	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Non-current liabilities			
Bank and other loans	23(b)	**33,161,771**	25,122,585
Debentures	24	**6,500,000**	6,500,000
Deferred tax liabilities		**895,264**	886,991
		40,557,035	32,509,576
NET ASSETS		**36,115,630**	36,689,632
CAPITAL AND RESERVES			
Share capital	25(b)	**605,397**	605,397
Reserves	25(c)	**30,112,414**	29,882,494
Total equity attributable to equity shareholders of the Company		**30,717,811**	30,487,891
Non-controlling interests		**203,819**	207,741
Perpetual capital instruments	30	**5,194,000**	5,994,000
TOTAL EQUITY		**36,115,630**	36,689,632

Note: The Group has initially applied IFRS 15 and IFRS 9 starting from 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018
(Expressed in RMB)

		Attributable to equity shareholders of the company													
	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Surplus reserve RMB'000	Enterprise development fund RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	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
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 and 1 July 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
Profit for the period		–	–	–	–	–	–	–	–	–	2,440,895	2,440,895	167,200	364	2,608,459
Other comprehensive income for the period		–	–	–	–	–	–	–	27,766	–	–	27,766	–	1,289	29,055
Total comprehensive income for the period		–	–	–	–	–	–	–	27,766	–	2,440,895	2,468,661	167,200	1,653	2,637,514
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	206,088	206,088
Interim dividends for the year 2017		–	(600,976)	–	–	–	–	–	–	–	–	(600,976)	–	–	(600,976)
Recognition of share-based payment	27	–	–	–	–	–	–	56,086	–	–	–	56,086	–	–	56,086
Appropriations		–	–	–	–	782,940	–	–	–	–	(782,940)	–	–	–	–
Distribution for perpetual capital instruments	28	–	–	–	–	–	–	–	–	–	–	–	(167,200)	–	(167,200)
		–	(600,976)	–	–	782,940	–	56,086	–	–	(782,940)	(544,890)	(167,200)	206,088	(506,002)
At 31 December 2017		605,397	7,882,212	(2,992,978)	635,898	4,562,421	2,382,753	365,454	(32,899)	–	17,079,633	30,487,891	5,994,000	207,741	36,689,632

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018
(Expressed in RMB)

		Attributable to equity shareholders of the company												
	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Surplus reserve RMB'000	Enterprise development fund RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018		605,397	7,882,212	(2,992,978)	635,898	4,562,421	2,382,753	365,454	(32,899)	17,079,633	30,487,891	5,994,000	207,741	36,689,632
Profit for the period		–	–	–	–	–	–	–	–	1,093,420	1,093,420	173,598	(836)	1,266,182
Other comprehensive income for the period		–	–	–	–	–	–	–	(6,353)	–	(6,353)	–	(3,086)	(9,439)
Total comprehensive income for the period		–	–	–	–	–	–	–	(6,353)	1,093,420	1,087,067	173,598	(3,922)	1,256,743
Final dividends for the year 2017		–	(891,068)	–	–	–	–	–	–	–	(891,068)	–	–	(891,068)
Recognition of share-based payment	27	–	–	–	–	–	–	33,921	–	–	33,921	–	–	33,921
Changes in perpetual capital instruments	28	–	–	–	–	–	–	–	–	–	–	(800,000)	–	(800,000)
Distribution for perpetual capital instruments	28	–	–	–	–	–	–	–	–	–	–	(173,598)	–	(173,598)
		–	(891,068)	–	–	–	–	33,921	–	–	(857,147)	(973,598)	–	(1,830,745)
At 30 June 2018 (unaudited)		605,397	6,991,144	(2,992,978)	635,898	4,562,421	2,382,753	399,375	(39,252)	18,173,053	30,717,811	5,194,000	203,819	36,115,630

Note: The Group has initially applied IFRS 15 and IFRS 9 starting from 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018
(Expressed in RMB)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(5,656,011)**	(496,100)
Net cash generated from/(used in) investing activities	**2,448,962**	(1,801,970)
Net cash generated from financing activities	**5,592,121**	8,068,769
Net increase in cash and cash equivalents	**2,385,072**	5,770,699
Cash and cash equivalents at the beginning of the period	**6,829,894**	8,024,564
Cash and cash equivalents at the end of the period	**9,214,966**	13,795,263

Note: The Group has initially applied IFRS 15 and IFRS 9 starting from 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 39 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 Province, 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 24 August 2018. They are unaudited.

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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 2017 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 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2018.

3 Changes in accounting policies

(a) Overview

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*

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

The Group has been impacted by IFRS 9 in relation to classification of financial assets, and impacted by IFRS 15 in relation to presentation of contract liabilities.

Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9 and note 3(c) for IFRS 15.

(b) IFRS 9, Financial instruments

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has assessed the cumulative effect of initial application and concluded that no adjustment was necessary to be made to the opening equity at 1 January 2018, but a reclassification should be made to the carrying amount of certain financial assets at 1 January 2018. Comparative information continues to be reported under IAS 39.

As at 1 January 2018, the impact on the consolidated statement of financial position of the Group was as follows:

	IAS 39	**Reclassification**	**IFRS 9**
	RMB'000	*RMB'000*	*RMB'000*
Current financial assets at amortised cost	—	2,882,968	2,882,968
Available-for-sale financial assets	2,882,968	(2,882,968)	—

3 Changes in accounting policies (Continued)

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has performed an assessment on the impact of the adoption of IFRS 15 including completing a review of its customer contracts. The Group is principally engaged in the manufacturing and sales of aluminium products and it recognises revenue upon the transfer of significant risks and rewards, which coincides with the fulfilment of performance obligations. Additionally, the Group's contracts with customers generally has only one performance obligation. Thus, the Group concluded that no adjustment to the opening balance of equity at 1 January 2018 was recognised, but a reclassification should be made to the carrying amount of Advances from customers at 1 January 2018. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018. Comparative information continues to be reported under IAS 18.

As at 1 January 2018, the impact on the consolidated statement of financial position of the Group was as follows:

	IAS 18	**Reclassification**	**IFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Contract Liabilities	—	1,252,568	1,252,568
Other payables and accrued charges	7,355,239	(1,252,568)	6,102,671

4 Revenue

The principal activities of the Group are manufacturing and sales of aluminium products.

Revenue represents the sales value of aluminium products sold to customers and metal trade agency commission. The amount of each significant category of revenue recognised during the reporting period is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of aluminium products		
— aluminium alloy formworks	**5,311,304**	3,615,469
— industrial aluminium extruded products	**2,106,765**	3,225,914
— aluminium flat-rolled products	**1,394,410**	—
— deep-processed products	**498,319**	243,218
— construction aluminium extruded products	**6,359**	230,046
Metal trade agency commission	**12,244**	10,535
	9,329,401	7,325,182

5 Segment reporting

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has the following reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— aluminium alloy formworks ("Aluminium Alloy Formwork")

— aluminium extruded products for industrial markets ("Industrial")

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

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

— aluminium extruded products for construction markets ("Construction")

The following is an analysis of the Group's revenue and results by operating segment:

	Segment revenue Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Aluminium Alloy Formwork	**5,311,304**	3,615,469
Industrial		
— Revenue from external customers	**2,106,765**	3,225,914
— Inter-segment sales	**1,126,224**	1,342,082
Flat-rolled	**1,394,410**	—
Deep-processed	**498,319**	243,218
Construction	**6,359**	230,046
Others	**12,244**	10,535
	10,455,625	8,667,264
Elimination of inter-segment revenue	**(1,126,224)**	(1,342,082)
Total	**9,329,401**	7,325,182

5 Segment reporting (Continued)

	Segment results Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Aluminium Alloy Formwork	**2,344,138**	1,601,835
Industrial	**526,231**	795,089
Flat-rolled	**31,776**	—
Deep-processed	**46,277**	13,572
Construction	**545**	15,209
Others	**12,244**	10,322
	2,961,211	2,436,027
Elimination of unrealised inter-segment profits	**—**	(777)
Total	**2,961,211**	2,435,250
Investment income and other income	**245,601**	441,049
Selling and distribution costs	**(155,581)**	(95,195)
Administrative and other operating expenses	**(1,006,641)**	(806,700)
Share of profits less losses of associates	**77,927**	75,453
Finance costs	**(628,024)**	(498,010)
Profit before taxation	**1,494,493**	1,551,847
Income tax	**(228,311)**	(292,111)
Profit for the period	**1,266,182**	1,259,736

Segment results represent 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.

5 Segment reporting (Continued)

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
People's Republic of China ("PRC")	**8,210,114**	6,875,249
Germany	**255,638**	74,655
United States	**138,144**	1,106
Netherlands	**93,284**	39,838
Others	**632,221**	334,334
	9,329,401	7,325,182

6 Other income

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Government subsidies (Note)	**58,991**	104,286
Gain on sales of scrap materials, consumables and moulds	**68,353**	18,033
Profit of sales of equipment	**20,756**	11,419
Gain/(loss) on disposal of property, plant and equipment	**1,749**	(29)
Rental income	**83**	—
Exchange (loss)/gain, net	**(37,011)**	151,558
	112,921	285,267

Note: The amounts mainly represent subsidies received from the Finance Bureau and other government departments of Liaoyang 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.

7 Finance costs

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interests on bank loans and other borrowings	**833,279**	776,911
Less: Interest expense capitalised into property, plant and equipment, and deposits for acquisition of property, plant and equipment*	**(205,255)**	(278,901)
	628,024	498,010

* The borrowing costs have been capitalised at an average interest rate of 4.96% per annum (six months ended 30 June 2017: 5.05%).

8 Profit before taxation

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Staff costs (including directors' emoluments):		
— Salaries and other benefits	**1,673,456**	1,012,535
— Contributions to defined contribution retirement plan	**121,987**	73,501
— Equity-settled share-based payment expenses	**33,921**	56,086
Total employee benefit expenses	**1,829,364**	1,142,122
Cost of inventories recognised as an expense	**6,368,190**	4,889,932
Depreciation of property, plant and equipment	**617,977**	316,340
Amortisation of other intangible assets	**3,200**	—
Amortisation of prepaid lease payments	**74,062**	73,209
Impairment losses on trade receivables	**2,019**	9,127
Operating lease charges in respect of office premises	**45,572**	33,439
Research and development costs	**243,960**	161,231

9 Income tax

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
— Provision for the period	**300,309**	274,487
— Over-provision in respect of prior years	**(26)**	(14)
	300,283	274,473
Deferred taxation	**(71,972)**	17,638
Total income tax	**228,311**	292,111

Note:

(i) 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 33% pursuant to the rules and regulations of their respective countries of incorporation.

(ii) 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 2018 and 2017 were calculated based on an income tax rate of 15%.

10 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 2018 and 2017 and on the number of shares as follows:

	Six months ended 30 June	
	2018 **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)
Profit attributable to equity shareholders of the Company	**1,093,420**	1,092,536

	Six months ended 30 June	
	2018 **'000** **(unaudited)**	2017 '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 purposes of basic and diluted earnings per share	**7,068,598**	7,068,598
Earnings per share		
Basic (RMB)	**0.15**	0.15
Diluted (RMB)	**0.15**	0.15

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 2018 and 2017.

11 Property, plant and equipment

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of approximately RMB3,362,870,000 (six months ended 30 June 2017: RMB4,162,975,000). Items of property, plant and equipment with a net book value of approximately RMB2,710,000 were disposed during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB115,000), resulting in a gain on disposal of approximately RMB1,749,000 (six months ended 30 June 2017: a loss on disposal of RMB29,000).

At 30 June 2018, certain of the Group's property, plant and equipment with a carrying amount of approximately RMB4,299,160,000 (31 December 2017: RMB4,470,130,000) were used to secure the Group's borrowings (Note 23(b)).

12 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 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Leasehold land in the PRC under leases	6,128,198	5,680,100
Analysed for reporting purpose:		
Non-current assets	5,989,339	5,551,327
Current assets	138,859	128,773
	6,128,198	5,680,100

At 30 June 2018, certain of the Group's land use rights with a carrying amount of approximately RMB1,363,870,000 (31 December 2017: RMB1,379,400,000) were used to secure the Group's borrowings (Note 23(b)(ii)).

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment	5,985,308	4,955,390
Deposits for acquisition of prepaid lease	621,594	698,662
	6,606,902	5,654,052

14 Inventories

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Raw materials	3,817,430	3,182,006
Work in progress	4,102,737	2,708,510
Finished goods	1,892,674	1,350,664
	9,812,841	7,241,180

15 Trade and bills receivables

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade and bills receivables	7,844,893	8,090,958
Less: Impairment losses	(23,850)	(21,831)
	7,821,043	8,069,127

For the six months ended 30 June 2018, the Group allows an average credit period of 90 to 180 days (six months ended 30 June 2017: 90 to 180 days) for domestic sales and an average credit period of 180 days (six months ended 30 June 2017: 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 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
0 to 90 days	6,540,755	6,742,659
91 to 180 days	732,284	1,133,746
Over 180 days	548,004	192,722
	7,821,043	8,069,127

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. As there has not been a significant change in credit quality, the Directors considered these amounts are still recoverable and there is no further credit provision required in excess of the allowance for doubtful debts. The Group does not hold any collateral over these balances.

16 Other receivables, deposits and prepayments

At 30 June 2018, included in other receivables, deposits and prepayments of the Group are deductible input value added tax ("VAT receivables"), purchase prepayments, interest receivables, etc.

At 30 June 2018, VAT receivables amounting to approximately RMB5,695,511,000 (31 December 2017: RMB5,341,777,000) of which approximately RMB4,078,570,000 (31 December 2017: RMB3,571,362,000) is expected to be deducted after one year and is classified as other non-current assets in the financial statement.

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

17 Pledged bank deposits

The Group pledged bank deposits as collateral in respect of issuance of bills (Note 21) and letters of credit by the Group. The pledged bank deposits will be released upon the settlement of relevant payables.

18 Available-for-sale financial assets

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Unlisted financial products, at fair value (Note)	**—**	2,882,968

Note: Upon the adoption of IFRS 9, the amount of available-for-sale financial assets is included in current financial assets at amortised cost (see note 3(b)) At 30 June 2018, the financial products held by the Group generate annual target return rate 4.60% (31 December 2017: 2.45%-4.60%)

19 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.

20 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 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
0 to 90 days	**1,026,181**	8,294,147
91 to 180 days	**123,143**	65,376
181 days to 1 year	**82,919**	29,661
	1,232,243	8,389,184

21 Bills payable

At 30 June 2018, all the bills payable are repayable within 365 days (31 December 2017: 365 days) and are denominated in RMB.

At 30 June 2018, bills payable amounting to approximately RMB820,754,000 (31 December 2017: RMB444,662,000) were secured by deposits placed in banks with an aggregate carrying value of approximately RMB321,400,000 (31 December 2017: RMB444,662,000).

22 Other payables and accrued charges

All other payables and accrued charges are expected to be settled or recognised as revenue within one year or are repayable on demand.

At 30 June 2018, included in other payables and accrued charges, there were approximately RMB3,788,578,000 (31 December 2017: RMB4,014,395,000) owed to production machineries suppliers and construction services contractors.

At 30 June 2018, amounts due to related parties approximately RMB3,254,191,000 (31 December 2017: RMB199,000) were included in other payables and accrued charges. The amounts are unsecured, interest-free and repayable on demand.

At 30 June 2018, contract liabilities amounted to approximately RMB4,221,091,000 which represents advances from customers, where the Group has unconditional right to considerations before goods or services are delivered (31 December 2017: RMB1,252,568,000 were included in other payables and accrued charges).

23 Bank and other loans

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Bank loans:		
— Guaranteed by subsidiaries	**598,601**	593,489
— Guaranteed by related parties	**2,120,000**	—
— Unguaranteed and unsecured	**6,096,483**	5,145,096
	8,815,084	5,738,585
Add:		
— Current portion of long-term bank and other loans	**3,518,325**	4,961,789
	12,333,409	10,700,374

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Bank loans:		
— Secured by property, plant and equipment (Note (i))	**66,931**	74,947
— Guaranteed by subsidiaries	**—**	980,130
— Guaranteed by subsidiaries and secured by prepaid lease payments and property, plant and equipment (Note (ii))	**10,909,193**	10,880,436
— Guaranteed by related parties	**661,660**	2,153,420
— Guaranteed by a related party and secured by property, plant and equipment (Note (iii))	**315,164**	385,197
— Unguaranteed and unsecured	**2,089,782**	2,113,664
Other loans:		
— Secured by property, plant and equipment (Note (iv))	**1,954,124**	2,413,451
— Unguaranteed and unsecured	**20,683,242**	11,083,129
	36,680,096	30,084,374
Less:		
— Current portion of long-term bank and other loans	**(3,518,325)**	(4,961,789)
	33,161,771	25,122,585

23 Bank and other loans (Continued)

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

Note:

(i) At 30 June 2018, certain long-term loans from bank were secured by certain property, plant and equipment of the Group (Note 11). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB131,396,000 at 30 June 2018 (31 December 2017: RMB135,944,000).

(ii) At 30 June 2018, 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 11 and Note 12). The aggregate carrying value of the secured land use rights and property, plant and equipment amounted to approximately RMB1,363,870,000 and RMB171,950,000, respectively, at 30 June 2018 (31 December 2017: RMB1,379,400,000 and RMB174,317,000, respectively).

(iii) At 30 June 2018, a long-term bank loan was guaranteed by a related party and secured by certain property, plant and equipment of the Group (Note 11). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB774,761,000 at 30 June 2018 (31 December 2017: RMB786,619,000).

(iv) At 30 June 2018, certain long-term loans from financial leasing institutions were secured by certain property, plant and equipment of the Group (Note 11). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB3,221,053,000 at 30 June 2018 (31 December 2017: RMB3,373,250,000).

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 thirteen 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 11.

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 2018, none of the covenants relating to drawn down facilities had been breached (31 December 2017: Nil).

24 Debentures

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, the debenture was fully repaid on its maturity date.

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 maturities of five years, one year and five years, which are repayable on 22 March 2021, 8 July 2017 and 26 September 2021, respectively, and with effective interest rates of 4.05%, 3.49% and 3.75% per annum, respectively. During the year, the debenture of RMB500,000,000 was fully repaid on its maturity date.

25 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	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interim dividend declared after the end of the reporting period of HKD0.10 per ordinary share and convertible preference share (2017: HKD0.10)	**615,675**	600,902

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 and paid during the following interim period:

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD0.15 per ordinary share and convertible preference share (2017: HKD0.10)	**891,068**	613,484

25 Capital, reserves and dividends (Continued)

(b) Share capital

	No. of shares	Share capital	
		HKD'000	RMB'000
Ordinary share of HKD0.10 each:			
Authorised:			
At 1 January 2017, 31 December 2017 and 30 June 2018	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2017, 31 December 2017 and 30 June 2018	5,449,473,140	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2017, 31 December 2017 and 30 June 2018	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2017, 31 December 2017 and 30 June 2018	1,619,125,180	161,913	127,296

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

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.

25 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 (Note 23 and 24), perpetual capital instruments (Note 30) 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.

26 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 at 30 June 2018 RMB'000	Fair value measurements as at 30 June 2018 categorised into		Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into	
		Level 2 RMB'000	Level 3 RMB'000		Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement:						
Assets:						
Available-for-sale financial assets	—	—	—	2,882,968	2,882,968	—

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: 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.

27 Commitments

(a) Capital commitments

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**15,304,233**	14,275,476

(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 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within 1 year	**37,842**	52,915
After 1 year but within 5 years	**28,895**	38,290
	66,737	91,205

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.

28 Material related party transactions

Particulars of significant related party transactions during each of the six-month periods ended 30 June 2018 and 2017 are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Provision of guarantees by related parties (Note 23)	**2,781,660**	2,632,745
A long-term loan obtained from a related party (Note 23(b))	**18,153,563**	11,620,245
Long-term loans obtained from an associate (Note 23(b))	**2,529,680**	—
associates Disposal of an associate to another associate	**—**	49,000
Sales of goods to a related party	**1,665**	255

29 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)

29 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)

29 Share-based payments (Continued)

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

	30 June 2018		31 December 2017	
	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**	HKD3.93	493,400,000
Exercised during the period	**—**	**—**	—	—
Forfeited during the period	**HKD3.90**	**(8,400,000)**	—	—
Forfeited during the period	**HKD3.93**	**(85,100,000)**	—	—
Granted during the period	**—**	**—**	—	—
Outstanding at the end of the period	**HKD3.93**	**399,900,000**	HKD3.93	493,400,000
Exercisable at the end of the period	**HKD3.93**	**215,000,000**	HKD3.92	133,400,000

The options outstanding at 30 June 2018 had an exercise price of HKD3.90 or HKD3.93 (31 December 2017: HKD3.90 or HKD3.93) and a weighted average remaining contractual life of 7.1 years (31 December 2017: 7.6 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%

29 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.

30 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 2018, profit attributable to the holders of perpetual note, based on the applicable distribution rate, was RMB45,000,000 (six months ended 30 June 2017: RMB45,000,000).

(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. On 29 June 2018, perpetual trust loans of RMB800,000,000 was repaid.

30 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 from the borrowing date to 31 December 2017 are fixed at 6.10% and 6.12% per annum, respectively. The applicable interest rate for these two tranches of perpetual trust loans was reset after 31 December 2017 as following: 6.3058% and 6.3264% per annum for the second and third year; 8.3732% and 8.3939% per annum for the fourth year; 10.4406% and 10.4613% per annum for the fifth year; 12.5080% and 12.5288% 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 2018, profit attributable to the holders of perpetual trust loans, based on the applicable distribution rate, was RMB128,598,000 (six months ended 30 June 2017: RMB122,200,000).

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 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.