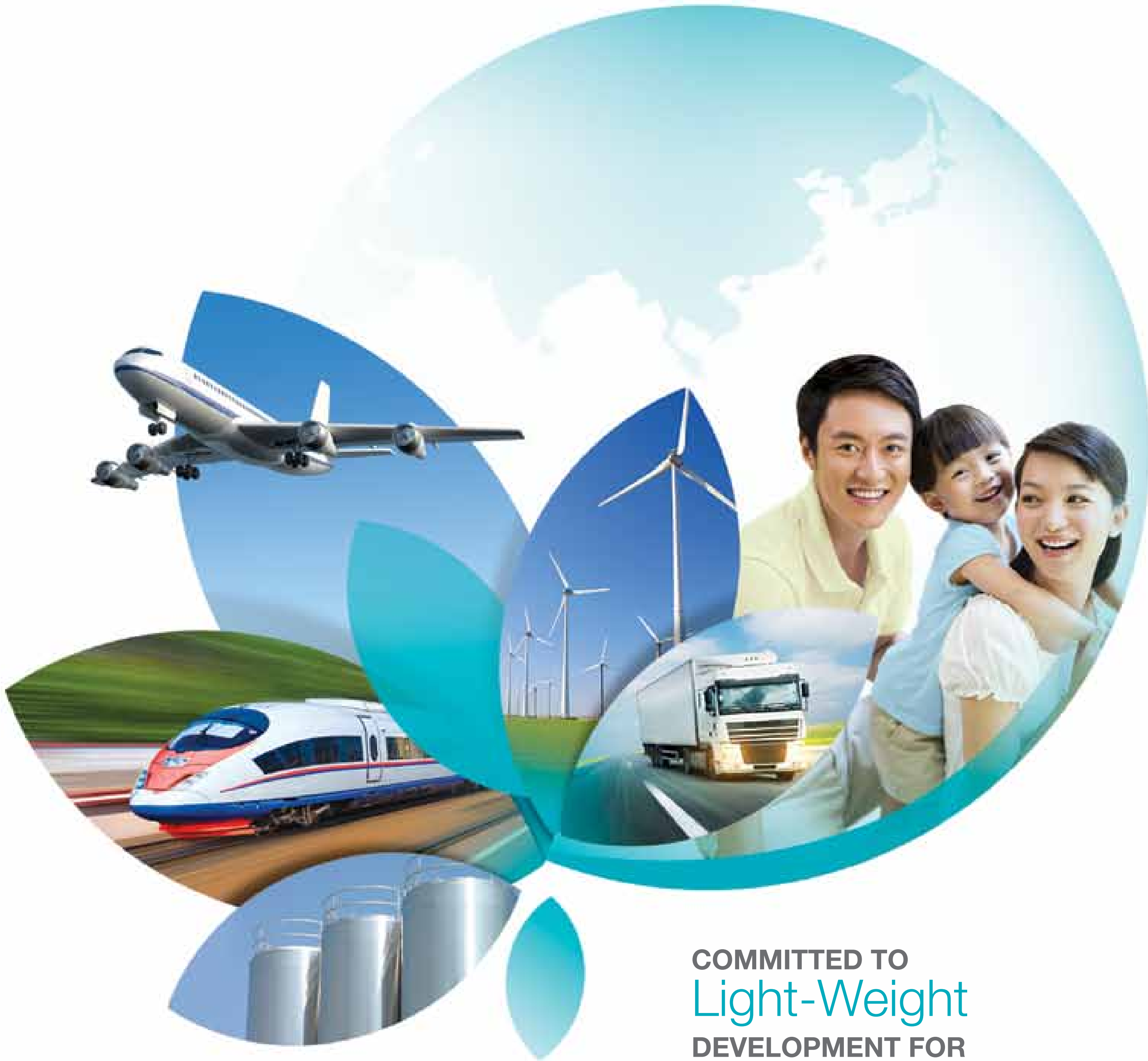
中国忠旺控股有限公司*

China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 01333



COMMITTED TO

Light-Weight

DEVELOPMENT FOR

A Greener World

Interim Report 2014

* For identification purposes only

A light-weight material, aluminium alloys enable:

- Vehicles to run faster;
- Planes to fly high and afar;
- Our environment to be more eco-friendly;
- Energy to be used more efficiently; and
- A better tomorrow.

Contents

Corporate Information

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

01333

Executive Directors

Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing
Mr. Chen Yan
Ms. Zhong Hong
Mr. Gou Xihui

Independent Non-executive Directors

Mr. Wong Chun Wa
Mr. Wen Xianjun
Mr. Shi Ketong
Mr. Lo Wa Kei, Roy

Audit Committee

Mr. Wong Chun Wa *(Chairman)*
Mr. Wen Xianjun
Mr. Shi Ketong

Nomination and Remuneration Committee

Mr. Wen Xianjun *(Chairman)*
Mr. Liu Zhongtian
Mr. Shi Ketong

Corporate Governance Committee

Mr. Lo Wa Kei, Roy *(Chairman)*
Mr. Wen Xianjun
Mr. Shi Ketong

Strategy and Development Committee

Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing
Mr. Wen Xianjun

Joint Company Secretaries

Mr. Cheung Lap Kei
Mr. Lu Changqing

Authorised Representatives

Mr. Cheung Lap Kei
Mr. Lu Changqing

Principal Bankers

Bank of America, N.A., Hong Kong Branch
The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China Limited
Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited

Registered Office

Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business in the PRC

No. 299, Wensheng Road
Liaoyang City
Liaoning 111003
PRC

42/F China World Tower
No.1 Jianguomenwai Avenue
Beijing 100004
PRC

Place of Business in Hong Kong

56/F, Bank of China Tower
1 Garden Road, Admiralty
Hong Kong

Legal Advisors

As to Hong Kong laws

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws

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

Auditor

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Principal Share Registrar in the Cayman Islands

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

Hong Kong Branch Share Registrar

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

Investor and Media Relations Consultant

PR ASIA Consultants Limited
5/F, Euro Trade Centre
13–14 Connaught Road Central
Hong Kong

Closure of Register of Members

For the purpose of determining the shareholders of the Company who are entitled to the interim dividend, the register of members of the Company will be closed from Friday, 17 October 2014 to Tuesday, 21 October 2014 (both days inclusive), during which period no transfer of shares will be effected. In order to be entitled to the interim dividend, all instruments of transfers (including relevant share certificates and transfer forms) must be lodged at the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 16 October 2014.

Company Website

www.zhongwang.com

Corporate Profile

China Zhongwang Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the biggest in Asia and China[1]. On 8 May 2009, the Company (stock code: 01333) was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited. The Group has been primarily focusing on the light-weight development in the transportation, machinery and equipment and electric power engineering sectors through the provision of quality processed aluminium products. The Group has won numerous global certifications and accreditations from the railway, automobiles, shipbuilding, aviation and other industries. Our customers can be found in major markets all over the world.

The Group was founded in 1993 with its headquarters based in Liaoning Province, China. After more than 20 years of dedicated development, the Group currently has 93 internationally advanced aluminium extrusion production lines (including 21 production lines of large-scale aluminium extrusion presses of 75MN or above) with an aggregate annual production capacity of over 1 million tonnes. In addition, the Group has ordered two ultra-large 225MN extrusion presses, which are the largest and most advanced presses in the world, to be gradually put into operation from 2015. The acquisitions will reinforce the Group's leading edge in the production of high precision, complex large-section industrial aluminium extrusion products. Meanwhile, we have also built a world-leading aluminium tilt smelting and casting facility which is closely linked with the industry chain, as well as the largest customized industrial aluminium extrusion product die design and manufacturing centre in Asia. In 2012, the Group was certified by the Chinese government as a "State Accredited Enterprise Technology Centre". The Group's unique core competitiveness in the industry lies in the comprehensive strength of our four-in-one model, i.e. the integration of smelting and casting, die design, advanced equipment and research and development capability all under one roof.

Moreover, the Group actively develops its deep-processed product business. On the back of advanced production facilities in its newly built deep-processing centre and the strength of the Group's research and development centre, the Group has developed a range of high gross margin deep-processed products including industrial aluminium pallets, aluminium semi-trailers, aluminium fire trucks and aluminium high-speed train carriages suitable for alpine cold regions. Sales of deep-processed products are growing year by year and are becoming an increasingly important driver of profit growth for the Group.

The Group's high value-added aluminium flat rolled product project is progressing steadily as planned. With a total designed annual production capacity of 3 million tonnes, the project is scheduled for development in two phases. Phase I has two production lines with a designed annual production capacity of 1.8 million tonnes. At present, the construction of plants for the first production line is basically completed, and equipment installation is underway. The first production line of Phase I is expected to commence production in the second half of 2015, by which time we will have initially achieved the goal of tapping the high-end aluminium flat rolled product sector to become our third core business complementary to and synergistic with the existing industrial aluminium extrusion product and deep-processed product businesses. The Company expects the investment for phase II of the project to be completed by 2018, by which time the total designed annual production capacity of 3 million tonnes will have been realized.

The Group will continue to focus on light-weight development in the transportation, machinery and equipment and electric power engineering sectors that aims at reducing energy consumption and facilitating low carbon emission. It will actively seek to sharpen its edge in the industrial aluminium extrusion sector, extend its reach to the high-end aluminium flat rolled product business and develop aluminium deep-processing technologies, working relentlessly to become the world's top comprehensive developer and manufacturer of high-end aluminium products.

For further information on the Group, please visit our website at www.zhongwang.com.

1 Rankings and relevant information relating to aluminium extrusion product manufacturers in the world are cited from a report prepared by Beijing Antaike Information Development Co., Ltd. dated March 2014.

Financial Highlights

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**7,947,535**	7,021,397
Gross profit	**2,243,604**	1,968,664
Gross margin	**28.2%**	28.0%
Profit before taxation	**1,527,199**	1,419,686
Profit attributable to equity shareholders	**1,270,617**	1,071,769
Earnings per share (Note 1)		
Basic (RMB)	**0.19**	0.20
Diluted (RMB)	**0.19**	0.20
Interim dividend per share (RMB)	**0.06**	—

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Net assets	**23,582,382**	19,638,892
Total assets	**48,796,718**	40,353,143
Gearing ratio (Note 2)	**51.7%**	51.3%

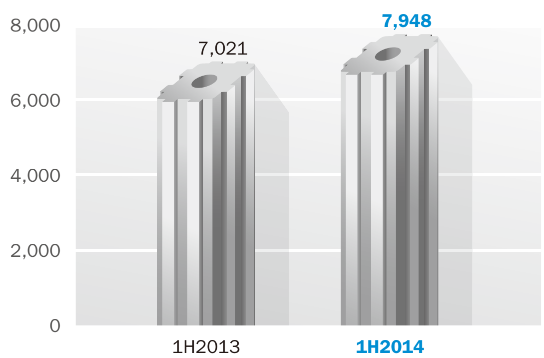
Notes:

1. The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company for each of the six-month periods ended 30 June 2014 and 2013 and on the weighted average number of ordinary shares, convertible preference shares, and share options for the respective period.
2. Gearing ratio = total liabilities/total assets * 100%.

Financial Highlights

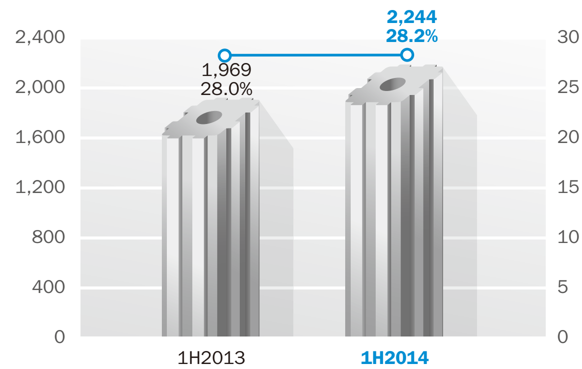
Revenue

(RMB millions)



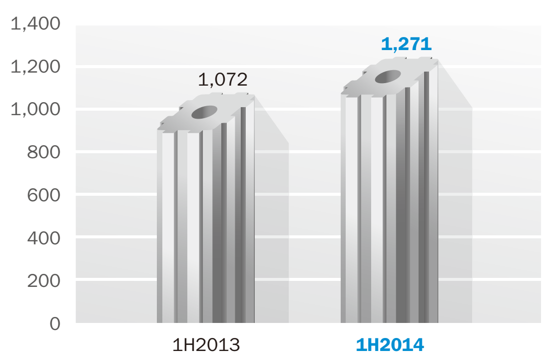
Gross Profit/Gross Margin

(RMB millions)



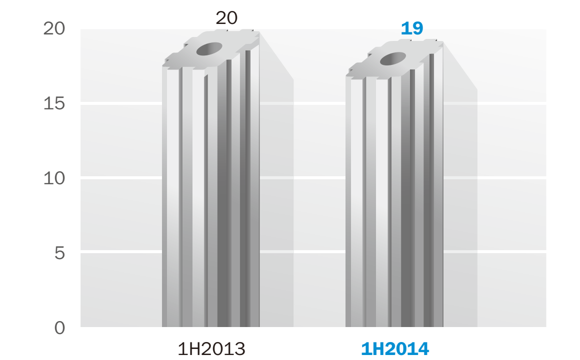
Profit Attributable To Equity Shareholders

(RMB millions)



Earnings Per Share (Basic)

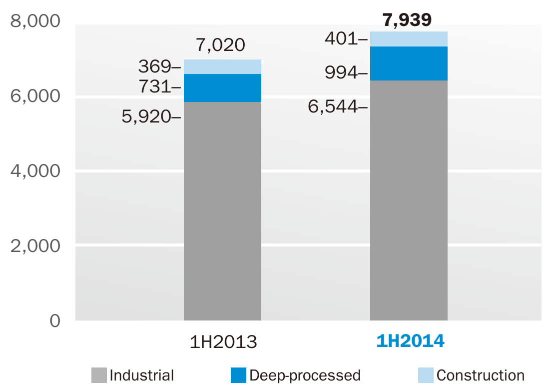
(RMB cents)



Revenue Composition

– Extrusion Business/By Product Type

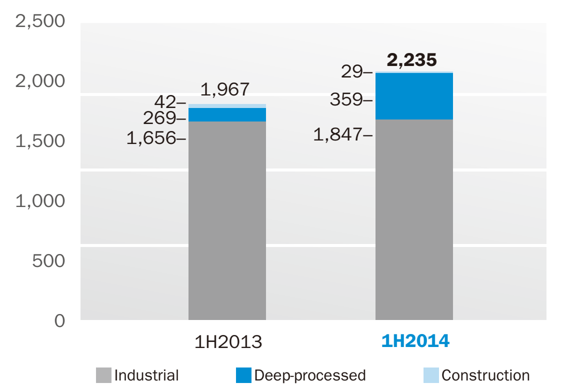
(RMB millions)



Gross Profit Composition

– Extrusion Business/By Product Type

(RMB millions)



Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited, I am pleased to present the interim report on the unaudited results of the Group for the six months ended 30 June 2014 (the "Period under Review") for your review.

Operational Review — A Down-to-earth Approach to Operation Assures Success in the Long Run

During the first half of 2014, China experienced moderate but stable economic growth as the country continued to drive the restructuring of its economy and vigorously implemented its policy of industry upgrades, with a special emphasis on the development of a green society with low-carbon features. Coupled with the mild economic recovery in Europe and the United States (the "US"), this has provided a positive setting for the Group's business development. During the Period under Review, the Group focused on its three core businesses, namely, industrial aluminium extrusion products, deep-processed industrial aluminium extrusion products and aluminium flat rolled products. Through the three operating aspects of product innovation, capacity expansion and market development, we have enhanced our operational efficiency for a firm grasp of business opportunities arising in the high-end aluminium processing industry in China and elsewhere.

The Group reported ongoing stable growth in operating results for the Period under Review, with double-digit growth in major financial and operational benchmarks such as revenue, profit attributable to equity shareholders and sales volume:

- Revenue and profit attributable to equity shareholders amounted to approximately RMB7.95 billion (corresponding period in 2013: approximately RMB7.02 billion) and RMB1.27 billion (corresponding period in 2013: approximately RMB1.07 billion), representing a year-on-year growth of 13.2% and 18.6%, respectively;

- Sales of aluminium extrusion products grew by 16.5% year on year to approximately 368,000 tonnes (corresponding period in 2013: approximately 316,000 tonnes);

- Gross profit margin was 28.2%, largely unchanged from 28.0% for the corresponding period of last year;

- China remained the major market of the Group, where sales volume and revenue grew by 13.0% and 9.3% year on year to approximately 323,000 tonnes (corresponding period in 2013: approximately 286,000 tonnes) and approximately RMB6.75 billion (corresponding period in 2013: approximately RMB6.17 billion), respectively, representing 84.9% of total sales (corresponding period in 2013: 87.9%);

- Driven by exports of deep-processed industrial aluminium extrusion products, the volume and amount of sales in the overseas markets grew by 50.7% and 41.2% respectively year on year to approximately 45,000 tonnes (corresponding period in 2013: approximately 30,000 tonnes) and approximately RMB1.20 billion (corresponding period in 2013: approximately RMB0.85 billion).

Dividend

To reward shareholders' longstanding and strong support for the Company, the Board is pleased to declare an interim dividend of HK$0.08 (approximately RMB0.06) per share for the six months ended 30 June 2014 to holders of ordinary shares and convertible preference shares of the Company.

Business Review

Industrial aluminium extrusion products — expanded capacities driving growth in revenue and sales volume

As Asia's largest and the world's second largest developer and manufacturer of industrial aluminium extrusion products, the Group has been enhancing its high-end industrial aluminium extrusion capacity on an ongoing basis to capitalise on the growth opportunities in China and the overseas relating to high-end industrial aluminium extrusion products. Following the completion of the installation and testing of eight large-tonnage aluminium extrusion presses last year, further improvements were made in the quality and production efficiency of large-section industrial aluminium extrusion products, which involved complicated production processes. Sales of the Group's high-end aluminium extrusion products were boosted during the Period under Review by the formal commissioning of these eight large-tonnage aluminium extrusion presses. During the Period under Review, the volume and amount of sales of industrial aluminium extrusion products grew by 14.1% and 10.6% year on year to approximately 307,000 tonnes and RMB6.54 billion, respectively, accounting for 83.3% and 82.3% of the Group's overall sales volume and amount. Industrial aluminium extrusion products are the major source of the Group's revenue and profit, providing strong support in various aspects, such as technology accumulation, talent reserves, upstream resources and customer base etc., for the smooth operation of its businesses in deep-processed industrial aluminium extrusion products and aluminium flat rolled products.

As at 30 June 2014, the Group operated 93 aluminium extrusion lines (including 21 large-tonnage extrusion presses of 75MN or above) with an aggregate annual production capacity of over one million tonnes. In terms of production capacity, it is one of the leading players in the global aluminium processing industry. The Group has also ordered two 225MN horizontal single-action aluminium extrusion presses, currently the largest of their kind in the world, which are scheduled to start production in 2015. These additional production facilities will enable us to better meet the demand for complex, large-section industrial aluminium extrusion products of downstream customers and further highlight our advantage in production.

Deep-processed industrial aluminium extrusion products — capitalising on opportunities presented by light-weight development in the transportation sector

Through the development of its deep-processing business, the Group further processes and assembles its industrial aluminium extrusion products into high-quality semi-finished or finished products ready for use by customers. Since its commissioning last year, the deep-processing centre has developed a range of aluminium alloy prototype products for the transportation sector, such as aluminium semi-trailers, fire trucks and high-speed train compartments suitable for alpine cold regions, arousing the interest of many potential customers. Our deep-processing technology team and the research and development centre are also able to provide comprehensive solutions for light-weight transportation that effectively enhance the fuel efficiency of vehicles in response to the need of downstream customers to save energy and reduce consumption.

For the Period under Review, sales of deep-processed industrial aluminium extrusion products increased by 39.2% to approximately 37,000 tonnes in volume and by 36.0% to approximately RMB990 million in value, as compared to the corresponding period of last year, accounting for 12.5% of the Group's overall sales revenue. As the Group further steps up its effort to develop the sectors of rail transport, commercial and special vehicles, we believe that this business will bring new profit contributions to the Group.

Aluminium flat rolled product business — progressing as planned and striving to commence production as scheduled to build a growth engine for the long term

Being the largest development project ever launched by the Group since its incorporation, the aluminium flat rolled product project will become its future growth engine for the long term. Upon completion, the project will become a production base that features the world's most advanced equipment and most comprehensive range of ancillary facilities. Construction of the Group's aluminium flat rolled plant was progressing as scheduled during the Period under Review, while the Group enhanced its training of management and technical personnel in order to be fully prepared for business development after the commissioning of the project. Production equipment imported from Germany, the US and other countries have been delivered in different shipments and on-site installation has started for some of them. Phase I of the project with an annual production capacity of 1.8 million tonnes is expected to gradually commence operation in the second half of 2015. Aggregate annual capacity will be increased to 3 million tonnes by 2018.

The Group's plant for aluminium flat rolled products is prestigiously located within the Auto Parts and Components Industrial Park in Wuqing District, Tianjin. As the industrial park is focused on sectors such as the manufacturing of automobiles and auto parts and components, new materials and new energies, the Group is strategically positioned for close cooperation with downstream customers. Upon completion, the plant will produce aluminium alloy plates, sheets and foils that are extensively used in the auto manufacturing (including car bodies, parts and components), machinery manufacturing, petrochemical, aviation and aerospace, rail and shipbuilding, pharmaceutical and food packaging sectors. On the back of world-advanced production equipment and technologies, the Group is well-equipped to swiftly respond to the demand for premium aluminium plates, sheets or foils from the aviation and aerospace, transportation, pharmaceutical and food packaging sectors.

Technology research and development — enhancing technical strength with increased input

The Group has always been committed to product research and development, with the aim of achieving product differentiation with more sophisticated technologies and increasing the potential for profitability in the longer term. During the first half of 2014, we continued to increase our input in research and development to improve our production processes and develop new products. Investment in research and development for the Period under Review amounted to approximately RMB240 million, representing 3.0% of our overall revenue.

During the Period under Review, the Group obtained 11 patents, including 4 invention patents and 7 utility model patents. We have built a mutually beneficial development model with a number of large enterprises and leading academic institutions to conduct joint research and development on novel applications of aluminium alloy products in the transportation sector. New strategic partners solicited during the Period under Review included AVIC SAC Commercial Aircraft Company Limited, Shenyang Aerospace University and Dalian University of Technology.

Meanwhile, the Group continued to consolidate and expand the scope of accreditation for its qualifications. During the Period under Review, we passed the annual audit in relation to International Railway Industry Standard (IRIS) and the supervisory audit in relation to AS9100C (quality management standard for the aviation and aerospace industries), while obtaining approval for expansion in aluminium alloy extrusions certified by China Classification Society (CCS, issuer of technical standards for vessels and marine facilities). The Group's qualifications for the production and marketing of high-end processed aluminium products for the rail transportation, aviation and aerospace and vessel sectors have been reassured and broadened as a result.

Optimising our capital structure — diversifying financing sources to lower capital costs

To meet the requirements of its business expansion, optimize its capital structure and lower capital costs, the Group entered into a US$500 million syndicated loan agreement for a term of 3 years with close to 20 international financial institutions in June 2014. The applicable loan interest rate was significantly lower than domestic benchmark interest rates for commercial lending and the fund raised would be applied as general working capital. This syndicated loan is a testament to the positive views of international financial institutions and capital markets on our Group's business prospects.

In addition, the Company successfully raised approximately HK$4.23 billion through an open offer launched at the end of 2013 of ordinary shares and/or convertible preference shares on the basis of 3 new ordinary shares and/or convertible preference shares for every 10 existing ordinary shares held by qualifying shareholders. All proceeds will be applied to the construction and development of the Group's aluminium flat rolled product project in Tianjin to provide solid financial support for the Group's high-end aluminium flat rolled product project.

Outlook — Emphasis on Green and Low-carbon Environment in National Development Assuring Bright Prospects for High-end Aluminium Processing Industry

As China strives to sustain stable economic growth by continuing to drive, in a structured manner, its urbanisation process, the upgrade of its industrial structure and expedited phase-out of backward production capacities, the building of a sustainable green community with low-carbon features has become the dominant view in social development. Compared with other metals, aluminium alloy has been put to extensive applications in the aviation and aerospace, auto making, machinery manufacturing, shipbuilding and chemical sectors because of its properties of lightness, strength, corrosion resistance, electrical conduction, heat transfer, and recyclability, and has played an important role in the drive for industry upgrades, the green economy and the light-weight development in transportation.

The Chinese public has been increasingly concerned with extensive atmospheric pollution across the country in recent years. The proactive and effective prevention of atmospheric pollution has become an impending task for the central as well as local governments of China. As gas emission from vehicles is one of the major sources of air pollution, many automakers are stepping up their efforts to develop light-weight car bodies that require less fuel consumption in view of increasingly stringent requirements for energy conservation and reduction in emission in China as well as the international community. Given its features of lightness, ease of manufacturing and recyclability, aluminium alloy has become the preferred choice of material for automakers in helping them achieve energy conservation and emission reduction of vehicles. Meanwhile, rapid development of public transportation systems such as city light rails and high-speed trains brought about by further progress of China's urbanisation process, as well as China's national jumbo plane project and the upgrade of its vessels present broad prospects for the applications of aluminium alloys and for the development of high-end aluminium processing industry and offer unprecedented market opportunities for the three core businesses of the Group.

On the back of its cutting-edge technologies and high-calibre personnel, state-of-the-art production equipment, diversified product range and sound financial resources, the Group is well-positioned to benefit from China's industrial restructuring and trend to build a green society. The Group will further consolidate its existing strength by fortifying its industrial aluminium extrusion business, reinforcing its industrial aluminium extrusion deep-processing business that holds out great growth potentials, and driving the development of its aluminium flat rolled product business in a structured manner. With the three core businesses operating together on the basis of resource-sharing and complementary benefits to drive stable and healthy development of the Group, the Board and the management are fully confident in the future prospects of the Group.

The Group owes its encouraging results for the first half of 2014 to the loyal service and contributions of all employees, as well as the support of its shareholders and business partners. On behalf of the Board, may I express sincere gratitude to our employees, shareholders and partners. The Group will continue to persistently implement the strategy of developing the three core businesses and improve its business results, in a bid to deliver sustainable growth and reward for its shareholders.

Thank you!

Liu Zhongtian
Chairman

Hong Kong, 15 August 2014

I. Business Review

In the Period under Review, the Chinese economy showed signs of stability and growth and the risk of an economic slowdown had been significantly reduced as a result of a series of measures of pursuing stable growth and adjusting structure, including targeted easing policies, taken by the PRC government as well as the favorable effect of Renminbi depreciation on export of domestic products. Given the high resilience of the current conditions of the Chinese economy, the Group has seized upon market opportunities arising from industrial upgrades and light-weight trends in transportation sector, and resolutely implemented the development strategies formulated by the Board. Persistent in its market outreach plan of "focusing primarily on China and to a lesser extent on the overseas", we sought to expand domestic and overseas markets, drive structural optimisation through increased production volume and facilitate product upgrades through innovation while enhancing management and cost control. Thanks to these efforts, all the operational objectives of the Group for the first half of 2014 have been satisfactorily achieved.

During the Period under Review, our total revenue increased by 13.2% to approximately RMB7,947,535,000 from approximately RMB7,021,397,000 for the corresponding period in 2013, and revenue from overseas sales increased by 41.2% to approximately RMB1,200,514,000 for the Period under Review from approximately RMB850,130,000 in the corresponding period in 2013, raising the share of overseas sales from 12.1% for the corresponding period in 2013 to 15.1% for the Period under Review. Profit attributable to equity shareholders of the Company increased by 18.6% to approximately RMB1,270,617,000 from approximately RMB1,071,769,000 in the corresponding period in 2013.

Total sales volume from our aluminium extrusion business increased by 16.5% from 316,014 tonnes for the corresponding period in 2013 to 368,239 tonnes for the Period under Review, and the sales volume of deep-processed products experienced even greater growth, up 39.2% from 26,260 tonnes for the corresponding period in 2013 to 36,547 tonnes for the Period under Review. Although the declines in aluminium ingot prices and other factors led to a lower average selling price of the Group's aluminium extrusion products, and the increases in costs of domestic fuel and energy, such as natural gas, as well as staff salaries led to a slight increase in production cost, we succeeded in stabilizing and improving our overall gross margin for the aluminium extrusion business to 28.2% for the Period under Review from 28.0% in the corresponding period in 2013, thanks to a combination of measures taken by the Group to improve production efficiency and optimise product mix.

In the Period under Review, the Group continued to commit more efforts to research and development, striving to drive product upgrades and enhance its competitive edges through technological innovations. In the Period under Review, the Group obtained 11 patents, including 4 invention patents and 7 utility model patents. Meanwhile, the Group continued to consolidate and expand the scope of accreditation for its qualifications. During the Period under Review, we passed the annual audit in relation to International Railway Industry Standard (IRIS) and the supervisory audit in relation to AS9100C (quality management standard for the aviation and aerospace industries), while obtaining approval for expansion in aluminium alloy extrusions certified by China Classification Society (CCS, issuer of technical standards for vessels and marine facilities). The Group's qualifications for the production and marketing of high-end aluminium processing products for the rail transport, aviation and aerospace and shipbuilding sectors have been reassured and broadened as a result. In addition, the Group continued to work with a number of large enterprises and major academic institutions to create mutually beneficiary models for development and cooperate in the research and development of aluminium alloy products for novel applications in the transportation sector. New strategic partners solicited during the Period under Review included AVIC SAC Commercial Aircraft Company Limited, Shenyang Aerospace University and Dalian University of Technology.

The Group's high value-added aluminium flat rolled product project in Tianjin is also progressing steadily as planned. With a total designed annual production capacity of 3 million tonnes, the project is scheduled for development in two phases. Phase I has two production lines with a designed annual production capacity of 1.8 million tonnes. At present, the construction of plants for the first production line is basically completed, and equipment installation is underway. The first production line of Phase I is expected to commence production in the second half of 2015, by which time we will have initially achieved the aim of tapping the high-end aluminium flat rolled product sector to become our third core business complementary to and synergistic with the existing industrial aluminium extrusion product and deep-processed product businesses.

In addition, the Company launched an open offer of ordinary shares and/or unlisted restricted voting non-redeemable convertible preference shares ("convertible preference shares") at the end of 2013 on the basis of 3 new ordinary shares and/or convertible preference shares for every 10 existing ordinary shares held by qualifying shareholders. Completed at the end of January 2014, the open offer successfully raised approximately HK$4,225,400,000. All proceeds will be applied for the construction and development of the Group's project for high value-added aluminium flat rolled products in Tianjin.

II. Future Development

Because of its light-weight and high-strength properties, strong performance in corrosion resistance and antioxidation, electrical conduction and heat transfer, ease in processing, and recyclability, aluminium alloy has become the unrivalled choice of industrial materials for the purpose of proactively and reliably putting forward government policy of advancing novel urbanization, realigning industry structure and achieving strategic goal of sustainable development. It is widely used in national economic sectors, such as transportation, electrical and mechanical equipment, national defense, electric power engineering, energy, construction and interior decoration. In particular, it plays a pivotal role in energy conservation, emission reduction and light-weight development in transportation. Its substitution effect in relation to other metals is also becoming more apparent, signifying a very broad prospect of applications of aluminium alloy.

The Group is confident about the long-term perspective of the development of the aluminium processing market in China and maintains a cautiously optimistic view towards China's industrial aluminium extrusion market in 2014. We believe that the growth of China's aluminium extrusion industry will slow down to some extent as a result of the slackening of macroeconomic growth in China and the policies by the Chinese government to stabilize growth, adjust economic structure and promote reform. Total demand for aluminium extrusion products in China will be over 15 million tonnes, a year-on-year increase of approximately 9%, while industrial aluminium extrusion products will continue to grow at a relatively faster pace, with demand for industrial extrusion products in China expected to reach approximately 5.2 million tonnes in 2014, representing a year-on-year growth of about 11%.

The Group believes that another aluminium processing segment facing major development opportunities is aluminium flat rolled products. Aluminium flat rolled products include aluminium plates, sheets and foils are extensively applied in aviation, aerospace, vessels, rail transportation, automobiles, machinery and equipment, power electronics, durable goods and packaging, etc. According to a report by The Boston Consulting Group, the world's total consumption of aluminium flat rolled products will grow in a steady and healthy manner, increasing from approximately 18.55 million tonnes in 2011 to approximately 31.66 million tonnes in 2020. The China market will grow at a faster pace than the world average, increasing from approximately 7.6 million tonnes in 2011 to approximately 16 million tonnes in 2020, accounting for half of the world's total consumption and becoming the main driving force for the growth of global flat rolled product market. The room for growth is even greater for high-end products. High-end products accounted for 33% of the world's total consumption in 2011 but the comparable percentage for China was only 12%, which is significantly lower than the world level. At present, China's market for high-end aluminium flat rolled products is still in an embryonic stage where demands are mainly met by imports, leaving much room for development.

In view of the above, the management of our Group will continue to resolutely implement the following key development strategies:

1. Enhancing the Group's core competitiveness through increased efforts in research and development: While continuing to expand its research and development expenditures, we will reinforce cooperation in scientific research with leading research institutes in various industries as well as leading institutes of higher learning, so as to improve in an all-round manner our comprehensive strengths from production processes to new product development;

2. Ongoing implementation of our production capacity optimisation and expansion plan: The installation, testing and commencement of operation of two mega-sized 225MN extrusion presses shall be completed by the end of 2015 to cement the Group's dominance in the production of high precision, large cross-section industrial aluminium extrusion products; investment in aluminium smelting and casting facility and equipment shall increase for further expansion of our aluminium smelting and casting capacity, so as to satisfy the expanded extrusion capacity;

3. Vigorous development of the deep-processing business: Leveraging the advanced production facilities of the newly constructed deep-processing centre and formidable strengths of our Group's research and development centre, we will extend the product categories and market coverage of our deep-processed products in order to raise the Group's overall profit by enhancing the share of deep-processed products in total sales;

4. Ongoing proactive and effective implementation of the project for high value-added aluminium flat rolled products to provide a new impetus for the Group's long-term development: The construction of the plants and ancillary facilities of Phase I of the Group's Tianjin project for high value-added aluminium flat rolled products with a designed annual production capacity of 1.8 million tonnes shall proceed as scheduled with attainable quality. We shall strive to ensure that the first production line of Phase I commence operations in the second half of 2015, by which time aluminium flat rolled product business will become an important driver of revenue and profit growth for the Group; and

5. Timely response to market demands and changes and enhanced intensity and depth of market development efforts: The market strategy of focusing mainly on the domestic market and developing the overseas market on a complementary basis will continue to be implemented. While cementing our relationships with existing customers, we will also step up our efforts to develop customers through flexible and diversified approaches, with a view to enlarging our market shares for industrial aluminium extrusion products and deep-processed products while paving the way for future sales of high value-added aluminium flat rolled products.

The Group believes that the effective implementation of these development strategies will enable it to establish three resource-sharing and complementary core businesses, namely, industrial aluminium extrusion products, deep-processed products and high value-added aluminium flat rolled products, which will further extend the Group's industry chain, broaden its scope of business, diversify its profit sources and facilitate sustainable development, providing assurance for higher and longer-term returns for shareholders.

III. Financial Review

For the Period under Review, the Group's revenue amounted to approximately RMB7,947,535,000, representing an increase of 13.2% over the corresponding period in 2013. Profit attributable to equity shareholders of the Company amounted to approximately RMB1,270,617,000, an increase of 18.6% over the corresponding period in 2013.

A comparison of the financial results for the Period under Review and the corresponding period in 2013 is set out as follows.

Revenue

During the Period under Review, the Group's total revenue amounted to approximately RMB7,947,535,000 (corresponding period in 2013: approximately RMB7,021,397,000), representing a growth of 13.2%. Our major revenue was generated from sales of aluminium extrusion business which amounted to approximately RMB7,939,216,000 (corresponding period in 2013: approximately RMB7,019,662,000) or 99.9% of the Group's total revenue. Other revenue primarily comprised metal trade agency fees, amounting to approximately RMB8,319,000 (corresponding period in 2013: approximately RMB1,735,000).

The following sets forth the breakdowns of our Group's revenue, sales volume and average selling price by aluminium extrusion business segments for the Period under Review and the corresponding period in 2013.

	For the six months ended 30 June											
	2014					2013					Change	
	Revenue RMB'000	%	Sales volume tonnes	%	Average selling price RMB/tonne	Revenue RMB'000	%	Sales volume tonnes	%	Average selling price RMB/tonne	Revenue %	Sales volume %
Aluminium extrusion business												
Industrial segment	7,537,823	94.9%	343,243	93.2%	21,961	6,650,203	94.7%	295,007	93.4%	22,543	13.3%	16.4%
Industrial aluminium extrusion products	6,544,187	82.4%	306,696	83.3%	21,338	5,919,612	84.3%	268,747	85.1%	22,027	10.6%	14.1%
Deep-processed products	993,636	12.5%	36,547	9.9%	27,188	730,591	10.4%	26,260	8.3%	27,821	36.0%	39.2%
Construction segment	401,393	5.1%	24,996	6.8%	16,058	369,459	5.3%	21,007	6.6%	17,587	8.6%	19.0%
Total	7,939,216	100.0%	368,239	100.0%	21,560	7,019,662	100.0%	316,014	100.0%	22,213	13.1%	16.5%

Revenue from the Group’s aluminium extrusion business amounted to approximately RMB7,939,216,000 for the Period under Review, an increase of 13.1% over the corresponding period in 2013. The Group’s total product sales volume in aluminium extrusion business increased by 16.5% over the corresponding period in 2013 to 368,239 tonnes for the Period under Review. The average selling price of the Group’s aluminium extrusion products dropped by 2.9% over the corresponding period in 2013 to RMB21,560 per tonne for the Period under Review, mainly because of lower aluminium ingot prices during the Period under Review. The Group typically sets prices for its aluminium extrusion products on a “cost-plus” basis, pursuant to which the selling price of our products is determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group.

Revenue from the Group’s industrial segment increased by 13.3% over the corresponding period in 2013 to approximately RMB7,537,823,000 for the Period under Review. Total sales volume of the Group’s industrial segment increased by 16.4% over the corresponding period in 2013 to 343,243 tonnes for the Period under Review.

Revenue from the Group’s industrial aluminium extrusion products amounted to approximately RMB6,544,187,000 for the Period under Review, an increase of 10.6% over the corresponding period in 2013, mainly because our enhanced efforts in market development and capacity expansion led to a 14.1% increase of the Group’s sales volume of industrial aluminium extrusion products to 306,696 tonnes for the Period under Review from 268,747 tonnes in the corresponding period in 2013. The average selling price of the Group’s industrial aluminium extrusion products dropped by 3.1% over the corresponding period in 2013 to RMB21,338 per tonne for the Period under Review, mainly because of lower aluminium ingot prices during the Period under Review.

Deep-processed products are an important driver of profit growth that the Group has been vigorously developing. Sales volume of our deep-processed products was 36,547 tonnes for the Period under Review, an increase of 39.2% over the corresponding period in 2013, principally because our intensified efforts in developing overseas markets led to an increase of the export sales of deep-processed products to the US, which in turn raised the revenue from deep-processed products by 36.0% over the corresponding period in 2013 to approximately RMB993,636,000 for the Period under Review. The average selling price of the Group’s deep-processed products decreased by 2.3% over the corresponding period in 2013 to RMB27,188 per tonne for the Period under Review. The decrease was primarily due to lower aluminium ingot prices during the Period under Review.

Revenue from the Group’s construction segment increased by 8.6% over the corresponding period in 2013 to approximately RMB401,393,000 for the Period under Review, which was mainly attributable to increases in sales volume of our construction segment. The sales volume of the Group’s construction segment increased by 19.0% over the corresponding period in 2013 to 24,996 tonnes for the Period under Review, mainly because the Group, while ensuring the satisfaction of the demands of the industrial segment, increased the production volume of the construction segment and hence the sales volume grew as a result of greater demands during the Period under Review. The average selling price of the Group’s construction segment decreased by 8.7% over the corresponding period in 2013 to RMB16,058 per tonne for the Period under Review primarily because of market competition and a decline in the price of aluminium ingots during the Period under Review.

Geographically, the Group's overseas clients mainly came from the US. For the Period under Review, our revenue from overseas sales amounted to approximately RMB1,200,514,000 (corresponding period in 2013: approximately RMB850,130,000), representing 15.1% (the corresponding period in 2013: 12.1%) of the Group's total revenue.

The following sets forth the breakdowns of our revenue by geographical regions for the Period under Review and the corresponding period in 2013:

	For the six months ended 30 June			
	2014		2013	
	RMB'000	**%**	RMB'000	%
PRC	**6,747,021**	**84.9%**	6,171,267	87.9%
US	**1,130,964**	**14.2%**	840,224	12.0%
Others	**69,550**	**0.9%**	9,906	0.1%
Total	**7,947,535**	**100.0%**	7,021,397	100.0%

For the Period under Review, the Group's domestic revenue amounted to approximately RMB6,747,021,000, up 9.3% over the corresponding period in 2013. The Group's overseas revenue increased by 41.2% over the corresponding period in 2013 to approximately RMB1,200,514,000 for the Period under Review, including approximately RMB1,130,964,000 in revenue from exports to the US, an increase of 34.6% over the corresponding period in 2013. Currently, the Group's product sales to the US comprise mostly deep-processed industrial aluminium extrusion products. The significant growth in exports to the US for the Period under Review was attributable to the Group's vigorous efforts in expanding its production scale for deep-processed products to tap the US market in response to increasing demand for these products in the US.

Cost of Sales

Our cost of sales was approximately RMB5,703,931,000 for the Period under Review (corresponding period in 2013: approximately RMB5,052,733,000), an increase of 12.9% over the corresponding period in 2013. The increase was mainly due to growth in aluminium extrusion product sales during the Period under Review. The cost of sales of our aluminium extrusion business increased by 12.9% to approximately RMB5,703,839,000 for the Period under Review from approximately RMB5,052,687,000 in the corresponding period in 2013. The Group's unit cost of aluminium extrusion business decreased by 3.1% to RMB15,490 per tonne for the Period under Review from RMB15,989 per tonne in the corresponding period in 2013, primarily due to the decline of aluminium ingot prices during the Period under Review.

Gross Profit and Gross Margin

The Group's gross profit increased by 14.0% over the corresponding period in 2013 to approximately RMB2,243,604,000 for the Period under Review. The increase was mainly due to increases in sales volume of aluminium extrusion products for the Period under Review. The following sets forth the breakdowns of our gross profit, share in gross profit and gross margin by aluminium extrusion business segments for the Period under Review and the corresponding period in 2013:

	For the six months ended 30 June					
	2014			2013		
	Gross profit RMB'000	**%**	**Gross margin**	Gross profit RMB'000	%	Gross margin
Aluminium extrusion business						
Industrial segment	**2,206,635**	**98.7%**	**29.3%**	1,925,002	97.9%	28.9%
Industrial aluminium extrusion products	**1,847,491**	**82.6%**	**28.2%**	1,655,889	84.2%	28.0%
Deep-processed products	**359,144**	**16.1%**	**36.1%**	269,113	13.7%	36.8%
Construction segment	**28,742**	**1.3%**	**7.2%**	41,973	2.1%	11.4%
Total	**2,235,377**	**100.0%**	**28.2%**	1,966,975	100.0%	28.0%

Our gross profit from aluminium extrusion business increased by 13.6% over the corresponding period in 2013 to approximately RMB2,235,377,000 for the Period under Review. Our overall gross margin for aluminium extrusion business was 28.2%, substantially the same as the gross margin of 28.0% for the corresponding period in 2013.

The Group's overall gross profit from the industrial segment increased by 14.6% over the corresponding period in 2013 to approximately RMB2,206,635,000 for the Period under Review. Although the increases in costs of domestic fuel and energy, such as natural gas, as well as staff salaries led to a slight increase in production cost and the positive impact of lower price of aluminium ingots on gross profit, to a certain extent, has been offset by such increase, thanks to a combination of measures taken by the Group to improve production efficiency and optimize product mix, the overall gross margin of the industrial segment steadily increased to 29.3% for the Period under Review from 28.9% for the corresponding period in 2013.

Our gross profit from industrial aluminium extrusion products increased by 11.6% over the corresponding period in 2013 to approximately RMB1,847,491,000 for the Period under Review. The increase was mainly due to increase in sales volume of industrial aluminium extrusion products. The gross margin of our industrial aluminium extrusion products was basically stable, increasing slightly to 28.2% for the Period under Review from 28.0% in the corresponding period in 2013.

The Group's gross profit from deep-processed products increased by 33.5% over the corresponding period in 2013 to approximately RMB359,144,000 for the Period under Review. The gross margin of our deep-processed products for the Period under Review was 36.1%, substantially the same as the gross margin of 36.8% for the corresponding period in 2013.

The Group's gross profit from the construction segment decreased by 31.5% over the corresponding period in 2013 to approximately RMB28,742,000 for the Period under Review. The gross margin of the Group's construction segment decreased from 11.4% in the corresponding period in 2013 to 7.2% for the Period under Review, primarily because of a drop in average selling price driven by market competition.

Investment Income

The Group's investment income consists of interest income from bank deposits and short-term investments gains.

Bank interest income decreased by 10.3% to approximately RMB62,628,000 for the Period under Review from approximately RMB69,841,000 in the corresponding period in 2013, which was primarily attributable to a shorter term of fixed deposits with higher interest rates.

The Group's short-term investment gains, mainly from our bank investment products, increased by 7.3% to RMB1,550,000 for the Period under Review from approximately RMB1,445,000 in the corresponding period in 2013. Such increase was mainly attributable to a larger proportion of our bank investment products during the Period under Review.

Other Income/Expenses and Other Gains/Losses, Net

Other income/expenses and other gains/losses recorded net gains of approximately RMB106,792,000 for the Period under Review, a decrease of approximately RMB27,747,000 from approximately RMB134,539,000 for the corresponding period in 2013. This was principally due to the combination effects of the following factors:

(i) there was a decrease in government subsidies of approximately RMB2,006,000 to approximately RMB124,296,000 for the Period under Review from approximately RMB126,302,000 in the corresponding period in 2013. The aggregate amount of government subsidies for business development and technological research received by us in each period is determined and distributed by relevant PRC authorities at their sole discretion;

(ii) exchange loss increased to approximately RMB40,685,000 for the Period under Review from approximately RMB5,984,000 for the corresponding period in 2013, primarily due to the increase in borrowings in foreign exchange by the Group and constantly weakening Renminbi during the Period under Review;

(iii) there was a net income of approximately RMB16,826,000 (corresponding period in 2013: approximately RMB12,432,000) from the sales of machinery and equipment for the Period under Review. In order to maintain and develop our customer resources in the field of machinery and equipment manufacturing, and to fully capitalise on our strengths in the manufacturing of industrial machines, the Group launched the manufacturing and sales business of machinery and equipment in 2013, providing mostly machines and equipment related to metal processing; and

(iv) net gain from other items, such as income from disposal of scrap materials, consumables and moulds, increased to approximately RMB6,355,000 for the Period under Review from approximately RMB1,789,000 for the corresponding period in 2013.

Selling and Distribution Costs

Our selling and distribution costs primarily consist of advertising expenses, transportation costs and salaries of sales staff. These costs increased by 6.5% from approximately RMB67,231,000 in the corresponding period in 2013 to approximately RMB71,605,000 for the Period under Review, which was primarily attributable to the combination effects of the following factors:

(i) an increase in salaries of sales staff to approximately RMB17,232,000 during the Period under Review from approximately RMB10,711,000 in the corresponding period in 2013, primarily due to increase in number of sales staff for further market expansion;

(ii) an increase in transportation and export costs to approximately RMB13,246,000 in the Period under Review from approximately RMB11,977,000 in the corresponding period in 2013, primarily due to increases in relevant transportation and exports costs as a result of the increased export sales of our deep-processed products;

(iii) a decrease in advertising expenses to approximately RMB39,093,000 in the Period under Review from approximately RMB43,590,000 in the corresponding period in 2013; and

(iv) an increase in other selling expenses to approximately RMB2,034,000 in the Period under Review from approximately RMB953,000 in the corresponding period in 2013.

Administrative and Other Operating Expenses

Our administrative and other operating expenses mainly comprise research and development expenditures, wages, salaries and benefits, land use taxes, amortization of land use rights, bank fees, share option expenses, intermediary fees and depreciation charges of office equipment.

The administrative and other operating expenses increased by 27.9% to approximately RMB572,104,000 for the Period under Review from approximately RMB447,294,000 in the corresponding period in 2013. The increase was primarily attributable to the facts that:

(i) the Group's research and development expenditures under administrative and other operating expenses increased to approximately RMB240,102,000 for the Period under Review from approximately RMB169,120,000 for the corresponding period in 2013. The research and development expenditures were mainly used on core sets of technologies for large and complex cross-section aluminium extrusion structural parts for transportation equipment in sectors, such as aviation and aerospace, railway vehicles, commercial vehicles, passenger cars and special vehicles;

(ii) the Group's amortization expenses of land use rights and land use taxes arising from the acquisitions of land use rights in Liaoning Province, Heilongjiang Province and Tianjin Municipality in China during the Period under Review increased to approximately RMB180,037,000 from approximately RMB158,669,000 for the corresponding period in 2013;

(iii) the Group's wages, salaries and benefits under administrative and other operating expenses increased to approximately RMB57,672,000 for the Period under Review from approximately RMB38,991,000 for the corresponding period in 2013, primarily due to an increase in number of employees as a result of production capacity expansion and the development of deep-processing business and the flat rolled aluminium product project;

(iv) the Group's bank fees under administrative and other operating expenses increased to approximately RMB28,612,000 for the Period under Review from approximately RMB11,510,000 for the corresponding period in 2013, primarily due to an increase in borrowings by the Group in the Period under Review; and

(v) other administrative and operating related expenses, comprising mainly share option expenses, intermediary fees, depreciation charges of office equipment and business entertainment expenses, decreased to approximately RMB65,681,000 for the Period under Review from approximately RMB69,004,000 for the corresponding period in 2013.

Share of Profit of an Associate

The Group's share of profit of an associate for the Period under Review was approximately RMB1,974,000 (corresponding period in 2013: approximately RMB1,503,000), which is the share of profit recognized using equity method accounting for the investment in CR Zhongwang Aluminium Company Limited. CR Zhongwang Aluminium Company Limited is a joint venture established jointly by Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang"), a wholly-owned subsidiary of the Company, and China Railway Materials Shenyang Company Limited. Liaoning Zhongwang holds 49.0% of the equity of the joint venture.

Finance Costs

Our finance costs increased by 1.6% from approximately RMB241,781,000 in the corresponding period in 2013 to approximately RMB245,640,000 for the Period under Review. The increase mainly resulted from an increase in the Group's debentures and loans during the Period under Review as compared to that in the corresponding period in 2013.

For the Period under Review, the interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment of the Group amounted to approximately RMB130,098,000 (corresponding period in 2013: approximately RMB105,644,000) at an annualized capitalization rate of 4.50% (corresponding period in 2013: 4.72%).

During the corresponding period in 2013 and the Period under Review, the Group's loans carried average interest rates of 5.04% and 4.84% per annum, respectively; the debentures carried interest rates ranged from 4.93% to 7.50% per annum (corresponding period in 2013: ranged from 4.07% to 5.68% per annum).

Profit before Taxation

Our profit before taxation increased by 7.6% from approximately RMB1,419,686,000 for the corresponding period in 2013 to approximately RMB1,527,199,000 for the Period under Review, which was primarily attributable to the factors described above in this section.

Income Tax Expense

Our income tax expense decreased by 26.3% to approximately RMB256,582,000 for the Period under Review from approximately RMB347,917,000 for the corresponding period in 2013, mainly because Liaoning Zhongwang, the Group's principal operating entity in China, was recognized in November 2013 as one of the second batch of high and new technology enterprises in Liaoning province in 2013. In accordance with the relevant PRC laws and regulations, Liaoning Zhongwang is entitled to the preferential treatment on corporate income tax enjoyed by high and new technology enterprises for three years from 2013 to 2015. As such, the applicable corporate income tax rate for Liaoning Zhongwang has been reduced from 25% to the preferential tax rate of 15% for the three years from 2013 to 2015.

Our effective tax rates for the corresponding period in 2013 and the Period under Review were 24.5% and 16.8%, respectively.

Profit Attributable To Equity Shareholders

The Company's profit attributable to equity shareholders increased by 18.6% to approximately RMB1,270,617,000 for the Period under Review from approximately RMB1,071,769,000 for the corresponding period in 2013. Our net profit margin increased from 15.3% for the corresponding period in 2013 to 16.0% for the Period under Review, which was primarily attributable to the factors described above in this section.

During the Period under Review, earnings per share decreased from RMB0.20 for the corresponding period in 2013 to RMB0.19 for the Period under Review, primarily because of the increase of total number of shares of the Company as a result of the open offer by the Company during the Period under Review of 2,703,583 new ordinary shares and 1,619,188,337 convertible preference shares.

Cash Flows

Cash flows of the Group for the Period under Review and the corresponding period in 2013 are as follows:

	For the six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Net cash from operating activities	**4,786,257**	1,601,544
Net cash used in investing activities	**(3,729,451)**	(1,514,453)
Net cash from financing activities	**3,657,290**	2,875,281

Net Current Assets

As at 30 June 2014, the Group had net current assets of approximately RMB6,706,039,000, 222.3% higher than net current assets of approximately RMB2,080,684,000 as at 31 December 2013. The increase was mainly due to the increase in our current assets greater than the increase in current liabilities:

(i) As at 30 June 2014, the Group's current assets amounted to approximately RMB22,190,359,000, an increase of approximately RMB7,998,498,000 as compared with approximately RMB14,191,861,000 as at 31 December 2013. The increase was primarily due to increase in cash and cash equivalents, pledged bank deposits and available-for-sale investments; and

(ii) As at 30 June 2014, the Group's current liabilities amounted to approximately RMB15,484,320,000, an increase of approximately RMB3,373,143,000 as compared with approximately RMB12,111,177,000 as at 31 December 2013. The increase was primarily due to an increase in trade payables and bills payable during the Period under Review.

Liquidity

As at 30 June 2014 and 31 December 2013, the Group had cash and cash equivalents of approximately RMB14,031,151,000 and RMB9,317,055,000, respectively, and balances of pledged bank deposits under the current assets were approximately RMB2,029,881,000 and RMB36,454,000, respectively. As at 30 June 2014, the Group had short-term deposits of approximately RMB116,015,000 (31 December 2013: nil).

Borrowings

As at 30 June 2014, our debentures and loans amounted to approximately RMB17,391,147,000 in aggregate, an increase of approximately RMB1,491,004,000 from approximately RMB15,900,143,000 as at 31 December 2013.

As at 30 June 2014, the Group's debentures and loans shown under current liabilities amounted to approximately RMB7,933,313,000 (31 December 2013: approximately RMB7,508,500,000) and debentures and loans shown under non-current liabilities amounted to approximately RMB9,457,834,000 (31 December 2013: approximately RMB8,391,643,000). Further details are disclosed in notes 21 and 20 to the consolidated financial statements of this interim report.

The Group's gearing ratio was 51.7% as at 30 June 2014, while it was 51.3% as at 31 December 2013. The ratio was calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

As at 30 June 2014, save for pledged bank deposits, the Group had five sets of horizontal single action aluminium extrusion presses of a total carrying amount of approximately RMB952,503,000 which are pledged assets for financing arrangements.

On 31 July 2012, the Group sold the above equipment to a financial institution at RMB800,000,000 and then leased back for five years at approximately RMB183,612,000 per annum. The Group has an option to buy back these equipment at RMB1 on 1 August 2017 when the lease term expires, i.e. the bargain purchase option. The aggregate carrying value of the equipment amounted to approximately RMB952,503,000 at 30 June 2014 (31 December 2013: approximately RMB983,701,000).

In the context of IAS 17, the leaseback of these equipment results in a finance lease due to the bargain purchase option. However, considering the facts that (1) the consideration of the bargain purchase option is set at a token price (RMB1), and (2) it is almost certain that the Group would exercise such option since these equipment are closely related to the business operations of the Group and their remaining estimated useful lives will be approximately ten years on 1 August 2017 when the lease term expires, the predetermined bargain purchase option will in effect cause the financial institution (the legal owner of the equipment) to resell the equipment back to the Group on 1 August 2017. On this basis, even though there is no legal obligation for the Group to repurchase, the repurchase is almost certain with the presence of the bargain purchase option.

Accordingly, this indicates that the arrangement does not, in substance, involve a lease under IAS 17. Instead, the sales and leaseback transactions are closely interrelated and shall be accounted for as one transaction lest the overall economic effect cannot be understood without reference to the series of transactions as a whole. The substance of the arrangement is cash borrowing, secured by the underlying asset and repayable in instalments over the lease term of five years. The information of the underlying assets and the secured borrowings is disclosed in notes 9 and 20(b) to these consolidated financial statements of this report.

Contingent Liabilities

As at 30 June 2014 and 31 December 2013, the Group had no material contingent liabilities.

Employees

As at 30 June 2014, the Group had 8,171 full-time employees for, inter alia, production, research and development, sales and management, representing an increase of 38.2% as compared with 5,911 employees as at 30 June 2013. During the Period under Review, relevant employee costs (including Directors' remuneration) were approximately RMB391,817,000 (including share option charges of approximately RMB3,189,000), an increase of 44.0% as compared with approximately RMB272,014,000 (including share option charges of approximately RMB6,972,000) for the corresponding period in 2013. Employee costs (excluding share option charges) of the Group increased mainly because the Group increased its number of employees as a result of its expansion of production capacity and the development of deep-processed products and the flat rolled aluminium product project. Besides, the increase was also attributable to the Group's efforts of ensuring the attractiveness of its employee remuneration packages and granting performance-based bonuses in accordance with general standards set out in the Group's remuneration policy.

Research and Development

As at 30 June 2014, the Group had 795 research and development and quality control personnel which accounted for 9.7% of the Group's total number of employees. The Group has entered into cooperation with a number of leading research and academic institutions to upgrade its technology level. We have strong research and development capabilities in new materials with a focus on research and development of alloy composition. We also have a strong die design and production centre and are capable of providing suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision.

During the Period under Review, the Group continued to step up its investment in research and development and the expenditures increased from approximately RMB169,120,000 for the corresponding period in 2013 to approximately RMB240,102,000 for the Period under Review. The share of our research and development expenditures in sales revenue rose from approximately 2.4% for the corresponding period in 2013 to approximately 3.0% for the Period under Review. The expenditures were mainly used on core sets of technologies for large and complex cross-section aluminium extrusion structural parts for transportation equipment in such sectors as aviation and aerospace, railway vehicles, commercial vehicles, passenger cars and special vehicles.

Capital Commitments

As at 30 June 2014, the Group's capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to approximately RMB18.8 billion, primarily because the Group stated that it would purchase equipment for production of aluminium flat rolled products at a consideration of approximately US$3.8 billion (equivalent to approximately RMB24.0 billion) as disclosed in the major transaction announcement dated 17 October 2011. We intend to apply funds generated from operating activities of the Company, commercial bank loans and other available means for the Company to finance the purchase. As at 30 June 2014, capital commitments in respect of the equipment already contracted for the production of aluminium flat rolled products amounted to approximately RMB13.7 billion.

Market Risks

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

Foreign Currency Risk

Most of our businesses are settled in Renminbi. However, receivables from the sales of aluminium extrusion products to overseas customers are settled in foreign currencies. As at 30 June 2014, approximately 84.9% of the revenue of the Group was denominated in Renminbi and approximately 15.1% was denominated in USD, while approximately 50.7% of the loans of the Group were denominated in Renminbi and approximately 49.3% were denominated in foreign currencies.

On 17 October 2011, the Group issued a major transaction announcement which disclosed the purchase of equipment for production of aluminium flat rolled products at a consideration of approximately US$3.8 billion. The consideration would be paid in USD in several instalments.

In July 2005, the PRC government introduced the managed floating exchange rate system which allowed Renminbi to float in accordance with market demand and supply and within the regulated range determined by reference to a basket of currencies. Exchange rate fluctuations will affect sales revenue of contracts denominated in foreign currencies and on borrowings denominated in foreign currencies, which in turn may have adverse effects on the Group.

Our financial and capital policies seek to control the foreign currency fluctuation risk and interest rate fluctuation risk of individual transactions. We did not hedge against currency risk by using any financial instruments during the Period under Review. However, the management of the Group has been monitoring our exchange rate risk, and will consider hedging our major foreign currency risk when required.

Interest Rate Risk

As we do not have any significant interest-bearing assets, most of our revenue and operating cash flows are not affected by interest rate changes. Interest rate change risk borne by the Group is primarily derived from debentures and loans.

The Group has to face the cash-flow interest rate risk on floating-rate loans. In order to minimize the effect of interest rate risk, the Group has entered into an interest rate swap agreement with banks with effect from 16 June 2014, pursuant to which the Group has exchanged variable-rate loans in an amount of HK$920,760,000 at 260 basis points over 3-month Hong Kong interbank offered rate with fixed-rate loans at 3.40% per annum. The financial instrument will expire on 1 June 2016. The Group will consider, at its discretion, to use appropriate risk control instruments for other variable-rate loans.

The Group has to face fair value interest rate risk on fixed-rate loans. As at 30 June 2014, our fixed-rate loans were approximately RMB1,307,640,000 (31 December 2013: approximately RMB304,845,000).

Aluminium Ingot Price Fluctuation Risk

The Group's principal raw materials in aluminium extrusion product business include aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc., which accounted for 83.9% and 85.1% of the Group's cost of sales of aluminium extrusion products for the Period under Review and in the corresponding period in 2013, respectively. Generally, our pricing of aluminium extrusion products is on a "cost-plus" basis, pursuant to which the selling price for our products is determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. Our pricing policy is to pass on the price fluctuation risk to our customers. However, we may not be able to pass the entire cost of price increases to customers or completely offset the effect of increases in raw material prices, thus the profitability of the Group may be slightly affected. The Group has not entered into any aluminium ingot forward contracts to hedge against aluminium ingot price fluctuation risk.

Open Offer of Shares

As disclosed above, on 28 November 2013, the Company announced the open offer of ordinary shares and/or convertible preference shares on the basis of 3 new ordinary shares for every 10 existing ordinary shares held by qualifying shareholders as at close of business on the record date (7 January 2014) at the subscription price of HK$2.61 per ordinary share or convertible preference share. Zhongwang International Group Limited ("ZIGL"), the controlling shareholder of the Company, acted as the underwriter at nil commission. In connection with the open offer, an extraordinary general meeting was held on 27 December 2013 at which a special resolution was passed to (i) increase the authorised share capital of the Company from HK$800,000,000 divided into 8,000,000,000 shares to HK$3,000,000,000 divided into 30,000,000,000 shares, (ii) re-designate 10,000,000,000 unissued shares as convertible preference shares, (iii) re-designate the remaining 20,000,000,000 issued and unissued shares as ordinary shares, and (iv) make corresponding amendments to the Company's memorandum of association and the articles of association to make provisions for the rights and restrictions of the convertible preference shares.

The open offer was completed on 28 January 2014. At the completion, a total of 2,703,583 new ordinary shares and 1,619,188,337 convertible preference shares were issued and allotted of which a total of 1,618,955,468 convertible preference shares were issued and allotted to ZIGL. The open offer raised net proceeds of approximately HK$4,225,400,000 which will be used in full to fund the project for producing high value-added aluminium flat rolled products in Tianjin, PRC.

Disclosure of Interests

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2014, the interests and short positions of our Directors and chief executive in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are as follows:

Long positions in the ordinary shares of the Company as at 30 June 2014

Name of Director	Capacity/Nature of Interests	Total number of ordinary shares	% of the relevant class of shares
Liu Zhongtian ("Mr. Liu")	Founder of a discretionary trust/ Long position	4,044,600,000(1)	74.22
Gou Xihui	Beneficial owner/Long position	3,300,000(2)	0.06
		1,700,000	0.03
Lu Changqing	Beneficial owner/Long position	2,000,000(2)	0.04
		2,200,000	0.04
Chen Yan	Beneficial owner/Long position	2,000,000(2)	0.04
		2,200,000	0.04
Zhong Hong	Beneficial owner/Long position	2,000,000(2)	0.04
		2,200,000	0.04
Lo Wa Kei, Roy	Beneficial owner/Long position	600,000(2)	0.01
Shi Ketong	Beneficial owner/Long position	600,000(2)	0.01
Wen Xianjun	Beneficial owner/Long position	600,000(2)	0.01
Wong Chun Wa	Beneficial owner/Long position	600,000(2)	0.01

Long positions in the underlying ordinary shares of the convertible preference shares of the Company as at 30 June 2014

Name of Director	Capacity/Nature of Interests	Total number of Convertible Preference Shares	% of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/ Long position	1,618,955,468(1)	99.99

(1) As at 30 June 2014, ZIGL had interests in these shares under the SFO. The entire issued share capital of ZIGL is held by a trust the beneficiaries of which are members of the family of Mr. Liu, who is an executive Director and the chairman of the Company, as well as a director of ZIGL.

(2) Mr. Gou Xihui, Mr. Lu Changqing, Mr. Chen Yan, Ms. Zhong Hong, Mr. Lo Wa Kei, Roy, Mr. Shi Ketong, Mr. WenXianjun and Mr. Wong Chun Wa hold share options in respect of these shares.

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or is deemed to have taken under the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" below, at no time during the six months ended 30 June 2014 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Directors' Interests in Competing Business

For the six months ended 30 June 2014, none of the Directors or controlling shareholders (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2014, to the best knowledge of the Directors, the table below lists out the persons (other than the Directors or chief executive of our Company), who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the ordinary shares of the Company as at 30 June 2014

Name of Shareholder	Capacity/Nature of Interests	Total number of Ordinary Shares	% of the relevant class of shares
Mr. Liu(1)	Founder of a discretionary trust/Long position	4,044,600,000	74.22
TMF (Cayman) Ltd.(2)	Trustee/Long position	4,044,600,000	74.22
Prime Famous Management Limited(3)	Interest of controlled corporation/Long position	4,044,600,000	74.22
ZIGL	Beneficial owner/Long position	4,004,200,000	73.48
	Security interest in shares/Long position	40,400,000	0.74

Long positions in the underlying ordinary shares of the convertible preference shares of the Company as at 30 June 2014

Name of Shareholder	Capacity/Nature of Interests	Total number of Convertible Preference Shares	% of the relevant class of shares
Mr. Liu[(1)]	Founder of a discretionary trust/Long position	1,618,955,468	99.99
TMF (Cayman) Ltd.[(2)]	Trustee/Long position	1,618,955,468	99.99
Prime Famous Management Limited[(3)]	Interest of controlled corporation/Long position	1,618,955,468	99.99
ZIGL	Beneficial owner/Long position	1,618,955,468	99.99

(1) The entire issued share capital of ZIGL is held by a trust the beneficiaries of which are members of the family of Mr. Liu, who is an executive Director and the chairman of the Company, as well as a director of ZIGL.

(2) TMF (Cayman) Ltd. is trustee of the Liu Family Trust and is deemed to be interested in the shares held by the trust.

(3) Prime Famous Management Limited is a company incorporated in the British Virgin Islands and owned by the Liu Family Trust.

Save as disclosed above, as at 30 June 2014, the Directors are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share-Based Incentive Schemes

(a) Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted a pre-IPO share option scheme on 17 April 2008 (the "Pre–IPO Share Option Scheme"). According to the Pre-IPO Share Option Scheme, four Directors and 70 other employees (including two senior management members) of our Group were given the rights to subscribe for shares of the Company at the subscription price of HK$2.00 per share. The total number of the shares subject to the Pre-IPO Share Option Scheme is 40,400,000 shares, equivalent to approximately 0.74% of the issued share capital of the Company as at 30 June 2014. Since no further options can be granted under the Pre-IPO Share Option Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Pre-IPO Share Option Scheme.

The purpose of the granting of the Pre-IPO Share Option Scheme was to recognize the contribution of certain Directors, members of the senior management and employees of our Group. Under the Pre-IPO Share Option Scheme, except for one of the options that was granted to the relevant grantee on 30 December 2008, all the options were granted to the respective grantees on 17 April 2008. The granted pre-IPO share options are valid for a period (the "Pre-IPO Share Option Term") ending on the date immediately before the fifth anniversary of 8 May 2009, being the date on which dealing in our shares first commenced on the Main Board of the Stock Exchange (the "Listing Date"). Each option granted has a vesting period as set out under the Pre-IPO Share Option Scheme and the relevant granting documents. A grantee shall be entitled to exercise his/her options to subscribe for up to 20% of the total number of our shares under the options during each of the vesting period commencing on the Listing Date and ending on the date immediately before the first, second, third, fourth and fifth anniversary of the Listing Date, respectively. Where a grantee has not exercised his/her option in respect of the full amount of the vested shares during such vesting periods, the options shall continue to be exercisable in respect of the unexercised portion of the vested shares during the rest of the Pre-IPO Share Option Term. Options granted under the Pre-IPO Share Option Scheme shall lapse (to the extent not already exercised), among other circumstances, when the grantee ceases to be a participant of the Pre-IPO Share Option Scheme by reason of the termination of his/her employment.

As at 30 June 2014, all options granted under the Pre-IPO Share Option Scheme had been exercised and no further options had been granted under the Pre-IPO Share Option Scheme.

Movement of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2014 is as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2014	Number of underlying shares comprised in the options lapsed or cancelled during the six months ended 30 June 2014	Number of underlying shares comprised in the options exercised during the six months ended 30 June 2014	Number of underlying shares comprised in the options outstanding as at 30 June 2014
Directors							
Lu Changqing	17 April 2008	7 May 2014	2.0	2,200,000	—	2,200,000[1]	—
Chen Yan	17 April 2008	7 May 2014	2.0	2,200,000	—	2,200,000[1]	—
Zhong Hong	17 April 2008	7 May 2014	2.0	2,200,000	—	2,200,000[1]	—
Gou Xihui	17 April 2008	7 May 2014	2.0	1,700,000	—	1,700,000[1]	—
70 Other Employees (including two senior management members) of our Group (one of the senior Management members' options were granted on 30 December 2008)	17 April 2008	7 May 2014	2.0	32,100,000	—	32,100,000[1]	—
Total				**40,400,000**	**—**	**40,400,000**	**—**

(1) The weighted average closing price of the Company's ordinary shares immediately before the date on which the share options were exercised on 7 May 2014 was HK$2.41 per share.

(b) Share Option Scheme

We also adopted a share option scheme on 17 April 2008 (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, invite directors, senior management and consultants of any member of the Group to participate in the Share Option Scheme to subscribe for the ordinary shares of the Company. The period (the "Option Term") within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date the offer has been made to the grantees. Each option granted has a vesting period as set out under the Share Option Scheme and the relevant granting documents. A grantee shall be entitled to exercise his/her options to subscribe for up to 20% of the total number of our shares under options during each of the one year period commencing on the first, second, third, fourth and fifth anniversary of the date of grant, respectively. Where a grantee has not exercised his/her option in respect of the full amount of the vested shares during such vesting periods, the options shall continue to be exercisable in respect of the unexercised portion of the vested shares during the rest of the Option Term. All outstanding options shall lapse, among other circumstances, when the grantee ceases to be a participant of the Share Option Scheme by reason of the termination of his/her employment.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the shares in issue upon its listing (the Company may refresh this 10% limit under certain conditions) or 30% of the shares in issue from time to time where there are options to be granted and yet to be exercised. The total number of shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any twelve–month period must not exceed 1% of the ordinary shares in issue. Any further grant of options which would result in the number of ordinary shares exceeding 1% requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2014 is as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2014	Number of underlying shares comprised in the options lapsed or cancelled during the six months ended 30 June 2014	Number of underlying shares comprised in the options exercised during the six months ended 30 June 2014	Number of underlying shares comprised in the options outstanding as at 30 June 2014
Directors							
Gou Xihui	22 March 2011	21 March 2021	3.9	3,300,000	—	—	3,300,000
Lu Changqing	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Zhong Hong	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
48 Other Employees (including two senior management members of our Group)	22 March 2011	21 March 2021	3.9	33,300,000	—	—	33,300,000
Total				**45,000,000**	**—**	**—**	**45,000,000**

Save as disclosed above, during the six months ended 30 June 2014, no option was granted under the Share Option Scheme, and none of the share options under the Share Option Scheme had been exercised, cancelled nor lapsed.

Further particulars of the Pre-IPO Share Option Scheme and the Share Option Scheme mentioned above are set out in note 26 to the Unaudited Interim Financial Report on pages 58 to 60 of this report and the sections headed "Statutory and General Information — Other Information — Pre-IPO Share Option Scheme" and "Statutory and General Information — Other Information — Share Option Scheme" of the prospectus of the Company issued on 24 April 2009.

Disclosure Pursuant to Rule 13.18 of the Listing Rules

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 30 June 2014.

On 16 January 2013, the Company entered into a facility agreement (the "2013 Facility Agreement") with a group of banks and financial institutions relating to a term loan facility in the principal amount of US$200,000,000 (the "2013 Facility") for a term of three years. As at 30 June 2014, the outstanding amount owed by the Company under the 2013 Facility Agreement was US$200,000,000.

Due to the fact that the 2013 Facility Agreement contains a condition imposing specific performance obligations on the controlling shareholder of the Company and that breach of such obligation will cause a default in respect of the 2013 Facility, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Listing Rules on 16 January 2013. For details of such obligation, please refer to that announcement.

On 20 June 2014, the Company also entered into a facility agreement (the "2014 Facility Agreement") with a group of banks and financial institutions relating to a term loan facility in the principal amount of US$500,000,000 (the "2014 Facility") for a term of 36 months. As at 30 June 2014, the outstanding amount owed by the Company under the 2014 Facility Agreement was US$500,000,000.

Due to the fact that the 2014 Facility Agreement contains a condition imposing specific performance obligations on the controlling shareholder of the Company and that breach of such obligation will cause a default in respect of the 2014 Facility, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Listing Rules on 23 June 2014. For details of such obligation, please refer to that announcement.

Corporate Governance and Other Information

Corporate Governance Practices

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to increase the transparency and accountability of the Board to all shareholders.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "Old Code") since its listing on the Stock Exchange in 2009. On 1 April 2012, certain amendments to the Old Code came into force (the "New Code", together with the Old Code, the "Governance Code"). The Company has adopted the Governance Code as currently in force at the date of this Report. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Governance Code.

For the six months ended 30 June 2014, save as disclosed below, all the code provisions set out in the Governance Code were met by the Company.

Compliance with the Model Code by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014 and up to the date of this report.

Compliance with the Corporate Governance Code

Chairman and Chief Executive Officer

Code provision A.2.1 of the Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person, and the division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The Company deviates from this provision because Mr. Liu performs both the roles of chairman of the Board and the president (i.e. the chief executive) of the Company. Mr. Liu is the founder of the Group and has extensive experience in the enterprise operation and management in general. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances.

Independent Non-executive Directors

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgment, scrutiny of the Company's performance, and positive and constructive contribution, which are crucial to the development of the Company's strategy and policy. They are also encouraged to attend the general meetings of the Company to develop a balanced understanding of the views of the shareholders.

For the six months ended 30 June 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least one-third of the Board of independent non-executive Directors with one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Board Committees

The Board has set up an audit committee, a nomination and remuneration committee, a corporate governance committee and a strategy and development committee (collectively the "Board Committees"). The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(a) Audit Committee

The audit committee comprises three members who are all independent non-executive Directors with one member possessing appropriate professional qualifications or accounting or related financial management expertise. Members of the audit committee comprise Mr. Wong Chun Wa (chairman), Mr. WenXianjun and Mr. Shi Ketong. None of them is a member of the former or existing auditors of the Company. The audit committee has reviewed and discussed with the senior management of the Company the audited annual results for the year ended 31 December 2013, the unaudited financial results and operational statistics for the three months ended 31 March 2014, and the unaudited interim results for the six months ended 30 June 2014 and has also reviewed the internal control, risk management and financial reporting matters of the Group. The terms of reference of the audit committee adopted by the Board have been published on the websites of the Company and the Stock Exchange according to requirements under the New Code.

(b) Nomination and Remuneration Committee

We established a remuneration committee in accordance with the requirements of the Old Code in 2009. In compliance with the New Code, the Company expanded its remuneration committee's duties on 28 December 2011 to include nomination-related authority and duties and changed its name to the nomination and remuneration committee. Members of the nomination and remuneration committee comprise Mr. WenXianjun (chairman), Mr. Liu and Mr. Shi Ketong. The terms of reference of the nomination and remuneration committee adopted by the Board have been published on the websites of the Company and the Stock Exchange according to requirements under the New Code.

(c) Corporate Governance Committee

We have established a corporate governance committee. Members of the corporate governance committee consist of three independent non-executive Directors of the Company, namely Mr. Lo Wa Kei, Roy (chairman), Mr. Wen Xianjun and Mr. Shi Ketong. The corporate governance committee has reviewed the Group's corporate governance matters and its internal control matters relating to compliance issues.

(d) Strategy and Development Committee

We have established a strategy and development committee. Members of the strategy and development committee are Mr. Liu (chairman), Mr. Lu Changqing and Mr. Wen Xianjun.

Internal Control

The Board and the senior management are responsible for establishing, implementing and maintaining a sound and effective internal control system. The goal of our internal control is to provide reasonable assurance regarding the achievement of objectives in relation to the following and to promote fulfilment of the Company's corporate development strategy:

i. effectiveness and efficiency of operations;

ii. reliability of financial reporting; and

iii. compliance with applicable laws and regulations.

Through the Audit Committee, the Board reviews the internal control mechanism in respect of financial, operational and compliance matters of the Group. The Board conducts periodical review on the relevant improvement and enhancement procedures in order to strengthen the internal control measures of the Group.

Purchase, Sale or Redemption of Shares

Save as the open offer disclosed in this report, there was no redemption of any shares during the interim reporting period by the Company. Save as disclosed in this report, there was no purchase or sale of the Company's shares during the interim reporting period by the Company or any of its subsidiaries.

Major Purchase and Sale of the Subsidiaries and Associates

There was no major purchase and sale of the subsidiaries and associates during the interim reporting period by our Group.

Interim Dividend

The Board declared an interim dividend of HK$0.08 (approximately RMB0.06) per share for the six months ended 30 June 2014 to holders of the Company's ordinary shares and convertible preference shares whose names appear on the register of the members of the Company on 21 October 2014, with an aggregate amount of approximately RMB449,014,000. The interim dividend will be paid on or around 31 October 2014.

Directors' Profile Updates

During the six months ended 30 June 2014 and up to the date of this report, there was no change to the information which is required to be disclosed and has been disclosed by all Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Continual Communications with Shareholders, Investors and Analysts

The Board has adopted a shareholder communication policy to ensure effective communication between our shareholders and the Company. Since its listing, the Company has emphasized the importance of investor relations by establishing and developing a highly effective investor relations department (the "Investor Relations Department"). The main function of the Investor Relations Department is to make fair, consistent and transparent disclosures and maintain appropriate communications with global investors. The Investor Relations Department has strictly followed our policies and relevant regulations in treating all shareholders, investors and institutional research analysts in a fair and transparent manner. We have held a number of meetings and telephone conferences with investors and research analysts to promote and establish effective channels for dual communications between the Company and investors. In addition, we responded promptly to investors' enquiries through telephone or email.

Media Relations

We strive to establish more solid and closer relationship with the media through press releases, press meetings and management interviews in order to communicate our operating strategies and financial performance to the general public by much faster and effective means.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

		Six months ended 30 June	
	Note	**2014 RMB'000 (unaudited)**	2013 RMB'000 (unaudited)
Revenue	4	**7,947,535**	7,021,397
Cost of sales		**(5,703,931)**	(5,052,733)
Gross profit		**2,243,604**	1,968,664
Investment income		**64,178**	71,286
Other income/(expenses) and other gains/(losses), net	5	**106,792**	134,539
Selling and distribution costs		**(71,605)**	(67,231)
Administrative and other operating expenses		**(572,104)**	(447,294)
Share of profit of an associate		**1,974**	1,503
Finance costs	6(a)	**(245,640)**	(241,781)
Profit before taxation	6	**1,527,199**	1,419,686
Income tax	7	**(256,582)**	(347,917)
Profit for the period attributable to equity shareholders of the Company		**1,270,617**	1,071,769
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation to presentation currency		**14,406**	(145)
— Cash flow hedges: net movement in the hedging reserve		**(1,225)**	—
Total comprehensive income for the period attributable to equity shareholders of the Company		**1,283,798**	1,071,624
Earnings per share			
Basic (RMB)	8	**0.19**	0.20
Diluted (RMB)	8	**0.19**	0.20

The notes on pages 41 to 60 form part of the interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 22(a).

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**8,455,472**	7,272,504
Prepaid lease payments	10	**5,172,002**	4,827,695
Interest in an associate		**58,781**	56,807
Deposits for acquisition of property, plant and equipment and prepaid lease	11	**12,184,680**	12,441,056
Pledged bank deposits	15	**—**	1,532,000
Available-for-sale investments	16	**700,000**	—
Deferred tax assets		**35,424**	31,220
		26,606,359	26,161,282
Current assets			
Inventories	12	**3,214,290**	3,736,578
Trade and bills receivables	13	**854,506**	660,844
Other receivables, deposits and prepayments	14	**993,398**	273,906
Available-for-sale investments	16	**794,200**	—
Current tax asset		**45,994**	64,279
Prepaid lease payments	10	**110,924**	102,745
Pledged bank deposits	15	**2,029,881**	36,454
Short-term deposits		**116,015**	—
Cash and cash equivalents	17	**14,031,151**	9,317,055
		22,190,359	14,191,861
Current liabilities			
Trade payables	18	**2,989,678**	1,482,195
Bills payable	19	**3,469,600**	2,291,520
Other payables and accrued charges		**1,091,729**	828,962
Debentures	21	**2,000,000**	3,200,000
Bank loans and loans from other financial institutions	20	**5,933,313**	4,308,500
		15,484,320	12,111,177
Net current assets		**6,706,039**	2,080,684
Total assets less current liabilities		**33,312,398**	28,241,966

	Note	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Non-current liabilities			
Bank loans and loans from other financial institutions	20	**7,857,834**	4,891,643
Debentures	21	**1,600,000**	3,500,000
Derivative financial instruments		**1,225**	—
Deferred tax liabilities		**270,957**	211,431
		9,730,016	8,603,074
NET ASSETS		**23,582,382**	19,638,892
CAPITAL AND RESERVES			
Share capital	22(b)	**605,397**	474,675
Reserves	22(c)	**22,976,985**	19,164,217
TOTAL EQUITY		**23,582,382**	19,638,892

The notes on pages 41 to 60 form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 22(c)(iv))	Other reserve RMB'000 (Note 22(c)(iii))	Surplus reserve RMB'000 (Note 22(c)(i))	Enterprise development fund RMB'000 (Note 22(c)(ii))	Share option reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013		474,675	9,039,698	(2,992,978)	635,898	1,332,679	1,332,679	137,237	2,082	—	7,546,013	17,507,983
Changes in equity for the six months ended 30 June 2013:												
Profit for the period		—	—	—	—	—	—	—	—	—	1,071,769	1,071,769
Other comprehensive income for the period		—	—	—	—	—	—	—	(145)	—	—	(145)
Total comprehensive income for the period		—	—	—	—	—	—	—	(145)	—	1,071,769	1,071,624
Recognition of share-based payment	26(b)	—	—	—	—	—	—	6,972	—	—	—	6,972
At 30 June 2013 and 1 July 2013 (unaudited)		474,675	9,039,698	(2,992,978)	635,898	1,332,679	1,332,679	144,209	1,937	—	8,617,782	18,586,579
Changes in equity for the six months ended 31 December 2013:												
Profit for the period		—	—	—	—	—	—	—	—	—	1,054,856	1,054,856
Other comprehensive income for the period		—	—	—	—	—	—	—	(6,506)	—	—	(6,506)
Total comprehensive income for the period		—	—	—	—	—	—	—	(6,506)	—	1,054,856	1,048,350
Recognition of share-based payment	26(b)	—	—	—	—	—	—	3,963	—	—	—	3,963
Appropriations		—	—	—	—	202,275	202,275	—	—	—	(404,550)	—
		—	—	—	—	202,275	202,275	3,963	—	—	(404,550)	3,963
At 31 December 2013		474,675	9,039,698	(2,992,978)	635,898	1,534,954	1,534,954	148,172	(4,569)	—	9,268,088	19,638,892
At 1 January 2014		**474,675**	**9,039,698**	**(2,992,978)**	**635,898**	**1,534,954**	**1,534,954**	**148,172**	**(4,569)**	**—**	**9,268,088**	**19,638,892**
Changes in equity for the six months ended 30 June 2014:												
Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,270,617**	**1,270,617**
Other comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**14,406**	**(1,225)**	**—**	**13,181**
Total comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**14,406**	**(1,225)**	**1,270,617**	**1,283,798**
Shares issued under open offer		**127,514**	**3,194,526**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,322,040**
Dividend		**—**	**(729,723)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(729,723)**
Exercise of share option		**3,208**	**166,204**	**—**	**—**	**—**	**—**	**(105,226)**	**—**	**—**	**—**	**64,186**
Recognition of share-based payment	26(b)	**—**	**—**	**—**	**—**	**—**	**—**	**3,189**	**—**	**—**	**—**	**3,189**
		130,722	**2,631,007**	**—**	**—**	**—**	**—**	**(102,037)**	**—**	**—**	**—**	**2,659,692**
At 30 June 2014 (unaudited)		**605,397**	**11,670,705**	**(2,992,978)**	**635,898**	**1,534,954**	**1,534,954**	**46,135**	**9,837**	**(1,225)**	**10,538,705**	**23,582,382**

The notes on pages 41 to 60 form part of the interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**4,786,257**	1,601,544
Net cash used in investing activities	**(3,729,451)**	(1,514,453)
Net cash generated from financing activities	**3,657,290**	2,875,281
Net increase in cash and cash equivalents	**4,714,096**	2,962,372
Cash and cash equivalents at the beginning of the period	**9,317,055**	7,890,144
Cash and cash equivalents at the end of the period	**14,031,151**	10,852,516

The notes on pages 41 to 60 form part of the interim financial report.

1 Corporate information

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and sales of aluminium products.

2 Basis of preparation

The interim financial report has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and relevant disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim financial report was authorised for issue on 15 August 2014. It was unaudited.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2014.

3 Changes of accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

— Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired nonfinancial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report.

— Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

The application of the new and revised IFRSs had no material effect on the interim financial report of the Group for the current or prior accounting periods.

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

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4 Segment reporting

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

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

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

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

At 30 June 2014, the Flat-rolled segment has not commenced operation and is yet to earn revenues.

	Segment revenue Six months ended 30 June		Segment profit Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	**2014 RMB'000 (unaudited)**	2013 RMB'000 (unaudited)
Industrial	**7,537,823**	6,650,203	**2,206,635**	1,925,002
Construction	**401,393**	369,459	**28,742**	41,973
Others	**8,319**	1,735	**8,227**	1,689
Total	**7,947,535**	7,021,397	**2,243,604**	1,968,664
Investment income and other income/(expenses) and other gains/(losses), net			**170,970**	205,825
Selling and distribution costs			**(71,605)**	(67,231)
Administrative and other operating expenses			**(572,104)**	(447,294)
Share of profit of an associate			**1,974**	1,503
Finance costs			**(245,640)**	(241,781)
Profit before taxation			**1,527,199**	1,419,686
Income tax			**(256,582)**	(347,917)
Profit for the period			**1,270,617**	1,071,769

All of the segment revenue reported above is from external customers.

4 Segment reporting (continued)

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

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

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
People's Republic of China ("PRC")	**6,747,021**	6,171,267
United States of America	**1,130,964**	840,224
Others	**69,550**	9,906
	7,947,535	7,021,397

5 Other income/(expenses) and other gains/(losses), net

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Other income		
Government subsidies (Note)	**124,296**	126,302
Sales of equipment	**147,980**	79,804
Others	**5,834**	1,789
Other expenses		
Cost of sales of equipment	**(131,154)**	(67,372)
Other gains/(losses), net		
Gains on disposal of property, plant and equipment	**521**	—
Exchange losses	**(40,685)**	(5,984)
Total	**106,792**	134,539

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

6 Profit before taxation

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

		Six months ended 30 June	
		2014 **RMB'000** **(unaudited)**	2013 RMB'000 (unaudited)
(a)	**Finance costs**		
	Interests on borrowings wholly repayable within five years:		
	— Bank loans and loans from other financial institutions	**227,716**	193,225
	— Debentures	**148,022**	154,200
	Less: Interest expense capitalised into deposits for acquisition of property, plant and equipment*	**(130,098)**	(105,644)
	Total finance costs	**245,640**	241,781

* The borrowing costs have been capitalised at an average interest rate of 4.50% per annum (six months ended 30 June 2013: 4.72%).

(b)	**Staff costs**		
	Staff costs (including directors' remunerations):		
	— Salaries and other benefits	**370,402**	251,515
	— Contributions to defined contribution retirement plan	**18,226**	13,527
	— Equity-settled share-based payment expenses	**3,189**	6,972
		391,817	272,014
(c)	**Other items**		
	Amortisation of prepaid lease payments	**56,479**	53,311
	Depreciation of property, plant and equipment	**236,601**	193,702
	Reversal of impairment losses on trade receivables	**(8,529)**	(510)
	Operating lease charges in respect of office premises	**18,977**	9,993
	Research and development costs	**240,102**	169,120
	Cost of inventories	**5,703,931**	5,120,105

7 Income tax

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax — PRC tax		
Provision for the period	**198,860**	295,868
Over-provision in prior years	**(9)**	—
Withholding tax on intra-group interest income	**2,409**	3,264
	201,260	299,132
Deferred taxation	**55,322**	48,785
Total income tax	**256,582**	347,917

The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for the Company and certain subsidiaries of the Group incorporated in countries other than the PRC are subject to income tax rates ranging from 0% to 16.5% pursuant to the rules and regulations of their respective countries of incorporation.

On 11 November 2013, Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang") was recognised as a High and New Technology Enterprise by Liaoning provincial government. This entitled Liaoning Zhongwang to pay PRC income taxes at a 15% preferential income tax rate for a period of three years from 2013 to 2015.

8 Earnings per share

The calculation of the basic and diluted earnings per share is based on the profit for the period attributable to equity shareholders of the Company for each of the six-month periods ended 30 June 2014 and 2013 and on the number of shares as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit attributable to equity shareholders of the Company	**1,270,617**	1,071,769

	Six months ended 30 June	
	2014	2013
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares	**5,420,645**	5,406,306
Weighted average number of convertible preference shares	**1,368,706**	—
Weighted average number of shares for the purpose of basic earnings per share	**6,789,351**	5,406,306
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**4,538**	10,989
Weighted average number of shares for the purpose of diluted earnings per share	**6,793,889**	5,417,295
Earnings per share		
Basic (RMB)	**0.19**	0.20
Diluted (RMB)	**0.19**	0.20

The computation of diluted earnings per share does not assume the exercise of certain share options because they are antidilutive for each of the six-month periods ended 30 June 2014 and 2013.

9 Property, plant and equipment

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of approximately RMB1,420,276,000 (six months ended 30 June 2013: RMB297,834,000). Items of property, plant and equipment with a net book value of approximately RMB705,000 were disposed during the six months ended 30 June 2014 (six months ended 30 June 2013: no property, plant and equipment were disposed), resulting in a gain on disposal of approximately RMB521,000 (six months ended 30 June 2013: no gain or loss on disposal).

As at 30 June 2014, certain of the Group's machineries with a carrying amount of approximately RMB952,503,000 (31 December 2013: RMB983,701,000) were used to secure the Group's borrowings (see Note 20(b)).

10 Prepaid lease payments

Prepaid lease payments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Leasehold land in the PRC under leases	**5,282,926**	4,930,440
Analysed for reporting purpose:		
Current assets	**110,924**	102,745
Non-current assets	**5,172,002**	4,827,695
	5,282,926	4,930,440

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

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment (Note)	**12,118,680**	12,194,701
Deposits for acquisition of prepaid lease	**66,000**	246,355
	12,184,680	12,441,056

Note: Included in deposits for acquisition of property, plant and equipment are deposits paid to three suppliers of equipment for production of aluminium flat rolled products amounting to approximately RMB10,184,310,000 (31 December 2013: RMB10,993,638,000).

12 Inventories

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Raw materials	**2,255,841**	2,947,211
Work in progress	**455,205**	409,945
Finished goods	**503,244**	379,422
	3,214,290	3,736,578

13 Trade and bills receivables

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Trade and bills receivables	**855,413**	670,280
Less: Impairment losses	**(907)**	(9,436)
	854,506	660,844

For the six months ended 30 June 2014, the Group allows an average credit period of 90 days (six months ended 30 June 2013: 90 days) for domestic sales and an average credit period of 180 days (six months ended 30 June 2013: 180 days) for overseas sales. As at the end of the reporting periods, the ageing analysis of trade and bills receivables based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
0 to 90 days	**694,922**	536,742
91 to 180 days	**98,584**	25,663
Over 180 days	**61,000**	98,439
	854,506	660,844

In determining the recoverability of the trade receivables, the Group considered any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. As at 30 June 2014, included in trade receivables are receivables due from three (31 December 2013: three) customers amounting to approximately RMB514,346,000 (31 December 2013: RMB376,032,000). The directors also believed that there is no further credit provision required in excess of the allowance for doubtful debts.

As at 30 June 2014, trade receivables of approximately RMB152,820,000 (31 December 2013: RMB123,799,000) were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

14 Other receivables, deposits and prepayments

As at 30 June 2014, included in other receivables, deposits and prepayments are input value-added tax amounting to approximately RMB553,519,000 (31 December 2013: RMB82,782,000).

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

15 Pledged bank deposits

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

16 Available-for-sale investments

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Financial products, at fair value (Note)	**1,494,200**	—
Analysed for reporting purpose:		
Non-current assets	**700,000**	—
Current assets	**794,200**	—
	1,494,200	—

Note: As at 30 June 2014, the financial products held by the Group generated annual target return rates ranging from 2.80% to 6.05% (31 December 2013: nil).

17 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and bank deposits with an original maturity of three months or less. As at 30 June 2014, included in cash and cash equivalents of the Group were fixed deposits of approximately RMB3,059,249,000 (31 December 2013: nil) with an original maturity of three months or less.

18 Trade payables

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

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
0 to 90 days	**1,881,581**	1,481,293
91 to 180 days	**1,106,724**	759
181 days to 1 year	**1,373**	143
	2,989,678	1,482,195

19 Bills payable

As at 30 June 2014, all the bills payable are repayable within 180 days (31 December 2013: 180 days) and are denominated in Renminbi.

As at 30 June 2014, bills payable amounting to RMB2,301,600,000 (31 December 2013: RMB1,529,050,000) was secured by deposits placed in banks with an aggregate carrying value of RMB310,460,000 (31 December 2013: RMB35,160,000).

20 Bank loans and loans from other financial institutions

(a) The Group's short-term bank loans and loans from other financial institutions are analysed as follows:

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Bank loans:		
— Guaranteed by the Company	**309,582**	306,618
— Guaranteed by subsidiaries	**307,640**	—
— Unguaranteed and unsecured	**2,422,988**	2,304,845
Loans from other financial institutions:		
— Unguaranteed and unsecured	**780,000**	780,000
	3,820,210	3,391,463
Add: Current portion of long-term bank loans and loans from other financial institutions	**2,113,103**	917,037
	5,933,313	4,308,500

20 Bank loans and loans from other financial institutions (continued)

(b) The Group's long-term bank loans and loans from other financial institutions are analysed as follows:

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Bank loans:		
— Guaranteed by subsidiaries	**4,306,960**	1,219,380
— Guaranteed by a related party	**2,115,810**	1,500,000
— Unguaranteed and unsecured	**2,340,899**	1,810,000
Loans from other financial institutions:		
— Secured by property, plant and equipment (Note)	**407,268**	479,300
— Unguaranteed and unsecured	**800,000**	800,000
	9,970,937	5,808,680
Less: Current portion of long-term bank loans and loans from other financial institutions	**(2,113,103)**	(917,037)
	7,857,834	4,891,643

Note: At 30 June 2014, the long-term loan from a financial institution is secured by certain property, plant and equipment of the Group (see Note 9). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB952,503,000 at 30 June 2014 (31 December 2013: RMB983,701,000).

All of the non-current interest-bearing borrowings are carried at amortised cost. At 30 June 2014, none of the non-current interest-bearing borrowings is expected to be settled within one year.

Some of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's balance sheet ratios, shareholdings of the Company or remaining listed in major stock exchange, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2014, none of the covenants relating to drawn down facilities had been breached (31 December 2013: nil).

21 Debentures

During the year ended 31 December 2011, the Group issued an unsecured debenture of RMB1,200,000,000 with maturity of three years and repayable on 17 May 2014, with effective interest rate of 5.68% per annum. The Group fully repaid the debenture on 17 May 2014.

During the year ended 31 December 2012, the Group issued unsecured debentures of RMB2,000,000,000 and RMB1,000,000,000 with maturity of three years and repayable on 25 June 2015 and 23 August 2015, respectively, and with effective interest rate of 4.93% and 5.35% per annum, respectively.

During the year ended 31 December 2013, the Group issued two unsecured debentures each of RMB1,000,000,000, with maturity of one year and repayable on 13 March 2014 and 8 May 2014, respectively, and with effective interest rate of 4.47% and 4.58% per annum, respectively, these debentures were fully repaid on their maturity date; the Group also issued an unsecured debenture of RMB500,000,000 with maturity of three years and repayable on 8 October 2016, with effective interest rate of 6.90% per annum.

During the six months period ended 30 June 2014, the Group issued an unsecured debenture of RMB100,000,000 with maturity of three years and repayable on 10 January 2017, with effective interest rate of 7.50% per annum.

22 Capital, reserves and dividends

(a) Dividends

	Six months ended 30 June	
	2014 RMB '000 (unaudited)	2013 RMB '000 (unaudited)
Final dividend paid for the year 2013 — HK$0.13 (approximately equivalent to RMB0.10) per ordinary share and convertible preference share (2012: nil)	**729,723**	—
Interim dividend declared after the end of the reporting period — HK$0.08 (approximately equivalent to RMB0.06) per ordinary share and convertible preference share (2013: nil)	**449,014**	—

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

22 Capital, reserves and dividends (continued)

(b) Share capital

	No. of shares	Share capital HK$'000	RMB'000
Ordinary share of HK$0.10 each:			
Authorised:			
At 1 January 2013	8,000,000,000	800,000	N/A
Increase in authorised share capital	12,000,000,000	1,200,000	N/A
At 31 December 2013 and 30 June 2014	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2013 and 31 December 2013	5,406,306,400	540,631	474,675
Share issued under open offer	2,703,583	270	213
Share issued pursuant to share option scheme	40,400,000	4,040	3,208
As at 30 June 2014	5,449,409,983	544,941	478,096
Convertible preference share of HK$0.10 each:			
Authorised:			
At 1 January 2013	—	—	N/A
Increase in authorised share capital	10,000,000,000	1,000,000	N/A
At 31 December 2013 and 30 June 2014	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2013 and 31 December 2013	—	—	—
Shares issued under open offer	1,619,188,337	161,919	127,301
At 30 June 2014	1,619,188,337	161,919	127,301

By the special resolution of extraordinary general meeting of the Company held on 27 December 2013, the Company's authorised share capital was increased from HK$800,000,000 divided into 8,000,000,000 shares of HK$0.10 each to HK$3,000,000,000 divided into 30,000,000,000 shares of HK$0.10 each, including 10,000,000,000 unissued shares were redesignated into 10,000,000,000 convertible preference shares, and 20,000,000,000 issued and unissued shares were redesignated into 20,000,000,000 ordinary shares.

Pursuant to an ordinary resolution passed at a board meeting of the Company on 28 November 2013, an issue of ordinary shares and/or convertible preference shares by the Company at a price of HK$2.61 per share on the basis of 3 new ordinary shares for every 10 existing ordinary shares then held by the qualifying shareholders on the record date and payable in full on the acceptance was approved. The open offer was completed and 2,703,583 new ordinary shares and 1,619,188,337 convertible preference shares were issued on 28 January 2014, resulting in net proceeds of approximately HK$4,225,400,000 to the Company. The Company intends to apply the net proceeds of the open offer in full to fund the capital commitments of high value-added aluminium flat rolled project in Tianjin, PRC.

22 Capital, reserves and dividends (continued)

(b) Share capital (continued)

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

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

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

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

On 7 May 2014, the share options under pre-IPO share option scheme were exercised and 40,400,000 new ordinary shares were issued.

(c) Nature and purpose of reserves

(i) Surplus reserve

The Articles of Association of Liaoning Zhongwang state that it may make an appropriation of 10% of its profit for the year (prepared in accordance with Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the PRC) each year to the surplus reserve until the balance reaches 50% of its paid-in capital. The surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of its production and operation.

(ii) Enterprise development fund

Pursuant to the PRC Company Law, Liaoning Zhongwang may make an allocation to the enterprise development fund from its profit for the year (prepared in accordance with ASBE) at a rate determined by directors. The enterprise development fund can be used for making good losses and capitalisation into paid-in capital. Both the surplus reserve and the enterprise development fund form part of the shareholders' equity but are non-distributable other than in liquidation.

(iii) Other reserve

Other reserve mainly represents the capitalisation of retained profits of Liaoning Zhongwang into its paid-in capital. Pursuant to a resolution passed at the shareholder's meeting dated 18 February 2009, retained profits of approximately RMB506,849,000 and RMB127,287,000 was capitalised into the paid-in capital of Liaoning Zhongwang for the year ended 31 December 2009 and the year ended 31 December 2008 respectively.

(iv) Special reserve

Special reserve arising from a corporate reorganisation in 2008 represents (i) the difference between the 40% of the registered capital of Liaoning Zhongwang as well as the entire issued share capital of other subsidiaries and the nominal value of the shares of the Company issued for the acquisition and (ii) the consideration paid by a subsidiary of the Company for acquiring 60% equity interest in Liaoning Zhongwang.

23 Fair value measurement of financial instruments

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	As at 30 June 2014 (unaudited)				As at 31 December 2013 (audited)			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets								
Financial products classified as available-for-sale investments	**—**	**—**	**1,494,200**	**1,494,200**	—	—	—	—
Liabilities								
Interest rate swaps	**—**	**1,225**	**—**	**1,225**	—	—	—	—

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of financial products classified as available-for-sale investments are estimated based on its expected cash flows discounted by unquoted annual return rate of similar financial products. The fair value measurement is negatively correlated to the unquoted annual return rate of similar financial products.

Reconciliation of Level 3 fair value measurements of financial instruments:

	Financial products RMB'000 (unaudited)
At 1 January 2014	**—**
Purchases	**1,494,200**
At 30 June 2014	**1,494,200**

23 Fair value measurement of financial instruments (continued)

(b) Fair values of financial instruments carried at other than fair value

The fair value of financial assets and financial liabilities recorded at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

24 Commitments

(a) Capital commitments

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**18,813,373**	17,147,566

(b) Operating lease commitments

The Group as lessee

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

	As at 30 June 2014 RMB'000 (unaudited)	As at 31 December 2013 RMB'000 (audited)
Within one year	**48,131**	41,189
After one year but within five years	**69,710**	95,000
	117,841	136,189

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

25 Related party transactions

During each of the six-month periods ended 30 June 2014 and 2013, the Group had entered into the following transactions with related companies:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Goods purchased from related company	**17**	—
Rental income from an associate	**75**	75
Goods sold to an associate	**5,284**	—
Guarantees obtained from related companies	**2,115,810**	1,500,000

26 Share-based payments

(a) Pre-IPO share option scheme

Pursuant to an ordinary resolution of the board of directors passed on 17 April 2008, a pre-IPO share option scheme (the "Scheme") was conditionally approved and adopted to provide grantees with the opportunity to acquire proprietary interest in the Company and to recognise the contribution of certain members of the senior management and employees of the Group.

The exercise of the pre-IPO share options is conditional on:

(i) the listing committee granting approval for the listing of and permission to deal in the shares of the Company which may fall to be issued pursuant to the exercise of the options granted under the Scheme; and

(ii) the commencement of the dealings in the shares of the Company on the Stock Exchange and is subject to the vesting conditions set out below.

The above pre-IPO share options have been granted on the condition that they are valid for a period ending on the date before the fifth anniversary of the listing date ("Pre-IPO Share Option Term"). With respect to the commencement of the dealings in shares of the Company on the Stock Exchange and each of the four consecutive anniversary of the listing date, a grantee shall be entitled to exercise his/her option to subscribe for up to 20% of the total number of the shares of the Company under his/her option ("Vested Shares") during such period.

In the event that an option holder shall not have exercised his/her option for the full amount of the Vested Shares (the unexercised portion of the Vested Shares shall be referred to as the "Unexercised Vested Shares"), the option shall continue to be exercisable in respect of such Unexercised Vested Shares during the rest of the Pre IPO Share Option Term.

The subscription price per share under the Scheme is HK$2. Since no further options can be granted under the Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Scheme.

All of the options granted under the Scheme were exercised on 7 May 2014.

26 Share-based payments (continued)

(b) Share option scheme

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed ten percent of the shares in issue upon the listing of the shares of the Company on the Stock Exchange (the Company may refresh this ten percent limit under certain conditions) or thirty percent of the shares in issue from time to time where there are options to be granted and yet to be exercised. The total number of shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed one percent of the shares in issue. Any further grant of options which would result in the number of shares exceeding one percent requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

Details of the Scheme and Share Option Scheme are as follows:

Type of share option	Grant date	Exercisable period	Exercise price HK$	Number of share options granted on grant date
Scheme	17 April 2008	8 May 2009 to 7 May 2014	2.00	40,400,000
Category: Directors				8,300,000
Employees				32,100,000
Share Option Scheme	22 March 2011	22 March 2012 to 21 March 2021	3.90	45,700,000
Category: Directors				11,700,000
Employees				34,000,000

26 Share-based payments (continued)

(b) Share option scheme (continued)

The fair value of options under the Scheme and Share Option Scheme was calculated using the binominal option pricing model by an independent valuer, Savills Valuation and Professional Services Limited. The inputs into the model are as follows:

	Scheme	Share Option Scheme
Estimated share price at grant date	HK$4.7	HK$3.83
Exercise price	HK$2	HK$3.9
Expected volatility	58%	53%
Expected life	5.6 years	10 years
Risk-free interest rate	2.2%	2.75%
Expected dividend yield	2.5%	5.9%

Expected volatility was determined by using the historical volatility of the price return of the ordinary shares of comparable companies. Because the binominal option price model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimation.

The fair values of options under the Scheme and Share Option Scheme on the grant date are approximately RMB105,226,000 and RMB52,496,000 respectively.

The following table discloses movement of the Company's share options held by grantees during the six months ended 30 June 2014:

Type of option	Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 30 June 2014	Exercisable at the end of the period
Scheme	40,400,000	—	(40,400,000)	—	—	—	—
Share Option Scheme	45,000,000	—	—	—	—	45,000,000	27,000,000

During the six months ended 30 June 2014, there was no share-based payment expenses recognised (six months ended 30 June 2013: RMB1,754,000) in relation to the Scheme, as the granted share options were fully amortised in the prior year; share-based payment expenses of approximately RMB3,189,000 (six months ended 30 June 2013: RMB5,218,000) in relation to the Share Option Scheme are recognised in profit or loss.