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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

GROUP FINANCIAL HIGHLIGHTS

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

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

Notes:

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

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

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

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six-month period ended 30 June 2017 (the "**Period under Review**"), together with the comparative figures for the six-month period ended 30 June 2016, as follows:

Consolidated Statement of Comprehensive Income

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

	Note	**Six months ended 30 June** **2017** ***RMB'000*** ***(unaudited)***	2016 *RMB'000* *(unaudited)*
Revenue	*4*	**7,325,182**	7,675,297
Cost of sales		**(4,889,932)**	(4,855,441)
Gross profit		**2,435,250**	2,819,856
Investment income		**155,782**	139,627
Other income	*5*	**285,267**	117,577
Selling and distribution costs		**(95,195)**	(71,526)
Administrative and other operating expenses		**(806,700)**	(876,686)
Share of profits less losses of associates		**75,453**	41,008
Finance costs	*6(a)*	**(498,010)**	(440,345)
Profit before taxation	*6*	**1,551,847**	1,729,511
Income tax	*7*	**(292,111)**	(359,721)
Profit for the period		**1,259,736**	1,369,790
Attributable to:			
Equity shareholders of the Company		**1,092,536**	1,369,790
Holders of perpetual capital instruments	*19*	**167,200**	—
Profit for the period		**1,259,736**	1,369,790
Earnings per share			
Basic *(RMB)*	*8*	**0.15**	0.19
Diluted *(RMB)*	*8*	**0.15**	0.19

Consolidated Statement of Comprehensive Income (Continued)
For the six months ended 30 June 2017
(Expressed in RMB)

	Note	**Six months ended 30 June** **2017** ***RMB'000*** ***(unaudited)***	2016 *RMB'000* *(unaudited)*
Profit for the period		**1,259,736**	1,369,790
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of financial statements		**13,275**	(19,370)
— Cash flow hedge: net movement in the hedging reserve		**—**	414
— Available-for-sale financial assets: net movements in the fair value reserve		**(195)**	—
Other comprehensive income for the period		**13,080**	(18,956)
Total comprehensive income for the period		**1,272,816**	1,350,834
Attributable to:			
Equity shareholders of the Company		**1,105,616**	1,350,834
Holders of perpetual capital instruments	*19*	**167,200**	—
Total comprehensive income for the period		**1,272,816**	1,350,834

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

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

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

	Note	**At 30 June 2017** ***RMB'000*** ***(unaudited)***	At 31 December 2016 *RMB'000* *(audited)*
Non-current liabilities			
Bank and other loans		**26,176,679**	15,903,057
Debentures		**7,600,000**	8,800,000
Deferred tax liabilities		**804,927**	782,336
		34,581,606	25,485,393
NET ASSETS		**34,558,120**	34,009,902
CAPITAL AND RESERVES			
Share capital		**605,397**	605,397
Reserves		**27,958,723**	27,410,505
Total equity attributable to equity shareholders of the Company		**28,564,120**	28,015,902
Perpetual capital instruments	*19*	**5,994,000**	5,994,000
TOTAL EQUITY		**34,558,120**	34,009,902

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2017
(Expressed in RMB)

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

Notes to the Unaudited Condensed Consolidated Financial Statements

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

1 Corporate information

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its immediate holding company is Zhongwang International Group Limited ("**ZIGL**"), a limited company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and No. 299, Wensheng Road, Liaoyang City, Liaoning, China, respectively.

The Group is principally engaged in the manufacturing and sales of aluminium products.

2 Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). They were authorised for issue on 25 August 2017. They are unaudited.

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended 31 December 2016 that is included in the condensed consolidated interim financial statements as being previously reported information does not constitute the Company's annual consolidated financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2017.

3 Changes in accounting policies

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

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

4 Segment reporting

Information reported to the Group's executive directors, being the chief operating decision maker, for the purpose of resources allocation and assessment of performance focuses on the type of products (i.e. aluminium alloy formworks, aluminium extrusion products produced for industrial use or construction use, aluminium deep-processed products and aluminium flat-rolled products). Each type of products has different client base and requires different production technology. The Group's operating segments under IFRS 8 are as follows:

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

— aluminium extrusion products for industrial markets ("**Industrial**");

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

— aluminium extrusion products for construction markets ("**Construction**"); and

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

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

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

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

4 Segment reporting (Continued)

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

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

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

	Six months ended 30 June **2017** ***RMB'000*** ***(unaudited)***	 2016 *RMB'000* *(unaudited)*
People's Republic of China ("**PRC**")	**6,875,249**	6,464,679
Germany	**74,655**	36,252
United Kingdom	**54,586**	31,156
Belgium	**50,926**	41,008
Netherlands	**39,838**	40,889
Others	**229,928**	1,061,313
	7,325,182	7,675,297

5 Other income

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

Note: The amounts mainly represent subsidies received from the Finance Bureau and other government departments of Liaoyang City, Daqing City, Yingkou City and Panjin City as incentive payments for the Group's achievements and contribution to the local community and to subsidise the Group's expenditure in technological research and market development.

6 Profit before taxation

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
(a) Finance costs		
Interests on bank loans and other borrowings	**776,911**	922,121
Less: Interest expense capitalised into property, plant and equipment, and deposits for acquisition of property, plant and equipment*	**(278,901)**	(498,664)
	498,010	423,457
Interest rate swaps: cash flow hedges, reclassified from equity	**—**	16,888
Total finance costs	**498,010**	440,345

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

6 Profit before taxation (Continued)

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
(b) Staff costs		
Staff costs (including directors' emoluments):		
— Salaries and other benefits	**1,012,535**	574,640
— Contributions to defined contribution retirement plan	**73,501**	29,680
— Equity-settled share-based payment expenses	**56,086**	101,312
	1,142,122	705,632
(c) Other items		
Amortisation of prepaid lease payments	**73,209**	67,377
Depreciation of property, plant and equipment	**316,340**	306,434
Impairment losses on trade receivables	**9,127**	17,057
Operating lease charges in respect of office premises	**33,439**	23,890
Research and development costs	**161,231**	205,467
Cost of inventories recognised as an expense	**4,889,932**	4,855,441

7 Income tax

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

The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for the Company and certain subsidiaries of the Group incorporated in countries other than the PRC are subject to income tax rates ranging from 0% to 40% pursuant to the rules and regulations of their respective countries of incorporation.

On 11 November 2013, Liaoning Zhongwang Group Company Limited ("**Liaoning Zhongwang**") was recognised as a High and New Technology Enterprise ("**HNTE**") by Liaoning provincial government. This entitled Liaoning Zhongwang to pay PRC income tax at a 15% preferential income tax rate for a period of three years from 2013 to 2015. The HNTE certificate needs to be renewed every three years so as to enable Liaoning Zhongwang to enjoy the preferential tax rate of 15%. On 30 November 2016, Liaoning Zhongwang obtained its latest renewed certificate of HNTE with an effective period from 2016 to 2018. Therefore, income tax expense of Liaoning Zhongwang for each of the six-month periods ended 30 June 2017 and 2016 were calculated based on an income tax rate of 15%.

8 Earnings per share

The calculation of the basic and diluted earnings per share is based on the consolidated profit for the period attributable to the equity shareholders of the Company for each of the six-month periods ended 30 June 2017 and 2016 and on the number of shares as follows:

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

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

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

9 Dividends

(i) Dividends payable to equity shareholders of the Company and holders of convertible preference shares attributable to the interim period:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interim dividend declared after the end of the reporting period of HKD0.10 per ordinary share and convertible preference share (2016: HKD0.11)	**600,902**	666,123

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

9 Dividends (Continued)

(ii) Dividends payable to equity shareholders of the Company and holders of convertible preference shares attributable to the previous financial year, approved during the following interim period:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Final dividend in respect of the previous financial year, approved during the following interim period, of HKD0.06 per ordinary share and convertible preference share	**N/A**	355,197

(iii) Dividends payable to equity shareholders of the Company and holders of convertible preference shares attributable to the previous financial year, approved and paid during the following interim period:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD0.10 per ordinary share and convertible preference share	**613,484**	N/A

10 Prepaid lease payments

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Leasehold land in the PRC under leases	**6,717,526**	6,283,746
Analysed for reporting purpose:		
Non-current assets	**6,567,173**	6,147,647
Current assets	**150,353**	136,099
	6,717,526	6,283,746

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

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

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

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

12 Other non-current assets

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

13 Inventories

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

14 Trade and bills receivables

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

14 Trade and bills receivables (Continued)

For the six months ended 30 June 2017, the Group allows an average credit period of 90 or 180 days (six months ended 30 June 2016: 90 days) for domestic sales and an average credit period of 180 days (six months ended 30 June 2016: 180 days) for overseas sales. At the end of the reporting period, the ageing analysis of trade and bills receivables based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
0 to 90 days	**3,743,178**	1,610,193
91 to 180 days	**259,090**	72,413
Over 180 days	**270,604**	151,472
	4,272,872	1,834,078

At 30 June 2017, trade receivables of approximately RMB390,696,000 (31 December 2016: RMB213,960,000) were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

15 Other receivables, deposits and prepayments

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

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

16 Trade payables

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

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

17 Bills payable

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

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

18 Commitments

(a) Capital commitments

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

(b) Operating lease commitments

The Group as lessee

At the end of each of the reporting periods, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2017 ***RMB'000*** ***(unaudited)***	At 31 December 2016 *RMB'000* *(audited)*
Within 1 year	**29,681**	37,746
After 1 year but within 5 years	**7,569**	9,436
	37,250	47,182

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

19 Perpetual capital instruments

(a) Perpetual note

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

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

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

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

(b) Perpetual trust loans

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

I BUSINESS REVIEW

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

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

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

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

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

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

Deep-processed products require sophisticated technical know-how and possess higher added value. Therefore the deep processing business is one of the key business segments of the Group. The Group possesses comprehensive capabilities from independent design to manufacturing and processing. Our new products are energy-saving, environmentally friendly, highly efficient and technologically advanced, and are being applied in transportation, specialty products and industrial electronic products, etc. During the Period under Review, the Group continued to lead the light-weight developments of automobiles in China by engaging in technological cooperation with a number of well-known domestic manufacturers of vehicles and buses, such as CH-Auto Technology Co., Ltd., Chery New Energy Automotive Technology Co., Ltd. ("**Chery New Energy**"), Zhengzhou Yutong Bus Co., Ltd. and Xiamen Golden Dragon Bus Co., Ltd., to jointly develop aluminium-intensive new energy buses and electric cars. Thanks to the Group's strategic business layout, sales volume of such products supplied by the Group for the domestic market increased significantly during the Period under Review. In particular, Chery New Energy was the first domestic self-owned brand to launch pure electric car with extensive use of aluminium (eQ1), which received excellent market response upon its launch and has been supplying in bulk.

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

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

II FUTURE DEVELOPMENT

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

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

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

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

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

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

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

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

4. Strengthen R&D and promote technological innovation to enhance its comprehensive strengths: The Group will continue to place emphasis on its investments in R&D. Through diversified and multilateral cooperation with industry peers, educational institutions and research institutes, the Group will actively explore innovations in technology and production know-how for aluminium processing so as to improve the Group's comprehensive competitive strengths.

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

III. FINANCIAL REVIEW

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

Revenue

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

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

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

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

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

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

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

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

Cost of Sales

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

Gross Profit and Gross Margin

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

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

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

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

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

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

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

Investment Income

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

Other Income

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

Selling and Distribution Costs

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

Administrative and Other Operating Expenses

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

Share of Profits less Losses of Associates

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

Finance Costs

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

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

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

Profit before Taxation

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

Income Tax

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

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

Profit for the Period

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

Cash Flows

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

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

Net Current Assets

At 30 June 2017, the Group's net current assets amounted to approximately RMB5.81 billion, which was approximately RMB660 million higher than net current assets of approximately RMB5.15 billion as at 31 December 2016. The increase was mainly due to the fact that the increase in current assets was greater than the increase in current liabilities:

(i) at 30 June 2017, the Group's current assets amounted to approximately RMB26.95 billion, representing an increase of approximately RMB2.26 billion over approximately RMB24.69 billion at 31 December 2016. The increase was primarily due to the increase in cash and cash equivalents; and

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

Liquidity

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

Borrowings

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

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

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

Pledged Assets

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

Contingent Liabilities

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

Employees

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

Research and Development

Continuous investment in R&D has helped the Group establish a high-level R&D and technical team. At 30 June 2017, the Group had 1,678 R&D and quality control personnel which accounted for 5.7% of the Group's total number of employees. Apart from possessing strong R&D capability in new materials and new technologies, and operating the largest die design and manufacturing centre in Asia, the Group has also built a firstrate product and process design team in particular to meet the ever-increasing demand from clients for light-weight development in order to provide the integrated solution from product design to production services. In addition, the Group has entered into cooperation with various leading industrial research institutions as well as scientific research institutes to vigorously upgrade the Group's scientific research level while effectively expanding the downstream application scope of aluminium products.

Capital Commitments

At 30 June 2017, the Group's capital expenditures in respect of the acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated interim financial statements amounted to approximately RMB10.18 billion, which was primarily used for the construction of infrastructure used in the Group's growth projects such as high-end aluminium flat rolling project, and for the purchase expenses of equipment related to the expansion of its production capacity for extrusion. The Group intends to apply funds generated from operating activities, commercial bank loans and other available means to finance the purchase.

Proposed Spin-off

On 22 March 2016, Liaoning Zhongwang Superior Fabrication Investment Limited* (遼寧忠旺精製投資有限公司) ("**Zhongwang Fabrication**") (an indirect wholly-owned subsidiary of the Company) entered into an assets transfer agreement with CRED Holding Co., Ltd.* (中房置業股份有限公司) ("**CRED Holding**") (a company incorporated in the PRC and currently listed on the Shanghai Stock Exchange) for the disposal of all the equity interests in Liaoning Zhongwang, a direct wholly-owned subsidiary of Zhongwang Fabrication. The agreement was approved by the Stock Exchange on 6 June 2016 and was passed with a great majority by shareholders of the Company and CRED Holding on 6 September 2016. On 18 August 2017, Zhongwang Fabrication and CRED Holding entered into a supplemental agreement to the assets restructuring agreements, pursuant to which the long stop date was extended to 21 September 2018 in order to allow more time to complete the PRC regulatory procedures in connection with the assets restructuring and the proposed spin-off. The supplemental agreement is subject to approval by the Shareholder's meeting of CRED Holding.

Overseas Acquisition

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

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

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

Financial Risks

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

Foreign Currency Risk

Most of the Group's businesses are settled in RMB. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies. During the Period under Review, approximately 93.9% of the Group's revenue was settled in RMB and approximately 6.1% was settled in foreign currencies while approximately 88.9% of the Group's borrowings was denominated in RMB and approximately 11.1% was denominated in foreign currencies at 30 June 2017.

Exchange rate fluctuations will affect contractual sales revenue denominated in foreign currencies and on borrowings denominated in foreign currencies, which in turn may have adverse effects on the Group. The Group's financial and capital policies aim to control the foreign currency fluctuation risk and the interest rate fluctuation risk of individual transactions. The Group did not hedge against currency risk by using any financial instruments. However, the management of the Group has been monitoring the exchange rate risk, and will consider hedging against major foreign currency risk when required.

Interest Rate Risk

As the Group does not have any significant interest-bearing assets, most of the Group's revenue and operating cash flow are not affected by interest rate changes in the market. Interest rate change risk borne by the Group is primarily derived from debentures and loans. The Group has to face the cash-flow interest rate risk on floating-rate loans and fair value interest rate risk on fixed-rate loans. As at 30 June 2017, the Group's fixed rate loans were approximately RMB6.23 billion (31 December 2016: approximately RMB5.02 billion).

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

During the year ended 31 December 2015, the Group issued an unsecured debenture of RMB1.2 billion with maturity of three years and repayable on 27 May 2018, and with effective interest rate of 5.40% per annum.

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

Price Fluctuation Risk of Aluminium Ingot

The Group's principal raw materials in the aluminium extrusion product business include aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc. Generally, the Group's pricing of aluminium extrusion products is on a "cost-plus" basis, pursuant to which the selling price for the products are determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. The Group's pricing policy is to pass the price fluctuation risk to its customers. However, the Group may not be able to pass the entire cost of price increases to customers or completely offset the effect of increases in raw material prices, thus the profitability of the Group may be slightly affected. The Group has not entered into any aluminium ingot forward contracts to hedge against aluminium ingot price fluctuation risk.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

For the six months ended 30 June 2017, the Company has complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Compliance with the Model Code by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board has declared an interim dividend of HKD0.10 per share for the six months ended 30 June 2017 to the holders of the Company's ordinary shares and convertible preference shares, whose names appear on the register of members of the Company on Friday, 13 October 2017, with an aggregate amount of approximately HKD707 million. The interim dividend will be paid on or around 1 November 2017.

Closure of Register of Members

For the purpose of determining the shareholders of the Company who are entitled to the interim dividend, the register of members of the Company will be closed from Tuesday, 10 October 2017 to Friday, 13 October 2017 (both dates inclusive), during which period no transfer of shares in the Company will be effected.

In order to be entitled to the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 9 October 2017.

Review of Financial Statements

The audit committee of the Board has discussed with the Company's management and reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2017.

Publication of Interim Report on the Websites of the Stock Exchange and the Company

The Company's interim report for the six months ended 30 June 2017 will be published on the website of the Stock Exchange and the Company's website at www.zhongwang.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to our shareholders, customers and business partners for their continued support, and all our employees for their dedication and hard work.

By order of the Board
China Zhongwang Holdings Limited
Liu Zhongtian
Chairman

Hong Kong, 25 August 2017

As at the date of this announcement, the Board consists of:

Executive Directors
Mr. Liu Zhongtian, Mr. Lu Changqing and Mr. Gou Xihui

Non-executive Director
Mr. Chen Yan

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

* *For identification purpose only*