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 2020

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue	**8,655,331**	12,899,935
Gross profit	**2,099,762**	3,909,081
EBITDA *(Note 1)*	**2,494,276**	3,424,774
Profit for the period	**526,968**	1,465,108
Earnings per share *(RMB)(Note 2)*	**0.07**	0.20
Interim dividend per share *(HKD)*	**–**	0.10

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Total equity attributable to equity shareholders of the Company	**35,010,151**	34,505,173
Total assets	**127,861,377**	123,323,544

Notes:

1. 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

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 2020 and 2019 and on the weighted average number of ordinary shares, convertible preference shares and share options for the respective period.

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 2020 (the "**Period under Review**"), together with the comparative figures for the six- month period ended 30 June 2019, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	*5*	**8,655,331**	12,899,935
Cost of sales		**(6,555,569)**	(8,990,854)
Gross profit		**2,099,762**	3,909,081
Investment income		**110,334**	83,915
Other income	*6*	**242,950**	234,631
Selling and distribution costs		**(208,581)**	(187,134)
Administrative and other operating expenses		**(1,003,909)**	(1,557,214)
Share of profits less losses of associates		**31,320**	73,137
Finance costs	*7*	**(695,860)**	(680,748)
Profit before taxation	*8*	**576,016**	1,875,668
Income tax	*9*	**(49,048)**	(410,560)
Profit for the period		**526,968**	1,465,108
Profit attributable to:			
Equity shareholders of the Company		**492,962**	1,385,394
Non-controlling interests		**(11,209)**	(3,331)
Holders of perpetual capital instruments	*23*	**45,215**	83,045
Profit for the period		**526,968**	1,465,108

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	*(unaudited)*
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to the statement of profit or loss:			
Exchange differences arising on translation of financial statements		**7,659**	(5,107)
Other comprehensive income for the period		**7,659**	(5,107)
Total consolidated comprehensive income for the period		**534,627**	1,460,001
Total consolidated comprehensive income attributable to:			
Equity shareholders of the Company		**498,334**	1,380,953
Non-controlling interests		**(8,922)**	(3,997)
Holders of perpetual capital instruments	*23*	**45,215**	83,045
Total consolidated comprehensive income for the period		**534,627**	1,460,001
Earnings per share			
Basic *(RMB)*	*10*	**0.07**	0.20
Diluted *(RMB)*	*10*	**0.07**	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020
(Expressed in RMB)

	Notes	**30 June 2020** ***RMB'000*** ***(unaudited)***	31 December 2019 *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		**66,054,974**	65,273,178
Right-of-use assets	*12*	**7,418,660**	6,967,388
Investment properties		**686,989**	–
Goodwill		**379,000**	379,000
Other intangible assets		**275,372**	274,665
Interests in associates		**3,865,292**	3,833,972
Deposits for acquisition of non-current assets	*13*	**4,318,552**	4,840,312
Deferred tax assets		**680,980**	506,925
Other non-current assets	*16*	**1,812,967**	2,456,272
		85,492,786	84,531,712
Current assets			
Inventories	*14*	**8,941,066**	9,694,949
Trade and bills receivables	*15*	**11,258,603**	12,130,982
Other receivables	*16*	**19,132,612**	8,725,838
Right-of-use assets	*12*	**170,051**	156,374
Pledged bank deposits		**2,610,506**	2,452,932
Short-term deposits		**101,000**	101,000
Cash and cash equivalents		**154,753**	915,866
		42,368,591	34,177,941
Assets classified as held for sale		**–**	4,613,891
		42,368,591	38,791,832
Current liabilities			
Trade payables	*17*	**5,050,852**	3,100,688
Bills payables	*18*	**7,432,760**	6,219,200
Other payables	*19*	**9,978,349**	10,846,382
Contract liabilities	*20*	**241,708**	371,557
Lease liabilities	*21*	**342,723**	346,121
Current tax liabilities		**273,404**	141,266
Bank and other loans		**18,906,497**	15,495,075
		42,226,293	36,520,289
Liabilities classified as held for sale		**–**	553,452
		42,226,293	37,073,741
Net current assets		**142,298**	1,718,091
Total assets less current liabilities		**85,635,084**	86,249,803

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2020
(Expressed in RMB)

	Notes	**30 June 2020** **RMB'000** ***(unaudited)***	31 December 2019 *RMB'000* *(audited)*
Non-current liabilities			
Bank and other loans		**49,101,637**	49,295,542
Lease liabilities	*21*	**2,518**	116,236
Deferred tax liabilities		**945,839**	949,071
		50,049,994	50,360,849
NET ASSETS		**35,585,090**	35,888,954
Capital and reserves			
Share capital		**605,397**	605,397
Reserves		**34,404,754**	33,899,776
Equity attributable to equity shareholders of the Company		**35,010,151**	34,505,173
Non-controlling interests		**174,939**	183,781
Perpetual capital instruments	*23*	**400,000**	1,200,000
TOTAL EQUITY		**35,585,090**	35,888,954

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1 CORPORATE INFORMATION

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 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.

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 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.

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 is 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.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Amendments to IFRS 16: Covid-19-Related Rent Concessions (Continued)

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.

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**").

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:

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

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

4 SEGMENT REPORTING (CONTINUED)

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

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
	8,655,331	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	2019
	RMB'000	*RMB'000*
	(unaudited)	*(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
	8,655,331	12,899,935

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Government subsidies *(Note)*	**162,240**	109,542
Gain on sales of scrap materials, consumables, dies and carbon products	**46,727**	52,156
Exchange gain	**11,386**	4,036
Profit of sales of equipment	**30,930**	65,081
(Loss)/Gain on disposal of property, plant and equipment	**(10,395)**	3,139
Others	**2,062**	677
	242,950	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 achievements and contribution to the local community and to subsidise the Group's expenditure in technological research and market development.

7 FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(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)
	695,860	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	2019
	RMB'000	*RMB'000*
	(unaudited)	*(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	**1,851,586**	2,371,189
Cost of inventories recognised as an expense	**6,555,569**	8,990,854
Depreciation of property, plant and equipment	**988,869**	788,613
Depreciation of investment properties	**12,218**	–
Amortisation of other intangible assets	**2,393**	423
Depreciation of right-of-use assets	**218,920**	79,322
Expected credit loss on financial assets	**62,087**	117,945
Interests on lease liabilities	**7,814**	350
Short-term leases expense and property management fee	**12,864**	4,042
Research and development costs	**229,681**	714,918

9 INCOME TAX

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

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

	Six months ended 30 June	
	2020	2019
	'000	*'000*
	(unaudited)	*(unaudited)*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,449,473**	5,449,473
Weighted average number of convertible preference shares for the purposes of basic earnings per share	**1,619,125**	1,619,125
Weighted average number of shares for the purposes of basic earnings per share	**7,068,598**	7,068,598
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**–**	2,965
Weighted average number of shares for the purposes of diluted earnings per share	**7,068,598**	7,071,563
Earnings per share		
Basic *(RMB)*	**0.07**	0.20
Diluted *(RMB)*	**0.07**	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 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	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(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:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(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

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 21 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.

13 DEPOSITS FOR ACQUISITION OF NON-CURRENT ASSETS

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

14 INVENTORIES

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

15 TRADE AND BILLS RECEIVABLES

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

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

16 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 of approximately 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.

17 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:

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

18 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 amounting 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 as at 30 June 2020 (31 December 2019:RMB1,762,811,000).

19 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.

20 CONTRACT LIABILITIES

	At 30 June 2020	At 31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Contract liabilities arising from:		
Advance from customers	**241,708**	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.

21 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.

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

	Minimum lease payments At 31 December 2019	Interest At 31 December 2019	Present value At 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(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
	478,096	15,739	462,357

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).

21 LEASES (CONTINUED)

Lease Liabilities (Continued)

The present value of future lease payments are analysed as:

	At 30 June 2020 *RMB'000* *(unaudited)*	At 31 December 2019 *RMB'000* *(audited)*
Current liabilities	**342,723**	346,121
Non-current liabilities	**2,518**	116,236
	345,241	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).

22 CAPITAL COMMITMENTS

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

23 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).

(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).

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 extruded products 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 sales of aluminium extrusion business of the Group has been recovered, 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.

I. BUSINESS REVIEW (CONTINUED)

Aluminium Extrusion Business — Implemented Diversified Business Model to Explore Various Application Sectors (Continued)

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 electrical 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.

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 aluminium 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.

I. BUSINESS REVIEW (CONTINUED)

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.

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 consistently recognised.

I. BUSINESS REVIEW (CONTINUED)

Strengthened Innovation and Emphasised Research and Development to Add New Impetus to the Development of the Group (Continued)

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 market 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.

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.

II. FUTURE PROSPECT (CONTINUED)

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 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.

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.

II. FUTURE PROSPECT (CONTINUED)

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 plant 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, which amounted to 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).

III. FINANCIAL REVIEW (CONTINUED)

Revenue (Continued)

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:

	Six months ended 30 June								
	2020			2019			Change		
	Revenue *RMB'000*	**Sales volume** *tonnes*	**Average selling price** *RMB/tonne*	Revenue *RMB'000*	Sales volume *tonnes*	Average selling price *RMB/tonne*	Revenue *%*	Sales volume *%*	Average selling price *%*
Aluminium extrusion business	**5,639,699**	**155,536**	**36,260**	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%
Aluminium flat rolling business	**2,557,407**	**177,100**	**14,440**	3,364,000	220,440	15,260	-24.0%	-19.7%	-5.4%
Further fabrication business	**455,684**	**19,001**	**23,982**	458,936	17,958	25,556	-0.7%	5.8%	-6.2%
Others	**2,541**	**N/A**	**N/A**	8,942	N/A	N/A	-71.6%	N/A	N/A
Total	**8,655,331**	**351,637**	**24,614**	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).

III. FINANCIAL REVIEW (CONTINUED)

Revenue (Continued)

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.

III. FINANCIAL REVIEW (CONTINUED)

Revenue (Continued)

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%).

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.

III. FINANCIAL REVIEW (CONTINUED)

Gross Profit and Gross Margin (Continued)

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 2019:

	Six months ended 30 June					
	2020			2019		
	Gross profit *RMB'000*	*%*	**Gross margin** *%*	Gross profit *RMB'000*	*%*	Gross margin *%*
Aluminium extrusion business	**1,833,419**	**87.3%**	**32.5%**	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%
Aluminium flat rolling business	**238,486**	**11.4%**	**9.3%**	54,347	1.4%	1.6%
Further fabrication business	**25,379**	**1.2%**	**5.6%**	59,380	1.5%	12.9%
Others	**2,478**	**0.1%**	**N/A**	8,942	0.2%	N/A
Total	**2,099,762**	**100.0%**	**24.3%**	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.

III. FINANCIAL REVIEW (CONTINUED)

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).

III. FINANCIAL REVIEW (CONTINUED)

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 recognized 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.

Cash Flows

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

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

III. FINANCIAL REVIEW (CONTINUED)

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.

Pledged Assets

As at 30 June 2020, assets with a total carrying amount of approximately RMB7.06 billion of the Group (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.

III. FINANCIAL REVIEW (CONTINUED)

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. 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 entered into cooperation with various leading industrial research institutions as well as scientific research institutes to vigorously upgrade the Group's scientific research level while effectively expanding the downstream scope of application of aluminium products.

Capital Commitments

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.

III. FINANCIAL REVIEW (CONTINUED)

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.

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.

III. FINANCIAL REVIEW (CONTINUED)

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 price for the products are determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. The Group's pricing policy is to pass on the price fluctuation risk to its customers. However, the Group may not be able to pass on the entire cost of price increases to customers or completely offset the impact of increases in raw material prices, thus the profitability of the Group may be slightly affected. The Group has not entered into any aluminium ingot forward contracts to hedge against aluminium ingot price fluctuation risk.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

For the six months ended 30 June 2020, save as disclosed below, 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**").

Code Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer 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 announcement. 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 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 2020.

Purchase, Sale or Redemption of Listed Securities

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.

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 2020.

Interim Dividend

The Board has proposed not to declare the interim dividend for the six months ended 30 June 2020.

Publication of Interim Results

This announcement will be published on the website of the Stock Exchange and the Company's website (www.zhongwang.com).The interim report for the six months ended 30 June 2020 of the Company containing all information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange and the Company 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
Lu Changqing
Chairman

Hong Kong, 28 August 2020

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

Executive Directors
Mr. Lu Changqing and Ms. Ma Qingmei

Non-executive Directors
Mr. Chen Yan, Mr. Lin Jun and Mr. Wei Qiang

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

* *For identification purpose only*