



# 中国忠旺控股有限公司\*

## China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 01333



A GLOBAL-LEADING  
**FABRICATED ALUMINIUM**  
Product Developer & Manufacturer

INTERIM REPORT **2020**

\* 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 Banks

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

The Export-Import Bank of China

China Development Bank Corporation

Commerzbank AG Deutschland

## Registered Office

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

## Head Office and Principal Place of Business in the PRC

No. 299, Wensheng Road

Liaoyang City

Liaoning 111003

PRC

39/F, Zhongwang Tower

Yuan'an Road, Chaoyang District

Beijing 100102

PRC

## Place of Business in Hong Kong

56/F, Bank of China Tower

1 Garden Road, Admiralty

Hong Kong

## CORPORATE INFORMATION

### Legal Advisors

#### As to Hong Kong laws

Freshfields Bruckhaus Deringer  
55th Floor, One Island East  
Taikoo Place  
Quarry Bay  
Hong Kong

#### As to PRC laws

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

### Auditor

BDO Limited  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### Principal Share Registrar in the Cayman Islands

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

### Hong Kong Branch Share Registrar

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

### Investor and Media Relations Consultant

Cornerstones Communications Limited  
Unit 2102, 21/F, Overseas Trust Bank Building  
160 Gloucester Road, Wanchai  
Hong Kong

### Company Website

[www.zhongwang.com](http://www.zhongwang.com)

# CORPORATE PROFILE

China Zhongwang Holdings Limited (the “Company”, together with its subsidiaries, 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<sup>1</sup>. The Group has been actively promoting the development of light-weight materials for such downstream sectors and fields as ecological construction, transportation, machinery and equipment and electric power engineering and by its 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 industry chain of its business, the Group has invested in and established an aluminium flat rolling plant, which generates synergies with its aluminium extrusion business by sharing the existing resources. The further fabrication business includes cutting, surface treatment and welding, which turns extruded or flat-rolled aluminium 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”), a large-scale all-aluminium alloy superyacht builder, tapping into the market of terminal 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 for customers.

With over 20 years of experience in the industry, the Group has obtained a number of authorized certificates of accreditation in several high-end industries, such as aviation, shipbuilding, railway transportation and automobile manufacturing. 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 responsible corporate citizen. It aims to offer high-quality, low-consuming and light-weight solutions to society for a greener world.

For further information on the Group, please visit our website at [www.zhongwang.com](http://www.zhongwang.com).

<sup>1</sup> Rankings and relevant information relating to industrial aluminium extruded product manufacturers in the world are cited issue of a report prepared by Beijing Antaike Information Co., Ltd in March 2020.

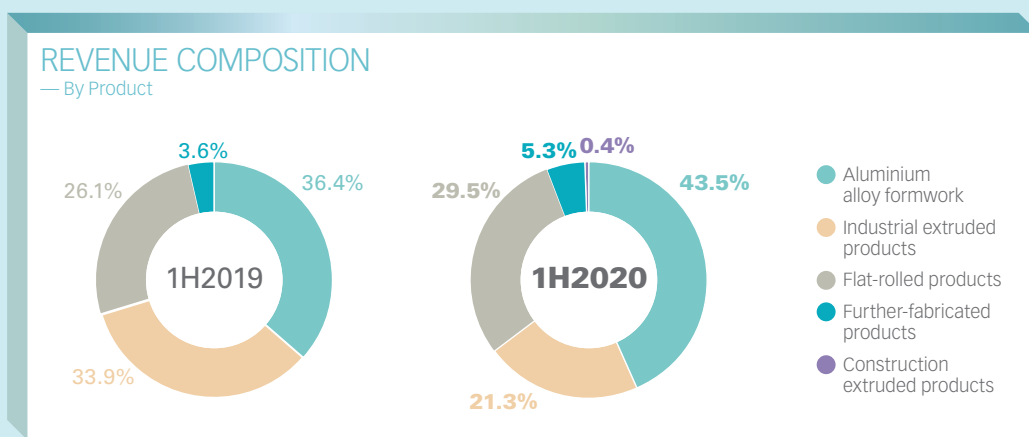
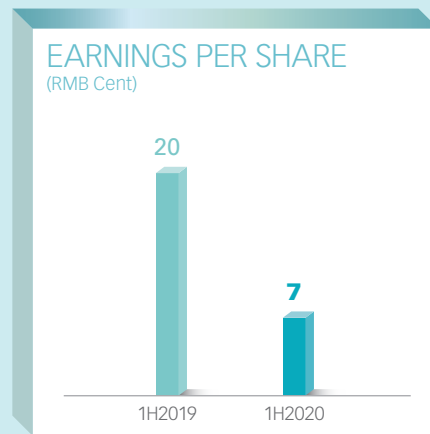
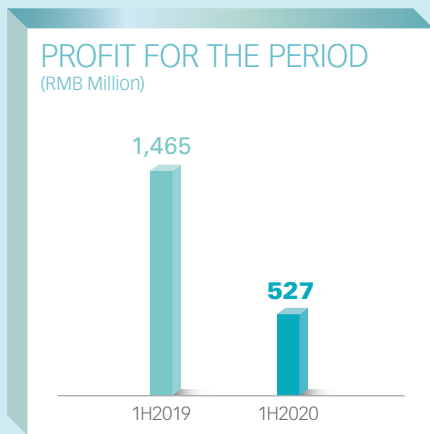
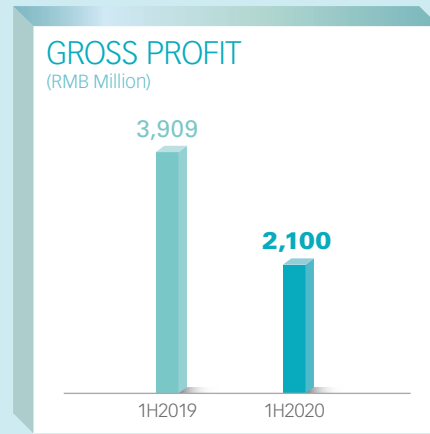
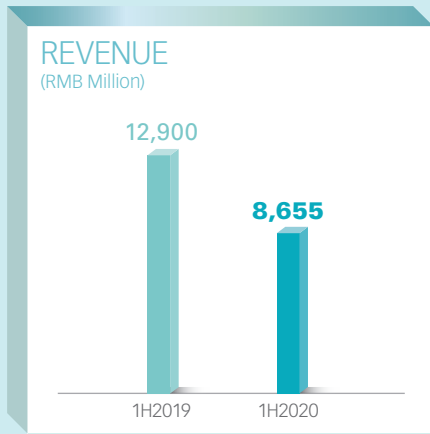
# FINANCIAL HIGHLIGHTS

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB'000</b> <b>(unaudited)</b>	2019 RMB'000 (unaudited)
Revenue	<b>8,655,331</b>	12,899,935
Gross profit	<b>2,099,762</b>	3,909,081
EBITDA (Note 1)	<b>2,494,276</b>	3,424,774
Profit for the period	<b>526,968</b>	1,465,108
Earnings per share(RMB)(Note 2)	<b>0.07</b>	0.20
Interim dividend per share(HKD)	<b>-</b>	0.10
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Total equity attributable to equity shareholders of the Company	<b>35,010,151</b>	34,505,173
Total assets	<b>127,861,377</b>	123,323,544

Notes:

- EBITDA= profit before taxation + finance costs + depreciation of right-of-use assets + depreciation of property, plant and equipment + depreciation of investment properties + amortisation of other intangible assets
- 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 2020 and 2019 and on the weighted average number of ordinary shares, convertible preference shares and share options for the respective period.

## FINANCIAL HIGHLIGHTS





# CHAIRMAN'S STATEMENT



**China Zhongwang will continue to leverage the synergistic advantages of its three core businesses and the first-mover advantages of its cutting-edge technologies and innovative products, so as to seize new opportunities for new development.**

**Lu Changqing**  
*Chairman*

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited ("China Zhongwang" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the interim report on the unaudited results for the six months ended 30 June 2020 (the "Period under Review") for your perusal.

In 2020, the whole world is facing a major public health challenge due to the spread of the novel coronavirus. Hit by this pandemic, the world economy and trade took a downturn. As a member of the global economy, China Zhongwang has taken the initiative in fulfilling its corporate social responsibilities at the beginning of the pandemic by working together with a number of scientific research experts, medical staff and all front-line workers to contribute to the infection prevention and control. The Group and its staff donated more than RMB10 million as special charity funds to the infection prevention efforts. Meanwhile, we were also fighting another battle in our own way, which was, while ensuring safety and caution, to proceed with the resumption of work and production in a proactive manner so as to protect employment and stabilise production in line with the pandemic control efforts. Despite the challenges brought about by the

pandemic in the first quarter, the Company's performance has begun to pick up as a whole since the second quarter. Production and operation are currently thriving. All businesses are progressing in an orderly manner and the product portfolio upgrade and value transformation are proceeding consistently.

We are also pleased to find that the Chinese economy is entering a phase of recovering growth as the pandemic is gradually brought under control in the People's Republic of China (the "PRC"). We believe the Chinese economy will usher in a sustained recovery fully driven by the macroeconomic policies. As for the aluminium fabrication industry, major breakthroughs will be seen in the application of aluminium alloys in areas that are significantly beneficial to the society as new infrastructure construction (the "new infrastructure") is being carried out gradually in the relevant fields, coupled with major national projects being executed in an orderly manner and the acceleration of the industrialisation of aluminium fabrication, as well as a change in public perceptions about consumption and increase of consumption level. The Group will continue to leverage the synergistic advantages of its three core businesses and the first-mover advantages of its cutting-edge technologies and innovative products, so as to seize new opportunities for new development.

## CHAIRMAN'S STATEMENT

### Enduring Commitment to R&D-driven Technological Innovation

In the Central Government's Report on the Work of the Government for 2020, it was proposed to push forward the upgrade of the manufacturing sector and the development of the emerging industries. Against the strategic background of switching from "Made in China" to "Created in China", China Zhongwang has a duty as a member of China's manufacturing industry to shoulder the responsibilities. By strengthening its foundation as well as undergoing transformation and upgrade, the Group will persist in innovative product development through its strong technological R&D capabilities.

The Group's technological R&D team has remained steadfast in pursuing independent innovation and assiduous research. It has consistently made major breakthroughs in patented R&D and in transforming scientific and technological achievements, repeatedly participating in national and provincial key projects. During the Period under Review, the Group was granted a number of projects such as an investment project of the National Development and Reform Commission for carrying out innovative chain integration within the central budget, an Internet of Things project of the Ministry of Industry and Information Technology of the PRC, and a talent programme of Liaoning Province. In addition, the Group's pursuit of technological progress has borne fruit in such projects as the "Complete Set of Technology for Processing and Connecting Large-sized Complex Cross Section Aluminium Alloy Profiles for Rail Transportation Train Bodies" and the "Key Technologies for the Production of All-aluminium Body and Chassis of New Energy Passenger Vehicles", garnering the Science and Technology Progress Awards of Liaoning Province.

With an enduring commitment to R&D and innovation, the Group strives for detail-oriented excellence through continuous technological upgrade, process improvement and product optimisation. It maximises the outstanding performance of aluminium alloy materials and further expands the application of aluminium alloy products in various fields, building on the Group's position as an industry leader to drive the progress of the industry.

### Diversified Operations Fuelled Business Model Innovation

Technological innovation is the cornerstone of an enterprise, and business model innovation serves as a powerful engine for its rapid growth. While consolidating the foundation for the development for its three core businesses, namely, industrial aluminium extrusion, aluminium flat rolling, and further fabrication, the Group continued to innovate its business models, develop key products in each core business segment, and conduct diversified operations, thus creating its own unique and innovative development models.

Taking aluminium alloy formwork, a type of eco-friendly construction material, as an example, as one of the key products of the Group's industrial aluminium extrusion business, aluminium alloy formwork has captured a leading market share through years' of accumulated market experience. In addition, the Group has built on its success to launch the aluminium alloy formwork leasing business, which has a higher profitability. With the optimisation of its various processes including production, assembly, transportation, storage, application, maintenance, and recycling to raise operational efficiency, the Group will gradually unlock the benefits of its leasing model to generate sustainable income for itself. In the long run, the Group's diversified business model of "simultaneous development of lease and sales" will further consolidate its position as a leader in the domestic aluminium alloy formwork market.

## CHAIRMAN'S STATEMENT

In terms of light-weight solutions for the transportation sector, the Group was heavily involved in the R&D process for customer products in line with customers' practical needs, optimising product design schemes, raising production efficiency and reducing comprehensive manufacturing costs. Such efforts were widely recognised by customers. During the Period under Review, following the Group's successful collaboration with Chery New Energy on the development of eQ1, the first all-aluminium body new energy vehicle in the PRC, the Group also provided Chery New Energy with its first all-aluminium body sports multi-purpose SUV, for which China Zhongwang participated in the whole process from design and development, production of the all-aluminium body to supply of the entire vehicles, and provided a complete suite of services. As for the overseas automobile market, after being selected by the BMW Group as its supplier of high-end aluminium extruded products at the beginning of the year, the Group was also selected as a Tier 1 sheet supplier by a high-end European automobile brand. The Group's in-depth collaborations with more renowned automakers are progressing in an orderly manner.

### **Rode on New Infrastructure to Set New Development Trends in Innovation**

In the Report on the Work of the Government for 2020, it was proposed that focus would be placed on backing "new infrastructure, new urbanisation, and major transportation and water conservancy projects constructions", which is to primarily step up the construction of new types of infrastructure, develop next-generation information networks, expand 5G applications, set up data centres, build more facilities such as charging piles and battery replacement stations, and promote new energy vehicles. The goal is to stimulate new consumer demand and boost industrial upgrade, as well as to strengthen the construction of a new type of urbanisation and to reinforce the construction of major transportation and water conservancy projects. The investment capital for national railway construction has been increased by RMB100 billion.

The Group believes in the philosophy of strengthening its foundation, building on past achievements, and striving for new progress. On the one hand, the Group is consolidating its presence in the fields which are highly compatible with its business in relation to the "new infrastructure, new urbanisation, and major transportation and water conservancy projects constructions", such as new energy vehicles and construction of major transportation projects. On the other hand, the Group is actively developing the emerging product markets, such as the construction of 5G base stations, artificial intelligence and battery replacement facilities covered under the new infrastructure.

During the Period under Review, through the close cooperation with CRRC, the Group not only supplied aluminium extruded materials for train bodies for the urban rail transit projects in Nanning, Guangzhou, Shenzhen, Wuhan, Ningbo, Hangzhou, Fuzhou, etc., but also supplied aluminium extruded materials for the whole train of "Fuxing", a China Standard EMU train with a speed of 250 km/h and 350 km/h. It was also heavily involved in the construction of domestic rail transit projects. In addition, the Group has also established a working partnership with another giant in the global rail transit equipment industry, making a major breakthrough in penetrating the overseas rail transit market. Furthermore, the Group has developed a type of high value-added product which meets the standards for construction materials for 5G base stations, and a new model of high-end corrosion resistant aluminum sheet which can be applied in the semiconductor industry. The Group has embarked on the R&D of key technologies for the production of aluminium alloy battery pack casings for new energy vehicles and aluminium products for smart street lights. China Zhongwang will seize new opportunities brought about by the new infrastructure, continuing to develop high-end aluminium products with high-tech content to lead the development of the industry and create value for the society.



## CHAIRMAN'S STATEMENT

### Appreciation

We are watching out for and helping each other to overcome difficulties together. I would like to extend my appreciation to all the colleagues for their donations and assistance to the nation in fighting against the spread of the pandemic, and for their unwavering dedication to the Group's normal operation. It is exactly attributable to all of our employees who are working on the front lines of production, R&D, and marketing, the Group was able to resume work and production step by step and contribute to the corporate development of the Group and economic recovery of our society at large.

We will continue to work hand-in-hand for the good of all. My gratitude to all shareholders, customers, suppliers and business partners for their thorough understanding, support and trust during this period. With over 20 years of experience in the aluminium fabrication industry, we always see opportunities amid crises. We will continue to seek progressive development and seize opportunities to reform and innovate in times of change on our road to lead the industry to a brighter future!

**Lu Changqing**

*Chairman*

Hong Kong, 28 August 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. BUSINESS REVIEW

During the Period under Review, the Group stayed true to its founding mission and consistently applied the development strategy of “focusing primarily on China market and to a lesser extent on the overseas markets”. Relying on its diversified business model, strong research and development capabilities, and exquisite product technology, the Group has further consolidated its position as a world-leading fabricated aluminium product developer and manufacturer. At the beginning of 2020, the outbreak of COVID-19 has impacted most industries. Even so, the Group remained firm in its development strategy, actively enhanced its core competitiveness along the lines of “refining quality, improving efficiency, reducing cost and creating benefits”. Meanwhile, it implemented a range of infection prevention measures to limit transmission, constantly managing the risks that typified an unusual time.

During the Period under Review, the Group recorded an overall sales volume of approximately 351,637 tonnes, with total revenue amounting to approximately RMB8.66 billion. Profit for the period was approximately RMB530 million, while earnings per share amounted to approximately RMB0.07.

### **Aluminium Extrusion Business – Implemented Diversified Business Model to Explore Various Application Sectors**

During the Period under Review, sales volume of the Group’s aluminium extrusion business amounted to 155,536 tonnes, representing a decrease of approximately 47.1% as compared with that for the corresponding period of last year; and the sales amount was approximately RMB5.64 billion, representing a decrease of approximately 37.8% as compared with that for the corresponding period of last year. Among them, the sales volume of aluminium alloy formwork was 86,996 tonnes, and the sales amount was approximately RMB3.30 billion; and the volume of leased aluminium alloy formwork was 121,446 tonnes, generating a revenue of approximately RMB470 million, representing a significant increase of approximately 442.8% as compared with that for the corresponding period of last year.

During the Period under Review, the sales volume and sales revenue of the Group’s aluminium extrusion business decreased as compared with those for the corresponding period of last year, which was primarily due to the disruptions caused by the pandemic to the production and operation of upstream suppliers and downstream customers in the first quarter of 2020, which hindered the Group from purchasing, producing and selling as usual. The Group has resumed its operation gradually since February 2020, and has fully resumed its operation and production since April. With the full resumption of its operation and production and the highly effective control over the domestic epidemic, the production and sales of aluminium extrusion business of the Group has been recovered gradually, the sales volume of which significantly increased by 187.6% quarter-on-quarter to 115,405 tonnes in the second quarter, and the sales amount of which increased by 202.9% quarter-on-quarter to approximately RMB4.24 billion.

The Group has been committed to tapping into various application sectors of high-end aluminium extruded profiles. Benefitting from its advanced manufacturing equipment, R&D achievements accumulated over years and good reputation, the Group has maintained its success in high-end aluminium extruded profiles for vehicles, and is a Tier 1 supplier of high-end aluminium extruded products to a number of automobile manufacturers including BMW Group. In addition, through the consistent progress of “new infrastructure construction” (“new infrastructure”), the Group seized the opportunities in industry development based on the market demand, and made full use of aluminium’s advantages of corrosion resistance, and high electric and heat conductivity to independently research and develop the aluminium products applicable to the construction of 5G base stations, intercity high-speed railways, urban rail transit and the field of UHV power transmission.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Aluminium Flat Rolling Business – Improved Production Efficiency to Further Unleash Production Capacity**

During the Period under Review, sales volume of the Group's aluminium flat rolled products amounted to 177,100 tonnes, representing a decrease of approximately 19.7% from the corresponding period of last year. Sales amount reached approximately RMB2.56 billion, representing a decrease of approximately 24.0% as compared with that for the corresponding period of last year. Due to the COVID-19 pandemic, the production and sales of aluminium flat rolled products in the first quarter were affected to a certain extent. With the resumption of its operation and production and the significant progress on the control of the domestic epidemic, the Group's production and sales have fully resumed in the second quarter. In addition, the Group accelerated the pace of industry certification, and improved its production efficiency by focusing on production optimisation at each stage, to further unleash its production capacity. At present, the Group continues to operate the production line with high standards and strict requirements to ensure that the first production line would fulfil target quantity on schedule, and fully commits to providing high-quality aluminium flat rolled products to its customers in the sectors of industrial materials, transportation, aviation and aerospace. The Group is still performing pilot production in the second production line, mainly focusing on aluminium alloy products for green packaging, as well as developing and producing can lids, computer casings and battery soft-pack. In terms of automotive sheets, the Group has become a Tier 1 automotive sheet supplier for one of the European luxury automobile brands, enabling it to achieve an important breakthrough in developing the international market for high-end automotive sheets. This also reflects the Group's increasing influence in the global automotive market. In addition, the Group proactively drove the research and development of high-end aluminium flat rolled products, and strived to increase the added value of the products, thereby enhancing the overall profitability.

### **Further Fabrication Business – Catered to the Demands for Light-weight Solutions and Facilitated Industrial Upgrade**

During the Period under Review, sales volume of the Group's further fabricated products amounted to 19,001 tonnes, representing an increase of approximately 5.8% compared with 17,958 tonnes for the corresponding period of last year. Sales amount was approximately RMB460 million, remaining at the same level as the corresponding period of last year. To accommodate the demand for light-weight development in the transportation sector, the Group has further explored fields such as passenger cars and rail transit, and continued to leverage its advantages in high-end aluminium products to provide light-weight solutions. During the Period under Review, the Group continued to maintain cooperative partnerships with leading domestic vehicle manufacturers such as Chery, BYD and FAW to jointly develop light-weight projects for passenger vehicles, commercial vehicles and new energy vehicles. With regard to urban rail transit, the Group is committed to providing high-quality further fabricated products of aluminium alloy profiles, and aluminium extruded materials for train bodies for urban rail projects in Shanghai, Guangzhou, Shenzhen, Wuhan, Hangzhou, Fuzhou, Nanning, Ningbo, etc. In addition, the Group also provided aluminium extruded materials for the whole train bodies of "Fuxing", a China Standard EMU train at speed of 350 km/h and 250 km/h, making a contribution to the green, smart, light-weight development of urban rail transit.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Strengthened Innovation and Emphasised Research and Development to Add New Impetus to the Development of the Group**

The Group regards research and development (R&D) and innovation as the cornerstone of corporate sustainable development. It integrates technological know-how into corporate development strategies, and strengthens product advantages through continuous technological innovation. During the Period under Review, the Group continued to increase investment in R&D and achieved promising results at multiple levels. In April 2020, Tianjin Zhongwang, a subsidiary of the Group, was successfully awarded the "Assessment Certificate of industrialisation and Informatisation Integration Management System" issued by China Classification Society Certification Company, facilitating the Group's organic amalgamation of industrialisation and informatisation. In June 2020, two technologies of the Group won the first and second prizes of the 2019 Liaoning Provincial Science and Technology Progress Award, respectively, which fully demonstrated the Group's strong technological strength in research and development of such high-end aluminium alloy products as train bodies of rail transit and new energy passenger vehicles. During the Period under Review, the Group completed the development of 51 new profile products and 25 new further fabricated products. In addition, during the Period under Review, the Group was authorised with 97 patents, and participated in the formulation of 9 industry standards. The Group's scientific research has achieved fruitful results, and its innovation capability has been consistently recognised.

At the same time, the Group is actively exploring opportunities for cross-sector cooperation. It is committed to exploring the applications of high-end aluminium products, developing innovative corrosion resistant aluminium sheets. It will satisfy the demand for the rapidly growing market of integrated circuit specialised equipment in China, which may hopefully break the monopoly of foreign players through our cross-industry efforts to effectively fill the market gap for the relevant domestic products.

## MANAGEMENT DISCUSSION AND ANALYSIS

### II. FUTURE PROSPECT

At the advent of 2020, the global economy slowed down, and the sudden outbreak of COVID-19 turned the market environment complicated and challenging. However, under the regulation and control of the national macro policies, China has taken its aluminium fabrication industry to a level of high-quality development. Not only has it further developed its product structure and industrial chain, but it has also made multi-dimensional attempts in the areas of energy conservation and consumption reduction. On 22 May 2020, Premier Li Keqiang of the State Council delivered the “Report on the Work of the Government” on behalf of the State Council at the Third Session of the 13th National People’s Congress, in which he stressed the continuation to promote the upgrade of the manufacturing industry and the development of emerging industries in order to support the high-quality development of the manufacturing industry. In the long run, the Group will continue to focus on meeting domestic demand while actively enhancing the competitiveness of high-end aluminium products in the international market and exporting products with higher added value.

Since the introduction of aluminium alloy formwork into the construction industry, usage of the material has gradually expanded due to its characteristics of high strength and environmental friendliness, promoting the green sustainable development in China’s construction industry. Impacted by the pandemic, domestic construction projects have been slightly delayed to accommodate the infection prevention and control measures taken by governments at all levels. As the momentum of work and production resumption continues, construction of building projects has gradually returned to normal. The report prepared by Beijing Antaike Information Co., Ltd. forecast at the beginning of this year that the market penetration of aluminium alloy formwork in China will rise to about 56% by 2024, and the market for aluminium alloy formwork will continue to grow steadily in the future.

Led by new development concepts, the new infrastructure is driven by technological innovation and based on information networks to meet the needs of high-quality development. It provides an infrastructure system for such services as digital transformation, intelligent upgrades, and integrated innovation. On 20 April 2020, the National Development and Reform Commission (NDRC) first defined the scope of new infrastructure, proposing the integration of infrastructure to support the transformation and upgrades of traditional infrastructure such as smart transportation and smart energy infrastructure through the applications of technologies including the internet, big data, and artificial intelligence. Driven by this policy, intercity high-speed railways, urban rail transit, and new energy vehicles have become the market’s focus, bringing with it positive prospects for the use of aluminium in the transportation industry.

As one of the seven major areas of new infrastructure, high-speed railway and rail transit is an indispensable part in the process of urbanisation. At present, many cities in China are pushing forward the construction of urban rail transit systems. The urban express rail currently under construction or to be built exceeds 1,800 kilometers; many high-speed rail projects are also under construction. According to the national “Medium and Long-term Railway Network Planning”, by 2025, the total length of high-speed rail is expected to reach approximately 38,000 kilometers. CCID Consulting’s forecast at the beginning of the year showed that with the continuous expansion of urban rail transit and high-speed rail lines, the scale of China’s rail transit vehicle market will maintain a sustained and steady growth in the next three years, and it is expected to exceed RMB200 billion by 2022, objectively providing ample room for the application of aluminium alloy materials.

## MANAGEMENT DISCUSSION AND ANALYSIS

In addition, in April 2020, the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the National Development and Reform Commission jointly issued the “Notice on Improving the Promotion and Application of Financial Subsidy Policy for New Energy Vehicles” (《關於完善新能源汽車推廣應用財政補貼政策的通知》) to extend the implementation period for the promotion and application of financial subsidies for new energy vehicles to the end of 2022, reflecting the national emphasis on the new energy vehicle market. As a type of light-weight and environmentally-friendly material with various fine properties, aluminium alloy is the first choice to achieve the weight reduction of automobiles. The development of the new energy vehicles market has further increased the demand for aluminium in automotive industry, and the market prospect of light-weight aluminium for automotive will be promising.

The market trends and government policies mentioned above are creating a favourable environment for the development of the processors of fabricated aluminium products in China. To seize the opportunities, the Company has formulated the following strategies for development:

1. Continue to optimise the Group’s aluminium fabrication capacity so as to reinforce its overall competitiveness: as more aluminium extrusion equipment is gradually put in operation for commercial production, the Group’s comprehensive strength in high-end fabricated aluminium will be further reinforced;
2. Diversify product offerings and enhance the overall added value of products: the Group will fully leverage on its strengths in cutting-edge production techniques and the excellent ability of its design team to meet the demand from various customers, especially needs for middle-and-high-end products, and provide customers with more suitable integrated light-weight solutions. By strengthening its R&D and technological advantages, the Group will continue to diversify its product offerings, improve product quality, and enhance the overall added value of the products; and
3. Continue to unlock the value of the aluminium flat rolling project in Tianjin, thus adding new impetus to the Group’s long-term development: the Group will further improve the product quality and production efficiency to provide customers with high-quality aluminium flat rolled products. At the same time, the Group will promote progress in developing new products and obtaining certification for high-end products, paving the way for the optimisation of product portfolio.

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

### III. FINANCIAL REVIEW

A comparison between the financial results of the Group for the Period under Review and that for the corresponding period in 2019 is set out as follows.

#### Revenue

During the Period under Review, total revenue of the Group amounted to approximately RMB8.66 billion, representing a decrease of 32.9% from approximately RMB12.90 billion for the corresponding period in 2019, and total sales volume decreased by 33.9% to 351,637 tonnes as compared with 532,275 tonnes for the corresponding period in 2019. 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 with sales amount of approximately RMB8.65 billion (the corresponding period in 2019: approximately RMB12.89 billion). Other revenue primarily comprised metal trade agency commission income amounting to approximately RMB2.54 million (the corresponding period in 2019: approximately RMB8.94 million).



## MANAGEMENT DISCUSSION AND ANALYSIS

The following 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 2019:

	2020			2019			Change		
	Revenue	Sales	Average	Revenue	Sales	Average	Revenue	Sales	Average
	RMB'000	volume	selling	RMB'000	volume	selling	%	volume	price
		price			price		%	price	
		RMB/tonne			RMB/tonne				%
<b>Aluminium extrusion business</b>	<b>5,639,699</b>	<b>155,536</b>	<b>36,260</b>	9,068,057	293,877	30,857	-37.8%	-47.1%	17.5%
Aluminium alloy formwork segment	3,763,464	86,996	N/A	4,691,693	121,526	N/A	-19.8%	-28.4%	N/A
— Sales of aluminium alloy formwork	3,297,657	86,996	37,906	4,605,879	121,526	37,900	-28.4%	-28.4%	0.0%
— Leasing of aluminium alloy formwork	465,807	N/A	N/A	85,814	N/A	N/A	442.8%	N/A	N/A
Industrial aluminium extrusion segment	1,845,756	66,718	27,665	4,370,018	172,001	25,407	-57.8%	-61.2%	8.9%
Construction aluminium extrusion segment	30,479	1,822	16,728	6,346	350	18,131	380.3%	420.6%	-7.7%
<b>Aluminium flat rolling business</b>	<b>2,557,407</b>	<b>177,100</b>	<b>14,440</b>	3,364,000	220,440	15,260	-24.0%	-19.7%	-5.4%
<b>Further fabrication business</b>	<b>455,684</b>	<b>19,001</b>	<b>23,982</b>	458,936	17,958	25,556	-0.7%	5.8%	-6.2%
<b>Others</b>	<b>2,541</b>	<b>N/A</b>	<b>N/A</b>	8,942	N/A	N/A	-71.6%	N/A	N/A
<b>Total</b>	<b>8,655,331</b>	<b>351,637</b>	<b>24,614</b>	12,899,935	532,275	24,235	-32.9%	-33.9%	1.6%

During the Period under Review, sales volume of the Group's aluminium alloy formwork was 86,996 tonnes (the corresponding period in 2019: 121,526 tonnes) with sales amount of approximately RMB3.30 billion (the corresponding period in 2019: approximately RMB4.61 billion). Average selling price was RMB37,906 per tonne (the corresponding period in 2019: RMB37,900 per tonne). During the Period under Review, the volume of leased aluminium alloy formwork was 121,446 tonnes, and revenue from the aluminium alloy formwork leasing business amounted to approximately RMB470 million, representing a significant increase of 442.8% from approximately 90 million for the corresponding period in 2019.

During the Period under Review, sales amount of the Group's industrial aluminium extrusion segment amounted to approximately RMB1.85 billion (the corresponding period in 2019: approximately RMB4.37 billion), the sales volume was 66,718 tonnes (the corresponding period in 2019: 172,001 tonnes), and the average selling price was RMB27,665 per tonne (the corresponding period in 2019: RMB25,407 per tonne).

## MANAGEMENT DISCUSSION AND ANALYSIS

During the Period under Review, the sales volume and sales revenue of the Group's aluminium extrusion business decreased as compared with those for the corresponding period last year, which was primarily due to the fact that the production and operation of upstream suppliers and downstream customers were disrupted by the epidemic in the first quarter of 2020, hindering the Group from purchasing, producing and selling as normal. The Group has resumed operation in batches and sections since February 2020, and has fully resumed its operation and production since April. With the full resumption of its operation and production and the highly effective control over the domestic epidemic, the sales volume of aluminium extrusion business of the Group significantly increased by 187.6% quarter-on-quarter to 115,000 tonnes in the second quarter, and the sales amount of which increased by 202.9% quarter-on-quarter to approximately RMB4.24 billion.

Revenue, sales volume and average selling price of the above industrial aluminium extrusion segment have eliminated the internal sales between the industrial aluminium extrusion segment and further fabrication business as well as aluminium flat rolling business, of which sales volume of raw material to further fabrication business was 20,239 tonnes (the corresponding period in 2019: 18,290 tonnes) with sales amount of approximately RMB310 million (the corresponding period in 2019: approximately RMB290 million); sales volume of high-precision aluminium raw material to the aluminium flat rolling business amounted to 53,751 tonnes (the corresponding period in 2019: 110,548 tonnes) with sales amount of approximately RMB660 million (the corresponding period in 2019: approximately RMB1.34 billion).

During the Period under Review, sales amount of the Group's aluminium flat rolling business amounted to approximately RMB2.56 billion (the corresponding period in 2019: approximately RMB3.36 billion), sales volume amounted to 177,100 tonnes (the corresponding period in 2019: 220,440 tonnes), and average selling price was RMB14,440 per tonne (the corresponding period in 2019: RMB15,260 per tonne). Due to the epidemic, the production and sales of aluminium flat rolled products in the first quarter were affected to a certain extent. With the resumption of its operation and production and the significant progress on the prevention and control of the domestic epidemic, the Group has completely returned its production and sales to normal levels in the second quarter.

During the Period under Review, revenue of the Group's further fabrication business amounted to approximately RMB460 million, which was generally in line with that for the corresponding period in 2019. The sales volume increased by 5.8% to 19,001 tonnes from 17,958 tonnes for the corresponding period in 2019, and the average selling price was RMB23,982 per tonne (the corresponding period in 2019: RMB25,556 per tonne). The Group recorded a growth in sales volume of the further fabrication business despite the impact of the epidemic.

Geographically, the Group's overseas customers mainly came from Germany, the United States of America and other countries and regions. During the Period under Review, the Group's revenue from overseas sales amounted to approximately RMB780 million (the corresponding period in 2019: approximately RMB1.41 billion), accounting for 9.1% of the Group's total revenue (the corresponding period in 2019: 10.9%).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Cost of Sales

During the Period under Review, the Group's cost of sales decreased by 27.1% to approximately RMB6.56 billion from approximately RMB8.99 billion for the corresponding period in 2019, and the unit cost of products (excluding leasing of aluminium alloy formwork and others) increased by 6.6% to RMB17,945 per tonne from RMB16,828 per tonne for the corresponding period in 2019, which was primarily due to the decrease of the Group's total production as affected by the epidemic during the Period under Review, resulting in an increase in the average unit cost of products.

### Gross Profit and Gross Margin

During the Period under Review, the Group's gross profit amounted to approximately RMB2.10 billion (the corresponding period in 2019: approximately RMB3.91 billion) and the overall gross margin amounted to 24.3% (the corresponding period in 2019: 30.3%). The decrease of the Group's overall gross margin was primarily due to the decrease of the unit selling price arising from the decrease of the market price of aluminium ingots, as well as the decrease of the overall sales volume of the Group as affected by the pandemic during the Period under Review, resulting in an increase of unit cost.

The following sets forth the breakdown by segments of gross profit, share in gross profit and gross margin of the Group for the Period under Review and the corresponding period in 2019:

	2020			2019		
	Gross profit RMB'000	Proportion %	Gross margin %	Gross profit RMB'000	Proportion %	Gross margin %
<b>Aluminium extrusion business</b>	<b>1,833,419</b>	<b>87.3%</b>	<b>32.5%</b>	3,786,412	96.9%	41.8%
Aluminium alloy formwork segment	1,557,805	74.1%	41.4%	2,163,088	55.4%	46.1%
— Sales of aluminium alloy formwork	1,337,538	63.6%	40.6%	2,110,937	54.1%	45.8%
— Leasing of aluminium alloy formwork	220,267	10.5%	47.3%	52,151	1.3%	60.8%
Industrial aluminium extrusion segment	278,431	13.3%	15.1%	1,622,588	41.5%	37.1%
Construction aluminium extrusion segment	-2,817	-0.1%	-9.2%	736	0.0%	11.6%
<b>Aluminium flat rolling business</b>	<b>238,486</b>	<b>11.4%</b>	<b>9.3%</b>	54,347	1.4%	1.6%
<b>Further fabrication business</b>	<b>25,379</b>	<b>1.2%</b>	<b>5.6%</b>	59,380	1.5%	12.9%
<b>Others</b>	<b>2,478</b>	<b>0.1%</b>	<b>N/A</b>	8,942	0.2%	N/A
<b>Total</b>	<b>2,099,762</b>	<b>100.0%</b>	<b>24.3%</b>	3,909,081	100.0%	30.3%

### Investment Income

Investment income, which mainly consists of interest income from bank deposits and gain on disposal of a subsidiary, increased to approximately RMB110 million for the Period under Review from approximately RMB83.92 million for the corresponding period in 2019.

### Other Income

Other income increased to approximately RMB240 million for the Period under Review from approximately RMB230 million for the corresponding period in 2019, which was primarily due to the increase in government subsidies during the Period under Review as compared to that for the corresponding period in 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Selling and Distribution Costs

Selling and distribution costs increased to approximately RMB210 million for the Period under Review from approximately RMB190 million for the corresponding period in 2019, which was primarily due to an increase in transportation costs as a result of an increase in the scale of the Group's leasing business of aluminium alloy formwork during the Period under Review as compared with that for the corresponding period in 2019.

### Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise R&D expenditures, wages, salaries and benefit expenses, depreciation charges of office equipment, depreciation of right-of-use assets, financing commission fees, land use taxes, business entertainment expenses and intermediary fees. Administrative and other operating expenses decreased to approximately RMB1.00 billion for the Period under Review from approximately RMB1.56 billion for the corresponding period in 2019, which was primarily due to a decrease in R&D expenses of the Group for the Period under Review as compared with those for the corresponding period in 2019.

### Share of Profits less Losses of Associates

The Group's share of profits less losses of associates for the Period under Review was approximately RMB31.32 million (the corresponding period in 2019: approximately RMB73.14 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 RMB700 million for the Period under Review from approximately RMB680 million for the corresponding period in 2019. Such increase was primarily due to an increase in the Group's average interest rate of borrowings for the Period under Review as compared to that for the corresponding period in 2019.

During the Period under Review, the Group's capitalised interest expenses amounted to approximately RMB270 million (the corresponding period in 2019: approximately RMB230 million).

During the Period under Review and the corresponding period in 2019, the Group's interest-bearing loans carried average interest rates of 5.32% and 4.68% per annum, respectively. During the Period under Review, there were no debentures (the corresponding period in 2019: the debentures carried interest rates ranging from 3.75% to 4.05% per annum).

### Profit before Taxation

The Group's profit before taxation decreased to approximately RMB580 million for the Period under Review from approximately RMB1.88 billion for the corresponding period in 2019.

### Income Tax

The Group's income tax decreased to approximately RMB49.05 million for the Period under Review from approximately RMB410 million for the corresponding period in 2019.

The Group's effective tax rates for the Period under Review and the corresponding period in 2019 were 8.5% and 21.9%, respectively. The lower effective tax rates for the Period under Review was primarily due to the increase in the deferred income tax assets recognised for the Period under Review arising from the loss of some operating entities of the Group and the increase in the deferred income tax assets recognised from the Group's unrealised inter-segment transaction.

### Profit for the Period

The Group's profit for the period decreased to approximately RMB530 million for the Period under Review from approximately RMB1.47 billion for the corresponding period in 2019. The Group's net profit margin decreased to 6.1% for the Period under Review from 11.4% for the corresponding period in 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Cash Flows

The following sets forth the Group's cash flows for the Period under Review and the corresponding period in 2019:

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Net cash used in operating activities	<b>(3,963,260)</b>	(809,309)
Net cash generated from/(used in) investing activities	<b>3,224,417</b>	(4,663,682)
Net cash used in financing activities	<b>(22,270)</b>	(1,851,657)

### Net Current Assets

As at 30 June 2020, the Group's net current assets amounted to approximately RMB140 million, which was approximately RMB1.58 billion lower than net current assets of approximately RMB1.72 billion as at 31 December 2019. The decrease was primarily due to the fact that the increase in current liabilities was greater than the increase in current assets.

- (i) As at 30 June 2020, the Group's current assets amounted to approximately RMB42.37 billion, representing an increase of approximately RMB3.58 billion over approximately RMB38.79 billion as at 31 December 2019. The increase was primarily due to the increase in other receivables; and
- (ii) As at 30 June 2020, the Group's current liabilities amounted to approximately RMB42.23 billion, representing an increase of approximately RMB5.16 billion over approximately RMB37.07 billion as at 31 December 2019. The increase was primarily due to the increase of short-term bank and other loans.

### Liquidity

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB150 million (31 December 2019: approximately RMB920 million), and the short-term deposit amounted to approximately RMB100 million (31 December 2019: approximately RMB100 million). While the balance of pledged bank deposits under current assets amounted to approximately RMB2.61 billion (31 December 2019: approximately RMB2.45 billion).

### Borrowings

As at 30 June 2020, the Group's debentures and loans under current liabilities amounted to approximately RMB18.91 billion (31 December 2019: approximately RMB15.50 billion) and debentures and loans under non-current liabilities amounted to approximately RMB49.10 billion (31 December 2019: approximately RMB49.29 billion).

As at 30 June 2020 and 31 December 2019, the Group's gearing ratio was approximately 72.2% and 70.9% respectively. The ratio is calculated by dividing total liabilities by total assets of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Pledged Assets

As at 30 June 2020, the Group's assets with a carrying amount of approximately RMB7.06 billion (31 December 2019: approximately RMB7.70 billion) were pledged, including pledged bank deposits, property, plant and equipment and right-of-use assets, for financing arrangements.

### Contingent Liabilities

As at 30 June 2020 and 31 December 2019, the Group had no material contingent liabilities.

### Employees

As at 30 June 2020, the Group had 41,646 full-time employees responsible for production, R&D, sales and management, representing a decrease of 10.1% from 46,334 employees as at 31 December 2019. During the Period under Review, relevant staff costs (including Directors' remuneration) amounted to approximately RMB1.85 billion (including share option expenses of approximately RMB6.64 million), representing a decrease of 21.9% as compared with approximately RMB2.37 billion (including share option expenses of approximately RMB15.66 million) for the corresponding period in 2019. The decrease of the Group's staff costs was primarily due to the decrease in the number of employees as a result of the disposal of the subsidiary Yingkou Zhongwang Aluminium Material Co., Ltd.\* (營口忠旺鋁材料有限公司) ("Zhongwang Aluminium Material") during the Period under Review.

### Research and Development

Continuous investment in R&D has helped the Group to establish a high-level R&D and technical team. As at 30 June 2020, the Group had 3,872 R&D and quality control personnels, which accounted for 9.3% 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 built 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

As at 30 June 2020, the Group's capital expenditures in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements amounted to approximately RMB16.30 billion, which was primarily used for the construction of infrastructure used in the Group's growth projects such as high-end aluminium flat rolling project, and for the 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 these expenditures.

### Proposed Spin-off

On 20 March 2020, 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), together with National Civil-Military Integration Industry Investment Fund Co., Ltd.\* (國家軍民融合產業投資基金有限責任公司) ("the Fund"), entered into an asset 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), pursuant to which, among other things, (i) Zhongwang Fabrication has agreed to sell and CRED Holding has agreed to purchase the 96.55% equity interests in Liaoning Zhongwang held by Zhongwang Fabrication at a consideration of RMB29,448,275,862; and (ii) CRED Holding has agreed to sell and Zhongwang Fabrication has agreed to purchase the 100% equity interests in Xinjiang CRED Holding Company Limited\* (新疆中房置業有限公司) held by CRED Holding at a consideration of RMB200 million and both considerations will be offset against each other and the balance of RMB29,248,275,862 will be satisfied by the issuance of 4,748,096,730 shares by CRED Holding to Zhongwang Fabrication at a unit price of RMB6.16 (the "Issue Price per Consideration Share"), representing 86.36% equity interests in CRED Holding as enlarged by the issuance of the consideration shares.

## MANAGEMENT DISCUSSION AND ANALYSIS

As part of the Asset Transfer Agreement, the Fund, which is an independent minority shareholder of Liaoning Zhongwang, has agreed to sell and CRED Holding has agreed to purchase the 3.45% equity interests in Liaoning Zhongwang held by the Fund at a consideration of RMB1,051,724,138, the consideration of which will be satisfied by the issuance of 170,734,437 shares by CRED Holding to the Fund at the same issue price as the Issue Price per Consideration Share, representing 3.11% equity interests in CRED Holding as enlarged by the issuance of the consideration shares.

For details of the transactions, please refer to our relevant announcement dated 20 March 2020. The assets transfer agreement was approved at the shareholders' meeting of CRED Holding held on 22 April 2020.

On 29 April 2020, CRED Holding received the Acceptance Notice of the Application for Administrative Permission from the CSRC (《中國證監會行政許可申請受理單》) (Acceptance Notice No: 200859). The CSRC has reviewed the application materials submitted by CRED Holding for administrative permission in relation to the material asset restructuring and decided to accept such application.

The Company had submitted a spin-off proposal in relation to the proposed spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and, on 14 August 2020, the Company received confirmation from the Stock Exchange that it may proceed with the proposed spin-off.

### 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 and the operations of overseas subsidiaries of the Group are settled in foreign currencies. During the Period under Review, approximately 90.9% of the Group's revenue was settled in Renminbi and approximately 9.1% was settled in foreign currencies.

97.0% of the Group's borrowings were settled in Renminbi and approximately 3.0% were settled in foreign currencies as at 30 June 2020.

Exchange rate fluctuations will affect contractual sales revenue denominated in foreign currencies and 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 transaction. The Group did not hedge against foreign currency risk by using any financial instruments. However, the management of the Group has been monitoring the exchange rate risk, and will consider hedging against major foreign currency risk when required.

#### Interest Rate Risk

As the Group does not have any significant interest-bearing assets, most of the Group's revenue and operating cash flow are not affected by interest rate changes in the market. Interest rate change risk borne by the Group is primarily derived from debentures and loans. The Group has to face the cash-flow interest rate risk on floating-rate loans and fair value interest rate risk on fixed-rate loans. As at 30 June 2020, the Group's fixed-rate loans were approximately RMB23.85 billion (31 December 2019: approximately RMB10.92 billion).

#### Price Fluctuation Risk of Aluminium Ingot

The Group's principal raw materials in the fabricated aluminium products 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 prices 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 or taken other measures 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 2020, 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 2020

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 <sup>(1)</sup>	0.77
Ma Qingmei	Beneficial owner/Long position	3,800,000 <sup>(1)</sup>	0.07
Chen Yan	Beneficial owner/Long position	42,000,000 <sup>(1)</sup>	0.77
Wei Qiang	Beneficial owner/Long position	4,800,000 <sup>(1)</sup>	0.09
Lin Jun	Beneficial owner/Long position	3,800,000 <sup>(1)</sup>	0.07
Lo Wa Kei, Roy	Beneficial owner/Long position	1,600,000 <sup>(1)</sup>	0.03
Shi Ketong	Beneficial owner/Long position	1,600,000 <sup>(1)</sup>	0.03
Wong Chun Wa	Beneficial owner/Long position	1,600,000 <sup>(1)</sup>	0.03
Wen Xianjun	Beneficial owner/Long position	600,000 <sup>(1)</sup>	0.01

(1) Mr. Lu, Ms. Ma Qingmei, Mr. Chen Yan, Mr. Wei Qiang, Mr. Lin Jun, 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.

Save as disclosed above, as at 30 June 2020, 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.



## DISCLOSURE OF INTERESTS

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed herein, at no time during the six months ended 30 June 2020 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 2020, 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 2020, 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 2020

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 <sup>(1)</sup>	4,041,500,000	74.16
TMF (Cayman) Ltd.	Trustee/Long position <sup>(2)</sup>	4,041,500,000	74.16
Prime Famous Management Limited	Interest of controlled corporation/Long position <sup>(3)</sup>	4,041,500,000	74.16
Radiant Day Holdings Limited	Interest of controlled corporation/Long position <sup>(3)</sup>	4,041,500,000	74.16
Zhongwang International Group Limited ("ZIGL")	Beneficial owner/Long position <sup>(1)</sup>	4,041,500,000	74.16

## DISCLOSURE OF INTERESTS

**Long positions in the underlying ordinary shares of the convertible preference shares of the Company at 30 June 2020**

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

(1) The entire issued share capital of ZIGL is held by a trust company, the beneficiaries of which are family members 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 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 2020, 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).

## DISCLOSURE OF INTERESTS

Movements of the options granted under the 2008 Share Option Scheme during the six months ended 30 June 2020 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 2020	Number of underlying ordinary shares comprised in the options granted during the six months ended 30 June 2020	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the six months ended 30 June 2020	Number of underlying ordinary shares comprised in the options exercised during the six months ended 30 June 2020	Number of underlying ordinary shares comprised in the options outstanding at 30 June 2020
Directors								
Mr. Lu	22 March 2011	21 March 2021	3.9	2,000,000	-	-	-	2,000,000 <sup>(1)</sup>
	6 January 2016	5 January 2026	3.93	40,000,000	-	-	-	40,000,000 <sup>(2)</sup>
Ma Qingmei	6 January 2016	5 January 2026	3.93	3,800,000	-	-	-	3,800,000 <sup>(2)</sup>
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	-	-	-	2,000,000 <sup>(1)</sup>
	6 January 2016	5 January 2026	3.93	40,000,000	-	-	-	40,000,000 <sup>(2)</sup>
Lin Jun	6 January 2016	5 January 2026	3.93	3,800,000	-	-	-	3,800,000 <sup>(2)</sup>
Wei Qiang	22 March 2011	21 March 2021	3.9	1,000,000	-	-	-	1,000,000 <sup>(1)</sup>
	6 January 2016	5 January 2026	3.93	3,800,000	-	-	-	3,800,000 <sup>(2)</sup>
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	-	-	-	600,000 <sup>(1)</sup>
	6 January 2016	5 January 2026	3.93	1,000,000	-	-	-	1,000,000 <sup>(2)</sup>
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	-	-	-	600,000 <sup>(1)</sup>
	6 January 2016	5 January 2026	3.93	1,000,000	-	-	-	1,000,000 <sup>(2)</sup>
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	-	-	-	600,000 <sup>(1)</sup>
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	-	-	-	600,000 <sup>(1)</sup>
	6 January 2016	5 January 2026	3.93	1,000,000	-	-	-	1,000,000 <sup>(2)</sup>
Other Past and Present Employees	22 March 2011	21 March 2021	3.9	22,000,000	-	-	-	22,000,000 <sup>(1)</sup>
Other Past and Present Employees	6 January 2016	5 January 2026	3.93	259,100,000	-	-	-	259,100,000 <sup>(2)</sup>
Total				382,900,000	-	-	-	382,900,000

(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 four tranches were vested on 6 January 2017, 6 January 2018, 6 January 2019 and 6 January 2020, respectively and the rest will be vested on 6 January 2021. Each tranche is exercisable from the date of vesting up to 5 January 2026.

## DISCLOSURE OF INTERESTS

Save as disclosed above, during the six months ended 30 June 2020, no option was granted by the Company under the 2008 Share Option Scheme, and none of the share options under the 2008 Share Option Scheme had been exercised, cancelled nor lapsed.

Further particulars of the 2008 Share Option Scheme mentioned above are set out in Note 29 to the Unaudited Condensed Consolidated Financial Statements on pages 63 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.

### 2018 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.

## DISCLOSURE OF INTERESTS

As at the date of this interim report, the total number of shares available for issue under the 2018 Share Option Scheme is 544,947,314 shares, representing approximately 10% of the number of ordinary shares in issue, and approximately 7.71% of the aggregate number of ordinary shares and convertible preference shares in issue. The total number of ordinary shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Schemes adopted by the Company in any twelve-month period must not exceed 1% of the ordinary shares in issue. Any further grant of options which would result in the number of ordinary shares exceeding 1% requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

The 2018 Share Option Scheme is valid and effective for a period of ten years commencing on 25 May 2018 (being the date of adoption of the 2018 Share Option Scheme).

During the period between 25 May 2018 (the date on which the 2018 Share Option Scheme was adopted) and 30 June 2020, no option was granted by the Company under the 2018 Share Option Scheme.

Details of valuation of the options are set out in Note 29 to the Unaudited Condensed Consolidated Financial Statements on pages 63 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 2020.

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 2020, the outstanding amount owed by Tianjin Zhongwang under the 2015 Facility Agreement was approximately RMB8.99 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 2020, the net proceeds were 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.



## DISCLOSURE OF INTERESTS

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:

Name of Shareholder	As at 30 June 2020		Upon full conversion of the convertible preference shares	
	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 to 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 2020, save 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 2020 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.

Under paragraph A.5.5 (2) of Appendix 14 to the Listing Rules, where a listed issuer proposes to elect an individual as an independent non-executive director at a general meeting and the individual will be holding his seventh (or more) listed company directorship, it must explain why the board believes the individual would still be able to devote sufficient time to the board in the relevant shareholder circular and/or explanatory statement accompanying the meeting notice. Pursuant to the Articles of Association of the Company, Mr. Lo Wa Kei, Roy ("Mr. Lo") has retired by rotation from the Board at the annual general meeting of the Company dated 29 May 2020 (the "AGM") and offered himself for re-election. The re-election of Mr. Lo has been considered and approved on the AGM. The reason why the Board believed Mr. Lo would still be able to devote sufficient time to the Board despite his directorship in seven listed companies or more was not disclosed in the circular for the AGM. The Company did not make the disclosure required under the Appendix 14 to the Listing Rules mainly because at the Company's AGM, Mr. Lo was purely subject to re-election due to a technical mechanism of retirement by rotation provided under the Articles of Association of the Company and the Companies Law of the Cayman Islands, rather than being elected as a new independent non-executive director of the Company. The Board is of the view that Mr. Lo is experienced in matters of Hong Kong listed companies and familiar with the Listing Rules and other laws and regulations in Hong Kong, has maintained his profession in various directorship of listed companies he served and has devoted sufficient time in the Company's matter in the past, so his time committed for his Director's duties would not be affected.

## Compliance with the Model Code by Directors

The Company has adopted the Model Code set out in Appendix 10 to 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 2020.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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 2020, 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 2019 and the unaudited interim results for the six months ended 30 June 2020, 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### (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 2020.

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, provided solutions and monitored 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 2020, 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2020, 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

#### Disposal of 100% Equity Interests in Zhongwang Aluminium Material

On 26 February 2020, Liaoning Zhongwang Aluminium Co., Ltd.\* (遼寧忠旺鋁業有限公司) ("Zhongwang Aluminium") and Yidian Holding Group (Luoyang) Nonferrous Metals Co., Ltd.\* (伊電控股集團(洛陽)有色金屬有限公司) ("Yidian Luoyang") entered into a share transfer agreement, pursuant to which Zhongwang Aluminium agreed to sell, and Yidian Luoyang agreed to purchase the 100% equity interests in Zhongwang Aluminium Material at the consideration of RMB4,600,000,000. Upon completion, the Company will cease to hold any equity interests in Zhongwang Aluminium Material, and the financial results of Zhongwang Aluminium Material would no longer be consolidated in the consolidated financial statements of the Group. As at the date of this interim report, the transaction has been completed.

### Interim Dividend

The Board does not recommend to declare the interim dividend for the six-month period ended 30 June 2020.

### Directors' Profile Updates

Mr. Lo Wa Kei, Roy, an independent non-executive Director, retired from office as an independent non-executive director of Sheen Tai Holdings Group Company Limited (stock code: 01335), a company listed on the Stock Exchange, with effect from 29 May 2020. The updated biographies of Mr. Lo Wa Kei, Roy are available on the website of the Company.

Save as disclosed above, during the six months ended 30 June 2020 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 2020  
(Expressed in Renminbi ("RMB"))

	Notes	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	5	<b>8,655,331</b>	12,899,935
Cost of sales		<b>(6,555,569)</b>	(8,990,854)
Gross profit		<b>2,099,762</b>	3,909,081
Investment income		<b>110,334</b>	83,915
Other income	6	<b>242,950</b>	234,631
Selling and distribution costs		<b>(208,581)</b>	(187,134)
Administrative and other operating expenses		<b>(1,003,909)</b>	(1,557,214)
Share of profits less losses of associates		<b>31,320</b>	73,137
Finance costs	7	<b>(695,860)</b>	(680,748)
Profit before taxation	8	<b>576,016</b>	1,875,668
Income tax	9	<b>(49,048)</b>	(410,560)
Profit for the period		<b>526,968</b>	1,465,108
Profit attributable to:			
Equity shareholders of the Company		<b>492,962</b>	1,385,394
Non-controlling interests		<b>(11,209)</b>	(3,331)
Holders of perpetual capital instruments	30	<b>45,215</b>	83,045
<b>Profit for the period</b>		<b>526,968</b>	1,465,108
<b>Other comprehensive income for the period, net of tax</b>			
Items that may be reclassified subsequently to the statement of profit or loss:			
Exchange differences arising on translation of financial statements		<b>7,659</b>	(5,107)
Other comprehensive income for the period		<b>7,659</b>	(5,107)
Total consolidated comprehensive income for the period		<b>534,627</b>	1,460,001
<b>Total consolidated comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>498,334</b>	1,380,953
Non-controlling interests		<b>(8,922)</b>	(3,997)
Holders of perpetual capital instruments	30	<b>45,215</b>	83,045
Total consolidated comprehensive income for the period		<b>534,627</b>	1,460,001
Earnings per share			
Basic (RMB)	10	<b>0.07</b>	0.20
Diluted (RMB)	10	<b>0.07</b>	0.20

The notes on pages 40 to 68 form part of the unaudited condensed consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 26(a).

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020  
(Expressed in RMB)

	Notes	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>66,054,974</b>	65,273,178
Right-of-use assets	12	<b>7,418,660</b>	6,967,388
Investment properties	13	<b>686,989</b>	–
Goodwill		<b>379,000</b>	379,000
Other intangible assets		<b>275,372</b>	274,665
Interests in associates		<b>3,865,292</b>	3,833,972
Deposits for acquisition of non-current assets	14	<b>4,318,552</b>	4,840,312
Deferred tax assets		<b>680,980</b>	506,925
Other non-current assets		<b>1,812,967</b>	2,456,272
		<b>85,492,786</b>	84,531,712
<b>Current assets</b>			
Inventories	15	<b>8,941,066</b>	9,694,949
Trade and bills receivables	16	<b>11,258,603</b>	12,130,982
Other receivables	17	<b>19,132,612</b>	8,725,838
Right-of-use assets	12	<b>170,051</b>	156,374
Pledged bank deposits	18	<b>2,610,506</b>	2,452,932
Short-term deposits	19	<b>101,000</b>	101,000
Cash and cash equivalents	19	<b>154,753</b>	915,866
		<b>42,368,591</b>	34,177,941
Assets classified as held for sale		–	4,613,891
		<b>42,368,591</b>	38,791,832

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020  
(Expressed in RMB)

	Notes	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
<b>Current liabilities</b>			
Trade payables	20	<b>5,050,852</b>	3,100,688
Bills payables	21	<b>7,432,760</b>	6,219,200
Other payables	22	<b>9,978,349</b>	10,846,382
Contract liabilities	23	<b>241,708</b>	371,557
Lease liabilities	24	<b>342,723</b>	346,121
Current tax liabilities		<b>273,404</b>	141,266
Bank and other loans	25(a)	<b>18,906,497</b>	15,495,075
		<b>42,226,293</b>	36,520,289
Liabilities classified as held for sale		–	553,452
		<b>42,226,293</b>	37,073,741
<b>Net current assets</b>			
		<b>142,298</b>	1,718,091
<b>Total assets less current liabilities</b>			
		<b>85,635,084</b>	86,249,803
<b>Non-current liabilities</b>			
Bank and other loans	25(b)	<b>49,101,637</b>	49,295,542
Lease liabilities	24	<b>2,518</b>	116,236
Deferred tax liabilities		<b>945,839</b>	949,071
		<b>50,049,994</b>	50,360,849
<b>NET ASSETS</b>			
		<b>35,585,090</b>	35,888,954
<b>Capital and reserves</b>			
Share capital	26(b)	<b>605,397</b>	605,397
Reserves	26(c)	<b>34,404,754</b>	33,899,776
Equity attributable to equity shareholders of the Company		<b>35,010,151</b>	34,505,173
Non-controlling interests		<b>174,939</b>	183,781
Perpetual capital instruments	30	<b>400,000</b>	1,200,000
<b>TOTAL EQUITY</b>			
		<b>35,585,090</b>	35,888,954

The notes on pages 40 to 68 form part of the unaudited condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020  
(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	-	-	-	-	-	-	-	-	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 and 1 July 2019 (unaudited)	605,397	5,308,405	(2,992,978)	635,898	5,381,132	2,382,753	410,944	(57,734)	21,836,045	33,509,862	3,194,000	199,489	36,903,351
Profit for the period	-	-	-	-	-	-	-	-	1,636,620	1,636,620	69,716	6,844	1,713,180
Other comprehensive income for the period	-	-	-	-	-	-	-	(11,008)	-	(11,008)	-	156	(10,852)
Total comprehensive income for the period	-	-	-	-	-	-	-	(11,008)	1,636,620	1,625,612	69,716	7,000	1,702,328
Interim dividends for the year 2019	-	(636,034)	-	-	-	-	-	-	-	(636,034)	-	-	(636,034)
Recognition of share-based payment	-	-	-	-	-	-	11,733	-	-	11,733	-	-	11,733
Appropriations	-	-	-	-	1,111,235	-	-	-	(1,111,235)	-	-	-	-
Dividends paid to a non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(22,708)	(22,708)
Repayment of perpetual capital instruments	-	(6,000)	-	-	-	-	-	-	-	(6,000)	(1,994,000)	-	(2,000,000)
Distribution for perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	(69,716)	-	(69,716)
	-	(642,034)	-	-	1,111,235	-	11,733	-	(1,111,235)	(630,301)	(2,063,716)	(22,708)	(2,716,725)
At 31 December 2019	605,397	4,666,371	(2,992,978)	635,898	6,492,367	2,382,753	422,677	(68,742)	22,361,430	34,505,173	1,200,000	183,781	35,888,954

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020  
(Expressed in RMB)

	Attributable to equity shareholders of the Company												Total equity RMB'000
	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	
At 1 January 2020	605,397	4,666,371	(2,992,978)	635,898	6,492,367	2,382,753	422,677	(68,742)	22,361,430	34,505,173	1,200,000	183,781	35,888,954
Profit for the period	-	-	-	-	-	-	-	-	492,962	492,962	45,215	(11,209)	526,968
Other comprehensive income for the period	-	-	-	-	-	-	-	5,372	-	5,372	-	2,287	7,659
Total comprehensive income for the period	-	-	-	-	-	-	-	5,372	492,962	498,334	45,215	(8,922)	534,627
Disposal of a non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	80	80
Recognition of share-based payment	-	-	-	-	-	-	6,644	-	-	6,644	-	-	6,644
Repayment of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	(800,000)	-	(800,000)
Distribution for perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	(45,215)	-	(45,215)
	-	-	-	-	-	-	6,644	-	-	6,644	(845,215)	80	(838,491)
At 30 June 2020 (unaudited)	605,397	4,666,371	(2,992,978)	635,898	6,492,367	2,382,753	429,321	(63,370)	22,854,392	35,010,151	400,000	174,939	35,585,090

The notes on pages 40 to 68 form part of the unaudited condensed consolidated financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020  
(Expressed in RMB)

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB'000</b> <b>(unaudited)</b>	2019 RMB'000 (unaudited)
Net cash used in operating activities	<b>(3,963,260)</b>	(809,309)
Net cash generated from/(used in) investing activities	<b>3,224,417</b>	(4,663,682)
Net cash used in financing activities	<b>(22,270)</b>	(1,851,657)
Net decrease in cash and cash equivalents	<b>(761,113)</b>	(7,324,648)
Cash and cash equivalents at the beginning of the period	<b>915,866</b>	15,048,969
Cash and cash equivalents at the end of the period	<b>154,753</b>	7,724,321

The notes on pages 40 to 68 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 address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The addresses of its principle place of business are No. 299, Wensheng Road, Liaoyang City, Liaoning 111003, China and 39/F, Zhongwang Tower, Yuan’an Road, Chaoyang District, Beijing 100102, China. The Group, comprising the Company and its subsidiaries, is principally engaged in 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 authorized for issue on 28 August 2020. They are unaudited.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020. Details of any changes in accounting policies are set out in note 3. The adoption of the new and revised International Financial Reporting Standards (“IFRSs”) has no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised IFRSs that have been issued but not yet effective in the current accounting period.

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 certain 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 2019 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 IFRSs and should be read in conjunction with the 2019 consolidated financial statements.

The financial information relating to the financial year ended 31 December 2019 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 2019 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2020.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 3. Changes in Accounting Policies

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

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 16: COVID-19 Related Rent Concessions
- Conceptual Framework for Financial Reporting (Revised)

The new or amended IFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

### **Amendments to IFRS 3: Definition of a Business**

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added to the amendments that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

### **Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform**

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

### **Amendments to IAS 1 and IAS 8: Definition of Material**

The amendments clarify the definition and explanation of "material", aligning the definition across all IFRSs and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 3. Changes in Accounting Policies (Continued)

### Amendments to IFRS 16: COVID-19 Related Rent Concessions

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Group, occurred from January 2020 to February 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

### Conceptual Framework for Financial Reporting (Revised)

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 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's reportable 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:

### Revenue from contracts with customer within the scope of IFRS 15

- aluminium alloy formworks ("Aluminium Alloy Formwork");
- aluminium extrusion products for industrial markets ("Industrial");
- aluminium further-fabricated products ("Further-fabricated");
- aluminium extrusion products for construction markets ("Construction");
- aluminium flat-rolled products ("Flat-rolled"); and

### Revenue from other source

- leasing of aluminium alloy formworks ("Leasing").



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 4. Segment Reporting (Continued)

The following is an analysis of the Group's revenue (including disaggregation of revenue by timing of revenue recognition) and results by reportable and operating segment:

	<b>Segment revenue</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Aluminium Alloy Formwork	<b>3,297,657</b>	4,605,879
Industrial		
— Revenue from external customers	<b>1,845,756</b>	4,370,018
— Inter-segment revenue	<b>967,270</b>	1,624,714
Construction	<b>30,479</b>	6,346
Flat-rolled		
— Revenue from external customers	<b>2,557,407</b>	3,364,000
— Inter-segment revenue	<b>32,723</b>	—
Further-fabricated	<b>455,684</b>	458,936
Leasing	<b>465,807</b>	85,814
Others	<b>2,541</b>	8,942
	<b>9,655,324</b>	14,524,649
Elimination of inter-segment revenue	<b>(999,993)</b>	(1,624,714)
<b>Total</b>	<b>8,655,331</b>	12,899,935
Timing of revenue recognition:		
Point in time	<b>7,733,840</b>	12,355,185
Over time	<b>921,491</b>	544,750
<b>Total</b>	<b>8,655,331</b>	12,899,935

Inter-segment transactions are priced with reference to prices charged to external parties for similar order.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 4. Segment Reporting (Continued)

	<b>Segment results</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Aluminium Alloy Formwork	<b>1,337,538</b>	2,110,937
Industrial	<b>256,303</b>	1,605,528
Construction	<b>(2,817)</b>	736
Flat-rolled	<b>240,700</b>	59,910
Further-fabricated	<b>25,379</b>	65,600
Leasing	<b>220,267</b>	52,151
Others	<b>2,478</b>	8,942
	<b>2,079,848</b>	3,903,804
Elimination of unrealised inter-segment loss	<b>19,914</b>	5,277
Total	<b>2,099,762</b>	3,909,081
Investment income and other income	<b>353,284</b>	318,546
Selling and distribution costs	<b>(208,581)</b>	(187,134)
Administrative and other operating expenses	<b>(1,003,909)</b>	(1,557,214)
Share of profits less losses of associates	<b>31,320</b>	73,137
Finance costs	<b>(695,860)</b>	(680,748)
Profit before taxation	<b>576,016</b>	1,875,668
Income tax	<b>(49,048)</b>	(410,560)
Profit for the period	<b>526,968</b>	1,465,108

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 4. Segment Reporting (Continued)

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
People's Republic of China("PRC")	7,871,916	11,493,617
Germany	132,003	280,468
United States of America	113,415	301,382
Others	537,997	824,468
	<b>8,655,331</b>	12,899,935

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 and leased to customers and metal trade agency commission. The amount of each significant category of revenue recognised during the reporting period is as follows:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Sales of aluminium products		
— aluminium alloy formwork	3,297,657	4,605,879
— industrial aluminium extruded products	1,845,756	4,370,018
— construction products	30,479	6,346
— aluminium flat-rolled products	2,557,407	3,364,000
— further-fabricated products	455,684	458,936
Leasing	465,807	85,814
Metal trade agency commission	2,541	8,942
	<b>8,655,331</b>	12,899,935

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 5. Revenue (Continued)

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

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
Trade and bills receivables	<b>11,258,603</b>	12,130,982
Contract liabilities (Note)	<b>241,708</b>	371,557

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

As at 30 June 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB241,708,000. This amount represents revenue expected to be recognised in the future from not yet completed sales contracts. The Group will recognise the expected revenue in future when or as the transaction is completed, which is expected to occur within the next 12 months.

The Group has applied the practical expedient to its sales contracts for aluminium products and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for aluminium products that had an original expected duration of one year or less.

## 6. Other Income

	<b>Six months ended 30 June</b>	
	<b>2020 RMB'000 (unaudited)</b>	2019 RMB'000 (unaudited)
Government subsidies (Note)	<b>162,240</b>	109,542
Gain on sales of scrap materials, consumables, dies and carbon products	<b>46,727</b>	52,156
Exchange gain	<b>11,386</b>	4,036
Profit of sales of equipment	<b>30,930</b>	65,081
(Loss)/Gain on disposal of property, plant and equipment	<b>(10,395)</b>	3,139
Others	<b>2,062</b>	677
	<b>242,950</b>	234,631

Note: The amounts mainly represent subsidies received from the local Finance Bureau and other government departments as incentive payments for the Group's 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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interests on lease liabilities	7,814	350
Interests on bank loans and other borrowings	953,504	912,642
Less: Amount capitalised*	(265,458)	(232,244)
	<b>695,860</b>	680,748

\* Borrowing interests have been capitalised at an average interest rate of 5.05% per annum (six months ended 30 June 2019: 4.42%).

### 8. Profit before Taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Staff costs (including directors' emoluments):		
— Salaries and other benefits	1,770,390	2,209,299
— Contributions to defined contribution retirement plan	74,552	146,226
— Equity-settled share-based payment expenses	6,644	15,664
Total employee benefit expenses	<b>1,851,586</b>	2,371,189
Cost of inventories recognised as an expense	<b>6,555,569</b>	8,990,854
Depreciation of property, plant and equipment	<b>988,869</b>	788,613
Depreciation of investment properties	<b>12,218</b>	—
Amortisation of other intangible assets	<b>2,393</b>	423
Depreciation of right-of-use assets	<b>218,920</b>	79,322
Expected credit loss on financial assets	<b>62,087</b>	117,945
Interests on lease liabilities	<b>7,814</b>	350
Short-term leases expense and property management fee	<b>12,864</b>	4,042
Research and development costs	<b>229,681</b>	714,918

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 9. Income Tax

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Current tax		
— Provision for the period (Note)	<b>228,624</b>	779,655
— Over-provision in respect of prior years	<b>(2,289)</b>	(26,617)
	<b>226,335</b>	753,038
Deferred taxation	<b>(177,287)</b>	(342,478)
Total income tax	<b>49,048</b>	410,560

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) Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang"), Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited, Yingkou Zhongwang Aluminium Company Limited, Tianjin Zhongwang and Zhongwang (Liaoyang) Aluminium Formwork Manufacturing Company Limited were recognised as a High and New Technology Enterprise by government, and are to be re-assessed every three years. Qualified HNTe enjoys a preferential tax rate at the enterprise 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 2020 and 2019 and on the number of shares as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Profit attributable to equity shareholders of the Company	<b>492,962</b>	1,385,394



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 10. Earnings per Share (Continued)

	Six months ended 30 June	
	2020 '000 (unaudited)	2019 '000 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>5,449,473</b>	5,449,473
Weighted average number of convertible preference shares for the purposes of basic earnings per share	<b>1,619,125</b>	1,619,125
Weighted average number of shares for the purposes of basic earnings per share	<b>7,068,598</b>	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	<b>7,068,598</b>	7,071,563
<b>Earnings per share</b>		
Basic (RMB)	<b>0.07</b>	0.20
Diluted (RMB)	<b>0.07</b>	0.20

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of share options for the six months ended 30 June 2020 is higher than the average market price.

### 11. Property, Plant and Equipment

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of approximately RMB2,483,462,000 (six months ended 30 June 2019: RMB5,316,502,000). Items of property, plant and equipment with a net book value of approximately RMB17,678,000 were disposed during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB1,656,000), resulting in a net loss on disposal of approximately RMB10,395,000 (six months ended 30 June 2019: a net gain on disposal of RMB3,139,000).

At 30 June 2020, the Group's property, plant and equipment with a carrying amount of approximately RMB5,754,280,000 (31 December 2019: RMB6,276,588,000) were used to secure the Group's borrowings (Note 25(b)).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 12. Right-of-use Asset

The right-of-use assets are interests in leasehold land and building held for own use under operating leases. During the six months ended 30 June 2020, the Group acquired items of right-of-use asset with a cost of approximately RMB683,869,000 (six months ended 30 June 2019: RMB576,350,000).

As at 30 June 2020, the Group has right-of-use assets from a company controlled by the owner of the ultimate holding company. Please refer to Note 24 for details.

As at 30 June 2020, certain of the land use rights with a carrying amount of approximately RMB1,301,750,000 (31 December 2019: RMB1,317,280,000) were used to secure the Group's borrowings (Please refer to Note 25(b) for details).

## 13. Investment Properties

During the six months ended 30 June 2020, the Group acquired items of investment properties with a cost of approximately RMB818,322,000 (six months ended 30 June 2019: Nil).

## 14. Deposits for Acquisition of Non-current Assets

	<b>At 30 June 2020 RMB'000 (unaudited)</b>	At 31 December 2019 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment	<b>3,816,640</b>	3,747,198
Deposits for acquisition of payments for leasehold land held for own use under operating leases	<b>501,912</b>	1,093,114
	<b>4,318,552</b>	4,840,312

## 15. Inventories

	<b>At 30 June 2020 RMB'000 (unaudited)</b>	At 31 December 2019 RMB'000 (audited)
Raw materials	<b>1,657,264</b>	3,434,968
Work-in-progress	<b>4,942,119</b>	4,478,889
Finished goods	<b>2,341,683</b>	1,781,092
	<b>8,941,066</b>	9,694,949

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 16. Trade and Bills Receivables

	<b>At 30 June 2020 RMB'000 (unaudited)</b>	At 31 December 2019 RMB'000 (audited)
Trade and bills receivables	<b>11,581,416</b>	12,410,035
Less: Loss allowance	<b>(322,813)</b>	(279,053)
	<b>11,258,603</b>	12,130,982

For the six months ended 30 June 2020, the Group allows an average credit period of 90 to 180 days (six months ended 30 June 2019: 90 to 180 days) for domestic sales and an average credit period of 180 days (six months ended 30 June 2019: 180 days) for overseas sales. At the end of each reporting period, the ageing analysis of trade and bills receivables based on the invoice date and net of loss allowance, is as follows:

	<b>At 30 June 2020 RMB'000 (unaudited)</b>	At 31 December 2019 RMB'000 (audited)
Current or less than 90 days	<b>6,917,756</b>	10,141,625
91 to 180 days	<b>486,054</b>	1,452,927
More than 180 days	<b>3,854,793</b>	536,430
	<b>11,258,603</b>	12,130,982

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group believes that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

Amounts due from related parties of approximately RMB1,203,000 are included in trade receivables as at 30 June 2020, which are repayable on normal trade terms (31 December 2019: RMB7,261,000).

### 17. Other Receivables

At 30 June 2020, included in other receivables are mainly prepayment on purchases, deductible input value added tax and other receivables, and no amounts due from related parties are included as other receivables (31 December 2019: RMB417,000). Amounts due from related parties are unsecured, interest-free and repayable on demand.

At 30 June 2020, VAT receivables amounting to approximately RMB5,464,900,000 (31 December 2019: RMB5,925,165,000), of which RMB1,812,967,000 (31 December 2019: RMB2,456,272,000) 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 are expected to be recovered or recognised as expenses within one year.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 18. Pledged Bank Deposits

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

## 19. Short-term Deposits and Cash and Cash Equivalents

Short-term deposits are fixed deposits with banks with an original maturity of more than three months but not more than one year. Cash and cash equivalents comprise cash held by the Group and deposits with an original maturity of three months or less.

## 20. Trade Payables

All 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 each reporting period:

	<b>At 30 June 2020 RMB'000 (unaudited)</b>	At 31 December 2019 RMB'000 (audited)
Current or less than 90 days	<b>3,064,168</b>	2,268,861
91 to 180 days	<b>1,450,339</b>	182,302
More than 180 days	<b>536,345</b>	649,525
	<b>5,050,852</b>	3,100,688

## 21. Bills Payables

All the bills payables are repayable within 365 days as at 30 June 2020 (31 December 2019: 365 days) and are denominated in Renminbi.

Bills payables amounted to RMB6,062,760,000 (31 December 2019: RMB5,369,200,000) were secured by an aggregate carrying amount of RMB1,818,968,000 bank deposits (Note 18) as at 30 June 2020 (31 December 2019: RMB1,762,811,000).

## 22. Other Payables

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

Included in other payables, there are approximately RMB4,955,885,000 (31 December 2019: RMB5,215,393,000) owed to production machineries suppliers and construction installation works contractors as at 30 June 2020.

Amounts due to related parties of approximately RMB665,113,000 are included in other payables as at 30 June 2020 (31 December 2019: RMB2,107,223,000). The amounts are unsecured, interest-free and repayable on demand.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 23. Contract Liabilities

	<b>At 30 June 2020 RMB'000 (unaudited)</b>	At 31 December 2019 RMB'000 (audited)
Contract liabilities arising from:		
Advance from customers	<b>241,708</b>	371,557

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 2020 are received and not yet recognised as revenue during the reporting period.

### 24. Leases

#### Lease liabilities

The Group leases a number of properties in the jurisdictions from which it operates. Periodic rent is fixed over the lease term.

	<b>Minimum lease payments At 30 June 2020 RMB'000 (unaudited)</b>	<b>Interest At 30 June 2020 RMB'000 (unaudited)</b>	<b>Present value At 30 June 2020 RMB'000 (unaudited)</b>
Not later than one year	<b>350,568</b>	<b>7,845</b>	<b>342,723</b>
Later than one year and not later than two years	<b>2,078</b>	<b>75</b>	<b>2,003</b>
Later than two years and not later than five years	<b>519</b>	<b>4</b>	<b>515</b>
	<b>353,165</b>	<b>7,924</b>	<b>345,241</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 24. Leases (Continued)

#### Lease liabilities (Continued)

	Minimum lease payments At 31 December 2019 RMB'000 (audited)	Interest At 31 December 2019 RMB'000 (audited)	Present value At 31 December 2019 RMB'000 (audited)
Not later than one year	359,136	13,015	346,121
Later than one year and not later than two years	117,402	2,694	114,708
Later than two years and not later than five years	1,558	30	1,528
	<b>478,096</b>	<b>15,739</b>	<b>462,357</b>

On 6 December 2019, the Group concluded lease contracts which commenced on 1 January 2020 in respect of certain office building with a company controlled by the owner of the ultimate holding company. The lease term for these contracts is two years. The Group recognised right-of-use assets of RMB334,566,000 and lease liabilities of RMB338,311,000 as of 30 June 2020, accordingly (31 December 2019: the right-of-use assets and lease liabilities both were RMB446,088,000).

The present value of future lease payments are analysed as:

	<b>At 30 June 2020 RMB'000 (unaudited)</b>	At 31 December 2019 RMB'000 (audited)
Current liabilities	<b>342,723</b>	346,121
Non-current liabilities	<b>2,518</b>	116,236
	<b>345,241</b>	462,357

#### Operating leases – lessor

Rental income from leasing out aluminium alloy formwork is recognised in profit or loss on a straight-line basis over the term of the relevant lease. The rental income from aluminium alloy formwork for the six months ended 30 June 2020 was RMB465,807,000 (six months ended 30 June 2019: RMB85,814,000).

The Group also leased out certain plants during the current reporting period. The rental income is also recognised in profit or loss on a straight-line basis over the term of the relevant lease. The rental income from plants for the six months ended 30 June 2020 was RMB14,067,000 (six months ended 30 June 2019: Nil).

The minimum rent receivables from the above operating leases, under non-cancellable operating lease, are receivable not later than one year amounting to RMB548,518,000 (31 December 2019: RMB792,228,000); the minimum rent receivables are receivable before 30 September 2022 amounting to RMB57,500,000 (31 December 2019: Nil).



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 25. Bank and Other Loans

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

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
Bank loans		
— Guaranteed by subsidiaries	<b>3,680,908</b>	1,000,000
— Guaranteed by related parties	<b>1,270,000</b>	1,270,000
— Guaranteed by a subsidiary and secured by property, plant and equipment (Note (i))	<b>1,957,552</b>	—
— Unguaranteed and unsecured	<b>7,898,000</b>	8,920,000
Other loans		
— Unguaranteed and unsecured (Note (ii))	<b>30,000</b>	30,000
	<b>14,836,460</b>	11,220,000
Add:		
— Current portion of long-term bank and other loans	<b>4,070,037</b>	4,275,075
	<b>18,906,497</b>	15,495,075

Note:

- (i) At 30 June 2020, a short-term bank loan was guaranteed by a subsidiary and secured by certain property, plant and equipment of the Group (Note 11). The aggregate carrying value of the property, plant and equipment used as collateral amounted to approximately RMB1,193,064,000 at 30 June 2020 (31 December 2019: Nil).
- (ii) At 30 June 2020, a short-term loan amounting approximately RMB30,000,000 (31 December 2019: RMB30,000,000) was from an associate of the Group. It was unguaranteed, unsecured and repaid within one year with the interest rate of 3.05% (31 December 2019: 3.05%) per annum.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 25. Bank and Other Loans (Continued)

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

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
Bank loans		
— Secured by property, plant and equipment (Note (i))	<b>57,125</b>	48,241
— Guaranteed by subsidiaries and secured by right-of-use assets and property, plant and equipment (Note (ii))	<b>8,994,981</b>	9,655,357
— Guaranteed by a related party and secured by property, plant and equipment (Note (iii))	<b>70,903</b>	105,026
— Unguaranteed and unsecured	<b>12,145,158</b>	5,148,000
Other loans		
— Secured by property, plant and equipment (Note (iv))	<b>1,697,154</b>	3,600,404
— Guaranteed by a third party and secured by its property, plant and equipment (Note (v))	<b>32,353</b>	—
— Unguaranteed and unsecured (Note (vi))	<b>30,174,000</b>	35,013,589
	<b>53,171,674</b>	53,570,617
Less:		
— Current portion of long-term bank and other loans	<b>(4,070,037)</b>	(4,275,075)
	<b>49,101,637</b>	49,295,542

Note:

- (i) At 30 June 2020, 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 RMB106,407,000 at 30 June 2020 (31 December 2019: RMB119,548,000).
- (ii) At 30 June 2020, 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 right-of-use assets — land and property, plant and equipment amounted to approximately RMB1,301,750,000 and RMB162,480,000, respectively, at 30 June 2020 (31 December 2019: RMB1,317,280,000 and RMB164,848,000, respectively).
- (iii) At 30 June 2020, 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 RMB681,869,000 at 30 June 2020 (31 December 2019: RMB705,586,000).
- (iv) At 30 June 2020, certain long-term loans from financial leasing institutions were secured by certain property, plant and equipment of the Group (Note 11). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB3,610,460,000 at 30 June 2020 (31 December 2019: RMB5,286,606,000).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 25. Bank and Other Loans (Continued)

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

Note: (Continued)

- (v) At 30 June 2020, a long-term loan from financial leasing institutions was guaranteed by a third party and secured by its property, plant and equipment. The aggregate carrying value of the secured property, plant and equipment of the third party amounted to approximately RMB194,157,000 at 30 June 2020 (31 December 2019: Nil).
- (vi) At 30 October 2019, the Group entered into a capital contribution agreement with an equity fund (the "Fund"), pursuant to which the Fund agreed to contribute RMB1,000,000,000 in cash to Liaoning Zhongwang, a wholly-owned subsidiary within the Group (the "Capital Contribution"). Upon completion of the Capital Contribution, the Group's ownership interests were diluted from 100% to 96.55%. Pursuant to a shareholder's agreement entered into between the Group and the Fund on the same date, a buy-back right was granted to the Fund to request the Group to buy back its 3.45% ownership interests in Liaoning Zhongwang at a fixed buy-back price, subject to the event of whether Liaoning Zhongwang is subsequently successful in the proposed restructuring as set out in the Company's announcement dated 20 March 2020. Given that the Group and the Fund have entered into a mutual agreement that results in the present ownership interest of the shares in Liaoning Zhongwang which are subject to the buy-back right residing with the Group, the Capital Contribution was treated as a 3-year loan from the Fund.

At 30 June 2020, two long-term loans with aggregate amount of approximately RMB26,674,000,000 (31 December 2019: RMB31,500,000,000) were from related parties of the Group. They were interest-free, unsecured and with no fixed repayable date. Several long-term loans with aggregate amount of approximately RMB2,500,000,000 (31 December 2019: RMB2,500,000,000) were from an associate of the Group. They were unguaranteed and unsecured. Their interest rates were 3.33% per annum (31 December 2019: 3.33%). They will be repaid within two 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 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, knows the 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 2020, none of the covenants relating to drawn down facilities had been breached by any of the Group's banking facilities (31 December 2019: Nil).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 26. 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:**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Interim dividend declared after the end of the reporting period		
— HKD0 per ordinary share and convertible preference share (2019: HKD0.10)	—	635,396

- (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:**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Final dividend attributable to the previous financial year, approved and paid during the following interim period		
— HKD0 per ordinary share and convertible preference share (2019: HKD0.17)	—	1,056,381

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 26. Capital, Reserves and Dividends (Continued)

#### (b) Share capital

##### Authorised and issued share capital

	No. of shares	Share capital	
		HKD'000	RMB'000
<i>Ordinary share of HKD0.10 each:</i>			
<b>Authorised:</b>			
At 1 January 2019, 1 January 2020 and 30 June 2020	20,000,000,000	2,000,000	N/A
<b>Issued:</b>			
At 1 January 2019, 1 January 2020 and 30 June 2020	5,449,473,140	544,947	478,101
<i>Convertible preference share of HKD0.10 each:</i>			
<b>Authorised:</b>			
At 1 January 2019, 1 January 2020 and 30 June 2020	10,000,000,000	1,000,000	N/A
<b>Issued:</b>			
At 1 January 2019, 1 January 2020 and 30 June 2020	1,619,125,180	161,913	127,296

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

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 26. Capital, Reserves and Dividends (Continued)

### (b) Share capital (Continued)

#### Authorised and issued share capital (Continued)

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

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

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

### (c) Nature and purpose of reserves

#### (i) Surplus reserve

The Articles of Association of 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.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 26. 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 (Note 25), perpetual capital instruments (Note 30) and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and accumulated profits.

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

### 27. Capital Commitments

	<b>At 30 June 2020 RMB'000 (unaudited)</b>	At 31 December 2019 RMB'000 (audited)
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	<b>16,298,120</b>	16,639,783

### 28. Material Related Party Transactions

Particulars of significant related party transactions during each of the six-month periods ended 30 June 2020 and 2019 are as follows:

Related party relationship	Transactions	<b>Six months ended 30 June</b>	
		<b>2020 RMB'000 (unaudited)</b>	2019 RMB'000 (unaudited)
Company controlled by the owner of the ultimate holding company	Sales of goods to related parties	<b>472</b>	4,255
Company controlled by the owner of the ultimate holding company	Interest expenses on related parties loan	<b>38,714</b>	105,738

The Group has certain bank and other loans guaranteed by related parties as at 30 June 2020 and 31 December 2019. Please refer to Note 25 for details.

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## 29. Share-based Payments

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the shares in issue upon the listing of the shares of the Company on the Stock Exchange (the Company may refresh this 10% limit under certain conditions) or 30% 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 1% of the shares in issue. Any further grant of options which would result in the number of shares exceeding 1% requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

### (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		

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 29. Share-based Payments (Continued)

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

	30 June 2020		31 December 2019	
	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	HKD 3.93	382,900,000	HKD 3.93	399,900,000
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	HKD3.92	(17,000,000)
Granted during the period	-	-	-	-
Outstanding at the end of the period	HKD3.93	382,900,000	HKD3.93	382,900,000
Exercisable at the end of the period	HKD3.93	312,200,000	HKD3.93	241,500,000

The options outstanding at 30 June 2020 had an exercise price of HKD3.90 or HKD3.93 (31 December 2019: HKD3.90 or HKD3.93) and an average remaining contractual life of 5.2 years (31 December 2019: 5.7 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%

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 29. Share-based Payments (Continued)

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

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

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

## 30. Perpetual Capital Instruments

### (a) Perpetual note

On 25 October 2016, a subsidiary of the Company (the "Issuer") issued perpetual note amounted to RMB2,000,000,000. The perpetual note was issued at par value with initial distribution rate of 4.50%. The perpetual note was recorded as equity in our financial statements, after netting off related issuance costs of RMB6,000,000. In 2019, this perpetual note was fully repaid.

Interest of the perpetual note is recorded as distributions, which is paid annually 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 distribution 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 2020, profit attributable to the holders of perpetual note, calculated based on the applicable distribution rate, was RMB0 (six months ended 30 June 2019: RMB45,000,000).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 30. Perpetual Capital Instruments (Continued)

#### (b) Perpetual trust loans

On 1 December 2016, a subsidiary of the Company (the "Borrower") issued perpetual trust loans with a principal of RMB2,000,000,000. This perpetual trust loans was issued at par value with initial distribution rate of 6.10% per annum. In 2018 and 2020, a total of RMB1,600,000,000 perpetual trust loans were 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 distribution rates for the perpetual trust loans from the borrowing date to 31 December 2017 are fixed at 6.10% per annum. The applicable distribution 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 Borrower declared (was declared) to liquidate; 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 2020, profit attributable to the holders of perpetual trust loans, calculated based on the applicable distribution rate, was RMB45,215,000 (six months ended 30 June 2019: RMB38,045,000).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 31. Disposal of Subsidiary

On 26 February 2020, the Group disposed of its subsidiary, Yingkou Zhongwang Aluminium Material Co., Ltd.\* (營口忠旺鋁材料有限公司) (“Zhongwang Aluminium Material”). The net assets of Zhongwang Aluminium Material at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	2,524,247
Deposits for acquisition of non-current assets	1,320,789
Other intangible assets	369,788
Inventories	323,722
Trade and bills receivables	42,191
Other receivables	53,007
Amounts due from subsidiaries	4,022,534
Cash and cash equivalents	15
Trade payables	(3,563,768)
Other payables	(97,059)
Amounts due to subsidiaries	(680,572)
<b>Net assets disposed of</b>	<b>4,314,894</b>
<b>Gain on disposal of Zhongwang Aluminium Material</b>	<b>65,106</b>
Satisfied by:	
Cash	4,380,000
<b>Net cash inflow arising on disposal:</b>	
Cash consideration	4,380,000
Cash and cash equivalents balances disposed of	(15)
	<b>4,379,985</b>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 31. Disposal of Subsidiary (Continued)

On 12 March 2020, the Group disposed of its subsidiary, Zhongwang Import & Export Trade Company Limited\* (忠旺進出口有限公司) (“Zhongwang Import & Export”). The net assets of Zhongwang Import & Export at the date of disposal were as follows:

	RMB'000
Cash and cash equivalents	100
Net assets disposed of	100
Gain on disposal of Zhongwang Import & Export	–
Satisfied by:	
Cash	100
Net cash inflow arising on disposal:	
Cash consideration	100
Cash and cash equivalents balances disposed of	(100)
	–

### 32. Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Six Months Ended 30 June 2020

A number of amendments and new standards are effective for annual periods beginning after 1 January 2020 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.