中国忠旺控股有限公司*
China Zhongwang Holdings Limited
(incorporated in the Cayman Islands with limited liability)
Stock Code: 01333

A Leading Aluminium Processed Product Developer and Manufacturer in Asia

2015 Interim Report

* For identification purposes only


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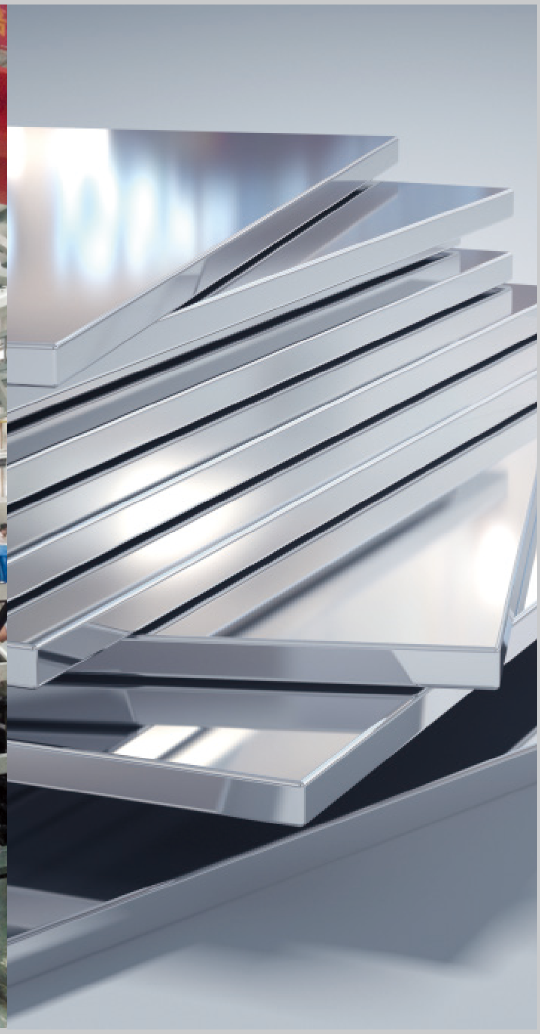


COMMITTED TO LIGHT-WEIGHT DEVELOPMENT FOR A GREENER WORLD

China Zhongwang is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the largest in Asia. The Group focuses on three core businesses with synergy effect, namely, industrial aluminium extrusion, deep processing and aluminium flat rolling. The three core businesses operate together on the basis of upstream and downstream resource-sharing and benefit from advantages of each other.

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

Haiwen & Partners
20th Floor, Fortune Financial Centre
5 Dong San Huan Central Road
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

Cornerstones Communications Ltd.
19/F, Oriental Crystal Commercial Building
46 Lyndhurst Terrace, 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 Monday, 12 October 2015 to Friday, 16 October 2015 (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 Friday, 9 October 2015.

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 largest in Asia[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 downstream 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, and is now mainly engaged in industrial aluminium extrusion and deep processing businesses. After 20 years of dedicated development, the Group currently has over 90 internationally advanced aluminium extrusion production lines (including 21 production lines of large-scale aluminium extrusion presses of 75MN or above). In addition, the two ultra-large 225MN extrusion presses that the Group ordered, the largest and most advanced presses in the world, will arrive respectively for installation in the second half of this year according to the plan. The operation of the 225MN extrusion presses will reinforce the Group's leading edge in the production of high precision, complex large-section industrial aluminium extrusion products. Meanwhile, the Group has also built a world-leading aluminium tilt smelting and casting facility which is ancillary to the extrusion production lines, as well as the largest customized industrial aluminium extrusion product die design and manufacturing centre in Asia. The Group has a professional research and development team, and was certified by the Chinese government as a "State Accredited Enterprise Technology Centre", a "State CNAS Laboratory", Liaoning Engineering and Technology Research Centre, and Liaoning Post-doctoral Research Centre. The Group's unique core competitiveness in the industry lies in the comprehensive strength of its 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 processing business. With the support of the advanced production facilities in its deep-processing centre and the product and process design team, the Group is able to provide one-stop solutions to clients including product design, production and after service. The Group has developed a range of high value-added deep-processed products with promising market potentials, such as industrial aluminium pallets, aluminium semi-trailers, aluminium fire trucks, oil tank trucks, aluminium high-speed train carriages suitable for alpine cold regions, buses, and construction formworks. Deep-processed products have enhanced the Group's overall profitability.

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, plant construction and equipment installation of the first production line has been almost completed. The equipment testing of entire production line is being carried out, and it is expected to enter trial operation as scheduled, followed by formal operation by end of this year. The Group's high value-added aluminium flat rolled product project will become our third core business complementary to and resources sharing with the existing industrial aluminium extrusion and deep processing businesses.

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 maintain its leading 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 most competitive 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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**7,892,402**	7,947,535
Gross profit	**2,541,467**	2,243,604
Gross margin	**32.2%**	28.2%
Profit before taxation	**1,813,723**	1,527,199
Profit attributable to equity shareholders	**1,498,059**	1,270,617
Earnings per share (Note 1)		
Basic (RMB)	**0.21**	0.19
Diluted (RMB)	**0.21**	0.19
Interim dividend per share (RMB)	**0.09**	0.06

	At 30 June	At 31 December
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(audited)
Net assets	**25,377,115**	24,328,592
Total assets	**59,251,070**	53,769,415
Gearing ratio (Note 2)	**57.2%**	54.8%

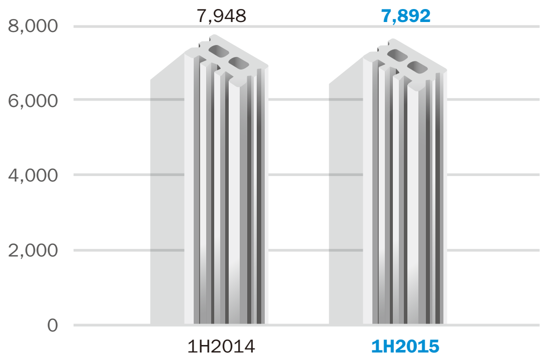
Notes:

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 2015 and 2014 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

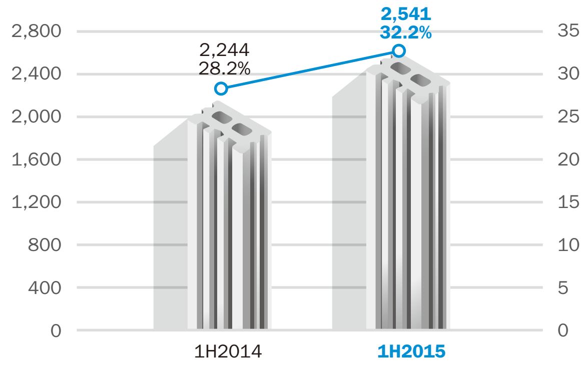
Revenue

(RMB millions)



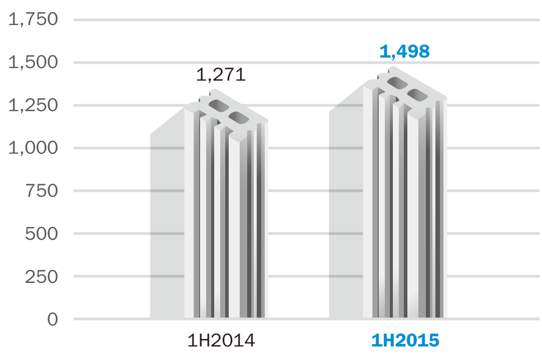
Gross Profit/Gross Margin

(RMB millions)



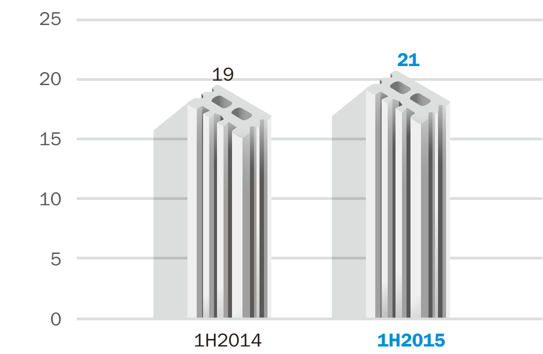
Profit Attributable To Equity Shareholders

(RMB millions)



Earnings Per Share (Basic)

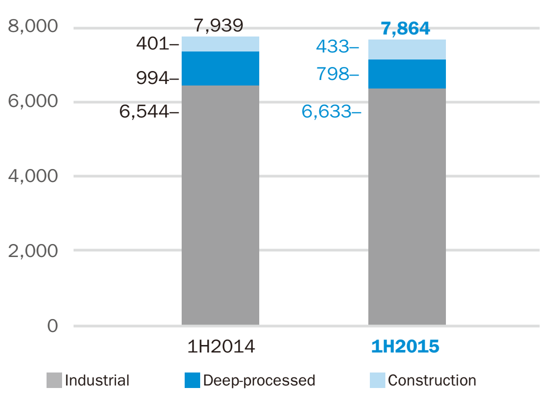
(RMB cents)



Revenue Composition

– Extrusion Business/By Product Type

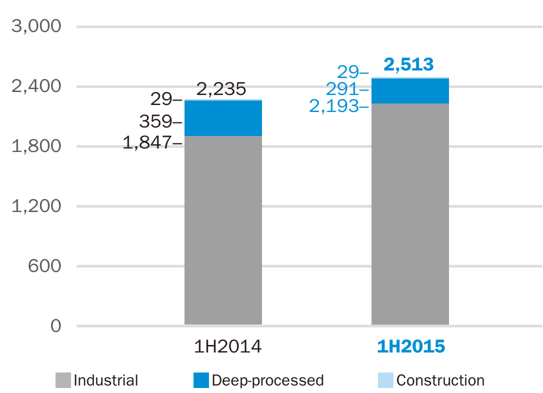
(RMB millions)



Gross Profit Composition

– Extrusion Business/By Product Type

(RMB millions)



Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited ("China Zhongwang" or the "Company," together with its subsidiaries, the "Group"), I am pleased to present the interim report on the unaudited results of the Group for the six months ended 30 June 2015 (the "Period under Review") for your review.

Results Highlights

The aluminium processing industry in China is facing unprecedented challenges and opportunities. Confronted with a weakened global economy, many international industry peers have begun turning to the Chinese market, expecting to take a share in this stable growing market. At the same time, certain countries have erected various trade barriers to protect the interests of local industries, creating roadblocks to the internationalization of Chinese enterprises. Nonetheless, following the global trend of energy conservation and emission reduction, the light-weight development in the transportation sector, as well as the Chinese government's active pursuit of industry upgrade, the demand for high-end aluminium alloy products in China maintained steady growth during the Period under Review.

In the first half of 2015, the Group continued to implement its major strategy of "focusing primarily on China and to a lesser extent on the overseas". The business focus was placed on the high-end aluminium processing market in China. The Group enhanced its core competitiveness and overall profitability through technology research and development, equipment upgrade, and optimization of the product mix. The Group's revenue during the Period under Review stood at approximately RMB7.89 billion, roughly the same as that for the corresponding period of last year. The Group's gross margin rose to 32.2% from 28.2% of the same period of last year due to increase in the proportion of high-end products. Profit attributable to equity shareholders increased by 17.9% year-on-year to approximately RMB1.5 billion, and basic earnings per share rose 13.2% to approximately RMB0.21.

To reward our shareholders, the Board has declared an interim dividend of HKD0.11 (approximately RMB0.09) per share for the six months ended 30 June 2015. The dividend payout ratio is approximately 42.8%.

Business Review

Industrial aluminium extrusion products remain the Group's primary source of revenue and profit. During the Period under Review, the Group enhanced and upgraded its existing smelting and casting, extrusion and die-making facilities, continued its market exploration efforts, and focused its attention on developing high-end large cross-section industrial aluminium extrusion products that command higher gross profits, leading to a notable increase of 4.9 percentage points in the gross margin of the Group's industrial aluminium extrusion business to 33.1% over the same period of last year.

Chairman's Statement

Seizing firmly the light-weight development opportunities in the transportation sector, our deep processing business collaborated with several domestic auto-makers during the Period under Review in the successful development of a number of aluminium automotive parts and aluminium-intensive bodies for new energy buses. Together with the various types of aluminium-intensive trucks and special vehicles that we have previously developed, the Group's high-margin deep-processed product portfolio has been further enriched, forming a new growth engine for the Group's future development. During the Period under Review, the Group acquired a special vehicle plant and is currently expanding its production capacity. The special vehicle plant is expected to commence operation at the end of 2015.

During the Period under Review, the Group continued to advance its aluminium flat rolled product project in Tianjin Wuqing Auto Parts Industrial Park. Phase I of the project consists of two production lines with a designed annual production capacity of 1.8 million tonnes. Upon completion, it will become the world's single largest aluminium flat rolling facility. Designed primarily for the production of medium-to-high thickness plates applied in sectors such as transportation and chemical containers, the first production line has completed its plant construction and equipment installation and is in the process of equipment testing. We will strive to commence production by the end of 2015. The production base is adjacent to suppliers of auto parts and components. The Group has established specialized auto sheet research and development department and project management team to jointly design and develop customized products with target customers.

Products and Technologies Spearhead Industry Development

The Group actively enhanced its research and development capability and invested approximately RMB0.24 billion in research and development in the first half of 2015, accounting for 3.1% of the total revenue. As one of the leading enterprises in the aluminium processing industry in China, China Zhongwang has played an active role in promoting the development of the industry. The Group took the lead in the drafting and was the principal drafter of *The Methods for the Inspection of Welding Functions of Welding Seams of Aluminium and Aluminium Alloy Extrusion*, assisting the formulation of national standards with a view to enhancing the technology level of aluminium processing industry in China. In addition, at a symposium convened by the Department of Raw Material Industry of the Ministry of Industry and Information Technology ("MIIT") on the operation analysis of non-ferrous metal industry in the first half of 2015, the Group was invited as a representative of the aluminium processing enterprises in China to make recommendations on the future development of the industry and to assist in the drafting of the 13th Five-Year Plan for non-ferrous metals industry.

Future Outlook

The Chinese government has introduced the "One Belt, One Road" strategy to promote interconnection and intercommunication between countries and regions along the way by means of making breakthroughs in transportation and infrastructure. This will help create fresh development opportunities for the aluminium processing industry. Also, the State Council in May this year promulgated the notice of "Made in China 2025", painting a clear picture of the general principles guiding the development of China's manufacturing industries for the next ten years. It advocates innovation and research and development in the manufacturing industries and urges a number of industries including aviation and aerospace, maritime engineering, vessels, railway transportation, new energy vehicles and electric equipment to move towards high-end development. Accordingly, the aluminium processing industry will follow suit and migrate toward "Industry 4.0" of the aluminium processing industry by reinforcing the development of equipment automation, management professionalism, technical innovation and high-end products.

The two ultra-large 225MN extrusion presses ordered by the Group will arrive respectively for installation in the second half of 2015. The operation of the 225MN extrusion presses will further reinforce the Group's leading edge in the production of high precision, complex large-section industrial aluminium extrusion products. Meanwhile, the Group will continue to expand its deep-processing plant and accelerate the capacity building of its special vehicle plant. The high value-added aluminium flat rolled product project in Tianjin will soon commence production and become the engine of our future growth. With the synergetic development of these three core businesses, the Group will firmly grasp the opportunities brought by China's industry upgrades and the light-weight development in the transportation sector.

Acknowledgements

The encouraging results of the Group for the first half of 2015 are attributable to the concerted efforts of all employees and the long-term trust and support of our shareholders, business partners, customers and suppliers. On behalf of the Board, I would like to express my sincere gratitude to all my colleagues for their dedicated hard work. China Zhongwang will firmly implement the development strategies of its three core businesses and will spare no efforts in achieving sustainable growth and returns for its shareholders.

Liu Zhongtian
Chairman

Hong Kong, 20 August 2015

Management Discussion and Analysis

I. Business Review

According to the data published by the National Bureau of Statistics, China's economy made a partial recovery in the first half of 2015. Gross domestic product achieved a steady medium-to-high growth rate of 7% at comparable prices. The government implemented various structural reforms and system innovations to guide industries to shift from a quantitative to a qualitative upgrade. During the Period under Review, the Group's development was in line with the pace of the overall economy. On the premise of maintaining a steady growth and enhancing product quality, it adhered consistently to the major strategy of "focusing primarily on China and to a lesser extent on the overseas". By virtue of effective integration of resources, the Group secured effective results in optimizing product structure, fine-tuning business segments, and advancing market exploration, successfully meeting its business objectives for the first half of 2015.

During the Period under Review, the Group's total revenue amounted to approximately RMB7,892,402,000, at roughly the same level of approximately RMB7,947,535,000 for the corresponding period of 2014. The profit attributable to the shareholders of the Company increased 17.9% to approximately RMB1,498,059,000 for the Period under Review from approximately RMB1,270,617,000 for the corresponding period of 2014. The earnings per share also had a year-on-year increase of 13.2% to reach approximately RMB0.21.

During the Period under Review, sales revenue of the Group's aluminium extrusion business amounted to approximately RMB7,863,749,000, at roughly the same level of approximately RMB7,939,216,000 for the corresponding period of 2014. Sales volume of aluminium extrusion products was 344,523 tonnes, representing a decrease of 6.4% as compared to 368,239 tonnes for the corresponding period of 2014, mainly due to the fact that the major extrusion production lines of the Group were all running at full capacity during the Period under Review, thus forcing the Group to focus its business operation on securing the production and sales of products with higher gross profit, resulting in a slight drop in output. In light of the optimal adjustment of the product structure during the Period under Review, the overall gross margin of the Group's aluminium extrusion business rose further to 32.0% (corresponding period in 2014: 28.2%).

For the Period under Review, sales volume of the Group's industrial aluminium extrusion products was approximately 288,395 tonnes, representing a decrease of 6.0% as compared to 306,696 tonnes for the corresponding period of 2014. Sales revenue was approximately RMB6,632,800,000, basically in line with approximately RMB6,544,187,000 for the corresponding period of 2014. Average selling price of industrial aluminium extrusion products was RMB22,999 per tonne, representing an increase of 7.8% from the average selling price of RMB21,338 per tonne during the corresponding period in 2014 whereas gross margin had an increase of 4.9 percentage points to 33.1% as compared to 28.2% during the corresponding period in 2014. Sales volume of deep-processed products was approximately 28,866 tonnes, representing a decrease of 21.0% as compared to 36,547 tonnes for the corresponding period of 2014, mainly due to the decrease in the dispatched volume of aluminium pallets during the Period under Review, with a corresponding year-on-year decrease of 19.7% in sales revenue to approximately RMB797,947,000. Average selling price of deep-processed products was RMB27,643 per tonne, basically the same as that of RMB27,188 per tonne for the corresponding period in 2014 and gross margin was 36.5% (corresponding period in 2014: 36.1%).

At present, though industrial aluminium pallets remain the Group's main deep-processed product, we have successfully developed various high-end aluminium alloy deep processing applications including semi-trailers, oil tankers, fire trucks, high-speed train carriage bodies suitable for alpine-cold regions, and construction formworks etc. In support of the development of these new applications, the Group has made the required capital investment and built up new production capacity. Liaoning Zhongwang Special Vehicle Manufacturing Company Limited* (遼寧忠旺特種車輛製造有限公司) (the "Special Vehicle Plant"), which the Group acquired during the Period under Review, has now obtained the relevant licenses for the production and sales of a number of aluminium-intensive commercial vehicles. Located in Liaoyang, the Special Vehicle Plant is now building two production lines with an annual production capacity of 4,000 vehicles on one shift. Production is expected to commence at the end of this year. Furthermore, the product and process design team established last year has scored repeated successes. It has developed new aluminium components or vehicle bodies for a number of transportation clients, including a brand-new aluminium-intensive new energy bus designed and manufactured for Brilliance Bus, a prototype of which is now on road test and is expected to commence commercial production upon completion of the test.

Furthermore, at the beginning of this year, the Group, together with Shenyang Aerospace University and AVIC SAC Commercial Aircraft Company Limited, established the "Liaoning Aerospace Aluminium Joint Research and Development Laboratory" (the "Joint Laboratory"). The Joint Laboratory serves as a resource-sharing and mutually-complementary platform to assist the three parties in fully leveraging their strengths in the joint development of high-end aviation and aerospace aluminium alloy products. During the Period under Review, the Group took the lead in the drafting and was the principal drafter of the national standard for the "Methods for the Inspection of Welding Functions of Welding Seams of Aluminium and Aluminium Alloy Extrusion", filling up a blank in the industry. As a "High and New Technology Enterprise", Liaoning Zhongwang Group Company Limited, the Group's main domestic operating entity, continued to enjoy the 15% preferential corporate income tax rate. During the Period under Review, the overall research and development expenditure of the Group amounted to approximately RMB0.24 billion, representing 3.1% of our total revenue. We also completed the development of six new products, were granted eleven patents, and won four technology awards at municipal level. The Group also undertook five new technology research projects at national, provincial and municipal levels, including the national industry revitalisation and technology upgrade projects.

During the Period under Review, the construction of phase I of the Group's high value-added aluminium flat rolled product project in Tianjin entered the critical stage. Phase I has two production lines with a designed annual production capacity of 1.8 million tonnes. The first production line has basically completed plant construction and equipment installation and is in the final stage of equipment testing. During the Period under Review, the core equipment of the first production line including the 4500mm hot rolling mill and the 2350mm cold rolling mill underwent trial runs. The 4500mm hot rolling mill has passed the no-load running test to pave way for the loaded trial-run. On the other hand, the 2350mm cold rolling mill has undergone the loaded trial run. In the near future, the functions of various systems will be further optimized. In light of the project's current progress, the aluminium flat rolled product project is expected to enter the trial production stage as scheduled and commence production by the end of this year.

II. Future Development

Currently, with increasing application of various new materials, aluminium alloy has become the best choice for all countries advancing green development due to its reasonable cost, well-developed production technology, abundant supply, light weight and recyclable characteristics. Closely in line with the global trend, the Chinese government has created favorable conditions for promoting the application of aluminium alloy in the industrial fields, ranging from the formulation of macro-policy guidelines to policy executions for the industry that helps build in a top-down fashion the foundation for an environment-friendly society.

Following the launch of the "One Belt, One Road" strategy by the Chinese government in 2014, the National Development and Reform Commission ("NDRC"), the Ministry of Foreign Affairs and the Ministry of Commerce made a joint announcement in March this year on the "Vision and Action on Jointly Building a Silk Road Economic Belt and the 21st Century Maritime Silk Road", which detailed the strategic layout of "One Belt, One Road" in order to realize the interconnection and intercommunication between countries and regions along the way by means of making breakthroughs in transportation and infrastructure. It means that China, as well as countries along the way, will undertake in succession a series of development projects including land transportation represented by high speed trains, transit rails and highway construction; maritime transportation represented by vessels, ports and containers; supporting facilities represented by engineering, machinery and wind power equipment. They will bring about tremendous market opportunities for the Group's high-end aluminium alloy products which are extensively applied in sectors such as transportation, machinery and equipment, and electric power engineering.

Management Discussion and Analysis

The State Council promulgated in May this year the notice of "Made in China 2025", outlining in explicit terms the general principles and the road map for the development of manufacturing industries in China for the next ten years, which will then serve as the starting point towards the goal of making China a global manufacturing power. "Made in China 2025" advocates the development of the effective integration of innovation with research, intelligence with industry, quality with brand names, environmental protection with manufacturing, to enhance quality and efficiency in realizing industrial upgrade. It coincides with the original nature of intelligent production embodied in "Industry 4.0". Hence, the industrial sectors focus on the research and development of innovative and intelligent production. Accordingly, the aluminium processing industry will follow suit and move toward "Industry 4.0" of the aluminium processing industry by reinforcing the development of equipment automation, management professionalism, technical innovation and high-end products. Furthermore, "Made in China 2025" has clearly stated that breakthroughs shall be encouraged in major sectors such as high-end equipment and new materials, including aviation and aerospace equipment, maritime engineering equipment, high-tech vessels, advanced rail transportation equipment, energy-saving and new energy automobiles, electric equipment, and specialty metal function materials. In the above-mentioned sectors, aluminium alloy is currently undertaking the mission of advancing industry upgrade, with "substituting steel and copper with aluminium" increasingly becoming a trend. Following the policy guidelines of "Made in China 2025", MIIT started in July this year the drafting of the 13th Five-Year development plan for non-ferrous metals industry and "Guiding Opinion on the Development of Aluminium Industry" to encourage the establishment of an upstream and downstream industrial alliance. In the long run, it will increase the penetration rate of aluminium alloy products in transportation, aviation and electric power.

It is worth noting that the Chinese government has been increasing its efforts year by year to promote new energy vehicles, which is opening up a vast market for high-end and quality processed aluminium products. In April this year, the Ministry of Finance, MIIT, Ministry of Science and Technology and NDRC jointly promulgated the "Notice on the Application of Financial Support Policy in 2016-2020 for the Promotion of New Energy Vehicles", granting continuing subsidies for consumers purchasing new energy vehicles included in the Catalogue of National New Energy Vehicles. This time, the scope of subsidies was expanded not just to cover all regions in China but also for the first time to include subsidies for new energy trucks. Meanwhile, the driving range criterion for the car models qualified for receiving subsidies was enhanced. New energy vehicle manufacturers are also required to improve the quality assurance for critical parts and components, which makes the upgrade of research and development capacity and product quality inevitable for auto-makers. It is thus apparent that the government is determined to promote new energy vehicles. Efforts in encouraging aluminium applications in public transport have also been further reinforced. Following the joint publication last year of the "Promotion Scheme of New Energy Vehicles in the Sector of Public Services of Public Transport in Beijing, Tianjin and Hebei" by seven government ministries/commissions for the promotion of over 7,000 new energy buses in Beijing, Tianjin and Hebei region, the Ministry of Finance, MIIT and the Ministry of Transport jointly released in May this year the "Notice on Improving the Refined Oil Price Subsidy Policy for Urban Buses and Expediting the Promotion and Application of New Energy Vehicles", which announced the annual reduction in the refined oil price subsidy for urban buses starting from 2015. This will expedite the large-scale adoption of new energy buses and promote energy-saving and emission reduction in the public transport industry. In provinces and cities such as Beijing and Shanghai which are key targets of atmospheric pollution treatment, it is expected that new energy buses will account for 40% of the new and replaced buses. The proportion is expected to reach 80% in 2019. As the best substitution material for new energy vehicles in their environmental performances, aluminium alloy products can be used in vehicle bodies, frames, parts and components, bringing about 8% fuel saving for every 10% reduction in weight. The implementation of the above-mentioned policies will have an immediate impact on the application of aluminium in the transportation sector.

Against the backdrop of a favorable macro-environment, the Group's management will execute the following development strategies to firmly seize the development opportunities created by these proactive policies:

1. Continuous and active implementation of the aluminium flat rolled product project to provide new impetus for the Group's long term growth. In respect of Phase I of the Group's aluminium flat rolled product project, the first production line has entered the critical equipment trial run stage. The Group has mobilized the most professional technical team to ensure a smooth trial run and make full preparation for the subsequent trial production. The launch of production of the aluminium flat rolled product project will enrich our industrial chain, deepen the synergetic effects of our different businesses and become a solid driving force for the Group's long-term development;

2. Comprehensive upgrade of the deep processing business to strengthen the Group's overall profitability. Increase in the proportion of high value-added products is the development direction for the upgrade and transformation of the aluminium processing industry. As such, the key to success is to enhance one's precision and deep-processing capacity. While the Group will gradually expand its deep-processing production capacity on the basis of its existing capacity, it will further reinforce its development and design capacity for more new products and production technologies with a view towards providing comprehensive product solutions encompassing design, manufacturing, assembly, and after-sales services, etc. The initiative aims at increasing the proportion of deep-processed products in the Group's sales and strengthening our overall profitability;

3. Continuous implementation of the optimization and expansion plan for industrial aluminium extrusion and supporting facilities to consolidate the Group's leading position in industrial aluminium extrusion. The two ultra-large 225MN extrusion presses ordered by the Group will arrive in succession at the plant to begin installation in the second half of 2015. The Group will endeavor to complete installation and trial run as scheduled and further enhance the Group's dominant strength in the production of high-precision and large cross-section industrial aluminium extrusion products. The implementation of the Group's plan for the introduction of indirect extrusion presses will be expedited to make up for our lack of indirect extrusion capacity as early as possible. Investment in aluminium alloy smelting and casting facilities and equipment shall increase to further upgrade the level and capacity of our smelting and casting production, so as to satisfy the capacity need for aluminium processing after the Group's expansion; and

4. Enhancing fundamental research and promoting technology innovation to improve our comprehensive strengths. The Group will unremittingly increase financial and human resources investment in our own research and development team. Through diversified and multi-party cooperation with industry players, institutions of higher learning and research institutes, we aim to enhance our fundamental research of aluminium and aluminium alloys, vigorously promote innovation in technology and processes and accelerate the industrialisation of products and services, so as to improve the Group's comprehensive competitive strengths.

It is the management's belief that through executing the aforementioned development strategies, the Group will realize the synergistic development of the three core businesses: industrial extrusion, deep processing and flat rolling. On the strength of our outstanding research and development capability, advanced technology and top-notch equipment, we will further enhance our advantages, realize sustainable development and provide satisfying returns to shareholders.

III. Financial Review

During the Period under Review, the Group's revenue amounted to approximately RMB7,892,402,000, substantially the same as that for the corresponding period in 2014. Profit attributable to equity shareholders of the Company amounted to approximately RMB1,498,059,000, representing an increase of 17.9% over the corresponding period in 2014.

A comparison of the financial results of the Group for the Period under Review and the corresponding period in 2014 is set out as follows.

Revenue

During the Period under Review, the total revenue of the Group amounted to approximately RMB7,892,402,000, substantially the same as that for the corresponding period in 2014 of approximately RMB7,947,535,000. During the Period under Review, our major revenue was generated from sales of aluminium extrusion business which amounted to approximately RMB7,863,749,000. Other revenue primarily comprised metal trade agency fees and revenue generated from financial services commenced by Zhongwang Group Finance Limited established by the Group at the end of 2014 which amounted to approximately RMB28,653,000. During the corresponding period in 2014, revenue from aluminium extrusion business amounted to approximately RMB7,939,216,000 and other revenue primarily comprised metal trade agency fees amounted to approximately RMB8,319,000.

The following sets forth the breakdown of the Group's revenue, sales volume and average selling price by aluminium extrusion business segments and products for the Period under Review and the corresponding period in 2014.

	Six months ended 30 June											
	2015					2014					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	7,430,747	94.5%	317,261	92.1%	23,422	7,537,823	94.9%	343,243	93.2%	21,961	-1.4%	-7.6%
Industrial aluminium extrusion products	6,632,800	84.4%	288,395	83.7%	22,999	6,544,187	82.4%	306,696	83.3%	21,338	1.4%	-6.0%
Deep-processed products	797,947	10.1%	28,866	8.4%	27,643	993,636	12.5%	36,547	9.9%	27,188	-19.7%	-21.0%
Construction segment	433,002	5.5%	27,262	7.9%	15,883	401,393	5.1%	24,996	6.8%	16,058	7.9%	9.1%
Total	7,863,749	100.0%	344,523	100.0%	22,825	7,939,216	100.0%	368,239	100.0%	21,560	-1.0%	-6.4%

Revenue from the Group's aluminium extrusion business amounted to approximately RMB7,863,749,000 for the Period under Review, substantially the same as that for the corresponding period in 2014. The Group's total product sales volume in aluminium extrusion business decreased by 6.4% over the corresponding period in 2014 to 344,523 tonnes for the Period under Review, mainly due to the fact that the major extrusion production lines of the Group were all running at full capacity during the Period under Review, thus forcing the Group to focus its business operation on securing the production and sales of products with higher gross profit, resulting in a slight drop in output. The average selling price of the Group's aluminium extrusion products increased by 5.9% over the corresponding period in 2014 to RMB22,825 per tonne for the Period under Review, mainly because of the increase in the share of high-end industrial aluminium extrusion products with higher selling prices in aluminium extrusion products sold during the Period under Review.

Revenue from the Group's industrial segment for the Period under Review amounted to approximately RMB7,430,747,000, substantially the same as that for the corresponding period in 2014. Total sales volume of the Group's industrial segment products decreased by 7.6% over the corresponding period of 2014 to 317,261 tonnes for the Period under Review. Among which, revenue from the Group's industrial aluminium extrusion products amounted to approximately RMB6,632,800,000 for the Period under Review, substantially the same as that for the corresponding period in 2014. The Group's sales volume in industrial aluminium extrusion products decreased by 6.0% over the corresponding period to 288,395 tonnes for the Period under Review. The average selling price of the Group's industrial aluminium extrusion products increased by 7.8% over the corresponding period of 2014 to RMB22,999 per tonne for the Period under Review, mainly because of the increase in the share of high-end industrial aluminium extrusion products with higher selling prices in industrial aluminium extrusion products sold during the Period under Review.

Revenue from the Group's deep-processed products decreased by 19.7% over the corresponding period of 2014 to approximately RMB797,947,000 for the Period under Review, mainly due to the decrease in the sales volume of deep-processed products during the Period under Review. The Group's sales volume in deep-processed products decreased by 21.0% over the corresponding period of 2014 to 28,866 tonnes for the Period under Review, mainly due to the decrease in the dispatched volume of aluminium pallets during the Period under Review. The average selling price of the Group's deep-processed products was RMB27,643 per tonne for the Period under Review, substantially the same as that for the corresponding period in 2014.

Revenue from the Group's construction segment increased by 7.9% over the corresponding period of 2014 to approximately RMB433,002,000 for the Period under Review, mainly due to the increase in the sales volume of construction segment products during the Period under Review. The Group's sales volume in construction segment products increased by 9.1% over the corresponding period of 2014 to 27,262 tonnes. The average selling price of the Group's construction segment products was RMB15,883 per tonne for the Period under Review, substantially the same as that for the corresponding period in 2014.

Geographically, the Group's overseas customers mainly came from countries and regions including the United States (the "US"), Germany and the United Kingdom (the "UK"). For the Period under Review, the Group's revenue from overseas sales amounted to approximately RMB1,067,231,000 (corresponding period in 2014: approximately RMB1,200,514,000), accounting for 13.5% of the Group's total revenue (corresponding period in 2014: 15.1%).

The following sets forth the breakdowns of the revenue by geographical regions for the Period under Review and the corresponding period in 2014:

	Six months ended 30 June			
	2015		2014	
	RMB'000	**%**	RMB'000	%
PRC	**6,825,171**	**86.5%**	6,747,021	84.9%
US	**770,836**	**9.8%**	1,130,964	14.2%
Germany	**99,219**	**1.2%**	21,232	0.3%
UK	**44,689**	**0.6%**	15,406	0.2%
Others	**152,487**	**1.9%**	32,912	0.4%
Total	**7,892,402**	**100.0%**	7,947,535	100.0%

The Group's domestic revenue amounted to approximately RMB6,825,171,000 for the Period under Review, substantially the same as that for the corresponding period in 2014, and overseas revenue decreased by 11.1% over the corresponding period of 2014 to approximately RMB1,067,231,000 for the Period under Review. Among which, the Group's revenue from export to the US decreased by 31.8% over the corresponding period of 2014 to approximately RMB770,836,000 for the Period under Review. The Group's decreased revenue from export to the US during the Period under Review was mainly due to the Group's decreased dispatched volume of aluminium pallets, the main products exported to the US. The Group also proactively explored overseas markets other than the US, leading to the material growth in the sales volume in other countries and regions including Germany and the UK.

Cost of Sales

The Group's cost of sales amounted to approximately RMB5,350,935,000 for the Period under Review (corresponding period in 2014: approximately RMB5,703,931,000), representing a decrease of 6.2% over the corresponding period in 2014. The Group's cost of sales of aluminium extrusion business for the Period under Review was approximately RMB5,350,579,000 (corresponding period in 2014: approximately RMB5,703,839,000), representing a decrease of 6.2% over the corresponding period in 2014, mainly due to the decrease in the sales volume of aluminium extrusion products during the Period under Review. The unit cost of the Group's aluminium extrusion products was RMB15,530 per tonne for the Period under Review, substantially the same as that of RMB15,490 per tonne for the corresponding period in 2014.

Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB2,541,467,000, representing an increase of 13.3% over the corresponding period in 2014, mainly because the Group continued to optimize the product structure during the Period under Review and placed emphasis on securing the production and sales of products with higher gross profit. The following sets forth the breakdowns of the Group's gross profit, share in gross profit and gross margin by aluminium extrusion business segments and products for the Period under Review and the corresponding period in 2014:

	Six months ended 30 June					
	2015			2014		
	Gross profit		**Gross margin**	Gross profit		Gross margin
	RMB'000	**%**	**%**	RMB'000	%	%
Aluminium extrusion business						
Industrial segment	**2,484,125**	**98.8%**	**33.4%**	2,206,635	98.7%	29.3%
Industrial aluminium extrusion products	**2,192,920**	**87.2%**	**33.1%**	1,847,491	82.6%	28.2%
Deep-processed products	**291,205**	**11.6%**	**36.5%**	359,144	16.1%	36.1%
Construction segment	**29,045**	**1.2%**	**6.7%**	28,742	1.3%	7.2%
Total	**2,513,170**	**100.0%**	**32.0%**	2,235,377	100.0%	28.2%

The gross profit from the Group's aluminium extrusion business amounted to approximately RMB2,513,170,000 for the Period under Review, representing an increase of 12.4% over the corresponding period in 2014. The total gross margin of the Group's aluminium extrusion business increased from 28.2% for the corresponding period in 2014 to 32.0% for the Period under Review. The increase was mainly due to the rising gross margin of the industrial aluminium extrusion products which takes the biggest proportion in the aluminium extrusion business.

The total gross profit of the Group's industrial segment amounted to approximately RMB2,484,125,000 for the Period under Review, representing an increase of 12.6% over the corresponding period in 2014. The overall gross margin of the Group's industrial segment increased from 29.3% for the corresponding period in 2014 to 33.4% for the Period under Review.

Among which, the gross profit of the Group's industrial aluminium extrusion products amounted to approximately RMB2,192,920,000 for the Period under Review, representing an increase of 18.7% over the corresponding period in 2014. The gross margin of the Group's industrial aluminium extrusion products increased from 28.2% for the corresponding period in 2014 to 33.1% for the Period under Review. The increase was mainly due to the Group's enhanced production efficiency, optimized product mix, and its emphasis on securing the production and sales of industrial aluminium extrusion products with higher gross profit during the Period under Review.

The gross profit of the Group's deep-processed products amounted to approximately RMB291,205,000 for the Period under Review, representing a decrease of 18.9% over the corresponding period in 2014. The decrease was mainly due to the Group's decreased dispatched volume of aluminium pallets during the Period under Review. The gross margin of the Group's deep-processed products was 36.5% for the Period under Review, substantially the same as that of 36.1% for the corresponding period in 2014.

The gross profit of the Group's construction segment amounted to approximately RMB29,045,000 for the Period under Review, substantially the same as that for the corresponding period in 2014. The gross margin of the Group's construction segment was 6.7% for the Period under Review, substantially the same as that of 7.2% for the corresponding period in 2014.

Investment Income

Investment income mainly consists of interest income from bank deposits and interest income from available-for-sale financial assets. Investment income increased from approximately RMB64,178,000 for the corresponding period in 2014 to approximately RMB148,786,000 for the Period under Review which was mainly attributable to the following factors:

(i) bank deposits interest income increased from approximately RMB62,628,000 for the corresponding period in 2014 to approximately RMB89,424,000 for the Period under Review; and

(ii) interest income from available-for-sale financial assets increased from approximately RMB1,550,000 for the corresponding period in 2014 to approximately RMB59,362,000 for the Period under Review. Interest income from available-for-sale financial assets is mainly from financial products invested by the Group. In addition to placing surplus funds as fixed-term deposits with banks, the Group also invests in certain low-risk and principal-protected financial products of some financial institutions to help preserve the Group's liquidity and increase interest income.

Other Income/Expenses and Other Gains, Net

Other income/expenses and other gains recorded net gains of approximately RMB143,678,000 for the Period under Review, representing an increase of 34.5% from approximately RMB106,792,000 for the corresponding period in 2014. This was mainly due to the following factors:

(i) government subsidies decreased to approximately RMB87,527,000 for the Period under Review from approximately RMB124,296,000 for the corresponding period in 2014. Government subsidies obtained by the Group for each period were used to support business development and technological research, the aggregate amount of which was determined and distributed by relevant PRC authorities at their sole discretion;

(ii) gains on bargain purchase amounted to approximately RMB46,688,000, which were generated from the Group's acquisition of the Special Vehicles Plant during the Period under Review, relevant details have been disclosed in Note 23 to the Unaudited Condensed Consolidated Financial Statements of this report;

(iii) net income from the sales of machinery and equipment decreased to approximately RMB12,009,000 for the Period under Review from approximately RMB16,826,000 for the corresponding period in 2014;

(iv) exchange loss decreased to approximately RMB1,563,000 for the Period under Review from approximately RMB40,685,000 for the corresponding period in 2014, primarily due to the decrease in the fluctuation of Renminbi exchange rate during the Period under Review compared to the corresponding period in 2014; and

(v) net losses from other items amounted to approximately RMB983,000 for the Period under Review (corresponding period in 2014: net gains of approximately RMB6,355,000).

Selling and Distribution Costs

Selling and distribution costs primarily consist of advertising expenses, transportation costs and salaries of sales staff. These costs decreased by 10.2% from approximately RMB71,605,000 for the corresponding period in 2014 to approximately RMB64,315,000 for the Period under Review primarily due to the following factors:

(i) the Group's advertising expenses decreased to approximately RMB19,364,000 for the Period under Review from approximately RMB39,093,000 for the corresponding period in 2014;

(ii) the Group's transportation and export costs increased to approximately RMB26,656,000 for the Period under Review from approximately RMB13,246,000 for the corresponding period in 2014, which was primarily due to the result of intensified effort in exploring overseas market such as Germany and the UK;

(iii) the Group's salaries of sales staff decreased to approximately RMB15,469,000 for the Period under Review from approximately RMB17,232,000 for the corresponding period in 2014, which was primarily due to comparable decrease in sales bonus during the Period under Review; and

(iv) other selling expenses increased to approximately RMB2,826,000 for the Period under Review from approximately RMB2,034,000 for the corresponding period in 2014.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise research and development expenditures, land use taxes, amortization of land use rights, wages, salaries and benefit expenses, bank fees, rentals, intermediary fees and depreciation charges of office equipment.

Administrative and other operating expenses increased by 18.1% to approximately RMB675,681,000 for the Period under Review from approximately RMB572,104,000 for the corresponding period in 2014, which was primarily attributable to the following factors:

(i) the Group's research and development expenditures under administrative and other operating expenses increased to approximately RMB244,701,000 for the Period under Review from approximately RMB240,102,000 for the corresponding period in 2014. The Group's research and development expenditures were mainly used for the research and development of large and complex cross-section aluminium extrusion structural components and related complete sets of technologies for transportation equipment in the sectors such as aviation and aerospace, railway vehicles, commercial vehicles, passenger cars and special vehicles;

(ii) the Group's land use right amortization expenses and land use taxes arising from the acquisition of land use rights in Liaoning Province, Heilongjiang Province and Tianjin Municipality in China decreased to approximately RMB170,993,000 for the Period under Review from approximately RMB180,037,000 for the corresponding period in 2014;

(iii) the Group's wages, salaries and benefit expenses under administrative and other operating expenses increased to approximately RMB104,093,000 for the Period under Review from approximately RMB57,672,000 for the corresponding period in 2014, primarily due to the increase in number of employees as a result of the Group's business expansion both in scope and size;

(iv) the Group's bank fees under administrative and other operating expenses increased to approximately RMB58,443,000 for the Period under Review from approximately RMB28,612,000 for the corresponding period in 2014, primarily due to the increase in the Group's borrowings during the Period under Review; and

(v) other administrative and operating related expenses, comprising mainly rentals, intermediary fees and depreciation charges of office equipment, increased to approximately RMB97,451,000 for the Period under Review from approximately RMB65,681,000 for the corresponding period in 2014.

Share of Profit of an Associate

The Group's share of profit of an associate for the Period under Review was approximately RMB1,132,000 (corresponding period in 2014: approximately RMB1,974,000), which was the share of profit recognized by equity method accounting for the investment in CR Zhongwang Aluminium Company Limited, an associate company that the Group holds 49.0% of the equity.

Finance Costs

The Group's finance costs increased by 14.5% from approximately RMB245,640,000 for the corresponding period in 2014 to approximately RMB281,344,000 for the Period under Review, mainly due to the increase in the scale of the Group's debentures and loans for the Period under Review as compared to that for the corresponding period in 2014.

For the Period under Review, the Group's interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment amounted to approximately RMB289,760,000 (corresponding period in 2014: approximately RMB130,098,000) at an average annualized capitalization rate of 4.46% (corresponding period in 2014: 4.50%).

During the corresponding period in 2014 and the Period under Review, the Group's loans carried average interest rate of 4.84% and 4.25% per annum, respectively; the debentures carried interest rates from 4.93% to 7.50% per annum (corresponding period in 2014: from 4.93% to 7.50% per annum).

Profit before Taxation

The Group's profit before taxation increased by 18.8% from approximately RMB1,527,199,000 for the corresponding period in 2014 to approximately RMB1,813,723,000 for the Period under Review, which was primarily attributable to the factors described above in this section.

Income Tax Expense

The Group's income tax expense increased by 23.0% from approximately RMB256,582,000 for the corresponding period in 2014 to approximately RMB315,664,000 for the Period under Review, primarily attributable to the increase in profit before taxation.

The Group's effective tax rates for the corresponding period in 2014 and the Period under Review were 16.8% and 17.4%, respectively.

Profit Attributable to Equity Shareholders

The Group's profit attributable to equity shareholders increased by 17.9% to approximately RMB1,498,059,000 for the Period under Review from approximately RMB1,270,617,000 for the corresponding period in 2014. The Group's net profit margin increased from 16.0% for the corresponding period in 2014 to 19.0% for the Period under Review, primarily attributable to the factors described above in this section.

Cash Flows

The following sets forth the Group's cash flows for the Period under Review and the corresponding period in 2014:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**2,122,765**	4,786,257
Net cash used in investing activities	**(3,981,369)**	(3,729,451)
Net cash (used in)/generated from financing activities	**(102,107)**	3,657,290

Net Current Assets

At 30 June 2015, the Group's net current assets amounted to approximately RMB303,956,000, which was 84.0% lower than net current assets of approximately RMB1,894,886,000 at 31 December 2014. The decrease was mainly due to the fact that the increase in current assets was less than the increase in current liabilities:

(i) At 30 June 2015, the Group's current assets amounted to approximately RMB20,906,496,000, an increase of approximately RMB1,902,083,000 over approximately RMB19,004,413,000 at 31 December 2014. The increase was primarily due to the increase in other receivables, deposits and prepayments and trade and bills receivables; and

(ii) At 30 June 2015, the Group's current liabilities amounted to approximately RMB20,602,540,000, an increase of approximately RMB3,493,013,000 over approximately RMB17,109,527,000 at 31 December 2014. The increase was primarily due to the increase in other payables and accrued charges and bills payable.

Liquidity

At 30 June 2015 and 31 December 2014, the Group's cash and cash equivalents amounted to approximately RMB7,502,631,000 and RMB9,463,342,000, respectively, and balance of pledged bank deposits under current assets amounted to approximately RMB2,492,466,000 and RMB1,181,400,000, respectively.

Borrowings

At 30 June 2015, the Group's debentures and loans amounted to approximately RMB24,749,238,000 in aggregate, an increase of approximately RMB863,005,000 from approximately RMB23,886,233,000 at 31 December 2014.

At 30 June 2015, the Group's debentures and loans under current liabilities amounted to approximately RMB11,945,662,000 (31 December 2014: approximately RMB11,898,417,000) and debentures and loans under non-current liabilities amounted to approximately RMB12,803,576,000 (31 December 2014: approximately RMB11,987,816,000). Relevant details have been disclosed in Notes 20 and 21 to the Unaudited Condensed Consolidated Financial Statements of this report.

The Group's gearing ratio was approximately 57.2% at 30 June 2015, while it was approximately 54.8% at 31 December 2014. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

At 30 June 2015, save for pledged bank deposits and certain available-for-sale financial assets, the Group had machinery equipment with a total carrying amount of approximately RMB4,267,949,000 which were pledged for financing arrangements (31 December 2014: approximately RMB3,909,866,000).

The Group has entered into several arrangements with financial leasing institutions according to which the Group sold certain equipment to these institutions and then leased back with scheduled lease payments. The Group has an option to buy back these equipment at token prices at the end of each lease term, i.e. the bargain purchase option.

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, and (2) it is almost certain that the Group would exercise such options since these equipment are closely related to the business operations of the Group and their remaining estimated useful lives would be ranging from ten to fourteen years at the end of each lease term, the predetermined bargain purchase option will in effect cause the financial institutions (the legal owners of the equipment) to resell the equipment back to the Group at the end of each lease term. On this basis, even though there is no legal obligation for the Group to repurchase, the repurchases are almost certain with the presence of the bargain purchase options.

Accordingly, this indicates that these arrangements do 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 when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The substances of these arrangements are cash borrowings, secured by the underlying assets and repayable in installments over the lease term. The information of the underlying assets and the secured loans are disclosed in Notes 9 and 20 to the Unaudited Condensed Consolidated Financial Statements of this report.

Contingent Liabilities

At 30 June 2015 and 31 December 2014, the Group had no material contingent liabilities.

Employees

At 30 June 2015, the Group had 12,062 full-time employees responsible for, inter alia, production, research and development, sales and management, representing an increase of 47.6% from 8,171 employees at 30 June 2014. During the Period under Review, relevant employee costs (including Directors' remuneration) amounted to approximately RMB521,349,000 (including share option charges of approximately RMB1,680,000), an increase of 33.1% as compared with approximately RMB391,817,000 (including share option charges of approximately RMB3,189,000) for the corresponding period in 2014. The Group's employee costs (excluding share option charges) increased mainly due to the increase in number of employees as a result of the Group's business expansion both in scope and size.

Research and Development

During the Period under Review, the Group continued to increase its investment in research and development. The research and development expenditures increased from approximately RMB240,102,000 for the corresponding period in 2014 to approximately RMB244,701,000 for the Period under Review. The research and development expenditures represented approximately 3.1% of the Group's sales revenue for the Period under Review, substantially the same as that of the corresponding period in 2014.

Continuous investment in research and development has helped the Group set up a high-level research and development and technical team. At 30 June 2015, the Group had 974 research and development and quality control personnel which accounted for 8.1% of the Group's total number of employees. Apart from possessing strong research and development capability in new materials and new technologies, and operating the largest die design and manufacturing centre in Asia, the Group has also built a first-rated product and process design team in particular to meet the ever-increasing demand from clients for light weight development in order to provide the integrated solution from product design to production services. The Group has entered into cooperation with a number of leading research and academic institutions to upgrade its technology level. In addition, the Group has commenced cooperation with various leading research institutions in respect of the industry as well as scientific research institutes to vigorously upgrade the Group's scientific research level while effectively expanding the down-stream application scope of aluminium products.

Capital Commitments

At 30 June 2015, the Group's capital expenditures in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements amounted to approximately RMB15.4 billion, which was primarily used for the Group's aluminium flat rolled product project. The Group intends to apply funds generated from operating activities, commercial bank loans and other available means to finance the purchase. At 30 June 2015, capital commitments in respect of the aluminium flat rolled product project already contracted for amounted to approximately RMB11.1 billion.

Events after the Period under Review

On 24 July 2015, the Group has entered into a syndicated facility agreement with a group of banks in the principal amount of up to RMB20,000,000,000 or its equivalent for a term of ten years (the "Facility").

The Facility is participated by a consortium of six banks, with Industrial and Commercial Bank of China Limited ("ICBC"), Liaoning branch acting as the lead bank, Bank of China Limited ("BOC"), Liaoning branch as the joint-lead bank, Agricultural Bank of China Limited ("ABC"), Tianjin branch, and Export-Import Bank of China ("EIBC") as co-lead banks. ICBC Tianjin Wuqing sub-branch serves as the agent bank. ICBC Liaoning branch and Tianjin Wuqing sub-branch, BOC Liaoning branch, ABC Tianjin branch, EIBC, China Construction Bank Limited, Tianjin branch and Bank of Communications Limited, Liaoning branch are the lenders.

The proceeds from the Facility will be used to support the development of the Company's high value-added aluminium flat rolled product project. The successful implementation of the project will complete the Group's industry layout, create synergies with its existing businesses, and further enhance the Group's long term comprehensive competitiveness in the future.

Market Risks

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

Foreign Currency Risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies.

During the Period under Review, approximately 86.5% of the Group's revenue was settled in Renminbi and approximately 13.5% was settled in foreign currencies. At 30 June 2015, approximately 63.6% of the Group's borrowings was denominated in Renminbi and approximately 36.4% was denominated in foreign currencies.

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.

The Group's financial and capital policies aim to control the foreign currency fluctuation risk and the interest rate fluctuation risk of individual transactions. The Group has not hedged against currency risk by using any financial instruments. However, the management of the Group has been monitoring the exchange rate risk, and will consider hedging against major foreign currency risk when required.

Interest Rate Risk

As the Group does not have any significant interest-bearing assets, most of the Group's revenue and operating cash flow are not affected by the market interest rate fluctuation.

Interest rate change risk born by the Group is primarily derived from debentures and loans. The Group has to face the cash-flow interest rate risk on floating-rate loans and fair value interest rate risk on fixed-rate loans. At 30 June 2015, the Group's fixed-rate loans were approximately RMB5,855,680,000 (31 December 2014: approximately RMB6,028,451,000).

During the Period under Review, the Group issued an unsecured debenture of RMB1,200,000,000 with maturity of three years and repayable on 27 May 2018, with effective interest rate of 5.40% per annum.

During 2014, the Group issued unsecured debentures of RMB100,000,000 and RMB1,100,000,000 with maturity of three years and six years and repayable on 10 January 2017 and 22 October 2020, respectively, and with effective interest rate of 7.50% and 5.48% per annum, respectively.

During 2013, the Group 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 2012, the Group issued an unsecured debenture of RMB2,000,000,000 with maturity of three years and repayable on 25 June 2015, with effective interest rate of 4.93% per annum. This debenture was fully repaid on its maturity date. The Group also issued an unsecured debenture of RMB1,000,000,000 with maturity of three years and repayable on 23 August 2015, with effective interest rate of 5.35% per annum.

During 2014, two interest rate swaps, denominated in Hong Kong dollars, amounted to approximately HKD1,486,248,000, have been entered into and designated as cash flow hedges to reduce the risk of changes in market interest rates.

The swaps will mature in 2016 matching the maturity of the related loans and have fixed swap rates of 1.94% and 3.40% respectively. The net fair value of swaps entered into by the Group at 30 June 2015 was approximately RMB3,795,000 (31 December 2014: approximately RMB13,710,000). These amounts are recognized as derivative financial instruments. The information are disclosed in Note 24(a) to the Unaudited Condensed Consolidated Financial Statements of this report.

Price Fluctuation Risk of Aluminium Ingot

The Group's principal raw materials in the aluminium extrusion product business include aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc., which accounted for 84.8% and 83.9% of the Group's cost of sales of aluminium extrusion products for the Period under Review and the corresponding period in 2014, respectively. Generally, the Group's pricing of aluminium extrusion products is on a "cost-plus" basis, pursuant to which the selling price for the products are determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. The Group's pricing policy is to pass the price fluctuation risk to its customers. However, the Group may not be able to pass the entire cost of price increases to customers or completely offset the effect of increases in raw material prices, thus the profitability of the Group may be slightly affected. The Group has not entered into any aluminium ingot forward contracts to hedge against aluminium ingot price fluctuation risk.

Disclosure of Interests

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

At 30 June 2015, 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 at 30 June 2015

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
Lu Changqing	Beneficial owner/Long position	2,000,000	0.04
		2,000,000(2)	0.04
Chen Yan	Beneficial owner/Long position	2,000,000(2)	0.04
Zhong Hong	Beneficial owner/Long position	2,000,000(2)	0.04
Lo Wai 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 at 30 June 2015

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)	1,618,955,467(1)	99.99

(1) At 30 June 2015, 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. Wen Xianjun and Mr. Wong Chun Wa hold share options in respect of these shares.

Save as disclosed above, at 30 June 2015, 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 2015 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 2015, 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

At 30 June 2015, 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 at 30 June 2015

Name of Shareholder	Capacity/Nature of interests	Total number of ordinary shares	% of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/Long position[1]	4,044,600,000	74.22
TMF (Cayman) Ltd.	Trustee/Long position[2]	4,044,600,000	74.22
Prime Famous Management Limited	Interest of controlled corporation/Long position[3]	4,044,600,000	74.22
Radiant Day Holdings Limited	Interest of controlled corporation/Long position[3]	4,044,600,000	74.22
ZIGL	Beneficial owner/Long position[1]	4,041,500,000	74.16
	Security interest in shares/Long position	3,100,000	0.06

Long positions in the underlying ordinary shares of the convertible preference shares of the Company at 30 June 2015

Name of Shareholder	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)	1,618,955,467	99.99
TMF (Cayman) Ltd.	Trustee/Long position(2)	1,618,955,467	99.99
Prime Famous Management Limited	Interest of controlled corporation/Long position(3)	1,618,955,467	99.99
Radiant Day Holdings Limited	Interest of controlled corporation/Long position(3)	1,618,955,467	99.99
ZIGL	Beneficial owner/Long position(1)	1,618,955,467	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) Both of Prime Famous Management Limited and Radiant Day Holdings Limited are companies incorporated in the British Virgin Islands and owned by the Liu Family Trust.

Save as disclosed above, at 30 June 2015, 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 conditionally approved and adopted a pre-IPO share option scheme on 17 April 2008 (the "Pre-IPO Share Option Scheme"). No further options can be granted under the Pre-IPO Share Option Scheme after the listing of the Company on the Stock Exchange and all Pre-IPO share options had been exercised on 7 May 2014.

(b) Share Option Scheme

The Company 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. The exercise price will be established by the Board at the time the grant of the options is made and shall not be less than the higher of:

(i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date;

(ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the grant date; and

(iii) the nominal value of a share on the grant date.

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 ordinary shares under options during each of the one year period commencing on the first, second, third, fourth and fifth anniversary of the date of grant, respectively. Where a grantee has not exercised his/her option in respect of the full amount of the vested shares during such vesting periods, the options shall continue to be exercisable in respect of the unexercised portion of the vested shares during the rest of the Option Term. All outstanding options shall lapse, among other circumstances, when the grantee ceases to be a participant of the Share Option Scheme by reason of the termination of his/her employment.

The maximum number of ordinary shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the ordinary shares in issue upon the Listing (the Company may refresh this 10% limit under certain conditions) or 30% of the ordinary shares in issue from time to time where there are options to be granted and yet to be exercised. As at the date of this interim report, the total number of shares available for issue under the Share Option Scheme is 539,300,000 shares, representing approximately 9.90% of the number of ordinary shares in issue, and approximately 7.63% of the aggregate number of ordinary shares and convertible preference shares in issue. The total number of ordinary shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option 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 2015 is as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HKD)	Number of underlying ordinary shares comprised in the options outstanding at 1 January 2015	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the six months ended 30 June 2015	Number of underlying ordinary shares comprised in the options exercised during the six months ended 30 June 2015	Number of underlying ordinary shares comprised in the options outstanding at 30 June 2015
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 2 senior management members of the 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 2015, 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.

Disclosure of Interests

Further particulars of the Pre-IPO Share Option Scheme and the Share Option Scheme mentioned above are set out in Note 27 to the Unaudited Condensed Consolidated Financial Statements on pages 59 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 at 30 June 2015.

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 USD200,000,000 (the "2013 Facility") for a term of three years. At 30 June 2015, the outstanding amount owed by the Company under the 2013 Facility Agreement was USD200,000,000.

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 obligations, 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 USD500,000,000 (the "2014 Facility") for a term of three years. At 30 June 2015, the outstanding amount owed by the Company under the 2014 Facility Agreement was USD500,000,000.

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 obligations, 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 risk management and internal control measures and to increase the transparency and accountability of the Board to all shareholders.

The Company has adopted the code provisions set out in the 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 2015, 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 2015 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 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.

Corporate Governance and Other Information

For the six months ended 30 June 2015, 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. Wen Xianjun and Mr. Shi Ketong. None of them is a member of the former or existing auditors of the Company. The audit committee has reviewed and discussed with the senior management of the Company the audited annual results for the year ended 31 December 2014, the unaudited financial results and operational statistics for the three months ended 31 March 2015, and the unaudited interim results for the six months ended 30 June 2015 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. Wen Xianjun (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.

Risk Management and Internal Control

The Board and the senior management are responsible for establishing, implementing and maintaining a sound and effective risk management and internal control system. The goal of our risk management and 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 has reviewed the risk management and internal control mechanism in respect of financial, operational and compliance matters of the Group and its subsidiaries and has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board will conduct periodical review on the relevant improvement and enhancement procedures in order to strengthen the risk management and internal control measures of the Group.

Purchase, Sale or Redemption of Shares

There was no redemption of any shares during the six months ended 30 June 2015 by the Company. Save as disclosed in this report, there was no purchase or sale of the Company's shares during the six months ended 30 June 2015 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 six months ended 30 June 2015 by our Group.

Interim Dividend

The Board has declared an interim dividend of HKD0.11 (equivalent to approximately RMB0.09) per share for the six months ended 30 June 2015 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 Friday, 16 October 2015, with an aggregate amount of approximately HKD777,546,000 (equivalent to approximately RMB641,320,000). The interim dividend will be paid on or around 30 October 2015.

Corporate Governance and Other Information

Directors' Profile Updates

Mr. Wong Chun Wa was appointed as an independent non-executive director of Chongqing Iron & Steel Company Limited (重慶鋼鐵股份有限公司), a company listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, with effect from 4 June 2015.

Mr. Lo Wa Kei, Roy was appointed as an independent non-executive director of Xinming China Holdings Limited (新明中國控股有限公司), a company listed on the Hong Kong Stock Exchange, with effect from 8 June 2015.

Mr. Shi Ketong was appointed as an independent director of Kee Ever Bright Decorative Technology Co., Ltd. (昆山金利表面材料應用科技股份有限公司), a company listed on the Shenzhen Stock Exchange, with effect from 23 June 2015.

Save as disclosed above, during the six months ended 30 June 2015 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 in fast and effective manner.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Note	Six months ended 30 June 2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue	4	**7,892,402**	7,947,535
Cost of sales		**(5,350,935)**	(5,703,931)
Gross profit		**2,541,467**	2,243,604
Investment income		**148,786**	64,178
Other income/(expenses) and other gains, net	5	**143,678**	106,792
Selling and distribution costs		**(64,315)**	(71,605)
Administrative and other operating expenses		**(675,681)**	(572,104)
Share of profit of an associate		**1,132**	1,974
Finance costs	6(a)	**(281,344)**	(245,640)
Profit before taxation	6	**1,813,723**	1,527,199
Income tax	7	**(315,664)**	(256,582)
Profit for the period attributable to equity shareholders of the Company		**1,498,059**	1,270,617
Other comprehensive income			
Items that may be reclassified subsequently to the consolidated income statement:			
— Exchange differences arising on translation to presentation currency		**(1,958)**	14,406
— Cash flow hedges: net movement in the hedging reserve		**(3,201)**	(1,225)
Total comprehensive income for the period attributable to equity shareholders of the Company		**1,492,900**	1,283,798
Earnings per share			
Basic (RMB)	8	**0.21**	0.19
Diluted (RMB)	8	**0.21**	0.19

The notes on pages 40 to 60 form part of the unaudited condensed consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 22(a).

Consolidated Statement of Financial Position

At 30 June 2015

	Note	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**25,388,923**	19,124,175
Prepaid lease payments	10	**5,746,541**	5,115,292
Interest in an associate		**61,626**	60,494
Deposits for acquisition of property, plant and equipment and prepaid lease	11	**6,129,320**	9,263,325
Pledged bank deposits	15	**940,307**	460,000
Available-for-sale financial assets	16	**—**	701,160
Deferred tax assets		**77,857**	40,556
		38,344,574	34,765,002
Current assets			
Inventories	12	**3,059,370**	3,192,409
Trade and bills receivables	13	**1,813,788**	818,100
Other receivables, deposits and prepayments	14	**5,178,349**	2,508,968
Available-for-sale financial assets	16	**701,264**	1,602,382
Prepaid lease payments	10	**124,578**	111,753
Pledged bank deposits	15	**2,492,466**	1,181,400
Short-term deposits	17	**34,050**	126,059
Cash and cash equivalents	17	**7,502,631**	9,463,342
		20,906,496	19,004,413
Current liabilities			
Trade payables	18	**1,011,324**	753,862
Bills payable	19	**3,504,300**	1,539,430
Other payables and accrued charges		**3,950,104**	2,814,329
Current tax liabilities		**187,355**	89,779
Debentures	21	**1,000,000**	3,000,000
Bank and other loans	20	**10,945,662**	8,898,417
Derivative financial instruments		**3,795**	13,710
		20,602,540	17,109,527
Net current assets		**303,956**	1,894,886
Total assets less current liabilities		**38,648,530**	36,659,888

	Note	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Non-current liabilities			
Bank and other loans	20	**9,903,576**	10,287,816
Debentures	21	**2,900,000**	1,700,000
Deferred tax liabilities		**467,839**	343,480
		13,271,415	12,331,296
NET ASSETS		**25,377,115**	24,328,592
CAPITAL AND RESERVES			
Share capital	22(b)	**605,397**	605,397
Reserves	22(c)	**24,771,718**	23,723,195
TOTAL EQUITY		**25,377,115**	24,328,592

The notes on pages 40 to 60 form part of the unaudited condensed consolidated financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	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 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
Final dividends for the year 2013		—	(729,723)	—	—	—	—	—	—	—	—	(729,723)
Exercise of share option		3,208	166,204	—	—	—	—	(105,226)	—	—	—	64,186
Recognition of share-based payment	27	—	—	—	—	—	—	3,189	—	—	—	3,189
		130,722	2,631,007	—	—	—	—	(102,037)	—	—	—	2,659,692
At 30 June 2014 and 1 July 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
Changes in equity for the six months ended 31 December 2014:												
Profit for the period		—	—	—	—	—	—	—	—	—	1,206,403	1,206,403
Other comprehensive income for the period		—	—	—	—	—	—	—	(14,382)	12	—	(14,370)
Total comprehensive income for the period		—	—	—	—	—	—	—	(14,382)	12	1,206,403	1,192,033
Interim dividends for the year 2014		—	(448,148)	—	—	—	—	—	—	—	—	(448,148)
Recognition of share-based payment	27	—	—	—	—	—	—	2,325	—	—	—	2,325
Appropriations		—	—	—	—	239,090	239,090	—	—	—	(478,180)	—
		—	(448,148)	—	—	239,090	239,090	2,325	—	—	(478,180)	(445,823)
At 31 December 2014		605,397	11,222,557	(2,992,978)	635,898	1,774,044	1,774,044	48,460	(4,545)	(1,213)	11,266,928	24,328,592
At 1 January 2015		**605,397**	**11,222,557**	**(2,992,978)**	**635,898**	**1,774,044**	**1,774,044**	**48,460**	**(4,545)**	**(1,213)**	**11,266,928**	**24,328,592**
Changes in equity for the six months ended 30 June 2015:												
Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,498,059**	**1,498,059**
Other comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,958)**	**(3,201)**	**—**	**(5,159)**
Total comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,958)**	**(3,201)**	**1,498,059**	**1,492,900**
Final dividends for the year 2014		**—**	**(446,057)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(446,057)**
Recognition of share-based payment	27	**—**	**—**	**—**	**—**	**—**	**—**	**1,680**	**—**	**—**	**—**	**1,680**
		—	**(446,057)**	**—**	**—**	**—**	**—**	**1,680**	**—**	**—**	**—**	**(444,377)**
At 30 June 2015 (unaudited)		**605,397**	**10,776,500**	**(2,992,978)**	**635,898**	**1,774,044**	**1,774,044**	**50,140**	**(6,503)**	**(4,414)**	**12,764,987**	**25,377,115**

The notes on pages 40 to 60 form part of the unaudited condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**2,122,765**	4,786,257
Net cash used in investing activities	**(3,981,369)**	(3,729,451)
Net cash (used in)/generated from financing activities	**(102,107)**	3,657,290
Net (decrease)/increase in cash and cash equivalents	**(1,960,711)**	4,714,096
Cash and cash equivalents at the beginning of the period	**9,463,342**	9,317,055
Cash and cash equivalents at the end of the period	**7,502,631**	14,031,151

The notes on pages 40 to 60 form part of the unaudited condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

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 condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). They were authorised for issue on 20 August 2015. They are unaudited.

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

The condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2014 that is included in the condensed consolidated interim financial statements 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 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 March 2015.

3 Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company.

— *Annual Improvements to IFRSs 2010–2012 Cycle*

— *Annual Improvements to IFRSs 2011–2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Segment reporting

Information reported to the Group's executive directors, being the chief operating decision maker, for the purpose of resources allocation and assessment of performance focuses on the type of products (i.e. aluminium extrusion 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 extrusion products for industrial markets ("Industrial");

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

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

At 30 June 2015, 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**	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	**2015 RMB'000 (unaudited)**	2014 RMB'000 (unaudited)
Industrial	**7,430,747**	7,537,823	**2,484,125**	2,206,635
Construction	**433,002**	401,393	**29,045**	28,742
Others	**28,653**	8,319	**28,297**	8,227
Total	**7,892,402**	7,947,535	**2,541,467**	2,243,604
Investment income and other income/(expenses) and other gains, net			**292,464**	170,970
Selling and distribution costs			**(64,315)**	(71,605)
Administrative and other operating expenses			**(675,681)**	(572,104)
Share of profit of an associate			**1,132**	1,974
Finance costs			**(281,344)**	(245,640)
Profit before taxation			**1,813,723**	1,527,199
Income tax			**(315,664)**	(256,582)
Profit for the period			**1,498,059**	1,270,617

4 Segment reporting (continued)

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

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	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
People's Republic of China ("PRC")	**6,825,171**	6,747,021
United States of America	**770,836**	1,130,964
Germany	**99,219**	21,232
United Kingdom	**44,689**	15,406
Others	**152,487**	32,912
	7,892,402	7,947,535

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Government subsidies (Note)	**87,527**	124,296
Sales of equipment	**80,168**	147,980
Rental income	**75**	85
Other expenses		
Cost of sales of equipment	**(68,159)**	(131,154)
Other gains, net		
Gains on bargain purchase (see Note 23)	**46,688**	—
Gains on sales of scrap materials, consumables and moulds	**9,425**	5,749
(Losses)/gains on disposal of property, plant and equipment	**(10,483)**	521
Exchange losses	**(1,563)**	(40,685)
	143,678	106,792

Note: The amounts mainly represent subsidies received from the Finance Bureau and other government departments of Liaoyang City, Daqing City and Tianjin 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 2015 RMB'000 (unaudited)	Six months ended 30 June 2014 RMB'000 (unaudited)
(a) Finance costs		
Interests on borrowings wholly repayable within five years:		
— Bank and other loans	423,528	227,716
— Debentures	101,527	148,022
Interests on other borrowings	30,140	—
Less: Interest expense capitalised into deposits for acquisition of property, plant and equipment *	(289,760)	(130,098)
	265,435	245,640
Interest rate swaps: cash flow hedges, reclassified from equity	15,909	—
Total finance costs	281,344	245,640

* The borrowing costs have been capitalised at an average interest rate of 4.46% per annum (six months ended 30 June 2014: 4.50%).

	2015	2014
(b) Staff costs		
Staff costs (including directors' remunerations):		
— Salaries and other benefits	491,646	370,402
— Contributions to defined contribution retirement plan	28,023	18,226
— Equity-settled share-based payment expenses	1,680	3,189
	521,349	391,817
(c) Other items		
Amortisation of prepaid lease payments	62,322	56,479
Depreciation of property, plant and equipment	244,775	236,601
Reversal of impairment losses on trade receivables	—	(8,529)
Operating lease charges in respect of office premises	24,286	18,977
Research and development costs	244,701	240,102
Cost of inventories	5,350,935	5,703,931

Notes to the Unaudited Condensed Consolidated Financial Statements

7 Income tax

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax — PRC tax		
Provision for the period	**249,554**	198,860
Over-provision in prior years	**(49)**	(9)
Withholding tax on intra-group interest income	**10,467**	2,409
	259,972	201,260
Deferred taxation	**55,692**	55,322
Total income tax	**315,664**	256,582

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

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

8 Earnings per share

The calculation of the basic and diluted earnings per share is based on the consolidated profit for the period attributable to the equity shareholders of the Company for each of the six-month periods ended 30 June 2015 and 2014 and on the number of shares as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit attributable to equity shareholders of the Company	**1,498,059**	1,270,617

	Six months ended 30 June	
	2015	2014
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares	**5,449,472**	5,420,645
Weighted average number of convertible preference shares	**1,619,126**	1,368,706
Weighted average number of shares for the purpose of basic earnings per share	**7,068,598**	6,789,351
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**51**	4,538
Weighted average number of shares for the purpose of diluted earnings per share	**7,068,649**	6,793,889
Earnings per share		
Basic (RMB)	**0.21**	0.19
Diluted (RMB)	**0.21**	0.19

The computation of diluted earnings per share does not assume the exercise of certain share options because they are antidilutive for each of the six-month periods ended 30 June 2015 and 2014.

9 Property, plant and equipment

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of approximately RMB6,540,851,000 (six months ended 30 June 2014: RMB1,420,276,000). Items of property, plant and equipment with a net book value of approximately RMB27,836,000 were disposed during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB705,000), resulting in a loss on disposal of approximately RMB10,483,000 (six months ended 30 June 2014: a gain on disposal of RMB521,000).

At 30 June 2015, certain of the Group's machineries with a carrying amount of approximately RMB4,267,949,000 (31 December 2014: RMB3,909,866,000) were used to secure the Group's borrowings (see Note 20(b)).

Notes to the Unaudited Condensed Consolidated Financial Statements

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:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Leasehold land in the PRC under leases	**5,871,119**	5,227,045
Analysed for reporting purpose:		
Non-current assets	**5,746,541**	5,115,292
Current assets	**124,578**	111,753
	5,871,119	5,227,045

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

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment (Note)	**6,071,780**	8,932,875
Deposits for acquisition of prepaid lease	**57,540**	330,450
	6,129,320	9,263,325

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 RMB4,543,970,000 (31 December 2014: RMB7,301,248,000).

12 Inventories

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Raw materials	**1,971,222**	2,319,109
Work in progress	**616,469**	580,733
Finished goods	**471,679**	292,567
	3,059,370	3,192,409

13 Trade and bills receivables

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Trade and bills receivables	**1,813,788**	818,100

For the six months ended 30 June 2015, the Group allows an average credit period of 90 days (six months ended 30 June 2014: 90 days) for domestic sales and an average credit period of 180 days (six months ended 30 June 2014: 180 days) for overseas sales. 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:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
0 to 90 days	**1,286,412**	653,307
91 to 180 days	**219,064**	69,870
Over 180 days	**308,312**	94,923
	1,813,788	818,100

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. At 30 June 2015 and 31 December 2014, the concentration of credit risk is limited due to the customer base being large and unrelated. The directors also believed that there is no further credit provision required in excess of the allowance for doubtful debts.

At 30 June 2015, trade receivables of approximately RMB402,329,000 (31 December 2014: RMB144,707,000) 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

At 30 June 2015, included in other receivables, deposits and prepayments of the Group are deductible value added tax amounting to approximately RMB2,192,718,000 (31 December 2014: RMB1,492,382,000).

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 and to secure the Group's bank loans (see Note 20(a) and Note 20(b)). The pledged bank deposits will be released upon the settlement of relevant payables and bank loans.

Notes to the Unaudited Condensed Consolidated Financial Statements

16 Available-for-sale financial assets

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Financial products, at fair value (Note)	**701,264**	2,303,542
Analysed for reporting purpose:		
Non-current assets	**—**	701,160
Current assets	**701,264**	1,602,382
	701,264	2,303,542

Note: At 30 June 2015, the financial products held by the Group are principal-protected and generate annual target return rate of 6.05% (31 December 2014: from 3.80% to 6.05%).

At 30 June 2015, certain of the Group's available-for-sale financial assets with a carrying amount of approximately RMB701,264,000 (31 December 2014: RMB1,495,388,000) were used to secure the Group's bank loans (see Note 20(a) and Note 20(b)).

17 Short-term deposits and cash and cash equivalents

Short-term deposits are fixed deposits with banks held by the Group with an original maturity of more than three months but not more than one year.

Cash and cash equivalents comprise cash held by the Group and bank deposits with an original maturity of three months or less. At 30 June 2015, included in cash and cash equivalents of the Group were fixed deposits of RMB150,000,000 (31 December 2014: RMB138,004,000) 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:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
0 to 90 days	**889,061**	133,729
91 to 180 days	**115,318**	241,784
181 days to 1 year	**6,945**	378,349
	1,011,324	753,862

19 Bills payable

At 30 June 2015, all the bills payable are repayable within 180 days (31 December 2014: 180 days) and are denominated in Renminbi.

At 30 June 2015, bills payable amounting to RMB1,000,000,000 (31 December 2014: RMB592,430,000) was secured by deposits placed in banks with an aggregate carrying value of RMB100,005,000 (31 December 2014: RMB192,430,000).

20 Bank and other loans

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

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Bank loans:		
— Secured by certain financial assets (Note (i))	**1,222,720**	1,223,800
— Guaranteed by subsidiaries	**305,680**	305,949
— Guaranteed by related parties	**1,500,000**	—
— Unguaranteed and unsecured	**3,462,841**	3,934,520
	6,491,241	5,464,269
Add:		
— Current portion of long-term bank and other loans	**3,508,477**	2,261,647
— Non-current portion of long-term bank loans repayable on demand (see Note (ii) and Note 20(b))	**945,944**	1,172,501
	10,945,662	8,898,417

Note:

(i) At 30 June 2015, a short-term bank loan with notional principal of United States Dollars ("USD") 200,000,000 (equivalent to approximately RMB1,222,720,000) (31 December 2014: USD200,000,000, equivalent to approximately RMB1,223,800,000) is secured by pledged bank deposits of RMB1,330,100,000 (31 December 2014: secured by bank deposits of RMB518,950,000 and available-for-sale financial assets of RMB794,228,000) (see Note 15 and Note 16).

(ii) At 30 June 2015, a long-term bank loan with principal amount of Hong Kong Dollars ("HKD") 565,488,000 (equivalent to approximately RMB445,944,000) and a long-term bank loan with principal amount of RMB500,000,000 contain clauses which give the lenders unconditional rights to demand immediate repayment of the loans at any time. At 30 June 2015, the carrying value of these loans was RMB945,944,000, none of which is repayable within one year.

20 Bank and other loans (continued)

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

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Bank loans:		
— Secured by bank deposits (Note (i))	945,944	446,113
— Secured by certain financial assets (Note (ii))	726,111	726,388
— Guaranteed by subsidiaries	4,279,520	4,283,300
— Guaranteed by related parties	611,360	2,111,900
— Unguaranteed and unsecured	3,900,000	2,390,000
Other loans:		
— Secured by property, plant and equipment (Note(iii))	3,095,062	2,964,263
— Unguaranteed and unsecured	800,000	800,000
	14,357,997	13,721,964
Less:		
— Current portion of long-term bank and other loans	(3,508,477)	(2,261,647)
— Non-current portion of long-term bank loans repayable on demand (see Note 20(a))	(945,944)	(1,172,501)
	9,903,576	10,287,816

Note:

(i) At 30 June 2015, a long-term bank loan with notional principal of HKD565,488,000 (approximately RMB445,944,000) (31 December 2014: HKD565,488,000, equivalent to approximately RMB446,113,000) is secured by pledged bank deposits of RMB460,000,000; a long-term bank loan with notional principal of RMB500,000,000 (31 December 2014: nil) is secured by pledged bank deposits of RMB480,307,000 (see Note 15).

(ii) At 30 June 2015, a long-term bank loan with notional principal of HKD920,760,000 (approximately RMB726,111,000) (31 December 2014: HKD920,760,000, equivalent to approximately RMB726,388,000) is secured by available-for-sale financial assets of RMB701,264,000 (31 December 2014: RMB701,160,000) (see Note 16).

(iii) At 30 June 2015, the long-term loans from financial leasing institutions are 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 RMB4,267,949,000 at 30 June 2015 (31 December 2014: RMB3,909,866,000).

All of the long-term bank and other loans, including the non-current portion of long-term bank loans repayable on demand, are carried at amortised cost and are not 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. In addition, as disclosed in Note 20(a), some of the Group's long-term bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment obligations.

The Group regularly monitors its compliance with these covenants, the Group is up to date with the scheduled repayments of the long-term bank loans and does not consider it probable that the banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. At 30 June 2015, none of the covenants relating to drawn down facilities had been breached (31 December 2014: nil).

21 Debentures

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

During the year ended 31 December 2013, the Group 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 year ended 31 December 2014, the Group issued unsecured debentures of RMB100,000,000 and RMB1,100,000,000 with maturity of three years and six years and repayable on 10 January 2017 and 22 October 2020, respectively, and with effective interest rate of 7.50% and 5.48% per annum, respectively.

During the six months period ended 30 June 2015, the Group issued an unsecured debenture of RMB1,200,000,000 with maturity of three years and repayable on 27 May 2018, with effective interest rate of 5.40% per annum.

22 Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interim dividend declared after the end of the reporting period of HKD0.11 (approximately equivalent to RMB0.09) per ordinary share and convertible preference share (2014: HKD0.08)	**641,320**	449,014

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

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD0.08 (approximately equivalent to RMB0.06) per ordinary share and convertible preference share (2014: HKD0.13)	**446,057**	729,723

Notes to the Unaudited Condensed Consolidated Financial Statements

22 Capital, reserves and dividends (continued)

(b) Share capital

	No. of shares	Share capital HKD'000	RMB'000
Ordinary share of HKD0.10 each:			
Authorised:			
At 1 January 2014, 31 December 2014 and 30 June 2015	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2014	5,406,306,400	540,631	474,675
Shares issued under open offer	2,703,583	270	213
Shares issued under pre-IPO share option scheme	40,400,000	4,040	3,208
Shares issued pursuant to conversion of convertible preference share	62,317	6	5
At 31 December 2014 and 1 January 2015	5,449,472,300	544,947	478,101
Shares issued pursuant to conversion of convertible preference share	840	—	—
At 30 June 2015	5,449,473,140	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2014, 31 December 2014 and 30 June 2015	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2014	—	—	—
Shares issued under open offer	1,619,188,337	161,919	127,301
Shares issued pursuant to conversion of convertible preference share	(62,317)	(6)	(5)
At 31 December 2014 and 1 January 2015	1,619,126,020	161,913	127,296
Shares issued pursuant to conversion of convertible preference share	(840)	—	—
At 30 June 2015	1,619,125,180	161,913	127,296

22 Capital, reserves and dividends (continued)

(b) Share capital (continued)

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 HKD800,000,000 divided into 8,000,000,000 shares of HKD0.10 each to HKD3,000,000,000 divided into 30,000,000,000 shares of HKD0.10 each, including 10,000,000,000 unissued shares were redesignated into 10,000,000,000 restricted voting non-redeemable 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 unlisted convertible preference shares by the Company at a price of HKD2.61 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 (the "Open Offer") was approved. The Open Offer was completed and 2,703,583 new ordinary shares and 1,619,188,337 convertible preference shares were issued on 28 January 2014, resulting in net proceeds of approximately HKD4,225,400,000 (approximately RMB3,322,040,000) 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.

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.

22 Capital, reserves and dividends (continued)

(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 accumulated profits of Liaoning Zhongwang into its paid-in capital. Pursuant to a resolution passed at the shareholder's meeting dated 18 February 2009, accumulated profits of approximately RMB506,849,000 and RMB127,287,000 was capitalised into the paid-in capital of Liaoning Zhongwang for the 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 Acquisition of subsidiaries

During the period ended 30 June 2015, the Group has completed several acquisitions of subsidiaries as follows:

(i) In April 2015, the Group acquired 100% equity interest in Liaoning Zhongwang Special Vehicle Manufacturing Company Limited (the "Special Vehicle Plant"). The Special Vehicle Plant is engaged in manufacturing, selling and repairing of special vehicles and their spare parts in the PRC.

(ii) In April 2015, the Group acquired 100% equity interest in Shenyang Meibisi Trailer Manufacturing Company Limited ("Meibisi"). Meibisi is engaged in manufacturing, selling and repairing of semi-trailers and their spare parts in the PRC.

The acquisitions completed during the period ended 30 June 2015 had the following effect on the Group's assets and liabilities on their respective dates of acquisition:

	The Special Vehicle Plant RMB'000	Meibisi RMB'000
Property, plant and equipment	**173,142**	**26,635**
Prepaid lease payments	**432,575**	**911**
Deposits for acquisition of property, plant and equipment and prepaid lease	**44,347**	**—**
Inventories	**7,448**	**—**
Other receivables, deposits and prepayments	**11,561**	**4**
Pledged bank deposits	**6,570**	**—**
Cash and cash equivalents	**1,366**	**123**
Trade payables	**(776)**	**(289)**
Other payables and accrued charges	**(411,003)**	**(8,229)**
Deferred tax liabilities	**(25,811)**	**(5,555)**
Fair value of net assets acquired	**239,419**	**13,600**
Gains on bargain purchase (see Note 5)	**(46,688)**	**—**
Total consideration	**192,731**	**13,600**
Less: Cash acquired	**(1,366)**	**(123)**
Net cash outflow	**191,365**	**13,477**

The total turnover and net loss for the period contributed by the Special Vehicle Plant and Meibisi from their respective dates of acquisition to 30 June 2015 were approximately RMB60,000 and RMB5,966,000 respectively.

If these business combinations had occurred on 1 January 2015, the Group's turnover and profit for the year would have been approximately RMB7,892,543,000 and RMB1,473,031,000 respectively. These amounts have been calculated by adopting the Group's accounting policies and adjusting the results of the relevant subsidiaries to reflect the additional amortisation and depreciation that would have been charged assuming the fair value adjustments to intangible assets, property, plant and equipment and prepaid lease payments had been applied from 1 January 2015, together with the consequential tax effects.

24 Fair value measurement of financial instruments

(a) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted available-for-sale debt securities which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

		Fair value measurement at 30 June 2015 categorised into (unaudited)			Fair value measurement at 31 December 2014 categorised into (audited)	
	Fair value at 30 June 2015 (unaudited) RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	Fair value at 31 December 2014 (audited) RMB'000	Level 2 RMB'000	Level 3 RMB'000
The Group's recurring fair value measurement						
Assets:						
Financial products classified as available-for-sale financial assets	**701,264**	**—**	**701,264**	2,303,542	—	2,303,542
Liabilities:						
Interest rate swaps	**(3,795)**	**(3,795)**	**—**	(13,710)	(13,710)	—

During the six months ended 30 June 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

24 Fair value measurement of financial instruments (continued)

(a) Financial instruments carried at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

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

Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of financial products classified as available-for-sale financial assets are determined using discounted cash flow method and the significant unobservable input used in the fair value measurement is risk spread. The fair value measurement is negatively correlated to the risk spread.

Reconciliation of Level 3 fair value measurement of financial instruments

	At 30 June 2015 RMB'000 (unaudited)	At 30 June 2014 RMB'000 (unaudited)
Unlisted available-for-sale financial assets:		
At 1 January	**2,303,542**	—
Payment for purchases	**—**	1,494,200
Realised gains previously recognised in the consolidated income statement	**(29,942)**	—
Unrealised gains recognised in the consolidated income statement during the period	**1,264**	—
Proceeds from disposal	**(1,573,600)**	—
At 30 June	**701,264**	1,494,200

(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 to their fair values.

Notes to the Unaudited Condensed Consolidated Financial Statements

25 Commitments

(a) Capital commitments

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**15,417,727**	15,850,342

(b) Operating lease commitments

The Group as lessee

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

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within 1 year	**47,306**	42,031
After 1 year but within 5 years	**50,947**	52,913
	98,253	94,944

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.

26 Related party transactions

During each of the six-month periods ended 30 June 2015 and 2014, the Group had entered into the following related party transactions:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Goods purchased from a related company	**—**	17
Rental income from an associate	**75**	75
Goods sold to an associate	**13,793**	5,284
Guarantees obtained from related companies	**2,111,360**	2,115,810

27 Share-based payments

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company shall not exceed 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 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.

27 Share-based payments (continued)

Details of the Scheme are as follows:

Grantees	Grant date	Exercisable period	Exercise price HKD	Number of share options granted on grant date	Forfeited during the periods	Outstanding at 30 June 2015
Category:	22 March 2011	22 March 2012 to 21 March 2021	3.90			
— Directors				11,700,000	—	**11,700,000**
— Employees				34,000,000	(700,000)	**33,300,000**
				45,700,000	(700,000)	**45,000,000**

The fair value of options under the 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
Estimated share price at grant date	HKD3.83
Exercise price	HKD3.90
Expected volatility	53%
Expected life	10 years
Risk-free interest rate	2.75%
Expected dividend yield	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 on the grant date is approximately RMB52,496,000.

The following table discloses movement of the Company's share options held by grantees during the six months ended 30 June 2015:

Type of option	Outstanding at 1 January 2015 and 30 June 2015	Exercisable at the end of the period
The Scheme	**45,000,000**	**36,000,000**

During the six months ended 30 June 2015, share-based payment expenses of approximately RMB1,680,000 (six months ended 30 June 2014: RMB3,189,000) in relation to the Scheme are recognised in the consolidated income statement.