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

2019 INTERIM REPORT

A GLOBAL-LEADING
FABRICATED ALUMINIUM PRODUCT DEVELOPER & MANUFACTURER

* For identification purposes only

AN INTEGRATED LIGHT-WEIGHT SOLUTION PROVIDER

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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. Lin Jun
Mr. Wei Qiang

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

Company Secretary
Mr. Cui Weiye

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
Standard Chartered Bank (Hong Kong) Limited

Registered Office
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P. O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business in the PRC
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Liaoyang City
Liaoning 111003
PRC

39/F, Zhongwang Tower
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Beijing 100102
PRC

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Hong Kong

Legal Advisors

As to Hong Kong laws

Freshfields Bruckhaus Deringer
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Taikoo Place
Quarry Bay
Hong Kong

As to PRC laws

King & Wood Mallesons
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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 Tuesday, 8 October 2019 to Thursday, 10 October 2019 (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 of the Company, 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, 4 October 2019.

Company Website

en.zhongwang.com

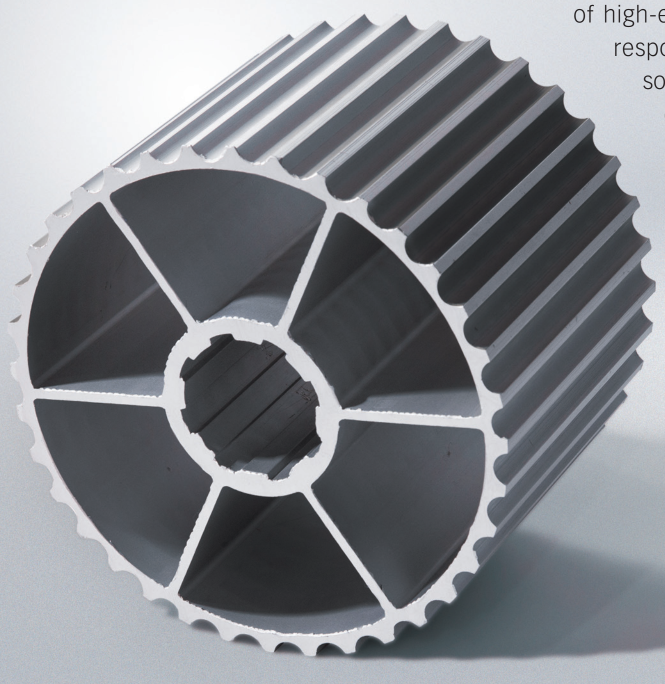
CORPORATE PROFILE

China Zhongwang Holdings Limited (the "Company", which together with its subsidiaries, is referred to as the "Group") is the second largest developer and manufacturer of industrial aluminium extruded products 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. 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 industrial aluminium extrusion, aluminium flat rolling and further fabrication. The Group started off its business with aluminium 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 an aluminium flat rolling plant, which will have synergies with its 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 acquiring Aluminiumwerk Unna AG. ("Alunna"), a high-end aluminium extrusion manufacturer, and Silver Yachts Ltd. ("Silver Yachts"), an all-aluminium superyacht builder, tapping into the market of 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), Lloyd's Register of Shipping (LR) and Korean Register of Shipping (KR), 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 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 en.zhongwang.com.

[1] Rankings and relevant information relating to industrial aluminium extruded 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	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**12,899,935**	9,329,401
Gross profit	**3,909,081**	2,961,211
EBITDA (Note 1)	**3,424,774**	2,817,756
Profit for the period	**1,465,108**	1,266,182
Earnings per share (RMB) (Note 2)	**0.20**	0.15
Interim dividend per share (HKD)	**0.10**	0.10

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Bank balances and cash (Note 3)	**11,414,412**	16,751,188
Total equity attributable to equity shareholders of the Company	**33,509,862**	33,166,475
Total assets	**123,396,044**	119,298,533

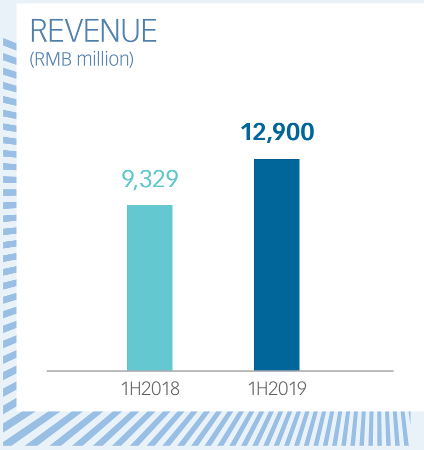
Notes:

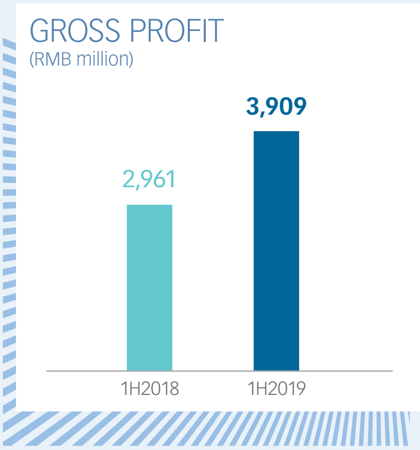
1. EBITDA = profit before taxation + finance costs + amortisation of prepaid lease payments + depreciation of property, plant and equipment + amortisation of other intangible assets

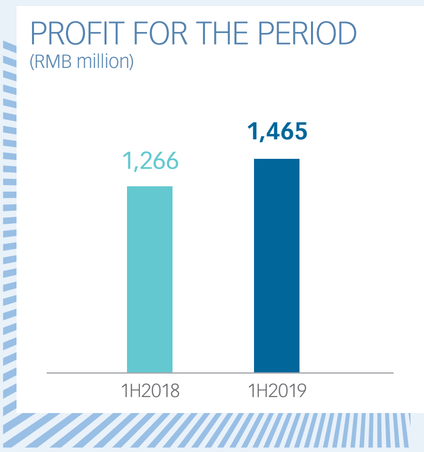
2. The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company for each of the six-month periods ended 30 June 2019 and 2018 and on the weighted average number of ordinary shares, convertible preference shares and share options for the respective period.

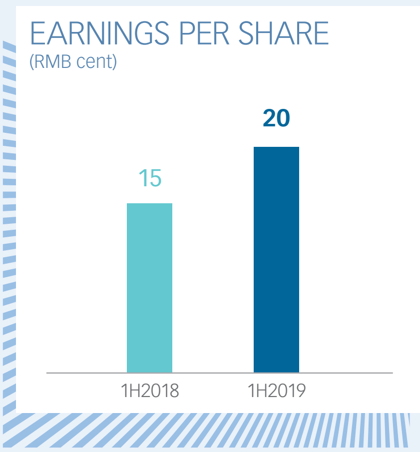
3. Bank balances and cash = cash and cash equivalents + pledged bank deposits

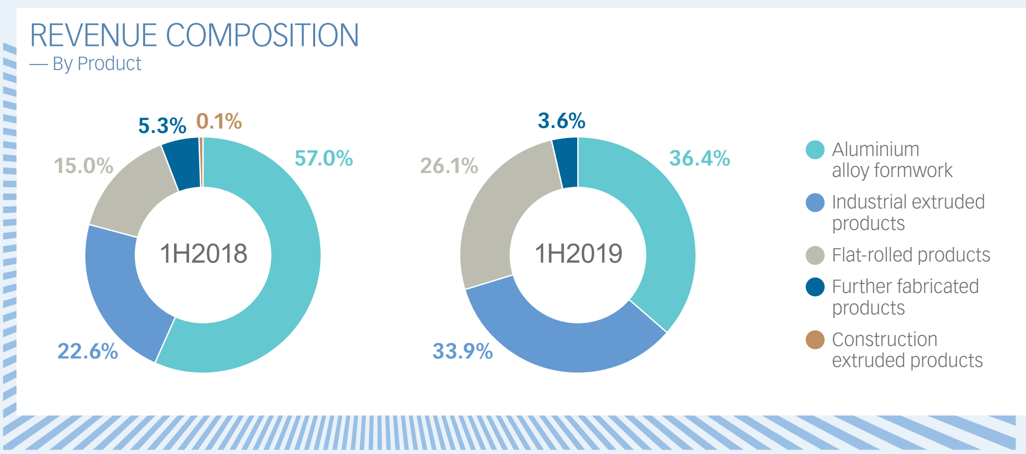
FINANCIAL HIGHLIGHTS











CHAIRMAN'S STATEMENT

"Dedication brings flourishing business" is the Group's core value. We value integrity and pursue mutual benefits.

Lu Changqing
Chairman

Dear Shareholders,

In the year to date, the global economy has been volatile under the influence of the continued Sino-United States trade disputes, uncertainties of policies and other factors. The fluctuating raw material costs have posed challenges to the aluminium fabrication industry. However, the Group continued to achieve steady growth during the six months ended 30 June 2019 (the "Period under Review") on the back of its strategies of specialising in high-end products and optimising product mix as well as effective cost control. The Group achieved a double-digit increase in overall sales volume and revenue, steady growth in profit during the Period under Review.

The year 2019 marks the 10^{th} anniversary of China Zhongwang's listing in Hong Kong. Over the past decade, we have been ensuring the quality of our products consistently and that dedication is deeply ingrained in the Group's genes. This can be summed up by an acronym "DNA" (Dedicated, Native and Accountable): we dedicate ourselves to the aluminium fabrication industry; we enjoy home market advantage as a native enterprise in China, and we are an accountable partner in business. Such qualities define China Zhongwang and constitute China Zhongwang's "DNA" that we are proud of.

Our Progressive Business Expansion is Driven by Our Dedication to the Aluminium Fabrication Industry

The sales volume and revenue of the Group have multiplied compared with those in the early days of its listing. The Group has evolved from a business of aluminium extrusion into three core businesses, namely industrial aluminium extrusion, aluminium flat rolling and further fabrication of aluminium alloy products. The network of our production bases has been extended from Liaoyang to southern and central China, and even to overseas regions. The range of our products types have been extended from custom-processed intermediate products to semi-finished and finished products. All of these make the Group an all-round industry player and consolidated its leading position in the aluminium fabrication industry.

High-end aluminium extrusion production plant locates in Germany

It is the Group's dedication to the aluminium fabrication industry that has led to the remarkable expansion of its business. Sometimes it may take hours to start a machine, weeks to correct a product parameter, months to debug a new piece of equipment, and even years to develop a new product, obtain certification of a new technology and build a new production plant and then put it into operation. Nevertheless, we are enthusiastic about exploring a wider range of applications of aluminium, and as such, we ensure that sufficient resources are allocated to research and development each year. We firmly believe that aluminium can be the answer to most environmental problems, and thus it can be the key to social sustainability.

We Use Our Home Market Advantage to Gradually Expand Market Coverage

The Group stays committed to its strategy of "focusing primarily on China and to a lesser extent on the overseas markets" and carefully formulates its plans for building up its global presence. Currently, approximately 89% of the Group's products are supplied to the Chinese market, and approximately 11% are sold to overseas markets such as Europe and America. In recent years, the Group has acquired new production bases in Germany and Australia. Such moves has not only extended the Group's business presence but also strengthened its capability to develop and produce high-end products. The Group has established stable partnerships with a number of overseas traders because of the consistently excellent quality of its products. The Group has even become a tier-1 supplier to some end customers, including those in automobile, shipbuilding, aviation and other industries. At the same time, Zhongwang, as a brand name, has gained more and more recognition in overseas markets.

China is where China Zhongwang was founded, and it is also where most of the Group's development will take place in the future. China Zhongwang has taken root in the country, and has witnessed how the applications of aluminium began and then diversified, how the aluminium industry broke the mould, and how China has become the world's largest aluminium consumer. In the course of its development, the Group has accumulated valuable experience and established outstanding teams, which serve as an important cornerstone of our continuing growth. Presently, the innovative applications of aluminium are in full swing in China, especially in high-end sectors such as ecological construction, the manufacturing of new energy vehicles and passenger cars, rail transportation, shipbuilding and aviation. However, all this is merely the prelude to what is to come regarding the huge potential of the applications of aluminium alloy products. To capitalise on the all-out effort to upgrade various industries and to seek light-weight solutions in such industries, the Group will continue to give its home market advantage full play when providing customers with premium light-weight solutions.

Having Ever Deeper Cooperation with Customers as an Accountable Partner in Business

"Dedication brings flourishing business" is the Group's core value. We value integrity and pursue mutual benefits. As the range of the applications of aluminium widens, the Group has ever deeper cooperation with its customers. The scope of the Group's business has been extended from customising aluminium extruded products to providing comprehensive light-weight solutions. As an accountable business partner, like always, China Zhongwang is capable to participate in the design, development, production and after-sales of new downstream products.

Staying True to Our Mission and Ready for the Next Breakthrough

Dedicated to our mission, we will build on our past achievements by seeking the next breakthrough. On behalf of the Board, I would like to express our gratitude to all the colleagues, our business partners and shareholders for their supports and trust all along. The core qualities which are deeply ingrained in China Zhongwang's DNA will continue to manifest as the Group continues to develop in the aluminium fabrication industry. They will continue to inspire us to more aspirations and more enlightenments.

Lu Changqing
Chairman

Hong Kong, 23 August 2019

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". Relying on its technological research and development and product innovation, the Group has been gradually transforming itself into a provider of integrated light-weight solution with refined product mix, strategic resource allocation, and differentiated business model.

During the Period under Review, overall sales volume of the Group amounted to approximately 532,275 tonnes, representing an increase of 63.7% compared with that for the corresponding period last year. Total revenue increased by 38.3% on a year-on-year basis to approximately RMB12.9 billion. Profit for the period increased by 15.7% to approximately RMB1.47 billion. Earnings per share were approximately RMB0.20.

Aluminium Extrusion Business — Organic Growth Based on Solid Foundation

During the Period under Review, sales volume of the Group's industrial aluminium extruded products amounted to 172,001 tonnes, representing an increase of 111.7% from 81,235 tonnes in the first half of 2018. Sales amount was approximately RMB4.37 billion. The growth was mainly attributable to the increase in order quantity resulting from the increase in the demand for high-quality industrial aluminium extruded products from the downstream market.


Aluminium alloy formwork is one of our key products

During the Period under Review, with automated processing equipment successively put into operation, the production efficiency of the Group's aluminium alloy formwork products continued to increase. At the same time, the Group has successfully enhanced its advantages in the design, techniques and technology of aluminium alloy formwork, and developed capability to produce a comprehensive range of aluminium formwork that includes supporting components and connectors. In addition, to give full play to its advantages in producing aluminium alloy formwork for the long term, the Group is seeking to apply the relevant technology to various infrastructure projects such as the construction of underground integrated pipe corridors, subway tunnels and airport tunnels.

Meanwhile, the Group is actively exploring the feasibility of various business models to meet the needs of its long-term development. During the Period under Review, the Group commenced the leasing business model of aluminium alloy formwork, which not only provides the Group with direct access to the end market but also may widen the profit in the long run. Looking ahead, the Group will strive to provide advanced green construction solutions for end users with a more comprehensive set of aluminium alloy formwork systems.

During the Period under Review, the sales volume of aluminium alloy formwork amounted to 121,526 tonnes, contributing approximately RMB4.61 billion to sales. Revenue from the aluminium alloy formwork leasing business amounted to approximately RMB90 million.

Aluminium Flat Rolling Business — Continued Capacity Ramp-up Driven by Efficient Production

During the Period under Review, the sales volume of the Group's aluminium flat rolled products amounted to 220,440 tonnes, representing a significant increase of 163.2% from 83,768 tonnes in the first half of 2018. Sales amount amounted to approximately RMB3.36 billion.

The first production line of the Group continues to mainly produce and supply high-quality standard products such as aluminium plates, aluminium sheets and aluminium coils for customers in the industrial and transportation sectors. The first production line's processes include smelting and casting, hot rolling, cold rolling, finishing and heat treatment and its capacities have been properly matched and equipment have been in smooth operation with continuously optimised production processes and improved production efficiency, leading to the continuing enhancement of the capacity of aluminum flat rolling production. During the Period under Review, the Group continued to provide in small amount of automotive body sheets for new energy vehicle manufacturers while working on product certification with European and Japanese brands. In addition, the Group has also developed a wide range of aluminium products for packaging, including aluminium alloy products for can lids, computer casings and battery soft-pack. The Group's second production line has commenced small-volume pilot production during the Period under Review.

Further Fabrication Business — Improving the Quality of High Value-added Products

During the Period under Review, sales volume of the Group's further fabricated products amounted to 17,958 tonnes, representing a slight decrease of 6.2% compared with the 19,145 tonnes in the first half of 2018. Sales amount was approximately RMB460 million. To satisfy the end users' demand for light-weight solution, especially that in the transportation sector, the Group's team in charge of production process and product design have deepened cooperation with customers. Therefore, the large-sized aluminium parts and welded finished products fabricated by the Group for vehicles from passenger cars and buses to urban logistics vehicles and intercity rail transportation were more widely used. Product quality is the cornerstone for the sustainable development of the Group. The Group continued to improve its product design, processing technique and quality control technology to improve the quality of its high value-added products.

A newly-built all-aluminium luxury superyacht delivered by Silver Yachts

Strategic Deployment for the Group's Ancillary Production Plants

In response to the changes in product mix and customer structure, the Group continued to improve the deployment for its production plants in southern and central China. During the Period under Review, the Group's first production line for further fabricated products for new energy vehicles at its production plant in Wuhu was in smooth operation. The plant at Wuhu is expected to gradually increase its capacity of further fabrication with the launch of new vehicle models in the future. The preparatory work for the Group's plant in Jiangmen has completed, with technical personnel and operating workers in place. The production of the first all-aluminium yacht is in progress.

As to the Group's overseas production plants, Alunna, a high-end aluminium extrusion subsidiary based in Germany, continued to contribute to the Group's revenue and profit during the Period under Review. Up to the date of the announcement, Silver Yachts, an aluminium alloy superyacht builder based in Australia, has delivered a newly-built all-aluminium luxury superyacht. The Group has gradually gained experience and developed technological advantages at its overseas production plants, achieving synergistic growth with the Group's other businesses.

Developing Advanced Technology through Research and Development

The Group kept on investing in research and development and was dedicated to developing advanced technology. In June 2019, five key aluminium fabrication technologies independently developed by the Group successfully passed the authoritative assessment in the industry, which demonstrated the Group's overall strength in improving the production process, enhancing product performance and promoting production efficiency. Currently, the Group's technology for producing all-aluminium body and chassis of new energy vehicles has reached the international advanced level. Such technologies are expected to be widely used in various high-end sectors, including high-speed rail, subway and new energy vehicles in the future, adding remarkable potential benefits to the Group.

In June 2019, the Group's subsidiary Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang") passed the accreditation of "China's Model Enterprises for Technological Innovation in 2019" which was conducted by the Ministry of Industry and Information Technology, demonstrating the relevant authorities' recognition on the Group's core competitiveness, continued effort to innovate and to conduct branding, its ability to drive advancement of the industry, profitability, management skills, initiative to promote the application of new technologies, and its innovative culture and strategy for development.

II. FUTURE PROSPECT

It is one of the Chinese Government's major tasks in 2019 to upgrade manufacturing industries towards high quality. On 5 March 2019, Premier Li Keqiang stated in the Report on the Work of the Government that traditional industries should strengthen their fundamentals and capabilities of carrying out technological innovation, promote industrial upgrading and business transformation, and reinforce China's status as a global manufacturing powerhouse. Along with green technology gradually becoming an essential driving force of high-quality economic growth, aluminium alloy, which is known as "green metal", has been widely used. Its applications in high-end sectors, such as ecological construction, the manufacturing of new energy vehicles and rail transportation, are becoming increasingly mature. Meanwhile, technology and techniques of producing aluminium alloy are being innovated and the markets for applications of aluminium is being widened, showing a prospective future. It is against this backdrop of the evolving market that the development of the aluminium fabrication industry is transforming from high-speed growth into high-quality development.

Aiming at promoting Chinese construction industry with large scale to grow stronger, the Chinese construction industry has been paying more attention to energy conservation and environmental protection, and actively adopting green construction technologies and eco-friendly construction materials to promote the high-quality development of the industry. Aluminium alloy formwork has been widely used in the construction industry in recent years because of its various features, including lightness, strength, ease of construction and high value for recycling. The range of fields to which the material can be applied has been gradually extended to infrastructure construction, such as the construction of underground integrated pipe corridors, subway tunnels and airport tunnels. In 2018, aluminium alloy formwork's market penetration in China was 25%, compared with an average of 50% to 60% in Europe and the United States, which indicates considerable potential in China's market for aluminium alloy formwork. On the other hand, industry players are carrying out research and development ("R&D") on all-aluminium ancillary products such as aluminium alloy scaffolding system and formwork accessories, which are expected to become new growth drivers of both the market and the industry.

The transportation sector is poised to adopt light-weight solutions amid the growing trend towards energy conservation and emission reduction. In China, national policies have also encouraged more application of aluminium alloy in automotive. According to the Ministry of Public Security, in the first half of 2019, ownership of new energy vehicles in China increased by more than 70% year on year to 3.44 million units, representing 1.37% of the total number of automobiles. The rapid growth is expected to continue in the future. According to the China Association of Automobile Manufacturers, in the first half of 2019, 614,000 units of new energy vehicles were produced, up by 48.5% year on year while 617,000 units were sold, up by 49.6% year on year, despite a year-on-year decrease in the cumulative production and sales of automobiles, passenger cars and commercial vehicles. The amendments to "Measures for the Parallel Administration of Credit Points for Enterprises' Average Fuel Consumption and New Energy Vehicles of Passenger Vehicle" (consultation draft) (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》修正案(徵求意見稿)) issued by the Ministry of Industry and Information Technology clarify that the vehicle evaluation system will favour passenger vehicles that consume less energy and have higher energy efficiency, which means that the policy supports the use of vehicles that have high cruising range, consume less electrical energy and are lightweight, indicating an expected increased market penetration of such type of vehicles.

Aluminium alloy is considered as the preferred choice for lightweight vehicles. Lightweight aluminium alloy components can effectively reduce the weight of a vehicle and increase the cruising range by reducing power consumption. Therefore, the demand for aluminium in automotive industry is expected to increase. Presently, the aluminium alloy body parts, battery frame and other components manufactured by the Group have been successfully adopted in various models of vehicles under domestic brands. The continued upgrading of new energy vehicles is expected to gradually become a major trend on the market. This can mean more demand for aluminium alloy in automotive industry and leading aluminium fabrication enterprises are well-positioned to benefit from the trend.

The total mileage of high-speed railway in operation in China reached over 29,000 kilometres (km) as at the end of 2018 and is expected to exceed 30,000 km in 2019. According to "China's High-Speed Rail Development" published by the World Bank, the construction cost of China's high-speed rail is approximately two-thirds of those in other countries due to the standardisation of both design and procedures. The long-term comprehensive planning and design standardisation are the key to the success of China's high-speed rail system. The upgrading of the railway system also means more stringent requirements on the speed and safety performance of high-speed trains, and as such, lightweight became the priority for trains.

In 1H2019, ownership of new energy vehicles in China reached 3.44 million units, up by 70% YoY.

Aluminium alloy not only meets the safety requirements of high-speed trains in terms of strength and rigidity, but also greatly reduces the weight of the train. Aluminium alloy therefore is widely used in high-speed trains, especially in carriage and in such interior components as luggage racks, lockers, air conditioning ventilation systems, lighting and communication systems.

Aside from high-speed rail, the application of aluminium alloy has also been extended to vehicles for urban rail transport system, including subway trains, light rail trains and magnetically-levitated trains. According to the "2018 Urban Statistical Analysis of Urban Rail Transit" (《城市軌道交通2018年度統計分析報告》), by the end of 2018, the total investment of forty-four urban planning routes approved by the National Development and Reform Commission amounted to RMB3.9 trillion. According to the statistics of China Association of Metros, urban rail train systems have been built in thirty-seven cities in aggregate in mainland China with railway tracks totalling 6,127 km by the end of June 2019. It is estimated that in the second half of 2019, urban rail train system will be built in two or three more cities in China with approximately 600 km of railway tracks added. The steady growth in planned investment in urban rail transit will bring growth potential for application of aluminium products.

The market trends and Government policies mentioned above are favourable to the suppliers of fabricated aluminium products in China. To grasp the opportunities, the management of the Company has formulated the following strategies for development:

1. Continuing to optimise and expand the Group's aluminium fabrication capacity so as to reinforce its overall competitiveness: the aluminium extrusion equipment purchased by the Group earlier will be put into operation in phases for commercial production, which will reinforce the Group's overall competitiveness in the high-end aluminium fabrication industry;

2. Diversifying high-end product offerings and enhancing the overall added value of products: the Group will continue to leverage on its strengths in cutting-edge production techniques and the ability of its design team to provide customers with more integrated lightweight solutions. By strengthening its research and development and technique advantages, the Group will continue to diversify its product offerings, improve product quality and enhance the overall added value of the products; and

3. Unlocking the value of the Group's aluminium flat rolling plant in Tianjin, thus adding new impetus to the Group's long-term development: the Group will further improve the product quality and stability of the first production line in that plant. The second production line commences pilot production and will strive to achieve early commencement of production. At the same time, the Group will step up its effort to develop new products and to obtain certification for high-end products, paving the way for the optimization of product mix.

The above development strategies will fully capitalise on 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 2018 is set out as follows.

Revenue

During the Period under Review, total revenue of the Group amounted to approximately RMB12.90 billion, representing an increase of 38.3% from approximately RMB9.33 billion for the corresponding period in 2018. During the Period under Review, the Group's revenue was mainly generated from sales in the aluminium extrusion business, aluminium flat rolling business and further fabrication business, which amounted to approximately RMB12.89 billion (the corresponding period in 2018: approximately RMB9.32 billion). Other revenue comprised metal trade agency commission, which amounted to approximately RMB8.94 million (the corresponding period in 2018: approximately RMB12.24 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 2018:

	Six months ended 30 June								
	2019			2018			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	9,068,057	293,877	30,857	7,424,428	222,183	33,416	22.1%	32.3%	–7.7%
Aluminium alloy formwork segment	4,691,693	121,526	N/A	5,311,304	140,593	N/A	–11.7%	–13.6%	N/A
— Sales of aluminium alloy formwork	4,605,879	121,526	37,900	5,311,304	140,593	37,778	–13.3%	–13.6%	0.3%
— Leasing of aluminium alloy formwork	85,814	N/A	N/A	–	N/A	N/A	N/A	N/A	N/A
Industrial aluminium extrusion segment	4,370,018	172,001	25,407	2,106,765	81,235	25,934	107.4%	111.7%	–2.0%
Construction aluminium extrusion segment	6,346	350	18,131	6,359	355	17,913	–0.2%	–1.4%	1.2%
Aluminium flat rolling business	3,364,000	220,440	15,260	1,394,410	83,768	16,646	141.2%	163.2%	–8.3%
Further fabrication business	458,936	17,958	25,556	498,319	19,145	26,029	–7.9%	–6.2%	–1.8%
Others	8,942	N/A	N/A	12,244	N/A	N/A	–27.0%	N/A	N/A
Total	12,899,935	532,275	24,235	9,329,401	325,096	28,697	38.3%	63.7%	–15.5%

The Group has been continuously improving the production efficiency of its aluminium alloy formwork products, and is also actively exploring the feasibility of various business models. During the Period under Review, the Group began to pilot the aluminium alloy formwork leasing business model. During the Period under Review, sales volume of the Group's aluminium alloy formwork amounted to 121,526 tonnes and sales amount amounted to approximately RMB4.61 billion. The revenue from leasing of aluminium alloy formwork was approximately RMB90 million.

For the Period under Review, sales volume of the Group's industrial aluminium extrusion segment increased by 111.7% to approximately 172,001 tonnes from approximately 81,235 tonnes for the corresponding period in 2018, and sales amount increased by 107.4% to approximately RMB4.37 billion from approximately RMB2.11 billion for the corresponding period in 2018. For the Period under Review, the average selling price of the Group's industrial aluminium extruded products amounted to RMB25,407 per tonne, which remained basically flat as compared with RMB25,934 per tonne for the corresponding period in 2018.

Revenue, sales volume and average selling price of the above industrial aluminium extrusion segment offset the inter-segment sales between the industrial aluminium extrusion segment and further fabrication business as well as aluminium flat rolling business, of which sales volume of raw material to further fabrication business was 18,290 tonnes (the corresponding period in 2018: 23,704 tonnes) with sales amount of approximately RMB290 million (the corresponding period in 2018: approximately RMB380 million); sales volume of high-precision aluminium raw material to the aluminium flat rolling project amounted to 110,548 tonnes (the corresponding period in 2018: 61,163 tonnes) with sales amount of approximately RMB1.34 billion (the corresponding period in 2018: approximately RMB750 million).

For the Period under Review, sales volume of the Group's aluminium flat rolling business substantially increased by 163.2% to approximately 220,440 tonnes from approximately 83,768 tonnes for the corresponding period in 2018, and sales amount substantially increased by 141.2% to approximately RMB3.36 billion from approximately RMB1.39 billion for the corresponding period in 2018, which was mainly due to the increase in the Group's production volume and efficiency of the aluminium flat-rolled products. For the Period under Review, the average selling price of the Group's aluminium flat rolling business decreased by 8.3% to RMB15,260 from approximately RMB16,646 for the corresponding period in 2018.

For the Period under Review, revenue of the Group's further fabrication business was approximately RMB460 million (the corresponding period in 2018: approximately RMB500 million) with sales volume of 17,958 tonnes (the corresponding period in 2018: 19,145 tonnes) and average selling price of RMB25,556 per tonne (the corresponding period in 2018: RMB26,029 per tonne).

Geographically, the Group's overseas customers mainly located in countries and regions including, among other things, the United States, Germany and the Netherlands. For the Period under Review, the Group's revenue from overseas sales amounted to approximately RMB1.41 billion (the corresponding period in 2018: approximately RMB1.12 billion), and overseas sales accounted for 10.9% of the Group's total revenue (the corresponding period in 2018: 12.0%).

Cost of Sales

For the Period under Review, the Group's cost of sales increased by 41.2% to approximately RMB8.99 billion as compared to approximately RMB6.37 billion for the corresponding period in 2018, and the unit cost of products decreased by 13.8% to RMB16,891 per tonne from RMB19,589 per tonne for the corresponding period in 2018. Such decrease was due to the Group's optimisation and adjustment of its production capacity and product mix, plus the increase in sales volume of its aluminium extrusion business and aluminium flat rolling business, which led to the decrease in fixed cost per unit as a result.

Gross Profit and Gross Margin

During the Period under Review, the Group's gross profit amounted to approximately RMB3.91 billion, representing an increase of 32.0% from approximately RMB2.96 billion for the corresponding period in 2018. During the Period under Review, the overall gross margin of the Group was 30.3%, representing a slight decrease as compared with 31.7% for the corresponding period in 2018.

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 2018:

	Six months ended 30 June					
	2019			2018		
	Gross profit RMB'000	%	Gross margin %	Gross profit RMB'000	%	Gross margin %
Aluminium extrusion business	3,786,412	96.9%	41.8%	2,876,246	97.1%	38.7%
Aluminium alloy formwork segment	2,163,088	55.4%	46.1%	2,344,138	79.1%	44.1%
— Sales of aluminium alloy formwork	2,110,937	54.1%	45.8%	2,344,138	79.1%	44.1%
— Leasing of aluminium alloy formwork	52,151	1.3%	60.8%	–	0.0%	N/A
Industrial aluminium extrusion segment	1,622,588	41.5%	37.1%	531,563	18.0%	25.2%
Construction aluminium extrusion segment	736	0.0%	11.6%	545	0.0%	8.6%
Aluminium flat rolling business	54,347	1.4%	1.6%	19,606	0.7%	1.4%
Further fabrication business	59,380	1.5%	12.9%	53,115	1.8%	10.7%
Others	8,942	0.2%	N/A	12,244	0.4%	N/A
Total	3,909,081	100.0%	30.3%	2,961,211	100.0%	31.7%

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 RMB83.92 million for the Period under Review from approximately RMB130 million for the corresponding period in 2018, which was mainly because the interest income from available-for-sale financial assets during the Period under Review was nil (the corresponding period in 2018: approximately RMB56.20 million).

Other Income

Other income increased to approximately RMB230 million for the Period under Review from approximately RMB110 million for the corresponding period in 2018, mainly due to the increase of approximately RMB50 million in government subsidies for the Period under Review as compared with the corresponding period in 2018, and the increase of approximately RMB40 million in net gains on sales of machinery and equipment for the Period under Review as compared with the corresponding period in 2018.

Selling and Distribution Costs

Selling and distribution costs increased to approximately RMB190 million for the Period under Review from approximately RMB160 million for the corresponding period in 2018, primarily due to an increase in transportation and packaging costs as a result of the increase in overseas revenue of the Group during the Period under Review, as well as an increase in sales staff cost as a result of the increase in the number of employees arising from the Group's expansion of business scope and scale during the Period under Review.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise R&D expenditures, wages, salaries and benefit expenses, land use taxes, amortisation of prepaid lease payments, bank handling fees, depreciation charges of office equipment, intermediary fees, rentals and share option expenses. Administrative and other operating expenses increased to approximately RMB1.56 billion for the Period under Review from approximately RMB1.01 billion for the corresponding period in 2018. Such increase was primarily attributable to an increase in R&D expenses of approximately RMB470 million as compared to the corresponding period in 2018 as a result of the Group's increase in investment in R&D for the Period under Review, as well as 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 RMB90 million.

Share of Profits less Losses of Associates

The Group's share of profits less losses of associates for the Period under Review was approximately RMB73.14 million (the corresponding period in 2018: approximately RMB77.93 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 RMB680 million for the Period under Review from approximately RMB630 million for the corresponding period in 2018. Such increase was principally due to an increase in the Group's average interest rate of borrowings for the Period under Review as compared to the corresponding period in 2018.

During the Period under Review, the Group's capitalised interest expenses amounted to approximately RMB230 million (the corresponding period in 2018: approximately RMB210 million).

During the corresponding period in 2018 and the Period under Review, the Group's interest-bearing loans carried average interest rates of 4.55% and 4.68% per annum, respectively. During the Period under Review, the debentures carried interest rates ranging from 3.75% to 4.05% per annum (the corresponding period in 2018: from 3.75% to 5.40% per annum).

Profit before Taxation

The Group's profit before taxation increased to approximately RMB1.88 billion for the Period under Review from approximately RMB1.49 billion for the corresponding period in 2018.

Income Tax

The Group's income tax increased to approximately RMB410 million for the Period under Review from approximately RMB230 million for the corresponding period in 2018.

The Group's effective tax rates for the corresponding period in 2018 and the Period under Review were 15.3% and 21.9%, respectively.

Profit for the Period

The Group's profit for the period increased to approximately RMB1.47 billion for the Period under Review from approximately RMB1.27 billion for the corresponding period in 2018. The Group's net profit margin decreased to 11.4% for the Period under Review from 13.6% for the corresponding period in 2018.

Cash Flows

The following sets forth the Group's cash flows for the Period under Review and the corresponding period in 2018:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Net cash used in operating activities	**(809,309)**	(5,656,011)
Net cash (used in)/generated from investing activities	**(4,663,682)**	2,448,962
Net cash (used in)/generated from financing activities	**(1,851,657)**	5,592,121

Net Current Assets

At 30 June 2019, the Group's net current assets amounted to approximately RMB980 million, which was approximately RMB4.17 billion lower than net current assets of approximately RMB5.15 billion at 31 December 2018. The decrease was mainly due to the fact that the increase in current liabilities was greater than the increase in current assets:

(i) at 30 June 2019, the Group's current assets amounted to approximately RMB42.01 billion, representing an increase of approximately RMB210 million over approximately RMB41.80 billion at 31 December 2018. The increase was primarily due to the increase in inventory, other receivables, deposits and prepayments; and

(ii) at 30 June 2019, the Group's current liabilities amounted to approximately RMB41.03 billion, representing an increase of approximately RMB4.38 billion over approximately RMB36.65 billion at 31 December 2018. The increase was primarily due to the increase in bills payables and other payables and accrued charges.

Liquidity

At 30 June 2019 and 31 December 2018, the Group's cash and cash equivalents amounted to approximately RMB7.72 billion and RMB15.05 billion, respectively, while the balance of pledged bank deposits under current assets amounted to approximately RMB3.69 billion and RMB1.70 billion, respectively.

Borrowings

At 30 June 2019, the Group's debentures and loans under current liabilities amounted to approximately RMB13.33 billion (31 December 2018: approximately RMB13.96 billion) and debentures and loans under non-current liabilities amounted to approximately RMB44.55 billion (31 December 2018: approximately RMB45.16 billion).

The Group's gearing ratio was approximately 70.1% at 30 June 2019 and 69.4% at 31 December 2018. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

At 30 June 2019, assets with a total carrying amount of approximately RMB6.71 billion of the Group (31 December 2018: approximately RMB5.47 billion) were pledged, including property, plant and equipment and prepaid lease payments, for financing arrangements.

Contingent Liabilities

At 30 June 2019 and 31 December 2018, the Group had no material contingent liabilities.

Employees

At 30 June 2019, the Group had 48,116 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 44,696, representing an increase of 28.9% from 34,688 for the corresponding period in 2018. During the Period under Review, staff costs (including Directors' remuneration) amounted to approximately RMB2.37 billion (including share option expenses of approximately RMB15.66 million), representing an increase of 29.6% as compared with approximately RMB1.83 billion (including share option expenses of approximately RMB33.92 million) for the corresponding period in 2018. 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 to establish a high-level R&D and technical team. At 30 June 2019, the Group had 4,434 R&D and quality control personnel, which accounted for 9.2% of the Group's total number of employees. Apart from possessing strong R&D capability in new materials and new processing 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 2019, 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 RMB16.17 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 payments.

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, 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.

Having considered the market conditions and operations of the Group since the approval of the Proposed Spin-off by the shareholders, the long stop date to the assets restructuring agreements, being 21 September 2019, would not be extended. The Company is currently adjusting the proposal to spin off Liaoning Zhongwang, including but not limited to the adjustments to the business scope and the shareholding structure of Liaoning Zhongwang (the "New Proposal"). The New Proposal, if and when finalized, will be subject to compliance with applicable laws and regulations (including Practice Note 15 of the Listing Rules), and where applicable, the shareholders' approval. The Company will make further announcements in relation to the New Proposal as and when appropriate.

Financial Risks

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

Foreign Currency Risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies. During the Period under Review, approximately 89.1% of the Group's revenue was settled in Renminbi and approximately 10.9% was settled in foreign currencies, while approximately 96.0% of the Group's borrowings were denominated in Renminbi and approximately 4.0% were denominated in foreign currencies at 30 June 2019.

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 2019, the Group's fixed-rate loans were approximately RMB10.15 billion (31 December 2018: approximately RMB13.85 billion)

During the year ended 31 December 2016, the Group issued unsecured debentures of RMB2.5 billion and RMB4.0 billion with maturity of five years, which are repayable on 22 March 2021 and 26 September 2021, respectively, and with effective interest rates of 4.05% and 3.75% per annum, respectively, among which, debenture of RMB2.5 billion was fully settled on 29 March 2019.

Price Fluctuation Risk of Aluminium Ingot

The Group's principal raw materials in the aluminium extrusion business include aluminium ingots, aluminium rods, magnesium 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

As at 30 June 2019, the interests and short positions of our Directors and chief executive of the Company 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 2019

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)(3)	0.10
	Interest of spouse/Long position	5,600,000(2)(3)	0.10
Zhang Hui	Beneficial owner/Long position	5,700,000(1)(3)	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.

(3) On 26 July 2019, each of Mr. Liu Zhisheng and Mr. Zhang Hui ceased to be a non-executive Director and no longer held any interests of the Company since then.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had or was 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 2019 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 2019, 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

As at 30 June 2019, 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 2019

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 2019

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, as at 30 June 2019, 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

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 382,900,000 shares (representing 7.03% 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 2019 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 2019	Number of underlying ordinary shares comprised in the options granted during the six months ended 30 June 2019	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the six months ended 30 June 2019	Number of underlying ordinary shares comprised in the options exercised during the six months ended 30 June 2019	Number of underlying ordinary shares comprised in the options outstanding at 30 June 2019
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	23,000,000	–	–	–	23,000,000(1)
Other Past and Present Employees	6 January 2016	5 January 2026	3.93	266,700,000	–	–	–	266,700,000(2)
Total				**399,900,000**	**–**	**–**	**–**	**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 three tranche was vested on 6 January 2017,6 January 2018 and 6 January 2019, and the rest will be vested on 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.

(4) On 26 July 2019, each of Mr. Liu Zhisheng and Mr. Zhang Hui ceased to be a non-executive Director and no longer held any interests of the Company since then.

Saved as disclosed above, during the six months ended 30 June 2019, 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 28 to the Unaudited Condensed Consolidated Financial Statements on pages 62 to 65 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.

Share Option Scheme

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 of the Company 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 six months ended 30 June 2019, no option was granted by the Company under the 2018 Share Option Scheme.

Details of valuation of the options are set out in Note 28 to the Unaudited Condensed Consolidated Financial Statements on pages 62 to 65 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 as at 30 June 2019.

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. As at 30 June 2019, the outstanding amount owed by Tianjin Zhongwang under the 2015 Facility Agreement was approximately RMB10.31 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 intended 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 2019, the net proceeds was fully applied to the aforementioned purpose. 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 (the "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 2019		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 2019, 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 2019 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 2019.

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 2019, 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 2018, the unaudited quarterly results for the three months ended 31 March 2019 and the unaudited interim results for the six months ended 30 June 2019, 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

The Company 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 (the "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 re-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

The Company has established a corporate governance committee (the "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

The Company has established a strategy and development committee (the "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 2019.

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 solutions 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 2019, 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 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Major Acquisition and Disposal of the Subsidiaries and Associates

There was no major acquisition or disposal of the subsidiaries and associates of the Company during the six months ended 30 June 2019.

Interim Dividend

The Board has declared an interim dividend of HKD0.10 per share for the six months ended 30 June 2019 to the holders of the Company's ordinary shares and convertible preference shares, whose names appear on the register of members of the Company on Thursday, 10 October 2019, with an aggregate amount of approximately HKD707 million. The interim dividend will be paid on or around 5 November 2019.

Directors' Profile Updates

During the six months ended 30 June 2019 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. The Company has 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, the Company responded promptly to investors' enquiries through telephone or email.

Media Relations

The Company strives 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 faster and more effective manner.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019
(Expressed in Renminbi ("RMB"))

	Notes	Six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	5	**12,899,935**	9,329,401
Cost of sales		**(8,990,854)**	(6,368,190)
Gross profit		**3,909,081**	2,961,211
Investment income		**83,915**	132,680
Other income	6	**234,631**	112,921
Selling and distribution costs		**(187,134)**	(155,581)
Administrative and other operating expenses		**(1,557,214)**	(1,006,641)
Share of profits less losses of associates		**73,137**	77,927
Finance costs	7	**(680,748)**	(628,024)
Profit before taxation	8	**1,875,668**	1,494,493
Income tax	9	**(410,560)**	(228,311)
Profit for the period		**1,465,108**	1,266,182
Attributable to:			
Equity shareholders of the Company		**1,385,394**	1,093,420
Non-controlling interests		**(3,331)**	(836)
Holders of perpetual capital instruments	29	**83,045**	173,598
Profit for the period		**1,465,108**	1,266,182
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of financial statements		**(5,107)**	(9,439)
Other comprehensive income for the period		**(5,107)**	(9,439)
Total comprehensive income for the period		**1,460,001**	1,256,743
Total comprehensive income attributable to:			
Equity shareholders of the Company		**1,380,953**	1,087,067
Non-controlling interests		**(3,997)**	(3,922)
Holders of perpetual capital instruments	29	**83,045**	173,598
Total comprehensive income for the period		**1,460,001**	1,256,743
Earnings per share			
Basic (RMB)	10	**0.20**	0.15
Diluted (RMB)	10	**0.20**	0.15

The notes on pages 41 to 66 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 2019
(Expressed in RMB)

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	61,036,201	56,476,651
Prepaid lease payments	12	6,578,281	6,094,144
Goodwill and other intangible assets		1,024,209	1,024,036
Interest in associates		3,855,384	3,752,247
Deposits for acquisition of property, plant and equipment and prepaid lease	13	6,145,248	7,164,350
Deferred tax assets		489,212	153,934
Other non-current assets	16	2,255,258	2,829,111
		81,383,793	77,494,473
Current assets			
Inventories	14	13,595,224	8,718,960
Trade and bills receivables	15	11,655,217	12,937,800
Other receivables, deposits and prepayments	16	5,191,031	3,252,636
Prepaid lease payments	12	156,367	143,476
Pledged bank deposits	17	3,690,091	1,702,219
Cash and cash equivalents	18	7,724,321	15,048,969
		42,012,251	41,804,060
Current liabilities			
Trade payables	19	3,771,028	5,253,224
Bills payables	20	7,473,812	2,364,696
Contract liabilities	21	610,745	466,680
Other payables and accrued charges	22	15,380,209	14,140,116
Current tax liabilities		450,048	472,286
Lease liabilities		14,378	–
Bank and other loans	23(a)	13,330,780	13,959,602
		41,031,000	36,656,604
Net current assets		981,251	5,147,456
Total assets less current liabilities		82,365,044	82,641,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019
(Expressed in RMB)

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Non-current liabilities			
Bank and other loans	23(b)	40,547,815	38,661,319
Debentures	24	4,000,000	6,500,000
Deferred tax liabilities		909,449	916,649
Lease liabilities		4,429	–
		45,461,693	46,077,968
NET ASSETS		36,903,351	36,563,961
CAPITAL AND RESERVES			
Share capital	25(b)	605,397	605,397
Reserves	25(c)	32,904,465	32,561,078
Total equity attributable to equity shareholders of the Company		33,509,862	33,166,475
Non-controlling interests		199,489	203,486
Perpetual capital instruments	29	3,194,000	3,194,000
TOTAL EQUITY		36,903,351	36,563,961

The notes on pages 41 to 66 form part of the unaudited condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019
(Expressed in RMB)

	Attributable to equity shareholders of the company												
	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	–	–	–	–	–	–	33,921	–	–	33,921	–	–	33,921
Repayment of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	(800,000)	–	(800,000)
Distribution for perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	(173,598)	–	(173,598)
	–	(891,068)	–	–	–	–	33,921	–	–	(857,147)	(973,598)	–	(1,830,745)
At 30 June 2018 and 1 July 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
Profit for the period	–	–	–	–	–	–	–	–	3,101,801	3,101,801	96,698	2,050	3,200,549
Other comprehensive income for the period	–	–	–	–	–	–	–	(14,041)	–	(14,041)	–	3,715	(10,326)
Total comprehensive income for the period	–	–	–	–	–	–	–	(14,041)	3,101,801	3,087,760	96,698	5,765	3,190,223
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(8,643)	(8,643)	–	(6,098)	(14,741)
Interim dividends for the year 2018	–	(626,358)	–	–	–	–	–	–	–	(626,358)	–	–	(626,358)
Recognition of share-based payment	–	–	–	–	–	–	(4,095)	–	–	(4,095)	–	–	(4,095)
Appropriations	–	–	–	–	818,711	–	–	–	(818,711)	–	–	–	–
Repayment of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	(2,000,000)	–	(2,000,000)
Distribution for perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	(96,698)	–	(96,698)
	–	(626,358)	–	–	818,711	–	(4,095)	–	(827,354)	(639,096)	(2,096,698)	(6,098)	(2,741,892)
At 31 December 2018	605,397	6,364,786	(2,992,978)	635,898	5,381,132	2,382,753	395,280	(53,293)	20,447,500	33,166,475	3,194,000	203,486	36,563,961

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019
(Expressed in RMB)

	Attributable to equity shareholders of the company												
	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 2019	605,397	6,364,786	(2,992,978)	635,898	5,381,132	2,382,753	395,280	(53,293)	20,447,500	33,166,475	3,194,000	203,486	36,563,961
Initial application of IFRS 16 (Note 3)	–	–	–	–	–	–	–	–	3,151	3,151	–	–	3,151
Restated balances at 1 January 2019	605,397	6,364,786	(2,992,978)	635,898	5,381,132	2,382,753	395,280	(53,293)	20,450,651	33,169,626	3,194,000	203,486	36,567,112
Profit for the period	–	–	–	–	–	–	–	–	1,385,394	1,385,394	83,045	(3,331)	1,465,108
Other comprehensive income for the period	–	–	–	–	–	–	–	(4,441)	–	(4,441)	–	(666)	(5,107)
Total comprehensive income for the period	–	–	–	–	–	–	–	(4,441)	1,385,394	1,380,953	83,045	(3,997)	1,460,001
Final dividends for the year 2018	–	(1,056,381)	–	–	–	–	–	–	–	(1,056,381)	–	–	(1,056,381)
Recognition of share-based payment	–	–	–	–	–	–	15,664	–	–	15,664	–	–	15,664
Distribution for perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	(83,045)	–	(83,045)
	–	(1,056,381)	–	–	–	–	15,664	–	–	(1,040,717)	(83,045)	–	(1,123,762)
At 30 June 2019 (unaudited)	605,397	5,308,405	(2,992,978)	635,898	5,381,132	2,382,753	410,994	(57,734)	21,836,045	33,509,862	3,194,000	199,489	36,903,351

The notes on pages 41 to 66 form part of the unaudited condensed consolidated financial statements

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019
(Expressed in RMB)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(809,309)**	(5,656,011)
Net cash (used in)/generated from investing activities	**(4,663,682)**	2,448,962
Net cash (used in)/generated from financing activities	**(1,851,657)**	5,592,121
Net (decrease)/increase in cash and cash equivalents	**(7,324,648)**	2,385,072
Cash and cash equivalents at the beginning of the period	**15,048,969**	6,829,894
Cash and cash equivalents at the end of the period	**7,724,321**	9,214,966

The notes on pages 41 to 66 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. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and No. 299, Wensheng Road, Liaoyang City, Liaoning, China, respectively. The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacturing and sales of aluminium products.

The Company's parent is Zhongwang International Group Limited ("ZIGL") and the directors consider its ultimate controlling party is Prime Famous Management Limited, both of which are incorporated in the British Virgin Islands.

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 23 August 2019. They are unaudited.

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 2018 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 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2019.

3 Changes in accounting policies

(a) Overview

The IASB has issued a number of new or amended IFRSs that are first effective for the current accounting period of the Group:

- IFRS 16, Leases
- IFRIC 23, Uncertainty over Income Tax Treatments
- Amendments to IFRS 9, Prepayment Features and Negative Compensation
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 included in Annual Improvements to IFRSs 2015–2017 Cycle

The impact of the adoption of IFRS 16 Leases have been summarised in below. The other new or amended IFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(b) IFRS 16, Leases

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17.

The Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

Prepaid lease payments of the Group are accounted for in accordance to with IFRS 16 with effect from 1 January 2019 and there is no impact on their balances as at 1 January 2019. The Group presents right-of-use assets in "property, plant and equipment" and "prepaid lease payments" in the statement of financial position.

3 Changes in accounting policies (Continued)

(b) IFRS 16, Leases (Continued)

The following tables summarised the impact of transition to IFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

	Increased by RMB'000
Statement of financial position as at 1 January 2019	
Right-of-use assets presented in property, plant and equipment	17,371
Lease liabilities (non-current)	5,352
Lease liabilities (current)	8,868
Retained profits	3,151

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	RMB'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 December 2018	49,633
Less: short term leases for which lease terms end within 31 December 2019	(1,469)
Less: a lease committed as of 31 December 2018 but lease terms not yet commenced as at 1 January 2019	(4,248)
Less: changes in lease term which the Group has exercise its option for termination	(28,859)
Less: future interest expenses	(837)
Total lease liabilities as of 1 January 2019	14,220

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 4.52%.

After the adoption of IFRS 16, as of 30 June 2019, for those leases which were classified as operating leases under IAS 17 before 31 December 2018, the Group has recognised right-of-use assets amounted to RMB6,175,866,000 (included in property plant and equipment: RMB11,149,000 and prepaid lease payments: RMB6,164,717,000) and corresponding lease liabilities amounted to RMB10,509,000. For the period ended 30 June 2019, the Group has recognised RMB79,125,000 depreciation charge for these right-of-use assets and RMB272,000 interest expenses for the corresponding lease liabilities in the consolidated statement of profit or loss and other comprehensive income.

4 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 further-fabricated products ("Further-fabricated"); 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	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue from contracts with customer within the scope of IFRS 15:		
Sales of Aluminium Alloy Formwork	**4,605,879**	5,311,304
Leasing of Aluminium Alloy Formwork	**85,814**	–
Industrial		
— Revenue from external customers	**4,370,018**	2,106,765
— Inter-segment revenue	**1,624,714**	1,126,224
Flat-rolled	**3,364,000**	1,394,410
Further-fabricated	**458,936**	498,319
Construction	**6,346**	6,359
Others	**8,942**	12,244
	14,524,649	10,455,625
Elimination of inter-segment revenue	**(1,624,714)**	(1,126,224)
Total	**12,899,935**	9,329,401
Timing of revenue recognition:		
Point in time	**12,355,185**	8,831,082
Over time	**544,750**	498,319
Total	**12,899,935**	9,329,401

4 Segment reporting (Continued)

	Segment results Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Sales of Aluminium Alloy Formwork	**2,110,937**	2,344,138
Leasing of Aluminium Alloy Formwork	**52,151**	–
Industrial	**1,605,528**	526,231
Flat-rolled	**59,910**	31,776
Further-fabricated	**65,600**	46,277
Construction	**736**	545
Others	**8,942**	12,244
	3,903,804	2,961,211
Elimination of unrealised inter-segment loss	**5,277**	–
Total	**3,909,081**	2,961,211
Investment income and other income	**318,546**	245,601
Selling and distribution costs	**(187,134)**	(155,581)
Administrative and other operating expenses	**(1,557,214)**	(1,006,641)
Share of profits less losses of associates	**73,137**	77,927
Finance costs	**(680,748)**	(628,024)
Profit before taxation	**1,875,668**	1,494,493
Income tax	**(410,560)**	(228,311)
Profit for the period	**1,465,108**	1,266,182

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.

4 Segment reporting (Continued)

The Group's revenues from external customers are divided into the following geographical areas:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
People's Republic of China ("PRC")	**11,493,617**	8,210,114
United States	**301,382**	138,144
Germany	**280,468**	255,638
Netherlands	**110,246**	93,284
Others	**714,222**	632,221
	12,899,935	9,329,401

The geographical location of revenue is based on the location of customers.

5 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, revenue from leasing of aluminium alloy formwork 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	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of aluminium products		
— aluminium alloy formwork	**4,605,879**	5,311,304
— industrial aluminium extruded products	**4,370,018**	2,106,765
— aluminium flat-rolled products	**3,364,000**	1,394,410
— further-fabricated products	**458,936**	498,319
— construction aluminium extruded products	**6,346**	6,359
Leasing of aluminium alloy formwork	**85,814**	–
Metal trade agency commission	**8,942**	12,244
	12,899,935	9,329,401

5 Revenue (Continued)

The following table provides information about trade and bills receivables and contract liabilities from contracts with customers.

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade and bills receivables	**11,655,217**	12,937,800
Contract liabilities (Note)	**610,745**	466,680

Note: The contract liabilities mainly relate to the advance consideration received from customers.

6 Other income

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Government subsidies (Note)	**109,542**	58,991
Profit of sales of equipment	**65,081**	20,756
Gain on sales of scrap materials, consumables and dies	**52,156**	68,353
Gain on disposal of property, plant and equipment	**3,139**	1,749
Rental income	**677**	83
Exchange gain/(loss), net	**4,036**	(37,011)
	234,631	112,921

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

7 Finance costs

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on bank loans and other borrowings	**912,642**	833,279
Less: Amount capitalised*	**(232,244)**	(205,255)
	680,398	628,024
Interests on lease liabilities	**350**	–
	680,748	628,024

* Borrowing costs have been capitalised at an average interest rate of 4.42% per annum (six months ended 30 June 2018: 4.96%).

8 Profit before taxation

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Staff costs (including directors' emoluments):		
— Salaries and other benefits	**2,209,299**	1,673,456
— Contributions to defined contribution retirement plan	**146,226**	121,987
— Equity-settled share-based payment expenses	**15,664**	33,921
Total employee benefit expenses	**2,371,189**	1,829,364
Cost of inventories recognised as an expense	**8,990,854**	6,368,190
Depreciation of property, plant and equipment	**788,613**	617,977
Amortisation of other intangible assets	**423**	3,200
Amortisation of prepaid lease payments	**79,322**	74,062
Impairment losses on trade receivables and other receivables	**117,945**	2,019
Short-term operating lease charges	**4,042**	45,572
Research and development costs	**714,918**	243,960

9 Income tax

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
— Provision for the period	**779,655**	300,309
— Over-provision in respect of prior years	**(26,617)**	(26)
	753,038	300,283
Deferred taxation	**(342,478)**	(71,972)
Total income tax	**410,560**	228,311

Notes:

(i) 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) In 2016, Liaoning Zhongwang was recognised as a High and New Technology Enterprise ("HNTE") by government with an effective period of three years from 2016 to 2018. The HNTE certificate needs to be reviewed every three years so as to enable Liaoning Zhongwang to enjoy the preferential tax rate of 15%. The Group believes that Liaoning Zhongwang meets all the criteria of HNTE and therefore, income tax expense of Liaoning Zhongwang for the six months ended 30 June 2019 was calculated based on income tax rate of 15%.

In 2018, Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited, Yingkou Zhongwang Aluminium Company Limited and Tianjin Zhongwang were recognised as HNTE by government with an effective period of three years from 2018 to 2020. Therefore, income tax expense of these companies for the six months ended 30 June 2019 were calculated based on 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 2019 and 2018 and on the number of shares as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit attributable to equity shareholders of the Company	**1,385,394**	1,093,420

	Six months ended 30 June	
	2019	2018
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,449,473**	5,449,473
Weighted average number of convertible preference shares for the purposes of basic earnings per share	**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
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**2,965**	–
Weighted average number of shares for the purposes of diluted earnings per share	**7,071,563**	7,068,598
Earnings per share		
Basic (RMB)	**0.20**	0.15
Diluted (RMB)	**0.20**	0.15

11 Property, plant and equipment

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of approximately RMB5,316,502,000 (six months ended 30 June 2018: RMB3,362,870,000). Items of property, plant and equipment with a net book value of approximately RMB1,656,000 were disposed during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB2,710,000), resulting in a gain on disposal of approximately RMB3,139,000 (six months ended 30 June 2018: RMB1,749,000).

At 30 June 2019, certain of the Group's property, plant and equipment with a carrying amount of approximately RMB5,377,313,000 (31 December 2018: RMB4,119,850,000) were used to secure the Group's borrowings (Note 23(b)).

12 Prepaid lease payments

Lease prepayments are interests in leasehold land held for own use under operating leases located in the PRC. During the six months ended 30 June 2019, the Group acquired prepaid lease payments with a cost of approximately RMB576,350,000 (six months ended 30 June 2018: RMB522,160,000).

At 30 June 2019, certain of the Group's land use rights with a carrying amount of approximately RMB1,332,810,000 (31 December 2018: RMB1,348,340,000) were used to secure the Group's borrowings (Note 23(b)).

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment	**5,046,746**	6,116,660
Deposits for acquisition of prepaid lease	**1,098,502**	1,047,690
	6,145,248	7,164,350

14 Inventories

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Raw materials	**4,039,080**	3,644,684
Work-in-progress	**7,883,426**	3,527,252
Finished goods	**1,672,718**	1,547,024
	13,595,224	8,718,960

15 Trade and bills receivables

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade and bills receivables	**11,854,131**	13,025,270
Less: Loss allowance	**(198,914)**	(87,470)
	11,655,217	12,937,800

For the six months ended 30 June 2019, the Group allows an average credit period of 90 to 180 days (six months ended 30 June 2018: 90 to 180 days) for domestic sales and an average credit period of 180 days (six months ended 30 June 2018: 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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
0 to 90 days	**6,064,537**	9,052,039
91 to 180 days	**2,618,629**	2,922,615
Over 180 days	**2,972,051**	963,146
	11,655,217	12,937,800

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.

As at 30 June 2019, amounts due from related parties of RMB2,953,000 (31 December 2018: RMB3,074,000) included in above trade receivables.

16 Other receivables, deposits and prepayments

At 30 June 2019, 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 2019, VAT receivables amounting to approximately RMB6,120,731,000 (31 December 2018: RMB5,048,684,000) of which approximately RMB2,255,258,000 (31 December 2018: RMB2,829,111,000) 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 20) and letters of credit by the Group. The pledged bank deposits will be released upon the settlement of relevant payables.

18 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group with an original maturity of three months or less.

19 Trade payables

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
0 to 90 days	**3,212,990**	4,855,647
91 to 180 days	**242,215**	202,633
181 days to 1 year	**315,823**	194,944
	3,771,028	5,253,224

20 Bills payables

At 30 June 2019, all the bills payables are repayable within 365 days (31 December 2018: 365 days) and are denominated in RMB.

At 30 June 2019, bills payables amounting to approximately RMB6,378,864,000 (31 December 2018: RMB744,200,000) were secured by deposits placed in banks with an aggregate carrying value of approximately RMB2,437,050,000 (31 December 2018: RMB244,400,000).

21 Contract liabilities

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Contract liabilities arising from:		
Advance from customers	**610,745**	466,680

Contract liabilities represent advances from customers, where the Group has unconditional right to considerations before goods or services are delivered. Balance as at 30 June 2019 and 31 December 2018 are received and not yet recognised as revenue during the reporting period.

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 2019, included in other payables and accrued charges, there were approximately RMB4,123,116,000 (31 December 2018: RMB3,390,936,000) owed to production machineries suppliers and construction services contractors. At 30 June 2019, amounts due to related parties of approximately RMB7,804,008,000 (31 December 2018: RMB7,432,062,000) were included in other payables and accrued charges. The amounts are unsecured, interest-free and repayable on demand.

23 Bank and other loans

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Bank loans		
— Guaranteed by subsidiaries	**1,000,000**	1,438,100
— Guaranteed by related parties	**800,000**	2,120,000
— Unguaranteed and unsecured	**6,670,000**	5,140,000
— Guaranteed by subsidiaries and related parties	**350,000**	–
Other loans		
— Guaranteed by related parties	**470,000**	–
— Unguaranteed and unsecured (Note)	**–**	2,638,016
	9,290,000	11,336,116
Add:		
— Current portion of long-term bank and other loans	**4,040,780**	2,623,486
	13,330,780	13,959,602

Note: At 31 December 2018, several short term loans with aggregate amount of approximately RMB2,638,016,000 were from an associate of the Group. They were unguaranteed and unsecured. The interest rates were from 3.05% to 3.48% per annum. They have been repaid during the reporting period.

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Bank loans		
— Secured by property, plant and equipment (Note (i))	**54,959**	61,908
— Guaranteed by subsidiaries and secured by prepaid lease payments and property, plant and equipment (Note (ii))	**10,311,816**	10,651,655
— Guaranteed by a related party and secured by property, plant and equipment (Note (iii))	**175,068**	245,088
— Unguaranteed and unsecured	**2,799,000**	2,842,441
Other loans		
— Secured by property, plant and equipment (Note (iv))	**3,619,684**	2,183,713
— Unguaranteed and unsecured (Note (v))	**27,628,068**	25,300,000
	44,588,595	41,284,805
Less:		
— Current portion of long-term bank and other loans	**(4,040,780)**	(2,623,486)
	40,547,815	38,661,319

23 Bank and other loans (Continued)

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

Notes:

(i) At 30 June 2019, 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 RMB123,728,000 at 30 June 2019 (31 December 2018: RMB128,381,000).

(ii) At 30 June 2019, 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 12 and Note 11). The aggregate carrying value of the secured land use rights and property, plant and equipment amounted to approximately RMB1,332,810,000 and RMB167,215,000, respectively, at 30 June 2019 (31 December 2018: RMB1,348,340,000 and RMB169,582,000, respectively).

(iii) At 30 June 2019, 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 RMB729,303,000 at 30 June 2019 (31 December 2018: RMB753,020,000).

(iv) At 30 June 2019, 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 RMB4,357,067,000 at 30 June 2019 (31 December 2018: RMB3,068,867,000).

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

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

Accordingly, this indicates that these arrangements do not, in substance, involve a lease under IAS 17, instead, the sales and leaseback transaction is closely interrelated and shall be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The substance of these arrangements are cash borrowings, secured by the underlying assets and repayable in instalments over the lease term. The information of the underlying assets is disclosed in Note 11.

(v) At 30 June 2019, a long term loans with amount of RMB25,200,000,000 was from a related party of the Group. It was interest-free, unsecured and repayable on 31 December 2021; several long term loans with aggregate amount of approximately RMB2,428,068,000 were from an associate of the Group. They were unguaranteed and unsecured. Their interest rates were 3.33% per annum. They will be repaid within three years.

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

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's balance sheet ratios, shareholdings of the Company or remaining listed in major stock exchange, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand.

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 2019, none of the covenants relating to drawn down facilities had been breached (31 December 2018: Nil).

24 Debentures

In 2016, the Group had issued unsecured debentures amounted to RMB2,500,000,000 and RMB4,000,000,000 with maturity of five years respectively, which are repayable on 22 March 2021 and 26 September 2021, with effective interest rates of 4.05% and 3.75% per annum, respectively. The debenture of RMB2,500,000,000 was fully repaid on 29 March 2019.

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	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interim dividend declared after the end of the reporting period of HKD0.10 per ordinary share and convertible preference share (2018: HKD0.10)	**635,396**	615,675

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	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD0.17 per ordinary share and convertible preference share (2018: HKD0.15)	**1,056,381**	891,068

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 2018, 31 December 2018 and 30 June 2019	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2018, 31 December 2018 and 30 June 2019	5,449,473,140	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2018, 31 December 2018 and 30 June 2019	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2018, 31 December 2018 and 30 June 2019	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 general 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.

25 Capital, reserves and dividends (Continued)

(b) Share capital (Continued)

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

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

(c) Nature and purpose of reserves

(i) Surplus reserve

The Articles of Association of 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.

25 Capital, reserves and dividends (Continued)

(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 29) 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 Capital commitments

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**16,173,365**	16,713,884

27 Material related party transactions

Particulars of significant related party transactions during each of the six-month periods ended 30 June 2019 and 2018 are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods to a related party	**4,255**	1,665

28 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)

28 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)

28 Share-based payments (Continued)

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

	30 June 2019		31 December 2018	
	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**	**399,900,000**	HKD3.93	493,400,000
Exercised during the period	**–**	**–**	–	–
Forfeited during the period	**–**	**–**	HKD3.93	(93,500,000)
Granted during the period	**–**	**–**	–	–
Outstanding at the end of the period	**HKD3.93**	**399,900,000**	HKD3.93	399,900,000
Exercisable at the end of the period	**HKD3.93**	**253,940,000**	HKD3.92	180,960,000

The options outstanding at 30 June 2019 had an exercise price of HKD3.90 or HKD3.93 (31 December 2018: HKD3.90 or HKD3.93) and a weighted average remaining contractual life of 6.1 years (31 December 2018: 6.6 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%

28 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.

29 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 2019, profit attributable to the holders of perpetual note, based on the applicable distribution rate, was RMB45,000,000 (six months ended 30 June 2018: RMB45,000,000).

29 Perpetual capital instruments (Continued)

(b) Perpetual trust loans

On 1 December 2016, a subsidiary of the Company (the "Borrower") issued perpetual trust loans amounting to RMB2,000,000,000. This perpetual trust loans was issued at par value with initial interest rate of 6.10% per annum. In 2018, perpetual trust loans amounted to RMB800,000,000 was repaid.

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 the perpetual trust loans from the borrowing date to 31 December 2017 are fixed at 6.10% per annum. The applicable interest rate for the perpetual trust loans was reset after 31 December 2017 as following: 6.3058% per annum for the second and third year; 8.3732% per annum for the fourth year; 10.4406% per annum for the fifth year; 12.5080% per annum for the sixth year and thereafter.

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; and

(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 2019, profit attributable to the holders of perpetual trust loans, based on the applicable distribution rate, was RMB38,045,000 (six months ended 30 June 2018: RMB128,598,000).

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2019

A number of amendments and new standards are effective for annual periods beginning after 1 January 2019 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.