中国忠旺控股有限公司*

China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01333)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

GROUP 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)		
Basic (RMB)	**0.21**	0.19
Diluted (RMB)	**0.21**	0.19
Interim dividend per share (RMB)	**0.09**	0.06

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

Note: 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.

* *For identification purpose only*

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six-month period ended 30 June 2015 (the "**Period under Review**"), together with the comparative figures for the six-month period ended 30 June 2014, as follows:

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Note	**Six months ended 30 June**	
		2015	2014
		RMB'000	*RMB'000*
		(unaudited)	*(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

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		**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		**1,000,000**	3,000,000
Bank and other loans		**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

Consolidated Statement of Financial Position (Continued)

At 30 June 2015

	Note	**At 30 June 2015** ***RMB'000*** ***(unaudited)***	At 31 December 2014 *RMB'000* *(audited)*
Non-current liabilities			
Bank and other loans		**9,903,576**	10,287,816
Debentures		**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		**605,397**	605,397
Reserves		**24,771,718**	23,723,195
TOTAL EQUITY		**25,377,115**	24,328,592

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1 Corporate information

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

2 Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange 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	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(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	**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	2014
	RMB'000	*RMB'000*
	(unaudited)	*(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%).

(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

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

8 Earnings per share (continued)

	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 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

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. The pledged bank deposits will be released upon the settlement of relevant payables and bank loans.

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.

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 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.

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.

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", the Ministry of Industry and Information Technology ("**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		**Sales volume**		**Average selling price**	Revenue		Sales volume		Average selling price	Revenue	Sales volume
	RMB'000	**%**	***tonnes***	**%**	***RMB/ tonne***	*RMB'000*	%	*tonnes*	%	*RMB/ tonne*	%	%
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 *RMB'000*	*%*	**Gross margin** *%*	Gross profit *RMB'000*	*%*	Gross margin *%*
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;

(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 in which 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 as 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).

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.

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 as 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. As 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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

For the six months ended 30 June 2015, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following provision.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separated and should not be performed by the same person. The Company deviates from this provision because Mr. Liu Zhongtian performs both the roles of chairman of the Board and the president (i.e. the chief executive) of the Company. Mr. Liu is the founder of the Group and has extensive experience in the enterprise operation and management in general. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

Compliance with the Model Code by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board has declared an interim dividend of HKD0.11 (equivalent to approximately RMB0.09) per share for the six months ended 30 June 2015 to the holders of the Company's ordinary shares and convertible preference shares, whose names appear on the register of members of the Company on Friday, 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.

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 dates inclusive), during which period no transfer of shares in the Company will be effected.

In order to be entitled to the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 9 October 2015.

Review of Financial Statements

The audit committee of the Board has discussed with the Company's management and reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2015.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's interim report for the six months ended 30 June 2015 will be published on the website of the Stock Exchange and the Company's website at www.zhongwang.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

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

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

Hong Kong, 20 August 2015

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

Executive Directors
Mr. Liu Zhongtian, Mr. Lu Changqing, Mr. Chen Yan, Ms. Zhong Hong and Mr. Gou Xihui

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