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 2014

GROUP FINANCIAL HIGHLIGHTS

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

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

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 2014 and 2013 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 2014 (the "**Period under Review**"), together with the comparative figures for the six-month period ended 30 June 2013, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2014

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("**IASB**") and relevant disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial statements were authorised for issue on 15 August 2014. They were unaudited.

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

The preparation of 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 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended 31 December 2013 that is included in the 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2014.

3 Changes of accounting policies

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

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

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

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

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

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

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

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

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

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

4 Segment reporting

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

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

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

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

4 Segment reporting (continued)

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

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

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

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

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

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

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

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

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

6 Profit before taxation

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

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

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

6 Profit before taxation (continued)

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
(b) Staff costs		
Staff costs (including directors' remunerations):		
— Salaries and other benefits	**370,402**	251,515
— Contributions to defined contribution retirement plan	**18,226**	13,527
— Equity-settled share-based payment expenses	**3,189**	6,972
	391,817	272,014
(c) Other items		
Amortisation of prepaid lease payments	**56,479**	53,311
Depreciation of property, plant and equipment	**236,601**	193,702
Reversal of impairment losses on trade receivables	**(8,529)**	(510)
Operating lease charges in respect of office premises	**18,977**	9,993
Research and development costs	**240,102**	169,120
Cost of inventories	**5,703,931**	5,120,105

7 Income tax

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

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

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

8 Earnings per share

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

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

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

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

9 Dividends

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

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

10 Prepaid lease payments

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

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

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

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

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

12 Inventories

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

13 Trade and bills receivables

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

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

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

14 Pledged bank deposits

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

15 Cash and cash equivalents

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

16 Available-for-sale investments

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

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

17 Trade payables

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

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

18 Bills payable

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

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

19 Commitments

(a) Capital commitments

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

(b) Operating lease commitments

The Group as lessee

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

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

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

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

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

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

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

II. FUTURE DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

III. FINANCIAL REVIEW

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

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

Revenue

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

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

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

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

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

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

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

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

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

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

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

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

Cost of Sales

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

Gross Profit and Gross Margin

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

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

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

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

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

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

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

Investment Income

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

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

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

Other Income/Expenses and Other Gains/Losses, Net

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

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

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

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

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

Selling and Distribution Costs

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

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

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

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

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

Administrative and Other Operating Expenses

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

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

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

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

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

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

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

Share of Profit of an Associate

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

Finance Costs

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

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

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

Profit before Taxation

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

Income Tax Expense

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

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

Profit Attributable To Equity Shareholders

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

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

Cash Flows

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

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

Net Current Assets

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

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

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

Liquidity

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

Borrowings

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

As at 30 June 2014, the Group's debentures and loans shown under current liabilities amounted to approximately RMB7,933,313,000 (31 December 2013: approximately RMB7,508,500,000) and debentures and loans shown under non-current liabilities amounted to approximately RMB9,457,834,000 (31 December 2013: approximately RMB8,391,643,000).

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

Pledged Assets

As at 30 June 2014, save for pledged bank deposits, the Group had five sets of horizontal single action aluminium extrusion presses of a total carrying amount of approximately RMB952,503,000 (31 December 2013: approximately RMB983,701,000) which are pledged assets for financing arrangements.

Contingent Liabilities

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

Employees

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

Research and Development

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

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

Capital Commitments

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

Market Risks

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

Foreign Currency Risk

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

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

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

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

Interest Rate Risk

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

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

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

Aluminium Ingot Price Fluctuation Risk

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

CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2014, 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 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

Save as disclosed above, during the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.08 (approximately equivalent to RMB0.06) per share for the six months ended 30 June 2014 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 Tuesday, 21 October 2014, with an aggregate amount of approximately RMB449,014,000. The interim dividend will be paid on or around 31 October 2014.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the shareholders of the Company who are entitled to the interim dividend, the register of members of the Company will be closed from Friday, 17 October 2014 to Tuesday, 21 October 2014 (both 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 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 at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 16 October 2014.

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 2014.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2014 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 Directors, 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, 15 August 2014

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