China Hongqiao Group Limited
中國宏橋集團有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)
Stock Code : 1378

Interim Report 2017

Contents

Corporate Information

EXECUTIVE DIRECTORS

Zhang Shiping *(Chairman)*
Zheng Shuliang *(Vice Chairman)*
Zhang Bo *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

Yang Congsen
Zhang Jinglei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xing Jian
Chen Yinghai
Han Benwen

CHIEF FINANCIAL OFFICER

Zhang Ruilian

COMPANY SECRETARY

Zhang Yuexia

AUDIT COMMITTEE

Han Benwen *(Committee Chairman)*
Xing Jian
Chen Yinghai

NOMINATION COMMITTEE

Xing Jian *(Committee Chairman)*
Zhang Shiping
Han Benwen

REMUNERATION COMMITTEE

Han Benwen *(Committee Chairman)*
Zhang Shiping
Xing Jian

AUTHORISED REPRESENTATIVES

Zhang Bo
Zhang Yuexia

PLACE OF BUSINESS IN HONG KONG

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Hong Kong

HEAD OFFICE IN THE PRC

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Zouping Economic Development District
Zouping County
Shandong Province
The PRC

CAYMAN ISLANDS REGISTERED OFFICE

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Cayman Islands

LEGAL ADVISORS AS TO HONG KONG LAW

Luk & Partners
In Association with Morgan, Lewis & Bockius

INTERNATIONAL AUDITORS

SHINEWING (HK) CPA Limited

HONG KONG SHARE REGISTRAR

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Shops 1712-1716, 17th Floor
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Wan Chai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

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STOCK CODE

1378

LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

24 March 2011

NUMBER OF ISSUED SHARES AS AT 30 JUNE 2017

7,259,766,023

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

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FINANCIAL YEAR END

31 December

FINANCIAL CALENDAR

Interim Results Announcement Date
27 October 2017

COMPANY WEBSITE

www.hongqiaochina.com

Financial Highlights

(Unaudited financial data prepared in accordance with the IAS)

	For the six months ended 30 June (RMB'000)		
	2017	2016	Change
Revenue	**46,197,299**	25,375,416	+82.1%
Gross profit	**6,913,470**	6,520,942	+6.0%
Gross profit margin (%)	**15.0**	25.7	-10.7 p.p.
Net profit margin (%)	**3.2**	12.9	-9.7 p.p.
Net profit attributable to owners of the Company	**1,482,073**	3,279,424	-54.8%
Basic earnings per share (RMB)	**0.20**	0.46	-56.5%

	As at 30 June (RMB'000)		
	2017	2016	Change
Cash and cash equivalents	**10,869,497**	12,586,387	-13.6%
Total capital (total equity + total debt)	**128,724,112**	109,635,851	+17.4%
EBITDA/Interest coverage ratio	**5.4**	5.6	-0.2 times
Debt/EBITDA (times)	**3.6**	3.7	-0.1 times
Debt/Total capital (%)	**62.6**	61.7	+0.9 p.p.
Accounts receivable turnover (days)	**6**	5	+1 days
Accounts payable turnover (days)	**48**	54	-6 days
Inventory turnover (days)	**82**	127	-45 days

To all shareholders,

On behalf of the Board (the "Board") of directors (the "Directors") of China Hongqiao Group Limited (the "Company" or "China Hongqiao"), I am pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 (the "Period" or "Period under Review").

STAY TRUE TO OUR ORIGINAL ASPIRATION TO ACHIEVE STEADY DEVELOPMENT

The global economy continued to improve in the first half of 2017. The developed economies including the United States, EU and Japan recovered steadily in general. Among the emerging economies, China and India continued to spearhead the growth. However, the imbalanced global recovery, lacking in robust structural growth, still posed some risks and uncertainties. Domestic macroeconomic development momentum strengthened and the country's Gross Domestic Product ("GDP") achieved a year-on-year increase of approximately 6.9%, which reinforced the positive trend of overall stability. With continuous deepening of the national supply-side reform and the stabilisation of the aluminum price, demands for primary aluminum stayed at high levels.

During the Period, in respect of production and operation, the Group has stayed true to the original aspiration to achieve steady development and continued through the industrial model of "Integration of Aluminum and Electricity", "Integration of Upstream and Downstream Businesses" and "Global Integration", to accelerate the industrial cluster development, enhance the cost advantages and the economies of scale, and maintain its leading position in the global aluminum industry. For overseas businesses, the Group aligned its strategies with the "One Belt One Road" initiative of the PRC to expand its investment in the bauxite project in Guinea, Africa. After three years' efforts, the Group established a maritime "Aluminum Silk Road" of integrated logistic chain spanning across over 14,000 nautical miles of three counties from four directions, jointly with important partners domestic and overseas, creating a new international foothold for the aluminum industry. Furthermore, the Group continued its strategy of "multi-channels" and expanded bauxite supply in Australia, Republic of India, Federation of Malaysia and other regions. The Group's alumina project in Indonesia ran well and has been known as the "Best Example of International Production Capacity Cooperation of Chinese Enterprises". For domestic production, as the Group continuously enhanced its capability in managing upstream raw materials, the quality of bauxite has become very stable, thus enabling the Group to effectively control the raw material costs and to achieve reliable supply. As a result, the Group has achieved more effective cost control on the primary aluminum production.

Chairman's Statement

RESULTS PERFORMANCE

During the Period Under Review, the Group's aggregate production volume of aluminum products was approximately 3,995,000 tons (the corresponding period of 2016: approximately 2,707,000 tons), representing an increase of approximately 47.6% as compared with the corresponding period of 2016.

For the first half of 2017, total revenue of the Group amounted to approximately RMB46,197,299,000, representing a year-on-year increase of approximately 82.1%. Gross profit amounted to approximately RMB6,913,470,000, representing a year-on-year increase of approximately 6.0%. Due to the planned suspension of part of the Group's production during the Period in response to the relevant national supply-side reform of aluminum industry polices and approaches implemented by the government, the Group made provision for impairment of assets of approximately RMB3,361,587,000 during the Period, together with increases in the prices of certain raw materials, resulting in a year-on-year decrease of approximately 54.8% in the net profit attributable to owners of the Company to approximately RMB1,482,073,000. Basic earnings per share were approximately RMB0.20 (the corresponding period of 2016: approximately RMB0.46). The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2017.

MARCHING FORWARD TOGETHER THROUGH CHALLENGES

During the Period under Review, whilst the global economy recovered, there were still numerous challenges ahead with the increasingly tight geopolitical tensions, which cast a substantial uncertainty on world economic trend. The implementation of the domestic supply-side reform deepened with a wider scope and intensity. The Group proactively developed more prudent and comprehensive corporate governance rules and communicated the Group's business models and cost control edges with better transparency.

During the Period under Review, the Group reached the strategic agreement with the member enterprises of CITIC Group and entered into a "Headquarter to Headquarter" strategic cooperation agreement with China CITIC Bank Corporation Limited ("CITIC Bank") at the end of June 2017 in Beijing. Pursuant to this agreement, CITIC Bank will provide a composite credit facility of RMB20 billion to the Group in the next two years, and integrate various financial resources of CITIC Group to customise financial products for the Group and provide comprehensive financial services. Furthermore, the Group entered into a share placing agreement and a convertible bonds placing agreement with CTI Capital Management Limited and CNCB (Hong Kong) Investment Limited, respectively, in August 2017. The upgraded cooperation with CITIC Group will not only benefit the long-term development of the Group's operation. More importantly, it will also show the trust and confidence of CITIC Group, one of China's largest conglomerates, in our Group to achieve innovative financial and industrial development with the Group.

Since 2017, China's economic development focus has shifted to the structural adjustment, and as a result, the economy has been growing firmly and the primary aluminum consumption in China has maintained an overall steady increase driven by the rigid demand, the aluminum products export and the substitution effect. In the first half of 2017, China's macroeconomic statistics performed well within a reasonable range, industrial entities progressed steadily and the development of the aluminum industry met market expectations. The Group followed this trend and endeavored more attention to quality development and operation. While reinforcing the existing advantages, the Group focused on improving the technological element of the aluminum industry and ensured the sustainability of the rapid enterprise development.

STRIVING TO ACHIEVE GREATER HEIGHTS

In the first half of 2017, international and domestic aluminum markets have experienced rallies in prices and a shortfall in supply to match demand. Therefore, the Group remains optimistic towards the future prospect of the aluminum industry. Considering China's current economic momentum, the total consumption of primary aluminum will be able to maintain the sustained growth. With the continuous progression of urbanisation in China, and escalating city construction and rural consumption, the use of aluminum in construction and real estate, rail transportation and automobiles will be a key driver of the future demand. At the same time, the imminent demand for aluminum in household electrical appliances will also inject new vitality to the Group.

Going forward, the Group will actively support the implementation of the national supply-side reform and play a leading role in the industry; improve the current industrial model of "Integration of Aluminum and Electricity" and "Integration of Upstream and Downstream Businesses" to guarantee the supply of upstream bauxite and alumina, strategically expand marketing channels and establish an environment-friendly entire industrial chain of aluminum products. The Group will optimise the production process to achieve energy saving and efficiency improvement, and conduct diversified training to enhance employees' skills across the board, so as to maintain the Group's competitive edge in the market. For the capital market, the Group will continue to improve the effective communications with investors, make long-term planning for the financial structure and strengthen internal and external risk prevention.

APPRECIATION

I, on behalf of the Board, extend my sincere gratitude to the management and all employees of the Group for the strenuous dedication in the first half of 2017 as well as to all the shareholders, investors and business partners for the support and trust to the Group.

Zhang Shiping
Chairman of the Board

27 October 2017

Management Discussion and Analysis

INDUSTRY REVIEW

During the Period under Review, due to favorable macro news on international aluminum price, an anticipation for intensified shortage of global supply of aluminum products to match demand and other factors, the aluminum price steadily went upwards and showed a strong rising momentum in the first quarter, once reached US$1,981 per ton. In the second quarter, under the combined influence of more macro risks, lower energy prices and other factors, the international aluminum price exhibited a month-by-month downward trend. During the Period, the average prices of spot aluminum and three-month aluminum futures at London Metal Exchange (LME) were approximately US$1,880 per ton and approximately US$1,886 per ton, respectively, representing an increase of approximately 21.8% as compared with the same period last year.

During the Period, the price of domestic aluminum futures demonstrated an increasing momentum in general. The price of aluminum was bolstered by a significant alleviation of supply and demand pressure in the domestic aluminum market at the beginning of 2017 and the low inventory level as compared with the corresponding period in recent years. Meanwhile, as the country developed the work program on environment protection and industrial governance, expectations in the aluminum market improved substantially. Besides, increases in prices of raw materials during the same period further contributed to the rebound of aluminum price. Three-month aluminum futures at SHFE hit a record high in the first half of the year and peaked at RMB14,930 per ton (including value-added tax ("VAT")) in April. Despite the subsequent drop caused by the weak spot market, the overall price still maintained at high levels in recent years. In terms of the aluminum price for the Period in general, the average prices of spot aluminum and three-month aluminum futures at SHFE amounted to approximately RMB13,685 per ton and approximately RMB13,809 per ton (including VAT for both), respectively, representing increases of approximately 18.9% and approximately 20.3%, respectively, as compared with the same period last year (source: Beijing Antaike Information Development Co., Ltd.（北京安泰科信息開發有限公司）, "Antaike").

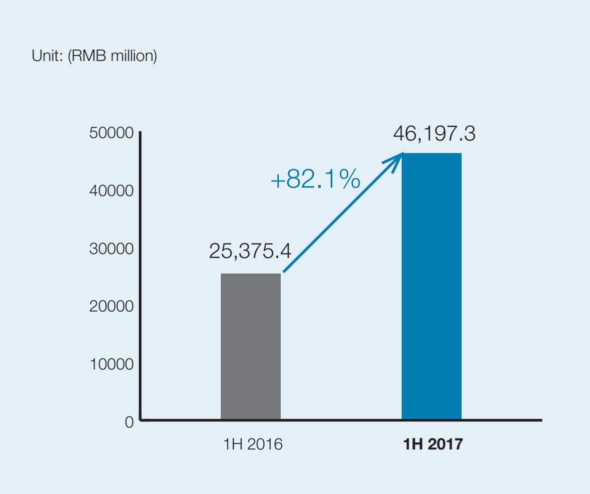
According to Antaike, in the first half of 2017, as aluminum prices continued to stay high, the profit of primary aluminum manufacturers rose significantly with ongoing improvements in capacity utilisation rate, the global production volume of primary aluminum increased steadily and reached approximately 31,230,000 tons, representing an increase of approximately 9.5% as compared with the corresponding period of 2016. As for demand, the global consumption of primary aluminum reached approximately 32,130,000 tons in the first half of 2017, representing an increase of approximately 7.3% as compared with the corresponding period of last year. Compared with the global market, as the aluminum market in China has been booming in both demand and supply aspects with strong growth momentum, in the first half of 2017, the domestic production volume of primary aluminum amounted to approximately 18,580,000 tons, representing an increase of approximately 19.9% as compared with the corresponding period of 2016; while China's consumption volume of primary aluminum amounted to approximately 17,530,000 tons, representing an increase of approximately 9.8% as compared with the corresponding period of last year.

BUSINESS REVIEW

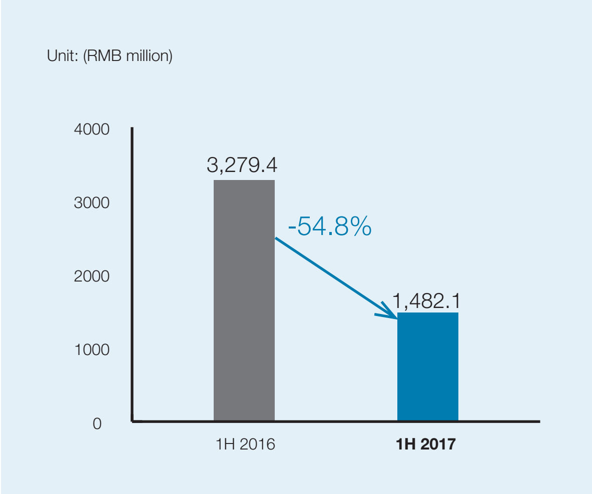
During the Period, the Group's total output of aluminum products amounted to approximately 3,995,000 tons, representing a year-on-year increase of approximately 47.6%. The production volume of aluminum alloy processed products reached approximately 204,000 tons, representing a year-on-year increase of approximately 48.4%.

The Group's unaudited revenue and net profit attributable to owners of the Company for the six months ended 30 June 2017, together with comparison figures for the six months ended 30 June 2016, are as follows:

Unaudited revenue



Unaudited net profit attributable to owners of the Company



For the six months ended 30 June 2017, the Group recorded revenue of approximately RMB46,197,299,000, representing a year-on-year increase of approximately 82.1%, which was mainly due to the year-on-year increases in the Group's production volume and sales volume of aluminum products as compared with the corresponding period of last year and the increase in selling price of aluminum products during the Period, resulted from the expanded production capacity of aluminum products of the Group. During the Period, the aggregate sales volume of the Group's aluminum products and aluminum alloy processed products reached approximately 3,944,680 tons, representing an increase of approximately 55.9% as compared with approximately 2,530,356 tons in the corresponding period of last year. Due to the increase in the market price of aluminum in China, the average selling price of aluminum products was approximately RMB11,706 per ton (excluding VAT) in the first half of 2017, representing an increase of approximately 16.8% as compared with approximately RMB10,023 (excluding VAT) in the corresponding period of last year.

For the six months ended 30 June 2017, the net profit attributable to owners of the Company amounted to approximately RMB1,482,073,000, representing a year-on-year decrease of approximately 54.8%, mainly due to the fact that, on one hand, the prices increase of raw materials such as coal and carbon anode blocks during the Period jacked up the unit production cost of aluminum products, which resulted in a decrease in the gross profit margin, and on the other hand, in order to respond to the national supply-side reform of aluminum industry polices and approaches implemented by the government, the Group planned to suspend part of the production and made provision for impairment of assets of approximately RMB3,361,587,000, which resulted in the decrease in the net profit. The management of the Company will proactively seek various measures, including assets disposal and communication with the relevant governmental authorities on the industrial policies and plans, so as to make its best effort to mitigate the adverse effect brought by such suspension.

The following table shows the breakdown of revenue by products for the six months ended 30 June 2017 and 2016:

	Unaudited For the six months ended 30 June			
	2017		2016	
Products	**Revenue RMB'000**	**Proportion of sales revenue to total revenue %**	Revenue RMB'000	Proportion of sales revenue to total revenue %
Molten aluminum alloy	**37,760,414**	**81.7**	23,563,616	92.8
Aluminum alloy ingots	**6,190,914**	**13.4**	706,730	2.8
Aluminum alloy processed products	**2,224,083**	**4.8**	1,091,871	4.3
Steam	**21,888**	**0.1**	13,199	0.1
Total	**46,197,299**	**100.0**	25,375,416	100.0

As for the products, the Group's revenue derived from aluminum products was approximately RMB46,175,411,000, accounting for approximately 99.9% of the total revenue for the six months ended 30 June 2017, among which, the revenue derived from molten aluminum alloy accounted for approximately 81.7% of total revenue, representing a decrease in proportion as compared with the corresponding period of last year, which was mainly due to the fact that the Group actively expanded its domestic aluminum alloy ingots market while satisfying the demand for molten aluminum within the aluminum industrial cluster where the Group's production base is located, resulting in a decrease in the proportion of molten aluminum. Revenue derived from sale of steam was approximately RMB21,888,000, accounting for approximately 0.1% of the Group's total revenue. The increase in revenue derived from sale of steam was mainly due to the increase in sale of steam of the Group in the Binzhou Economic Development Zone.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis on the Group's revenue, gross profit and gross profit margin derived from its major products for the six months ended 30 June 2017 and 2016, respectively:

	Unaudited For the six months ended 30 June					
	2017			2016		
Products	**Revenue RMB'000**	**Gross profit RMB'000**	**Gross profit margin %**	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Aluminum products	**46,175,411**	**6,912,005**	**15.0**	25,362,217	6,513,931	25.7
Steam	**21,888**	**1,465**	**6.7**	13,199	7,011	53.1
Total	**46,197,299**	**6,913,470**	**15.0**	25,375,416	6,520,942	25.7

For the six months ended 30 June 2017, the overall gross profit margin of the Group's products decreased by approximately 10.7 percentage points to approximately 15.0% as compared with approximately 25.7% for the corresponding period of last year. This was mainly because the prices of aluminum products have risen by approximately 16.8% while the prices of coal and carbon anode blocks increased by approximately 86.5% and 46.4% as compared with the corresponding period of last year and the increase in raw material prices led to the increase in the unit sales cost by approximately 34.0% while the increase in the selling price of aluminum products was far less than the increase in the unit sales cost of the aluminum products, resulting in the decline in the Group's gross profit margin. The Group will continue to strengthen the cost control and upgrade the production technology to enhance its competitiveness among the industry.

Distribution and selling expenses

For the six months ended 30 June 2017, the Group's distribution and selling expenses were approximately RMB148,992,000, representing an increase of approximately 205.0% as compared with approximately RMB48,845,000 for the corresponding period of last year, which was mainly due to, on one hand, the increased sales volume of the aluminum products of the Group and, on the other hand, the increase in the proportion of the aluminum alloy ingot products, which led to the increase in the average transport unit price.

Administrative expenses

For the six months ended 30 June 2017, administrative expenses of the Group amounted to approximately RMB744,422,000, representing an increase of approximately 49.6% as compared with approximately RMB497,666,000 for the corresponding period of last year. The main reason was the increase of the staff salary recognised in administrative expenses by the Group and other recognised expenses increased.

Finance costs

For the six months ended 30 June 2017, finance costs of the Group were approximately RMB2,069,803,000, representing an increase of approximately 9.1% as compared with approximately RMB1,897,283,000 for the corresponding period of last year. This was mainly due to the increase in total interest bearing liabilities during the Period as compared with that of the corresponding period of last year, resulting in an increase in interest expenses charged to the Group correspondingly.

Liquidity and capital resources

As at 30 June 2017, cash and cash equivalents of the Group were approximately RMB10,869,497,000, representing a decrease of approximately 15.4% as compared with approximately RMB12,842,380,000 as at 31 December 2016.

For the six months ended 30 June 2017, the Group had a net cash outflow from investing activities of approximately RMB15,576,344,000, a net cash inflow from financing activities of approximately RMB3,383,622,000 and a net cash inflow from operating activities of approximately RMB10,322,776,000.

For the six months ended 30 June 2017, the capital expenditure of the Group amounted to approximately RMB5,281,932,000, mainly for the expansion of its aluminum production capacity and construction of ancillary captive power production facilities and the alumina production base in Indonesia.

As at 30 June 2017, the Group had a capital commitment of approximately RMB2,293,223,000 representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the production capacity expansion of aluminum products, the construction of ancillary captive power production facilities and the alumina production base in Indonesia.

For the six months ended 30 June 2017, the Group's average turnover days of trade receivables were approximately 6 days, representing an increase of 1 day as compared with approximately 5 days for the corresponding period of last year. This was mainly because provisional credit period were granted to some premium clients for its aluminum products in order to strengthen the business relations with premium clients of aluminum products.

For the six months ended 30 June 2017, the Group's turnover days of inventory were approximately 82 days, representing a decrease of 45 days as compared with approximately 127 days for the corresponding period of last year, mainly because although the Group achieved a high increase in the production and sales volume of the Group's aluminum products during the Period, the Group strengthened its inventory management of each item and maintained its inventory at a reasonable and low level.

Income tax

The Group's income tax for the first half of 2017 amounted to approximately RMB609,501,000, representing a decrease of approximately 49.1% as compared with approximately RMB1,197,183,000 for the corresponding period of last year, mainly attributable to the decrease in the profit before income tax of the Group.

Net profit attributable to owners of the Company and earnings per share

For the six months ended 30 June 2017, the Group's net profit attributable to owners of the Company was approximately RMB1,482,073,000, representing a decrease of approximately 54.8% as compared with approximately RMB3,279,424,000 for the corresponding period of last year. During the Period, the basic earnings per share of the Company were approximately RMB0.20.

Interim dividends

The Board did not recommend any interim dividends for the six months ended 30 June 2017 (corresponding period of 2016: nil).

Capital structure

The Group has established an appropriate liquidity risk management framework to manage its short, medium and long-term funding and to satisfy its liquidity management requirements. As at 30 June 2017, cash and cash equivalents of the Group amounted to approximately RMB10,869,497,000 (31 December 2016: approximately RMB12,842,380,000), which were mainly deposited with commercial banks.

As at 30 June 2017, the total liabilities of the Group amounted to approximately RMB106,669,853,000 (31 December 2016: approximately RMB96,833,165,000). Gearing ratio (total liabilities to total assets) was approximately 68.9% (31 December 2016: approximately 67.9%).

As at 30 June 2017, the Group's total bank borrowings were approximately RMB22,138,266,000. The Group maintained a balanced portfolio of loans at fixed interest rates and variable interest rates to manage its interest expenses. As at 30 June 2017, approximately 20.2% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 79.8% were subject to floating interest rates.

As at 30 June 2017, debts except bank borrowings of the Group including RMB13,000,000,000 of short-term notes, approximately RMB43,475,394,000 of medium-term notes and bonds as well as approximately RMB2,026,813,000 of guaranteed notes with interest rates ranging from 3.00% to 8.69% per annum. The issuance of such notes and bonds helps to reduce the Group's finance costs and optimise its debt structure.

The Group aims to maintain a balance between the continuity and flexibility of funding through various debt financing instruments. As at 30 June 2017, approximately 48.5% of the Group's debts will become due within one year.

As at 30 June 2017, the Group's current liabilities exceeded its current assets by approximately RMB4,850,381,000. The Group will continue to develop other financing channels by increasing part of the medium and long-term borrowings and adjusting the structure of debts. In addition, the Group will properly control the capital expenditure, sustain its existing production capacity advantage, control its production costs, improve its profitability and improve its cash flow position, in order to maintain the adequate liquidity of the Group. Having considered the fact that the Group did not encounter any difficulties in renewal of the short-term liabilities of the Group upon maturity, the Board is satisfied that the Group will be able to fulfill its financial obligations as they fall due in the foreseeable future.

As at 30 June 2017, the Group's liabilities were denominated in Renminbi and US Dollars, among which, Renminbi liabilities account for approximately 82.6% of the total liabilities, and US Dollars liabilities account for approximately 17.4% of the total liabilities. Cash and cash equivalents were mainly held as Renminbi and US Dollars, of which approximately 92.2% was held in Renminbi and approximately 4.7% was held in US Dollars.

Employee and remuneration policy

As of 30 June 2017, the Group had a total number of 56,509 employees, representing a decrease as compared with the beginning of the year, which was mainly attributable to the Group's implementation of the elimination system of the least competent for optimising human resources and motivating employees. During the Period, total staff costs of the Group amounted to approximately RMB1,840,879,000, representing approximately 4.0% of its total revenue. The remuneration packages of the employees include salaries and various types of benefits.

In addition, the Group established a performance-based remuneration system under which the employees may be awarded by additional bonuses. The Group provided training programs for its employees to equip them with the requisite skills and knowledge.

Exposure to foreign exchange risk

The Group collected almost all of the revenue in Renminbi and funded most of the capital expenditure in Renminbi. Due to the importation of bauxite and production equipment, and as certain bank balances, borrowings and guaranteed notes are denominated in foreign currencies, the Group is exposed to certain currency risks. As at 30 June 2017, the Group's bank balances denominated in foreign currencies were approximately RMB851,129,000 and its liabilities denominated in foreign currencies were approximately RMB14,970,694,000. For the six months ended 30 June 2017, the Group recognised foreign exchange gain of approximately RMB217,997,000.

The Group utilised financial instruments, which are foreign currency forward contracts and interest rate swap contracts, to reduce the risk of fluctuation in foreign currencies and interest rate for the six months ended 30 June 2017. As at 30 June 2017, the financial assets generated from the above contracts were approximately RMB14,046,000.

Contingent liabilities

As at 30 June 2017, the Group had no significant contingent liabilities.

OUTLOOK

Looking ahead, as the new objectives and new strategic planning announced in the 19th Communist Party Congress are gradually implemented, coupled with the impetus from the "One Belt One Road" initiative and the supply-side structural reform, the market demand for aluminum will strengthen persistently, which will bring more development opportunities to the Group.

The Group will deepen the implementation of the development strategies of "Integration of Upstream and Downstream Businesses", "Integration of Aluminum and Electricity", and "Global Integration", and continue to enhance the cost advantage and economies of scale leveraging scientific and technological innovation and environment-friendly production process, striving to enable its R&D and product supply closer to the market demand in China.

Facing the increasingly complex domestic and overseas economic and market environments, China Hongqiao will focus on its existing core businesses, stay to the original aspiration and actively carry out strategic framework and establish a sustainable aluminum development ecosystem with a forward-looking perspective, taking its root deeper in the country. The Group will endeavor more incremental efforts, into technological innovation, energy conservation and efficiency enhancement, committing to contributions to promote the overall economic development and transformation in China.

Supplementary Information

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2017, so far as it is known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group as follows:

Long positions in the shares of the Company

Name of shareholder	Capacity/type of interest	Total number of shares held	Approximate percentage of the total issued share capital as at 30 June 2017 (%)
Mr. ZHANG Shiping (1)	Interest of a controlled corporation	5,889,024,573	81.12
Ms. ZHENG Shuliang (2)	Interest of spouse	5,889,024,573	81.12
Shiping Prosperity Private Trust Company (3)	Trustee	5,889,024,573	81.12
China Hongqiao Holdings Limited ("Hongqiao Holdings")	Beneficial owner	5,889,024,573	81.12

Note (1): Mr. Zhang Shiping is the legal and beneficial owner of the entire issued share capital of Hongqiao Holdings and is deemed to be interested in the shares of the Company held by Hongqiao Holdings.

Note (2): Ms. Zheng Shuliang, the spouse of Mr. Zhang Shiping, is deemed to be interested in the shares of the Company in which Mr. Zhang Shiping is interested.

Note (3): Shiping Prosperity Private Trust Company held these shares as trustee on behalf of Mr. Zhang Shiping.

Save as disclosed above, as at 30 June 2017, there is no other person had any share, interest in shares or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2017, the Directors and chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be entered in the register described in the provisions pursuant to Section 352 of the SFO; or to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the shares of the Company

Name of director	Capacity/type of interest	Total number of shares held	Approximate percentage of long positions in the shares of the Company in the total issued share capital as at 30 June 2017 (%)
Mr. ZHANG Shiping (1)	Interest of a controlled corporation	5,889,024,573	81.12
Ms. ZHENG Shuliang (2)	Interest of spouse	5,889,024,573	81.12
Mr. ZHANG Bo (3)	Beneficial owner	8,870,000	0.12

Note (1): The interests of Mr. Zhang Shiping in the Company were held through his wholly-owned investment company Hongqiao Holdings.

Note (2): Ms. Zheng Shuliang, the spouse of Mr. Zhang Shiping, is deemed to be interested in the shares of the Company in which Mr. Zhang Shiping is interested.

Note (3): Mr. Zhang Bo is the son of Mr. Zhang Shiping and Ms. Zheng Shuliang.

Save as disclosed above, as of 30 June 2017, none of the Directors and the chief executive of the Company or any of their spouse or children under the age of 18 had or were deemed or taken to have an interest or short position in the shares, underlying shares or debentures of the Company or any of its holding companies, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code. At no time was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company (including their spouse or children under the age of 18) to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2017 and up to the date of this report, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of the Company or any other associated corporate or had exercised any such right.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with the Corporate Governance Practice Code (the "CG Code") contained in Appendix 14 to the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. An Audit Committee meeting was held on 27 October 2017 to review the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017. The Audit Committee considers that the interim financial results for the six months ended 30 June 2017 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities from the listing date of the Company to 30 June 2017 and up to the date of this report.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the six months ended 30 June 2017 and up to the date of this report.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

The Company has applied the principles as set out in the CG Code of Appendix 14 to the Listing Rules. For the six months period ended 30 June 2017, the Company has complied with the mandatory code provisions of the CG Code.

DISCLOSURE OF INFORMATION ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim report will be dispatched to the shareholders on or before 6 November 2017 and will be available on the Company's website at www.hongqiaochina.com and the website of the Stock Exchange at www.hkexnews.hk.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months ended 30 June 2017

	Notes	Six months ended 30 June **2017** **(Unaudited)** **RMB'000**	2016 (Unaudited) RMB'000
Revenue	5	**46,197,299**	25,375,416
Cost of sales		**(39,283,829)**	(18,854,474)
Gross profit		**6,913,470**	6,520,942
Other income and gains	6	**1,371,893**	358,398
Share of gains of associates		**191,427**	39,811
Selling and distribution expenses		**(148,992)**	(48,845)
Administrative expenses		**(744,422)**	(497,666)
Other expenses		**(3,406,943)**	(13,506)
Finance costs	7	**(2,069,803)**	(1,897,283)
Changes in fair value of derivative		**(3,138)**	–
Profit before taxation		**2,103,492**	4,461,851
Income tax expense	8	**(609,501)**	(1,197,183)
Profit for the period	9	**1,493,991**	3,264,668
Attributable to:			
Owners of the Company		**1,482,073**	3,279,424
Non-controlling interests		**11,918**	(14,756)
		1,493,991	3,264,668
Other comprehensive (expense) income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**(59,304)**	35,490
Other comprehensive expense for the period, net of income tax		**1,434,687**	3,300,158
Total comprehensive income for the period attributable to			
Owners of the Company		**1,448,248**	3,301,073
Non-controlling interests		**(13,561)**	(915)
		1,434,687	3,300,158
Earnings per share	11		
– Basic and diluted		**0.20**	0.46

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2017

	Notes	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**85,518,564**	86,658,456
Intangible assets		**14,643**	–
Prepaid lease payments		**3,547,890**	3,066,503
Investment properties		**155,722**	–
Deposits paid for acquisition of property, plant and equipment		**1,305,528**	1,745,089
Deposit paid for acquisition of land		**233,390**	443,390
Deferred tax assets		**1,314,928**	557,322
Investment in associates		**1,187,455**	944,796
Goodwill	13	**1,934,457**	311,769
Other financial assets	18	**10,767**	14,631
Available-for-sale investments	14	**6,000**	–
		95,229,344	93,741,956
CURRENT ASSETS			
Prepaid lease payments		**74,150**	56,152
Inventories	15	**18,108,977**	17,143,324
Trade receivables	16	**2,609,200**	363,314
Bills receivables	17	**10,396,914**	9,721,942
Prepayments and other receivables		**17,057,245**	8,242,544
Other financial assets	18	**3,279**	13,047
Restricted bank deposits	19	**404,886**	396,808
Cash and cash equivalents	19	**10,869,497**	12,842,380
		59,524,148	48,779,511
CURRENT LIABILITIES			
Trade payables	20	**13,128,485**	7,506,386
Other payables and accruals		**11,314,613**	12,603,276
Bank borrowing – due within one year	21	**16,133,055**	14,310,943
Other financial liabilities	18	**–**	1,691
Income tax payable		**805,416**	724,632
Short-term debentures and notes	22	**13,000,000**	11,000,000
Medium-term debentures and bonds – due within one year	23	**7,933,888**	731,664
Guaranteed notes	24	**2,026,813**	2,768,436
Deferred income		**32,259**	6,106
TOTAL CURRENT LIABILITIES		**64,374,529**	49,653,134
NET CURRENT LIABILITIES		**(4,850,381)**	(873,623)
TOTAL ASSETS LESS CURRENT LIABILITIES		**90,378,963**	92,868,333

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2017

	Notes	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	21	**6,005,211**	4,696,770
Deferred tax liabilities		**605,419**	578,097
Medium-term debentures and bonds – due after one year	23	**35,541,506**	39,720,060
Guaranteed notes	24	**–**	2,070,436
Deferred income		**143,188**	114,668
TOTAL NON-CURRENT LIABILITIES		**42,295,324**	47,180,031
NET ASSETS		**48,083,639**	45,688,302
CAPITAL AND RESERVES			
Share capital	25	**474,057**	474,057
Reserves	26	**45,772,503**	44,324,255
Equity attributable to owners of the Company		**46,246,560**	44,798,312
Non-controlling interests		**1,837,079**	889,990
TOTAL EQUITY		**48,083,639**	45,688,302

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2017

	Attributable to owners of the parent								
	Share capital RMB'000	**Share premium RMB'000**	**Capital reserve RMB'000 (Note 26)**	**Translation reserve RMB'000 (Note 26)**	**Statutory surplus reserve RMB'000 (Note 26)**	**Retained earnings RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
At 1 January 2017 (Audited)	**474,057**	**10,393,143**	**793,349**	**144,453**	**5,147,142**	**27,846,168**	**44,798,312**	**889,990**	**45,688,302**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**1,482,073**	**1,482,073**	**11,918**	**1,493,991**
Other comprehensive expense for the period:									
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**(33,825)**	**–**	**–**	**(33,825)**	**(25,479)**	**(59,304)**
Total comprehensive income (expense)	**–**	**–**	**–**	**(33,825)**	**–**	**1,482,073**	**1,448,248**	**(13,561)**	**1,434,687**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**960,650**	**960,650**
At 30 June 2017 (Unaudited)	**474,057**	**10,393,143**	**793,349**	**110,628**	**5,147,142**	**29,328,241**	**46,246,560**	**1,837,079**	**48,083,639**

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016 (Audited)	415,834	7,241,883	793,349	49,015	4,295,611	22,770,832	35,566,524	728,134	36,294,658
Profit/(loss) for the period	–	–	–	–	–	3,279,424	3,279,424	(14,756)	3,264,668
Other comprehensive income for the period:									
Exchange differences on translation of financial statements of foreign operations	–	–	–	21,649	–	–	21,649	13,841	35,490
Total comprehensive income (expense)	–	–	–	21,649	–	3,279,424	3,301,073	(915)	3,300,158
Shares issued (note 25)	58,223	3,163,917	–	–	–	–	3,222,140	–	3,222,140
Transaction costs attributable to issue of shares	–	(12,657)	–	–	–	–	(12,657)	–	(12,657)
Final 2015 dividend declared	–	–	–	–	–	(930,705)	(930,705)	–	(930,705)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	147,501	147,501
At 30 June 2016 (Unaudited)	474,057	10,393,143	793,349	70,664	4,295,611	25,119,551	41,146,375	874,720	42,021,095

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2017

	For the six month ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Cash generated from operations	**11,642,476**	7,868,530
Income tax paid	**(1,319,700)**	(924,286)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**10,322,776**	6,944,244
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	**(5,281,932)**	(9,937,534)
Loans to associates	**17,879**	–
Proceeds from disposal of property, plant and equipment	**28**	5,654
Receipt of government grants	**58,654**	15,560
Addition to prepaid land lease payments	**(56,227)**	(211,290)
Acquisition of a subsidiary	**(568,195)**	(2,116,523)
Deposits for equity transactions	**–**	(500,000)
Advanced to a supplier	**(9,750,000)**	–
Interest received	**8,800**	15,209
Placement of restricted bank deposits	**(659,272)**	(907,450)
Withdrawal of restricted bank deposits	**653,921**	1,012,572
NET CASH USED IN INVESTING ACTIVITIES	**(15,576,344)**	(12,623,802)
FINANCING ACTIVITIES		
Proceeds from issue of shares	**–**	3,222,140
Transaction costs attributable to issue of new shares	**–**	(12,657)
Dividends paid to the owners of the parent	**–**	(930,692)
Proceeds from issuance of medium-term debentures and bonds	**2,968,020**	15,000,000
Proceeds from issuance of short-term debentures and notes	**8,000,000**	11,000,000
Repayment of short-term debentures and notes	**(6,000,000)**	(9,000,000)
Payment of transaction costs on issuance of short-term debentures and notes	**(31,000)**	(37,000)
Payment of transaction costs on issuance of medium-term debentures and notes	**(31,980)**	(9,000)
Repayment of guaranteed notes	**(2,733,216)**	–
New bank borrowings	**10,460,890**	11,012,873
Repayment of bank borrowings	**(7,297,919)**	(14,368,716)
Repayment of other borrowings	**–**	(75,000)
Interest paid	**(1,951,173)**	(1,682,367)
Contribution from non-controlling shareholders	**–**	147,501
Repayment of amount due to former shareholder of an acquired subsidiary	**–**	(4,541,679)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**3,383,622**	9,725,403
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,869,946)**	4,045,845
Effect of changes in foreign exchange rates	**(102,937)**	52,008
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**12,842,380**	8,488,534
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash	**10,869,497**	12,586,387

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies Law of Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is China Hongqiao Holdings Limited ("Hongqiao Holdings"), a company incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the interim report.

The Company acts as an investment holding company, the principal activities of its subsidiaries are principally engaged in the business of manufacture and sales of aluminum products.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its PRC subsidiaries. Other than those subsidiaries established in the People's Republic of China (the "PRC"), the functional currencies of those subsidiaries established in Indonesia is denoted in Indonesia Rupiah ("IDR") respectively.

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given consideration of the Group in light of the Group's net current liabilities of approximately RMB4,850,381,000 as at 30 June 2017. The directors of the Company, based on the Group's available cash flow forecast projections, considered that the Group will have sufficient working capital to meet its financial obligations that will be falling due in the foreseeable future. The followings were considered by the directors:

(i) As at 30 June 2017, the Group had cash and cash equivalents of approximately RMB10,869,497,000;

(ii) The Group is actively negotiating with banks for the renewal of its short-term borrowings as necessary when they fall due in the foreseeable future The Group did not encounter any significant difficulties in renewing its short-term borrowings in the past and therefore the directors of the Company are of the opinion that all short-term borrowings can be renewed; and

(iii) In June 2017, the Group entered into a strategic cooperation agreement with a bank in the PRC with available banking facilities of up to RMB20,000,000,000. Up to the date of this report, the Group has signed specific facilities letters with the bank amounted to approximately RMB7,574,800,000 and the Group has utilised approximately RMB5,248,510,000 of such facilities, with remaining approximately RMB2,326,290,000 of undrawn facilities ready to be drawn down when the need arises.

After taking into account the Group's business prospects, internal resources, and the available financing facilities, the directors of the Company are of the opinion that, in the absence of unforeseeable circumstances and subject to the successful securing of the sources of funding set out above, the directors considered that the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of the condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements for the period ended 30 June 2017 have been prepared on a going concern basis.

3. PRINCIPLE ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments ("new and revised IFRSs") issued by the IASB which are effective for the Group's financial year beginning 1 January 2017.

Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle: Amendments to IFRS 12
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Loss

The application of the new and revised IFRSs in the current interim period has had no material effects on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. BUSINESS COMBINATIONS

a) Acquisition of Shandong Hongchuang Aluminum Industry Holding Company Limited

On 21 April 2017, the Group acquired 28.18% of the equity interest in Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang") for consideration of RMB1,999,618,000. Despite that the Group acquired only 28.18% of the equity interest of Hongchuang, the Group remains the sole substantial shareholder of the Target Company. This acquisition has been accounted for using the acquisition method. There was provisional goodwill arising as a result of the acquisition. Hongchuang is engaged in aluminum plate and strip manufacture business. Hongchuang was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration transferred

	RMB'000
Cash	1,999,618

The fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	2017 **RMB'000**
Property, plant and equipment	**191,942**
Investment properties	**156,472**
Intangible assets	**14,970**
Prepaid lease payments	**270,348**
Available-for-sale investments	**6,000**
Cash and cash equivalents	**531,908**
Trade receivables	**262,160**
Prepayment and other receivables	**12,568**
Inventories	**91,882**
Trade payables	**(56,558)**
Other payables and accruals	**(8,892)**
Bank borrowings	**(100,000)**
Deferred tax liabilities	**(35,220)**
Net identifiable assets acquired	**1,337,580**
Non-controlling interest	**(960,650)**
Goodwill arising on acquisition	**1,622,688**
Fair value of consideration	**1,999,618**

4. BUSINESS COMBINATIONS (CONTINUED)

a) Acquisition of Shandong Hongchuang Aluminum Industry Holding Company Limited (continued)

Acquisition-related costs amounting to RMB1,259,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The non-controlling interest (71.82%) in the Target Company recognised at the acquisition date was measured by proportionate share of net assets acquired and amounted to approximately RMB960,650,000.

Goodwill arose in the acquisition of Hongchuang because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Hongchuang. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Hongchuang

	RMB'000
Cash consideration paid	1,999,618
Less: cash and cash equivalent balances acquired	(531,908)
Less: deposits paid	(899,515)
Net cash outflow arising on acquisition	568,195

Had the acquisition been completed on 1 January 2017, profit for the period would have been approximately RMB1,506,278,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Hongchuang been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of plant and equipment and amortisation of prepaid lease payments acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

4. BUSINESS COMBINATIONS (CONTINUED)

b) Acquisition of Beihai Xinhe New Material Co. Ltd

On 30 June 2016, the Group acquired 100% of the unquoted share capital of Binzhou Beihai Xinhe New Material Co., Ltd. ("Beihai Xinhe") for consideration of RMB2,120,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB231,351,000. Beihai Xinhe is engaged in the manufacture and sales of alumina. Beihai Xinhe was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration transferred

	RMB'000
Cash	2,120,000

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	2016 RMB'000
Property, plant and equipment	4,884,716
Prepaid lease payments	1,049,391
Deferred tax assets	163,003
Cash and banks	3,477
Trade receivables	323,153
Bill receivable	3,000
Prepayment and other receivables	61,863
Inventories	366,499
Trade payables	(41,454)
Other payables	(104,973)
Amount due to the former shareholder (note)	(4,541,679)
Deferred tax liabilities	(278,347)
	1,888,649

Note: The Group paid the amount of RMB4,541,679,000 to the former shareholder on behalf of Beihai Xinhe.

Acquisition-related costs amounting to approximately RMB529,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

4. BUSINESS COMBINATIONS (CONTINUED)

b) Acquisition of Beihai Xinhe New Material Co. Ltd (continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	2,120,000
Less: net assets acquired	(1,888,649)
Goodwill arising on acquisition	231,351

Goodwill arose in the acquisition of Beihai Xinhe because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Beihai Xinhe. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Beihai Xinhe

	RMB'000
Cash consideration paid	2,120,000
Less: cash and cash equivalent balances acquired	(3,477)
Net cash outflow arising on acquisition	2,116,523

5. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	**37,760,414**	23,563,616
– aluminum alloy ingots	**6,190,914**	706,730
– aluminum fabrication	**2,224,083**	1,091,871
Steam supply income	**21,888**	13,199
	46,197,299	25,375,416

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Bank interest income	**18,256**	15,209
Other interest income	**157,583**	–
Gain from sales of raw materials and scraps materials	**545,679**	106,483
Gain from sales of slag of carbon anode blocks	**326,870**	195,913
Gain on disposal of property, plant and equipment	**72**	2,367
Reversal of impairment of inventories	**11,208**	–
Investment gains from derivatives	**10,948**	–
Foreign exchange gain	**217,997**	–
Others	**83,280**	38,426
	1,371,893	358,398

7. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest expenses on bank borrowings	**490,120**	613,844
Interest expenses on other borrowings	**–**	929
Interest expenses on short-term debentures and notes	**238,833**	333,160
Interest expenses on medium-term debentures and bonds	**1,170,849**	592,502
Interest expenses on guaranteed notes	**183,404**	177,559
Foreign exchange losses, net	**–**	279,930
	2,083,206	1,997,924
Less: amounts capitalised under construction in progress	**(13,403)**	(100,641)
	2,069,803	1,897,283

Borrowing costs capitalised during the period are calculated by applying a capitalisation rate of 4.51% (six months ended 30 June 2016: 4.60%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax:		
– Hong Kong Profit Tax	**3,364**	–
– PRC Enterprise Income Tax	**1,373,189**	1,265,206
	1,376,553	1,265,206
Deferred taxation	**(767,052)**	(68,023)
Total income tax expense for the period	**609,501**	1,197,183

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Amortisation of prepaid lease payments	**37,190**	18,312
Cost of inventories	**38,979,270**	18,794,699
Depreciation for property, plant and equipment	**3,698,544**	2,734,671
Depreciation for investment properties	**750**	–
Operating leases rental relates to office premises	**1,823**	1,615
Impairment loss recognised in respect of property, plant and equipment (included in other expenses)	**3,361,587**	–
Write-down of inventories to net realisable value*	**45,356**	13,506

* The write-down of inventories to net realisable value is included in "Other expenses" in profit or loss.

10. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
2015 final dividends – HK15 cents per share	**–**	930,705

No dividend was paid or proposed by the Company during the Reporting Period.

Subsequent to the end of the reporting period, a final dividend of HK27 cents in respect of the year ended 31 December 2016 per share (31 December 2015: HK15 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

Subsequent to the end of the reporting period, a special dividend of HK20 cents in respect of the year ended 31 December 2016 per share (31 December 2015: nil) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Earnings	**RMB'000**	RMB'000
Earnings for the purpose of basic earnings per share	**1,482,073**	3,279,424

	Six months ended 30 June	
	2017	2016
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,259,766**	7,063,853

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group purchased property, plant and equipment approximately RMB503,017,000 (six months ended 30 June 2016: approximately RMB780,161,000), excluding property, plant and equipment transferred from construction in progress approximately RMB5,820,389,000 (six months ended 30 June 2016: approximately RMB12,599,384,000) and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB100,000 (six months ended 30 June 2016: RMB1,627,000).

During the six months ended 30 June 2017, the Group spent approximately RMB5,359,527,000 (six months ended 30 June 2016: RMB8,673,705,000) on the construction of its new product lines and power plant.

The depreciation of the Group for the six months ended 30 June 2017 is approximately RMB3,698,544,000 (six months ended 30 June 2016: RMB2,734,671,000).

Building with carrying amount of RMB4,694,031,000 (31 December 2016: RM3,351,666,000) located in the PRC are in the process of obtaining the property certificates.

At 30 June 2017, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB4,517,966,000 (31 December 2016: nil) were pledged to secure banking facilities granted to the Group (note 29).

13. GOODWILL

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Cost		
At beginning of the financial period/year	**311,769**	80,418
Arising on acquisition of a subsidiary	**1,622,688**	231,351
At the end of the financial period/year	**1,934,457**	311,769
Impairment		
At beginning and end of the financial period/year	**–**	–
Carrying amount		
At the end of the financial period/year	**1,934,457**	311,769

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

14. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Unlisted investments:		
– equity securities	**6,000**	–

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

15. INVENTORIES

During the six months ended 30 June 2017, the Group wrote down approximately RMB45,356,000 of inventories (31 December 2016: RMB12,792,000).

At 30 June 2017, certain of the Group's inventories with a net carrying amount of approximately RMB348,763,000 (31 December 2016: nil) were pledged to secure banking facilities granted to the Group (note 29).

16. TRADE RECEIVABLES

Included in trade receivables are debtors (net of allowance for bad debt and doubtful debts) with the following ageing analysis presented based on date of delivery of goods, which approximates the respective revenue recognition dates:

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Within 3 months	**2,574,307**	355,508
3-12 months	**34,168**	7,806
Over 12 months	**725**	–
	2,609,200	363,314

The Group allows an average credit period of 90 days to its trade customers.

As at 30 June 2017, approximately RMB97,582,000 (31 December 2016: nil) have been pledged to secure banking facilities granted to the Group (note 29).

17. BILLS RECEIVABLES

The aging analysis of bills receivable (net of allowance for bad debt and doubtful debts) presented based on the issue date at the end of the reporting period is as follows:

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Within 3 months	**5,929,524**	5,080,553
3 to 6 months	**4,410,190**	4,632,489
Over 6 months	**57,200**	8,900
	10,396,914	9,721,942

17. BILLS RECEIVABLES (CONTINUED)

TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets were transferred to suppliers by endorsing those bills receivable on a full recourse basis. As the Group has retained the significant risks and rewards which include default risks, relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding trade payables and other payables in the consolidated statement of financial position. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. These financial assets and financial liabilities are carried at amortised cost in the consolidated statement of financial position.

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Bills receivable endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**9,155,984**	6,044,736
Carrying amount of trade payables	**(820,243)**	(1,029,079)
Carrying amount of other payables	**(8,335,741)**	(5,015,657)
Net position	**–**	–

Note:

The maturity dates of bills receivables have not yet due at the end of the reporting period. As the Group was still exposed to credit risk on these receivables at the end of the reporting period, the bills endorsed to the suppliers for which the maturity dates have not yet been due are recognised as current liabilities in the consolidated statement of financial position.

18. OTHER FINANCIAL ASSETS (LIABILITIES)

	Current		Non-current	
	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000	**As at 30 June 2017 (Unaudited) RMB'000**	As at 31 December 2016 (Audited) RMB'000
Other derivatives				
Interest rate swap	**–**	–	**8,961**	11,123
Foreign currency swap	**3,279**	4,516	**1,806**	3,508
Capped forward	**–**	8,531	**–**	–
Futures	**–**	(1,691)	**–**	–
	3,279	11,356	**10,767**	14,631

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Amounts shown under non-current assets	**10,767**	14,631
Amounts shown under current assets	**3,279**	13,047
Amounts shown under current liabilities	**–**	(1,691)

Major terms of the interest rate swaps are as follows:

Notional amount	**Maturity**	**Swaps**
US Dollars ("US$") 8,000,000 to US$20,000,000	24 June 2019	From 0.85% per annum to 1-Month USD-LIBOR-BBA
US$40,000,000 to US$100,000,000	24 June 2019	From 0.79% per annum to 1-Month USD-LIBOR-BBA
US$20,000,000	24 June 2019	From 0.86% per annum to USD 1-Month LIBOR

18. OTHER FINANCIAL ASSETS (LIABILITIES) (CONTINUED)

Major terms of the foreign currency forward contracts are as follows:

Notional amount	Maturity	Exchange rate
Sell RMB52,640,000	28 April 2017	RMB6.58:US$1
Sell RMB65,800,000	28 July 2017	RMB6.58:US$1
Sell RMB65,200,000	27 April 2018	RMB6.52:US$1
Sell RMB65,800,000	3 May 2018	RMB6.58:US$1

Major terms of the capped forward contracts are as follows:

Notional amount	Maturity	Exchange rate
Receive RMB3,000,000/Sell RMB135,400,000	28 June 2017	Above RMB6.92:US$1/ Below RMB6.92:US$1
Receive RMB8,000,000/ Right to sell RMB130,500,000/ Sell RMB130,500,000	7 April 2017	Above RMB6.925:US$1/ Between 6.525 and 6.925/ Below RMB6.525:US$1

Major terms of the futures contracts are as follows:

Commodities	Price range	Maturity date
Buy Aluminum	RMB12,830 to RMB13,170 per tonne	February 2017 to May 2017

19. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Cash and bank balances	**10,860,056**	12,830,212
Time deposits	**414,327**	408,976
	11,274,383	13,239,188
Less:		
Restricted bank balance	**(5,559)**	(2,832)
Pledged time deposits:		
– pledged for issuance of letter of credit	**(271,327)**	(265,976)
– pledged for guarantee issued	**(128,000)**	(128,000)
Cash and cash equivalents	**10,869,497**	12,842,380

20. TRADE PAYABLES

Included in trade payables are creditors with the following ageing analysis presented based on the invoice date at the end of the reporting period:

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Within 6 months	**13,073,927**	7,462,550
6-12 months	**30,127**	31,927
1-2 years	**21,003**	7,541
More than 2 years	**3,428**	4,368
	13,128,485	7,506,386

The average credit period on purchases of goods is six months.

21. INTEREST-BEARING BANK BORROWINGS

(a) Bank borrowings

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Current		
Secured bank borrowings (note iii)	**151,990**	–
Unsecured bank borrowings (note i)	**9,880,284**	9,528,947
Unsecured syndicated loans	**6,100,781**	4,781,996
	16,133,055	14,310,943
Non-current		
Secured bank borrowings (note iii)	**2,377,259**	–
Unsecured bank borrowings (note i)	**3,393,727**	4,696,770
Unsecured syndicated loans	**234,225**	–
	6,005,211	4,696,770
	22,138,266	19,007,713

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Within one year or on demand	**16,133,055**	14,310,943
In the second year	**1,507,848**	3,529,985
In the third to fifth years, inclusive	**4,497,363**	1,166,785
	22,138,266	19,007,713

Fixed interest rate borrowings with an aggregate carrying amount of approximately RMB4,467,145,000 (31 December 2016: RMB1,813,745,000) ranged from 2% to 4.79% (31 December 2016: 2% to 4.35%) per annum as at 30 June 2017.

Interest on borrowings denominated in RMB at floating rates are calculated based on the borrowing rates announced by the People's Bank of China or China Foreign Exchange Trading System & National Interbank Funding Center, and interest on borrowings denominated in US$ at floating rates are calculated based on London Interbank Offered Rate.

21. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

Notes:

(i) The balance of bank borrowings which are guaranteed by a related party was set out in note 32(c) to the financial statements.

(ii) As at 30 June 2017, in respect of a syndicated loan with a carrying amount of RMB4,781,996,000, the Group breached certain of the terms of the syndicated loan, which are primarily related to the annual reporting requirements of the Group, which requires the Group to provide its 2016 annual audited accounts 120 days from 1 January 2017.

On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loan with the relevant bankers. The Group has successfully obtained extension of the reporting requirements to 180 days and 242 days from 1 January 2017 on 12 April and 30 June 2017 respectively. However, up to the date this report, the Group is unable to obtain further extension of the reporting requirements, which implies that the syndicated loan have to be fully repaid by the end of 31 December 2017. According to the revised repayment schedule, the Group has repay 10% of the outstanding sum monthly in July and August 2017 and 20% monthly from September 2017 to December 2017.

(iii) As at 30 June 2017, secured bank borrowings of the Group with outstanding balances of approximately RMB2,529,249,000 (31 December 2016: nil) were secured by property, plant and equipment, inventories, trade receivables and prepayments and other receivables.

22. SHORT-TERM DEBENTURES AND NOTES

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Short-term debentures and notes	**13,000,000**	11,000,000

The details of the unsecured short-term debentures and notes issued during the reporting period are set out as follows:

Debentures	**Date of issue**	**Principal amount** RMB'000	**Interest rate**	**Date of maturity**
Short-term debentures	1 September 2016	1,000,000	3.05%	2 September 2017
Short-term debentures	8 September 2016	1,000,000	3.00%	12 September 2017
Short-term debentures	19 September 2016	1,000,000	3.07%	21 September 2017
Short-term debentures	15 November 2016	1,000,000	3.48%	17 November 2017
Short-term debentures	24 November 2016	1,000,000	3.52%	22 August 2017
Short-term debentures	3 January 2017	1,000,000	4.42%	5 January 2018
Short-term debentures	12 January 2017	1,000,000	4.02%	10 October 2017
Short-term debentures	19 January 2017	1,000,000	4.00%	17 October 2017
Short-term debentures	16 February 2017	1,000,000	4.46%	17 February 2018
Short-term debentures	22 February 2017	1,000,000	4.50%	23 February 2018
Short-term debentures	24 February 2017	1,000,000	4.45%	24 November 2017
Short-term debentures	2 March 2017	1,000,000	5.00%	28 November 2017
Short-term debentures	8 March 2017	1,000,000	4.85%	4 December 2017

The short-term debentures and notes were issued to various independent third parties according to the approvals issued by National Association of Financial Market Institutional Investors ("NAFMII"). Interest is payable annually.

23. MEDIUM-TERM DEBENTURES AND BONDS

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Medium-term debentures and bonds-due within one year	**7,933,888**	731,664
Medium-term debentures and bonds-due after one year	**35,541,506**	39,720,060
	43,475,394	40,451,724

The details of the medium-term debentures and bonds issued are set out as follows:

Debentures	**Date of issue**	**Principal amount** RMB'000	**Nominal interest rate**	**Effective interest rate**	**Date of maturity**
Unlisted					
Medium-term debentures A	25 January 2013	1,500,000	6.30%	6.67%	25 January 2018
Medium-term debentures B	10 April 2013	1,500,000	5.80%	6.12%	10 April 2018
Medium-term debentures C	22 April 2015	1,500,000	5.60%	5.94%	22 April 2018
Medium-term debentures D	9 May 2013	1,500,000	6.00%	6.32%	9 May 2018
Medium-term debentures E	14 May 2015	1,200,000	5.20%	5.54%	14 May 2018
Medium-term debentures F	14 October 2015	1,000,000	5.50%	5.86%	14 October 2020
Medium-term debentures G	15 December 2015	500,000	5.20%	5.88%	15 December 2020
Medium-term debentures H	25 October 2016	1,000,000	3.87%	4.21%	26 October 2021
Medium-term debentures I	3 November 2016	2,000,000	3.84%	4.18%	4 November 2021
Medium-term debentures J	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures K	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures L	17 January 2017	1,000,000	5.20%	5.25%	19 January 2022
Private placement enterprise bond A	2 June 2016	3,000,000	6.05%	6.50%	2 June 2019
Private placement enterprise bond B	15 July 2016	3,000,000	6.48%	6.75%	15 July 2021

23. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

Debentures	Date of issue	Principal amount RMB'000	Nominal interest rate	Effective interest rate	Date of maturity
Listed					
Enterprise bonds A	3 March 2014	1,200,000	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	1,100,000	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	1,000,000	5.26%	5.44%	26 October 2022
Enterprise bonds D	14 January 2016	2,000,000	4.10%	4.33%	14 January 2021
Enterprise bonds E	14 January 2016	1,000,000	4.88%	5.11%	14 January 2021
Enterprise bonds F	27 January 2016	1,800,000	4.50%	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	1,200,000	4.04%	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	3,500,000	4.27%	4.50%	10 March 2021
Enterprise bonds I	10 March 2016	500,000	4.83%	5.06%	10 March 2021
Enterprise bonds J	22 March 2016	2,000,000	4.20%	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	7,800,000	4.00%	4.16%	17 October 2023

Debentures A, B, C, D, E, F and G were issued to various independent third parties according to the approvals issued by NAFMII and enterprise bonds A, B and C were issued according to the approvals issued by National Development and Reform Commission and listed on Shanghai Stock Exchange while enterprise bond D, E, F, G, H, I and J were issued under the approval of China Securities Regulatory Commission.

According to the terms and conditions of private placement enterprise bonds A, the interest rate is 6.05% per annum for 2 years, up to 2 June 2018. At the end of the second year, on 2 June 2018, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of -300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year.

According to the terms and conditions of enterprise bonds A, the interest rate of the enterprise bonds is 8.69% per annum for the five years, up to 3 March 2019. At the end of the fifth year, on 3 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive).

According to the terms and conditions of enterprise bonds B, the interest rate of the enterprise bonds is 7.45% per annum for the three years, up to 21 August 2017. At the end of the third year and fifth year, on 21 August 2017and 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100%of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive).

23. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

According to the terms and conditions of enterprise bonds C, the interest rate of the enterprise bonds is 5.26% per annum for the four years, up to 26 October 2019. At the end of the fourth year, on 26 October 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1to 100 basis points (both figures inclusive).

Enterprise bonds D and E are different categories of the same tranche. The interest rate of the enterprise bonds D is 4.10% per annum for the 3 years, up to 14 January 2019. At the end of the third year, on 14 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds E is 4.88% per annum for the five years, up to 14 January 2021, with no right to redeem the bonds or adjust the interest rate.

According to the terms and conditions of enterprise bonds F, the interest rate of the enterprise bonds is 4.50% per annum for the 3 years, up to 27 January 2019. At the end of the third year, on 27 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds G, the interest rate of the enterprise bonds is 4.04% per annum for the 3 years, up to 24 February 2019. At the end of the third year, on 24 February 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

Enterprise bonds H and I are different categories of the same tranche, the interest rate of the enterprise bonds H is 4.27% per annum for the 3 years, up to 10 March 2019. At the end of the third year, on 10 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds I is 4.83% per annum for the five years, up to 10 March 2021, with no right to redeem the bonds or adjust the interest rate.

23. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

Interest is payable annually. Issue costs are included in the carrying amount of the medium-term debentures and bonds and amortised over the period of the medium-term debentures and bonds using the effective interest method.

The total medium-term debentures and bonds are repayable as follows:

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Within one year	**7,933,888**	731,664
In the second to fifth year	**26,812,074**	30,930,159
Over five years	**8,729,432**	8,789,901
	43,475,394	40,451,724

24. GUARANTEED NOTES

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Current liabilities	**2,026,813**	2,768,436
Non-current liabilities	**–**	2,070,436
	2,026,813	4,838,872

On 26 June 2014, the Company issued 7.625% guaranteed notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,461,120,000) (the "2017 Guaranteed Notes") which are guaranteed by certain oversea subsidiaries of the Group. The 2017 Guaranteed Notes matures on 26 June 2017.The 2017 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

24. GUARANTEED NOTES (CONTINUED)

According to the terms and conditions of the 2017 Guaranteed Notes, at any time or from time to time prior to the maturity date, the notes may/will be redeemed at a redemption price set forth below.

Period	Redemption price
Prior to 26 June 2017	100% of the principal amount, plus the applicable premium as of plus accrued and unpaid interest, if any, to the redemption date (notes i & ii)
Prior to 26 June 2017	107.625% of the principal amount, plus accrued and unpaid interest (note iii)
Note iv	101% of the principal amount, plus accrued and unpaid interest
Note v	100% of the principal amount, plus accrued and unpaid interest

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2017 Guaranteed Notes on 26 June 2017, plus all required remaining scheduled interest payments due on the 2017 Guaranteed Notes through 26 June 2017 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 26 June 2017, the Company may at its option redeem 2017 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 26 June 2017, the Company may redeem up to 35% of 2017 Guaranteed Notes, at a redemption price of 107.625% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

(iv) Upon the occurrence of a change of control, the Company must make an offer to repurchase all 2017 Guaranteed Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

(v) In the event the Group are required to pay additional amounts as a result of certain changes in tax law, 2017 Guaranteed Notes may be redeemed, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest.

The carrying amount of the 2017 Guaranteed Notes on date of issuance is stated net of issue expenses totaling US$7,000,000 (equivalent to approximately RMB43,070,000) and the effective interest rate of the 2017 Guaranteed Notes is 8.30% per annum.

On 27 October 2014, the Company issued 6.875% guaranteed notes with the aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,845,750,000) (the "2018 Guaranteed Notes") which are guaranteed by certain oversea subsidiaries of the Group. The 2018 Guaranteed Notes mature on 3 May 2018. The 2018 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2018 Guaranteed Notes, at any time or from time to time prior to the maturity date, the notes may/will be redeemed at a redemption price set forth below.

Period	Redemption price
Prior to 3 May 2018	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date (notes vi & vii)
Prior to 3 May 2018	106.875% of the principal amount, plus accrued and unpaid interest (note viii)
Note ix	101% of the principal amount, plus accrued and unpaid interest
Note x	100% of the principal amount, plus accrued and unpaid interest

24. GUARANTEED NOTES (CONTINUED)

Notes:

(vi) Applicable Premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2018 Guaranteed Notes on 3 May 2018, plus all required remaining scheduled interest payments due on the 2018 Guaranteed Notes through 3 May 2018 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(vii) At any time prior to 3 May 2018, the Company may at its option redeem 2018 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(viii) At any time prior to 3 May 2018, the Company may redeem up to 35% of 2018 Guaranteed Notes, at a redemption price of 106.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

(ix) Upon the occurrence of a change of control, the Company must make an offer to repurchase all 2018 Guaranteed Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

(x) In the event the Group are required to pay additional amounts as a result of certain changes in tax law, 2018 Guaranteed Notes may be redeemed, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest.

The carrying amount of the 2018 Guaranteed Notes on date of issuance is stated net of issue expenses totaling US$4,500,000 (equivalent to approximately RMB27,686,000) and the effective interest rate of the 2018 Guaranteed Notes is 7.37% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition and at the end of the reporting period.

25. SHARE CAPITAL

	Number of shares		Share Capital	
	30 June 2017	31 December 2016	**30 June 2017 US$**	31 December 2016 US$
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

	30 June 2017	31 December 2016	**30 June 2017 US$**	31 December 2016 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**7,259,766,023**	7,259,766,023	**72,597,660**	72,597,660

	Number of shares	**Share Capital** RMB'000
Issued and fully paid:		
At 1 January 2016	6,368,215,810	415,834
Issued of new shares (note (a))	891,550,213	58,223
At 31 December 2016, 1 January 2017 and 30 June 2017	7,259,766,023	474,057

25. SHARE CAPITAL (CONTINUED)

Note:

(a) On 18 February 2016, the Company completed the rights issue of 891,550,213 rights shares at the subscription price of HK$4.31 per rights share on the basis of 7 rights shares for every 50 shares held on the record date.

The Company does not have any share option scheme.

All shares issued rank pari passu in all respects with all shares then in issue.

26. RESERVES

a) Capital reserve

Capital reserve represents (i) the effect of the group reorganization completed in March 2010 and (ii) deemed capital contribution from its equity holders.

b) Statutory surplus reserve

In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China ("PRC"), those subsidiaries are required to transfer 5% to 10% of the profit after taxation reported under the relevant accounting policies and financial regulations in the PRC to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

c) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

27. LITIGATION

In prior year, a lawsuit was filed by a total of 115 engineering staff against Beihai Xinhe in respect of a dispute in the labor service fee between the 115 engineering staff and Beihai Xinhe. Beihai Xinhe has no direct relationship with those individuals but act as the main contractor for a construction project. In 2016, Beihai Xinhe received a civil order issued by the Zhang Yuan Xian District Court (the "District Court"), which accepted the application by the 115 engineering staff for property attachment prior to lawsuit to freeze Beihai Xinhe's bank accounts in the amount of approximately RMB15,560,000. In connection with the lawsuit, five of Beihai Xinhe's bank accounts with an aggregate amount of approximately RMB5,559,000 was frozen. As at the date of this report, the legal proceedings are in progress. No accrual has been recorded by the Group as at 30 June 2017 based on the opinion provided by the PRC legal counsel acting on behalf of Beihai Xinhe.

28. FAIR VALUE DISCLOSURES

A) Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	30 June 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at FVTPL				
Derivative financial assets				
– Interest rate swaps contracts	**–**	**8,961**	**–**	**8,961**
– Foreign currency swap contracts	**–**	**5,085**	**–**	**5,085**

	31 December 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Derivative financial assets				
– Interest rate swap contracts	–	11,123	–	11,123
– Foreign currency swap contracts	–	8,024	–	8,024
– Capped forward contracts	–	8,531	–	8,531
Financial liabilities at FVTPL				
Derivative financial liabilities				
– Futures	–	1,691	–	1,691

There were no transfers between levels of fair value hierarchy in the current period and prior years.

28. FAIR VALUE DISCLOSURES (CONTINUED)

B) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair valueas at 30/6/2017 RMB	31/12/2016 RMB	Valuation technique and key inputs
Interest rate swaps	Level 2	**8,961**	11,123	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties
Foreign currency swap contracts	Level 2	**5,085**	8,024	Discounted cash flows – Based on forward exchange rates (from observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties
Capped forward contracts	Level 2	**–**	8,531	Discounted cash flows – Based on forward exchange rates (from observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties
Futures	Level 2	**–**	(1,691)	Discounted cash flows – Based on market prices of aluminum (from observable market prices at the end of the reporting period and contract futures prices, discounted at a rate that reflects the credit risk of various counterparties

28. FAIR VALUE DISCLOSURES (CONTINUED)

B) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The vice chief financial officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The vice chief financial officer report's findings to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair values of the assets and liabilities.

C) Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

	30 June 2017		31 December 2016	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Listed				
Medium-term bonds due after one year	**22,168,744**	**21,549,068**	22,190,757	24,579,485
Unlisted				
Medium-term bonds due after one year	**13,372,762**	**13,736,410**	17,529,303	18,652,863
Guaranteed notes	**2,026,813**	**1,934,905**	4,838,872	4,977,222
Bank borrowings – due after one year	**6,005,211**	**6,137,107**	1,463,770	1,543,346

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, bills receivables, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, borrowings-due within one year, short-term debentures and notes approximate to their carrying amounts largely due to the short term maturities of these instruments.

28. FAIR VALUE DISCLOSURES (CONTINUED)

C) Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	As at 30 June 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	**21,549,068**	**–**	**–**	**21,549,068**
Medium-term bonds due after one year – unlisted	**–**	**13,736,410**	**–**	**13,736,410**
Guaranteed notes	**–**	**1,934,905**	**–**	**1,934,905**
Bank borrowings due after one year	**–**	**6,137,107**	**–**	**6,137,107**
	21,549,068	**21,808,422**	**–**	**43,357,490**

	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	24,579,485	–	–	24,579,485
Medium-term bonds due after one year – unlisted	–	18,652,863	–	18,652,863
Guaranteed notes	–	4,977,222	–	4,977,222
Bank borrowings due after one year	–	1,543,346	–	1,543,346
	24,579,485	25,173,431	–	49,752,916

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of listed medium-term bonds due after one year is included in Level 1 of the fair value hierarchy. The fair value of the financial liabilities included in Level 1 above has been determined using the quoted bid prices in an active market.

- The fair value of unlisted medium-term bonds, guaranteed notes and bank borrowings due after one year are included in Level 2 of the fair value hierarchy. The fair values of the financial liabilities included in the Level 2 category above have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

29. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Restricted bank deposits (note 19)	**399,327**	393,976
Property, plant and equipment (note 12)	**4,517,966**	–
Trade receivables (note 16)	**97,582**	–
Prepayments and other receivables	**293,745**	–
Inventories (note 15)	**348,763**	–
Prepaid lease payments	**14,169**	–
	5,671,552	393,976

30. OPERATING LEASES

The Group as lessee

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Minimum lease payments paid under operating leases for premises	**11,107**	10,577

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

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Within one year	**7,358**	7,868
In the second to fifth year inclusive	**4,304**	7,942
	11,662	15,810

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

31. COMMITMENTS

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**2,293,223**	3,307,392

32. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group has the following related parties transactions.

(a) During the Reporting Period, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	**Relationship**
山東魏橋創業集團有限公司 ("Chuangye Group") (note i)	note ii
濱州魏橋鋁業科技有限公司 ("Aluminum Technology") (note i)	Controlled by Chuangye Group
濱州魏橋科技工業園有限公司 ("Binzhou Industrial Park") (note i)	Controlled by Chuangye Group
Chongqing Weiqiao (note i)	Controlled by Chuangye Group
沾化金沙供水有限公司 ("Jinsha Water Supply") (note i)	An associate of Chuangye Group
ABM	An associate of a wholly-owned subsidiary of the Company
WAP	An associate of a wholly-owned subsidiary of the Company

Notes:

i. The English names of the above companies are for reference only.

ii. Mr. Zhang, the director and the controlling shareholder of the ultimate holding company of the Company, has a significant non-controlling beneficial interest in Chuangye Group, and is also the director of Chuangye Group.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the Reporting Period, the directors of the Company are of the view that the following are related parties of the Group: (continued)

During the reporting period, the Group entered into the following transactions with related parties:

	Notes	Six months ended 30 June 2017 RMB'000	 2016 RMB'000
Purchases of water			
– Jinsha Water Supply	(i)	**17,591**	8,362
Purchases of bauxite			
– ABM	(i)	**2,262,826**	443,828
Sales of steam			
– Binzhou Industrial Park	(i)	**13,361**	13,087
Factoring of bills receivables			
– Chongqing Weiqiao	(ii)	**638,500**	–

The following balances were outstanding at the end of the reporting period:

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Loans to an associate		
WAP	**507,784**	519,971
SMB	**237,104**	242,795
Trade payables		
ABM	**852,565**	110,908
Jinsha Water Supply	**3,676**	4,165

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the Reporting Period, the directors of the Company are of the view that the following are related parties of the Group: (continued)

The related party transactions in respect of (i) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

The related party transactions in respect of (ii) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term employee benefit	**2,433**	2,891
Retirement benefits scheme contributions	**21**	30
	2,454	2,921

(c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by a related party were as follows:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Chuangye Group	**299,000**	450,000

33. EVENT AFTER THE REPORTING PERIOD

a) Between 1 August 2017 and 7 August 2017, certain bondholders of Enterprise bonds B activated the early redemption clause to redeem the bonds at a redemption price equal to 100% of the principal plus unpaid interest. On 21 August 2017, Enterprise bonds B with carrying amounts of approximately RMB731,664,000 was successfully redeemed.

b) On 15 August 2017, the Company entered into the Share Placing Agreement with the Share Subscriber, being an independent third party, pursuant to which the Share Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 806,640,670 Placing Shares at the Placing Price of HK$6.80 per Placing Share.

The Placing Shares represent (i) approximately 11.11% of the existing issued share capital of the Company as at 15 August 2017; and (ii) 10.00% of the issued share capital of the Company as enlarged by the Placing Shares (assuming there is no other change in the share capital of the Company between the date of the Share Placing Agreement and the Share Placing Completion Date). The Placing Shares will be issued under the Share Specific Mandate and will rank pari passu in all respects among themselves and with the existing Shares.

Further details are set out in the announcement of the Company dated 15 August 2017. Up to the date of this report, the Placing Shares have not been issued, pending from shareholders' approval and fulfillment of the Placing Shares Conditions.

c) On 15 August 2017, the Company entered into the convertible bonds placing agreement with CTICM (the "Purchaser") and CNCB (Hong Kong) Capital Limited, (the "Lead Manager"), both being independent third parties, pursuant to which the Company has agreed to issue and the Lead Manager has conditionally agreed to procure the Purchaser to subscribe and pay for the Convertible Bonds on a best efforts basis. The Convertible Bonds will be issued with an initial principal amount of US$320,000,000.

The initial Conversion Price (subject to adjustment) is HK$8.16, representing (i) a premium of approximately 15.74% over the closing price of the Shares as quoted on the Stock Exchange on 21 March 2017, (the "Last Trading Day"), and (ii) a premium of 14.80% to the average closing price of the Shares over the last five (5) consecutive trading days up to and including 21 March 2017, being the Last Trading Day.

Further details are set out in the announcement of the Company dated 15 August 2017. Up to the date of this report, the Convertible Bonds have not been issued, pending from shareholders' approval and fulfillment of the Bonds Issuance Conditions.