中国忠旺控股有限公司*

China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 01333

COMMITTED TO LIGHT-WEIGHT DEVELOPMENT FOR A GREENER WORLD

INTERIM REPORT 2013

* For identification purposes only

China Zhongwang Holdings Limited is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the biggest in Asia and China.

A light-weight material, aluminium alloy enables:

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

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New deep-processed products in the pipeline

Corporate Information

Place of Listing
The Stock Exchange of Hong Kong Limited

Stock Code
01333

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

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

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

Nomination and Remuneration Committee
Mr. Wen Xianjun *(Chairman)*
Mr. Liu Zhongtian
Mr. Shi Ketong

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

Strategy and Development Committee
Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing
Mr. Wen Xianjun

Joint Company Secretaries
Mr. Cheung Lap Kei
Mr. Lu Changqing

Authorised Representatives
Mr. Cheung Lap Kei
Mr. Lu Changqing

Principal Bankers
Bank of Communications Co., Ltd., Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China Limited
Agricultural Bank of China Limited

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KY1-1111
Cayman Islands

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Liaoyang City
Liaoning 111003
PRC

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Beijing 100004
PRC

Place of Business in Hong Kong

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1 Garden Road, Admiralty
Hong Kong

Company Website

www.zhongwang.com

Legal Advisors

As to Hong Kong laws

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The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws

Commerce & Finance Law Offices
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Chaoyang District
Beijing 100022, PRC

Auditor

KPMG
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10 Chater Road
Central, Hong Kong

Principal Share Registrar in the Cayman Islands

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

Hong Kong Branch Share Registrar

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

Investor and Media Relations Consultant

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

Corporate Profile

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

The Group was founded in 1993 with its headquarters based in Liaoning Province, China. After 20 years of dedicated development, the Group currently has 93 internationally advanced aluminium extrusion production lines (including 6 production lines under installation of large-scale aluminium extrusion presses of 75MN or above) with an aggregate production capacity of over 900,000 tonnes. In addition, the Group has ordered two ultra-large 225MN extrusion presses, which are the largest and most advanced presses in the world, to be gradually put into operation two years later. The acquisitions will reinforce the Group's leading edge in the production of high precision, large-section industrial aluminium extrusion products. Meanwhile, we have also built a world-leading aluminium tilt smelting and casting facility which is closely linked with the industry chain, as well as the largest customized industrial aluminium extrusion product die design and manufacturing centre in Asia. In 2012, the Group was certified by the Chinese government as a "State Accredited Enterprise Technology Centre". The Group's unique core competitiveness in the industry lies in the comprehensive strength of our four-in-one model, i.e. the integration of smelting and casting, die design, advanced equipment and research and development capability all under one roof.

Moreover, our newly built deep-processing centre passed the building safety inspection of the relevant government authorities in June 2013 and duly commenced production. This development will enhance our production capacity in deep-processed products and lay a solid foundation for the extension of our business scope to high gross margin business of downstream products.

The Group's high value-added aluminium flat rolled product project is progressing steadily as planned. At present, the equipment purchase and land acquisition plans for the preliminary phase of the project have been accomplished and we have now started the tender process for different stages of construction successively. Phase I of the project with a planned annual production capacity of 1.8 million tonnes is expected to commence production in 2015, by which time we will have initially achieved the goal of tapping the high-end aluminium flat rolled product sector to become our third core business complementary to and synergistic with the existing industrial aluminium extrusion product and deep-processed product businesses. The Company expects phrase II of the project to be completed by 2018, by which time the total designed annual production capacity of 3 million tonnes will have been realized.

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

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

1 Rankings and relevant information relating to aluminium extrusion product manufacturers in the world are cited from a report prepared by The Boston Consulting Group dated August 2012.

Financial Highlights

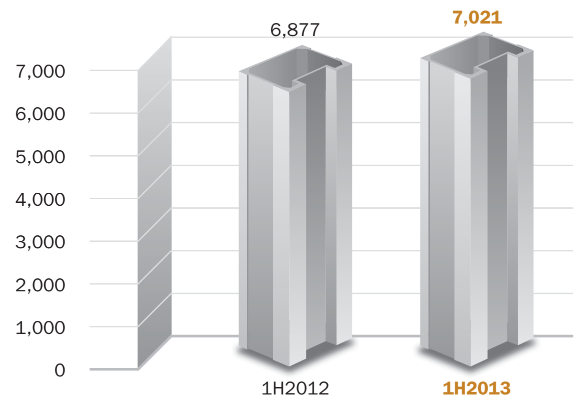
	For the six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Revenue	**7,021,397**	6,876,847
Gross profit	**1,968,664**	1,606,937
Gross margin	**28.0%**	23.4%
Profit before taxation	**1,419,686**	1,387,665
Profit attributable to equity shareholders	**1,071,769**	1,037,054
Earnings per share (Note 1)		
Basic (RMB)	**0.20**	0.19
Diluted (RMB)	**0.20**	0.19

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Net assets	**18,586,579**	17,507,983
Total assets	**39,220,858**	33,649,698
Gearing ratio (Note 2)	**52.6%**	48.0%

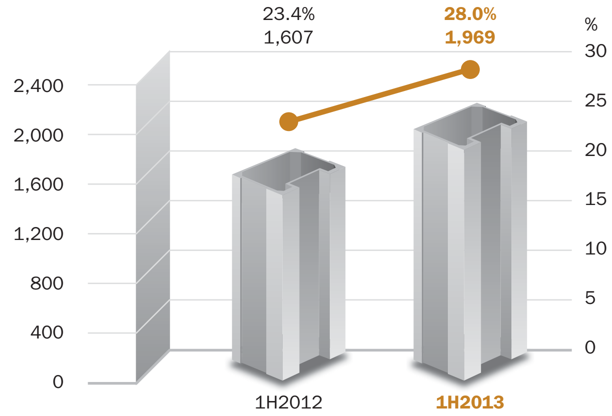
Notes:

1. The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for each of the six-month periods ended 30 June 2013 and 2012 and on the weighted average number of shares for the respective periods.
2. Gearing ratio = total liabilities/total assets * 100%.

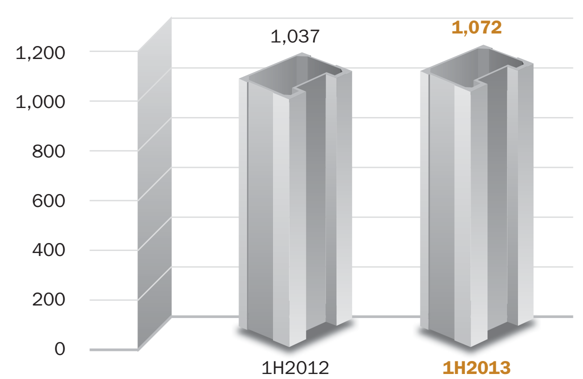
Revenue
(RMB millions)



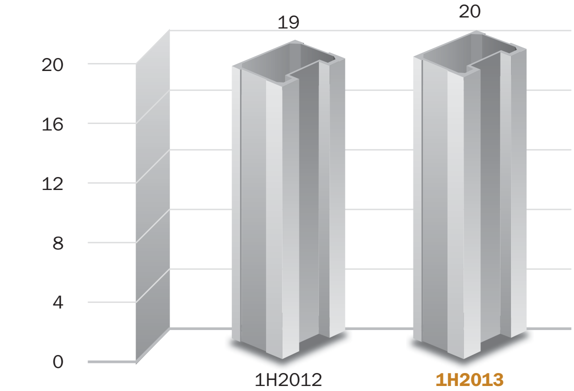
Gross Profit/Gross Margin
(RMB millions)



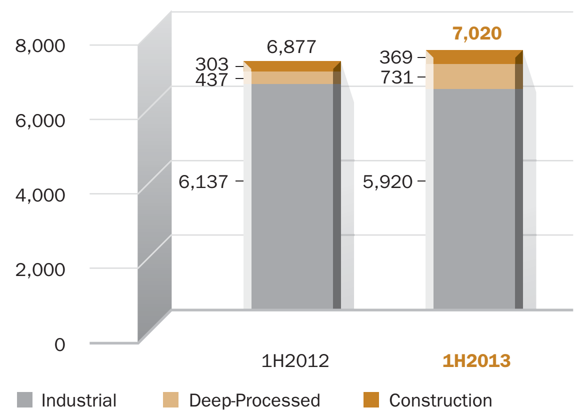
Profit Attributable To Equity Shareholders
(RMB millions)



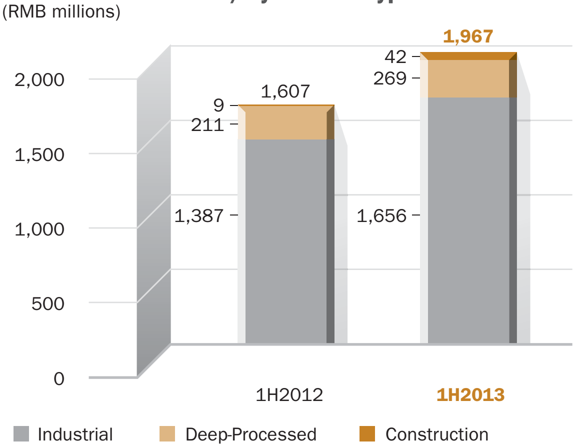
Earnings Per Share (Basic)
(RMB cents)



Revenue Composition
— Extrusion Business/By Product Type
(RMB millions)



Gross Profit Composition
— Extrusion Business/By Product Type
(RMB millions)



Chairman's Statement

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited, I am pleased to present the interim report on the unaudited results of the Group for the six months ended 30 June 2013 (the "Period under Review") for your review.

Forging ahead in Times of Adversity

During the first half of 2013, global economic recovery remained sluggish, while China's economic growth also slowed down as the nation shifted its efforts to the realignment of its economic structure. Against the backdrop of a complex and unsettled business environment, the Group continued to implement, in line with its market outreach plan of "focusing primarily on China and to a lesser extent on the overseas", its three core-business strategy adopted in as early as 2010 in response to changes in the domestic and overseas markets and its own development needs, namely to fortify its existing principal business in industrial aluminium extrusion products, extend its reach along the industry chain to cover technologically advanced, high value-added industrial aluminium deep-processed products, and steadily advance the development of its aluminium flat rolled product business with a view to enhancing its ability to withstand adversities.

The Group succeeded in improving its business capabilities and profitability with its forward-looking strategy, despite the challenging operational environment in the first half of the year.

Business Performance — Enhancing Business Capabilities and Profitability

During the Period under Review, the Group reported steady growth in its principal business of industrial aluminium extrusion products and attained significant development in the new business of deep-processed products, thanks to solid progress in capacity expansion, technological upgrade, product development, and domestic and overseas customer development:

- The Group's revenue and profit attributable to equity shareholders for the Period under Review amounted to approximately RMB7.02 billion (corresponding period in 2012: approximately RMB6.88 billion) and RMB1.07 billion (corresponding period in 2012: approximately RMB1.04 billion), a year-on-year growth of 2.1% and 3.3%, respectively;

- Gross profit increased by 22.5% year on year to approximately RMB1.97 billion (corresponding period in 2012: approximately RMB1.61 billion), with gross margin increasing by 4.6 percentage points to 28.0%;

- Sales volume of aluminium extrusion products increased by 10.5% year on year to approximately 316,000 tonnes;

- High value-added industrial aluminium deep-processed products boosted our exports business as export sales volume substantially increased by 119.3% year on year to approximately 30,000 tonnes (corresponding period in 2012: approximately 14,000 tonnes), while export sales grew significantly by 54.3% to approximately RMB850 million (corresponding period in 2012: approximately RMB550 million);

- The China market constituted the major source of revenue for the Group, where sales of approximately RMB6.17 billion (corresponding period in 2012: approximately RMB6.33 billion) were recorded for the Period under Review, representing 87.9% of total sales;

- As at 30 June 2013, the Group's cash and bank balances amounted to approximately RMB12.39 billion in aggregate, providing sufficient funds to create favourable conditions for the implementation of the Group's key strategic projects such as the aluminium flat rolled product project.

Industrial Aluminium Extrusion Products — Consolidating Our Competitive Edges and Enhancing Economies of Scale

The industrial aluminium extrusion product segment has always been a core business of the Group. It provides not only stable cash flow for the Group, but also fundamental support to the rolling out of the Group's aluminium flat rolled product project with its existing funding, technological expertise and customer base. To meet increasing demand for high-end large-section industrial aluminium extrusion products in the China market, the Group continued to carry out its production capacity expansion plan. From 2011 onwards, to enhance product quality and production efficiency of its large-section industrial aluminium extrusion products, the Group has introduced 18 large-tonnage extrusion presses of 75MN or above, ten of which completed installation and testing and commenced production at the end of 2012.

Another two of those large-tonnage extrusion presses of the Group duly commenced production having undergone installation and testing procedures during the Period under Review. The Group owned 87 extrusion lines with an annual production capacity of over 900,000 tonnes as at 30 June 2013. Currently, we have 21 large-tonnage extrusion presses of 75MN or above (6 of which are under installation or on trial run), among which 4 are 125MN presses, the most advanced of their kind in the world nowadays. Besides, we have ordered two 225MN horizontal single action aluminium extrusion presses with scheduled deliveries beginning in 2014. These ultra-large presses will further sharpen our core competitiveness in high-end industrial extrusion production when they come into operation.

Deep-Processing Business — Extending Industry Chain and Enriching Product Portfolio

The Group is committed to becoming the world's top developer and manufacturer of high-end aluminium alloy products. By extending our industry chain, we have increased the share of high valued-added products in the Group's revenue and sales. During the Period under Review, the sales volume of deep-processed industrial aluminium extrusion products substantially increased by 130.9% year on year to approximately 26,000 tonnes (corresponding period in 2012: approximately 11,000 tonnes) and sales rose by 67.2% year on year to approximately RMB730 million (corresponding period in 2012: approximately RMB440 million). Meanwhile, the Group exerted more efforts in broadening its range of deep-processed products. Through close cooperation between the technical teams of our research and development centre and deep-processing centre, we have successfully developed high-tech aluminium deep-processed products, such as all-aluminium alloy fire trucks, semi-trailers and high-speed railway carriages during the Period under Review, with a view to capitalizing on opportunities presented by the light-weight development of the transportation industry.

With high technological barriers, promising prospects of extensive market applications, and free from hurdles associated with foreign anti-dumping and countervailing policies, industrial aluminium deep-processed products are conducive to the Group's overseas market expansion. As the Group's product portfolio becomes more diversified, the industrial aluminum deep-processing business will become one of the Group's important drivers of profit growth in the future.

High Value-added and High Precision Aluminum Flat Rolled Products — Long-term Growth Engine

As important materials in various fields, such as aviation and aerospace, vessels, rail transportation, automobiles, machinery and equipment, beverage cans, packaging, etc., aluminium flat rolled products provide broad market prospects for extensive applications. During the Period under Review, the Group made steady progress in advancing phase I construction of its high value-added and high precision aluminium flat rolled product project, with a view to completing the construction and commissioning of manufacturing facilities with an annual production capacity of 1.80 million tonnes by 2015 and reaching an overall capacity of 3 million tonnes per annum by 2018.

The preliminary construction work for the Group's production base for aluminium flat rolled products located in Wuqing Auto Parts Industrial Park, Tianjin is now in full swing. Our presence in Wuqing, a focal point for manufacturers of machinery and equipment, automobile parts and components and new materials, will facilitate the building of closer sales ties with downstream customers.

In connection with the recruitment of talents, the Group is stepping up its overseas recruitment of engineers and managers who have previously worked with leading global aluminium processing enterprises. The aluminium flat rolled product manufacturing equipment from Germany and the US are scheduled for deliveries in stages starting from the end of this year. Given our leading edge in technology, human resources, customer base and financial strength in the aluminium processing industry, the Group is fully confident in the future development of this business.

Technological Innovation

As a leading aluminium processing enterprise in the world, the Group is engaged in an ongoing pursuit of breakthroughs in the proprietary research and development of product technologies. Our aluminium alloy extrusion technology for CRH (China Railway High-speed) trains and Φ582mm-7XXX hard aluminum alloy round ingot processing technology won China Nonferrous Metals Industry Science and Technology Awards during the Period under Review. Furthermore, "7075 Extrusion Billets for Aviation Applications," a research project launched by our Group to meet exacting requirements of the aviation and aerospace sectors in specifications, properties and quality, has achieved positive results, signifying a new level in the Group's production technology for high-end aluminum processing products for the aviation and other sectors.

We also entered into cooperation with a number of well-known domestic academic institutions and enterprises, including the Institute of Metal Research of Shenyang Branch of the Chinese Academy of Sciences, China National Heavy Machinery Research Institute, AVIC First Aircraft Institute, No. 701 Research Institute of China Shipbuilding Industry Corporation, Northeastern University, University of Science and Technology Beijing, and Shenyang Aerospace University, to jointly explore future applications of aluminium alloy products, train professional technical personnel as well as support the technological improvement of China's aluminium processing industry.

Undertaking Corporate Social Responsibility

While dedicating its best efforts to strengthening corporate profitability and enhancing shareholder returns, the Group also has a longstanding commitment to corporate social responsibility and practises clean production to underscore its concern for environmental protection. During the Period under Review, the Group implemented the "Diesel to Natural Gas Project" for the homogenizing furnaces in our smelting and casting plants. With higher heating value and pollution-free combustion substances, natural gas, being safe and convenient to use, helps to raise energy efficiency and improve ecological environment. The Company has also signed the Carbon Reduction Charter of the Environmental Protection Department of Hong Kong Special Administrative Region to become a "Carbon Audit · Green Partner", which undertakes to carry out energy-saving and emission-reduction measures in the workplace. We will continue to promote in future the green concept in our business operation and adhere to the principle of environmental protection in support of the Company's energy conservation initiatives.

Bright Future for High-end Aluminium Processing Industry

The application of aluminium, given its light-weight and energy-saving features, superb heat and electrical conductivity and recyclability, has driven the transformation of the transportation, machinery and equipment, consumer product packaging and electrical equipment industries into high value-added and hi-tech businesses. The Chinese government has announced a number of policy guidelines for the "12th Five-Year Plan" period (2011–2015), which are set to drive the growth of the nation's market for aluminium products. These include: the "*Industrial Transformation and Upgrading Plan (2011–2015)*" that broadens the scope of support and guidance for high-end industries, as well as the "*12th Five-Year Development Plan for New Materials Industry*", the "*12th Five-Year Development Plan for High-end Equipment Manufacturing Industry*" and the "*Development Plan for Energy-saving and New-energy Automotive Industry*" that encourage extensive application of high-performance aluminium alloy materials. These policy guidelines have provided opportunities for continuous growth of the Group's various business segments.

Chairman's Statement

According to a report by The Boston Consulting Group, China's consumption of industrial aluminium extrusion products is expected to grow at a compound annual growth rate ("CAGR") of 9–13% from approximately 3.65 million tonnes in 2011 to approximately 9.46 million tonnes in 2020, underpinned by product diversification towards high-end industrial applications. Moreover, the "Special Development Plan for the Aluminium Industry during the 12th Five-Year Period" has expressly called for raising the share of sales revenue of high-end aluminium products in the sales revenue of processed aluminium products from 8% in 2010 to 20% in 2015. This represents a very favourable policy setting for China Zhongwang Holdings Limited, which has positioned itself over the years as a supplier of high-end products.

Aluminium flat rolled products offer even greater market potentials. According to The Boston Consulting Group's report, China's consumption of aluminium flat rolled products is projected to increase from approximately 7.60 million tonnes in 2011 to close to 16.00 million tonnes in 2020, representing a CAGR of approximately 8–9% which is higher than the global average. Currently, domestically manufactured high-end aluminium flat rolled products account for merely 12% of the total consumption in China, which is significantly lower than the world average of 33%. In tandem with China's ongoing economic growth and increasing level of urbanisation, the demand for high-end aluminium flat rolled products, such as aluminium alloy plates for automobiles, vessels and planes, aluminium materials for railway carriage bodies, broad-width thin gauge sheets for aluminium cans and aluminium foils for pharmaceutical packaging, is also growing. However, China is currently very dependent on imports for the supply of these products, for it is not sufficiently equipped with relevant production technologies and capacities. Therefore, the Group's planned production of aluminium flat rolled products will serve to reverse the situation of short supply of these high-end products in China.

Outlook

All in all, the Group's core businesses have delivered sound performance with contributions of stable cash flows. Coupled with its broad customer base and technological advantages as well as a healthy balance sheet, the Group is prestigiously positioned for sustainable growth. For the second half of 2013, the Chinese economy may be subject to some downward pressure, but the continuous implementation of the "12th Five-Year Plans" for various industries, further in-depth development of urbanization in China and increasing applications of processed aluminium products will fuel continuous growth in the demand for these products. We are cautiously optimistic about the business outlook for the second half of the year.

Last but not least, may I express, on behalf of the Board, sincere appreciation to our shareholders, customers and business partners for their long-standing support. I must also thank my colleagues on the Board and all our staff for their hard work and contribution. The Group will implement its development strategy of the three core businesses in a resolute manner, endeavouring to improve its operating results and deliver sustainable growth and satisfactory returns for the shareholders.

Thank you!

Liu Zhongtian
Chairman

Hong Kong, 28 August 2013

Management Discussion and Analysis

I. Business Review

China's economy was subject to various challenges during the Period under Review. Weak foreign demand and shrinking exports coupled with excess capacities and low efficiency in various industries increased the downward pressure on China's economy. Under such austere conditions, the Group resolutely implemented the operational objectives and 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 drive structural optimisation through increased production volume and facilitate product upgrades through innovation while enhancing management and cost control. Thanks to these efforts, the Group achieved satisfactory results for the Period under Review.

During the Period under Review, our revenue increased by 2.1% to approximately RMB7,021,397,000 from approximately RMB6,876,847,000 for the same period in 2012. Profit attributable to equity shareholders of the Company was approximately RMB1,071,769,000 for the Period under Review, an increase of 3.3% from approximately RMB1,037,054,000 for the same period in 2012. Earnings per share for the Period under Review also increased by 3.3% to approximately RMB0.20 from approximately RMB0.19 for the same period in 2012. The total product sales volume from our aluminium extrusion business amounted to 316,014 tonnes for the Period under Review, an increase of 10.5% from 286,110 tonnes for the same period in 2012 with a significant growth in deep-processed product sales volume of 130.9% to 26,260 tonnes for the Period under Review from 11,372 tonnes for the same period in 2012. Although the declines in aluminium ingot prices and other factors led to a lower average selling price of the Group's aluminium extrusion products during the Period under Review, we succeeded in improving our overall gross margin for the aluminium extrusion product business to 28.0% for the Period under Review from 23.4% for the same period in 2012, thanks to a combination of measures taken by the Group to improve production efficiency, reinforce cost control and optimise product mix.

The Group continued to expand its production capacity for large cross-section aluminium extrusion products during the Period under Review. Two additional large extrusion presses of 75MN and 90MN, respectively, duly commenced production following the completion of installation and testing procedures, bringing the total number of the Group's large presses of 75MN or above in operation to 15, the largest among its peers in the industry. Besides, the Group has 6 other large presses undergoing installation and trial runs, plus two 225MN presses ordered in the first half of 2012, which are the largest and most advanced in the world. In total, the Group owns 23 large presses of 75MN or above, which will raise, if they all become operational, the total production capacity of the Group to over one million tonnes. These presses will further consolidate the Group's dominance in the production of large-size or ultra-large high precision industrial aluminium extrusion products.

Moreover, our newly built deep-processing centre passed the building safety inspection of the relevant government authorities in June 2013 and duly commenced production. This development will enhance our production capacity in deep-processed products and lay a solid foundation for the further extension of our business scope to include high gross margin business of downstream products.

During 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. Our aluminium alloy extrusion technology for CRH trains and Φ582mm-7XXX hard aluminum alloy round ingot processing technology won China Nonferrous Metals Industry Science and Technology Awards during the Period under Review. In addition, the Group's research and development teams have successfully manufactured innovative deep-processed products such as all-aluminium alloy storage grid style and van style semi-trailers, all-aluminium alloy fire trucks, all-aluminium alloy garbage trucks and high-speed train carriage bodies. These products demonstrate the Group's strong product research and development capabilities and provide us with solutions in product diversification for the future development of our deep-processing business.

The Group's high value-added aluminium flat rolled product project in Tianjin is also progressing steadily as planned. At present, land formation work for the phase I site has been basically completed, while piling and steel structure construction for certain plants as well as the construction of drainage, embankment and other supporting infrastructures are currently underway. With a total designed annual production capacity of 3 million tonnes, the project is scheduled for development in two phases. Phase I with a planned annual production capacity of 1.8 million tonnes is expected to complete construction and commence production in 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.

II. Future Development

Because of its light-weight and hard 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, 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.

According to a report by The Boston Consulting Group, during the period from 2011 to 2015, China's market demand for industrial aluminium extrusion products will grow at an annual rate of 13%, reaching approximately 6.04 million tonnes in 2015. China's aluminum flat rolled product market demand will grow at an annual rate of 9% to approximately 10.85 million tonnes in 2015. The market size of industrial aluminium extrusion products and aluminum flat rolled products will amount to approximately 9.46 million tonnes and approximately 15.99 million tonnes, respectively, in 2020, representing an annual growth rate of 9% and 8%, respectively, in these next five years.

The future development of aluminium processing industry shall not rely only on expansion in scale. The Chinese government deliberately directs the industry towards high-end development. The government has introduced a series of plans and guidance in recent years including the "*Special Development Plan for the Aluminium Industry during the 12th Five-Year Period*", the "*12th Five-Year Development Plan for the Nonferrous Metal Industry*", the "*State Guiding Catalog of Industrial Structure Adjustment (2011)*", the "*12th Five-Year Development Plan for New Materials Industry*", the "*12th Five-Year Development Plan for High-end Equipment Manufacturing Industry*" and the "*Development Plan for Energy-saving and New-energy Automotive Industry*", all of which have emphasized vigorous development of high-end product projects and strategies for refined-/deep-processing, supporting extensive applications of aluminium alloys. This presents a good development opportunity for China Zhongwang Holdings Limited, which has positioned itself over the years as a supplier of high-end products embodying advanced technologies.

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: Besides substantial increase in 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 and testing of the remaining 6 presses of the 18 large extrusion presses of 75MN or above in our expansion programme shall be completed in 2013 and the installation and testing of 2 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;

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. Infrastructure construction and equipment installation shall be completed and production shall commence in 2015, by which time aluminum flat rolled product business will become an important driver of revenue and profit growth for the Group;

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 business segments, 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 stronger and longer-term return for shareholders.

III. Financial Review

For the Period under Review, the Group's revenue amounted to approximately RMB7,021,397,000, representing an increase of 2.1% over the corresponding period in 2012. Profit attributable to equity shareholders of the Company amounted to approximately RMB1,071,769,000, an increase of 3.3% over the corresponding period in 2012. Earnings per share was approximately RMB0.20 for the Period under Review (corresponding period in 2012: approximately RMB0.19).

A comparison of the financial results for the Period under Review and the corresponding period in 2012 is set out as follows.

Revenue

During the Period under Review, the Group's total revenue amounted to approximately RMB7,021,397,000 (corresponding period in 2012: approximately RMB6,876,847,000), representing a growth of 2.1%. Our major revenue was generated from sales of aluminium extrusion products which amounted to approximately RMB7,019,662,000.

Management Discussion and Analysis

The following sets forth the breakdowns by segments of the revenue, sales volume and average selling price of our Group's aluminium extrusion business for the Period under Review and the corresponding period in 2012:

	For the six months ended 30 June									
	2013					2012				
	Revenue RMB'000	%	Sales volume tonnes	%	Average selling price RMB/tonne	Revenue RMB'000	%	Sales volume tonnes	%	Average selling price RMB/tonne
Aluminium extrusion business										
Industrial segment	**6,650,203**	**94.7%**	**295,007**	**93.4%**	**22,543**	6,573,939	95.6%	270,066	94.4%	24,342
Construction segment	**369,459**	**5.3%**	**21,007**	**6.6%**	**17,587**	302,908	4.4%	16,044	5.6%	18,880
Total	**7,019,662**	**100.0%**	**316,014**	**100.0%**	**22,213**	6,876,847	100.0%	286,110	100.0%	24,036

The Group's revenue from aluminium extrusion business increased by 2.1% from approximately RMB6,876,847,000 for the corresponding period in 2012 to approximately RMB7,019,662,000 for the Period under Review. The Group's total product sales volume in aluminium extrusion business increased by 10.5% from 286,110 tonnes for the corresponding period in 2012 to 316,014 tonnes for the Period under Review. The increase in revenue and sales volume of the Group's aluminium extrusion business was principally due to intensified market development efforts that led to growth in sales volume of aluminium extrusion products. During the Period under Review, the average selling price of the Group's aluminium extrusion products was RMB22,213 per tonne, 7.6% lower than the average selling price of RMB24,036 per tonne for the corresponding period in 2012, primarily because of the decline in prices of aluminium ingots, the primary raw material for aluminium extrusion products, during the Period under Review.

	For the six months ended 30 June									
	2013					2012				
	Revenue RMB'000	%	Sales volume tonnes	%	Average selling price RMB/tonne	Revenue RMB'000	%	Sales volume tonnes	%	Average selling price RMB/tonne
Industrial segment										
Industrial aluminium extrusion products	**5,919,612**	**89.0%**	**268,747**	**91.1%**	**22,027**	6,137,001	93.4%	258,694	95.8%	23,723
Deep-processed products	**730,591**	**11.0%**	**26,260**	**8.9%**	**27,821**	436,938	6.6%	11,372	4.2%	38,422
Total	**6,650,203**	**100.0%**	**295,007**	**100.0%**	**22,543**	6,573,939	100.0%	270,066	100.0%	24,342

The Group's revenue from the industrial segment increased by 1.2% from approximately RMB6,573,939,000 for the corresponding period in 2012 to approximately RMB6,650,203,000 for the Period under Review. Total sales volume of the Group's industrial segment increased by 9.2% from 270,066 tonnes for the corresponding period in 2012 to 295,007 tonnes for the Period under Review. The increase was principally attributable to the growths in sales volume of both our industrial aluminium extrusion products and deep-processed products. During the Period under Review, the average selling price of our industrial segment products was RMB22,543 per tonne, 7.4% lower than the average selling price of RMB24,342 per tonne for the corresponding period in 2012. The decline was principally due to price decreases of aluminium ingots during the Period under Review.

The Group's revenue from the industrial aluminium extrusion products amounted to approximately RMB5,919,612,000 for the Period under Review, a decline of 3.5% from approximately RMB6,137,001,000 for the corresponding period in 2012, mainly because of a lower average selling price of the Group's industrial aluminium extrusion products for the Period under Review. The average selling price of the Group's industrial aluminium extrusion products dropped by 7.1% from RMB23,723 per tonne for the corresponding period in 2012 to RMB22,027 per tonne for the Period under Review, mainly because of lower aluminium ingot prices during the Period under Review. The Group's sales volume of industrial aluminium extrusion products increased by 3.9% from 258,694 tonnes for the corresponding period in 2012 to 268,747 tonnes for the Period under Review.

Deep-processed products are an important profit growth point that the Group has been vigorously developing. The sales volume of the Group's deep-processed products increased by 130.9% from 11,372 tonnes for the corresponding period in 2012 to 26,260 tonnes for the Period under Review, raising the revenue from deep-processed products by 67.2% from approximately RMB436,938,000 for the corresponding period in 2012 to approximately RMB730,591,000 for the Period under Review. The average selling price of the Group's deep-processed products decreased by 27.6% from RMB38,422 per tonne for the corresponding period in 2012 to RMB27,821 per tonne for the Period under Review. The decrease was primarily due to certain price concessions we offered to existing deep-processed product customers in our effort to further expand overseas markets and boost export sales, and lower aluminium ingot prices during the Period under Review.

Revenue from the Group's construction segment increased by 22.0% from approximately RMB302,908,000 for the corresponding period in 2012 to approximately RMB369,459,000 for the Period under Review, which was mainly attributable to an increase in product sales volume of our construction segment. Sales volume of the Group's construction segment increased by 30.9% from 16,044 tonnes for the corresponding period in 2012 to 21,007 tonnes for the Period under Review, while the average selling price decreased by 6.8% from RMB18,880 per tonne for the corresponding period in 2012 to RMB17,587 per tonne for the Period under Review, primarily because of price declines of aluminium ingots during the Period under Review.

Geographically, the Group's overseas clients mainly came from the United States (the "US"). For the Period under Review, our revenue from overseas sales amounted to approximately RMB850,130,000 (corresponding period in 2012: approximately RMB550,857,000), accounting for 12.1% of the Group's total revenue (corresponding period in 2012: 8.0%).

The following sets forth the breakdowns of our revenue by geographical regions for the Period under Review and the corresponding period in 2012:

	For the six months ended 30 June			
	2013		2012	
	RMB'000	**%**	RMB'000	%
PRC	**6,171,267**	**87.9%**	6,325,990	92.0%
US	**840,224**	**12.0%**	548,756	8.0%
Others	**9,906**	**0.1%**	2,101	—
Total	**7,021,397**	**100.0%**	6,876,847	100.0%

The Group's revenue derived from China decreased by 2.4% from approximately RMB6,325,990,000 for the corresponding period in 2012 to approximately RMB6,171,267,000 for the Period under Review. Revenue from overseas markets rose by 54.3% from approximately RMB550,857,000 for the corresponding period in 2012 to approximately RMB850,130,000 for the Period under Review, of which approximately RMB840,224,000 was generated from our export sales to the US for the Period under Review, representing a significant increase of 53.1% from approximately RMB548,756,000 for same period in 2012. Currently, the Group's product sales to the US comprise mostly deep-processed products. In response to steadily increasing demand for deep-processed products in the US market, we have actively expanded the production scale of deep-processed products while vigorously developing the US market, leading to significant increases in export sales to the US during the Period under Review.

Cost of Sales

Our cost of sales decreased by 4.1% to approximately RMB5,052,733,000 for the Period under Review from approximately RMB5,269,910,000 for the corresponding period in 2012. The decrease was mainly due to the decline of aluminium ingot prices and the Group's reinforcement of cost control during the Period under Review.

The cost of sales of our industrial segment decreased by 5.0% to approximately RMB4,725,201,000 for the Period under Review from approximately RMB4,976,385,000 for the corresponding period in 2012. The unit cost of the Group's industrial segment decreased by 13.1% to RMB16,017 per tonne for the Period under Review from RMB18,427 per tonne for the corresponding period in 2012, primarily due to the decline of aluminium ingot prices and the Group's reinforcement of cost control during the Period under Review.

The cost of sales of our industrial aluminium extrusion products decreased by 10.2% to approximately RMB4,263,723,000 for the Period under Review from approximately RMB4,750,349,000 for the corresponding period in 2012. The Group's unit cost of industrial aluminium extrusion products decreased by 13.6% to RMB15,865 per tonne for the Period under Review from RMB18,363 per tonne for the corresponding period in 2012, primarily due to the decline of aluminium ingot prices and the Group's reinforcement of cost control during the Period under Review.

The cost of sales of our deep-processed products increased by 104.2% to approximately RMB461,478,000 for the Period under Review from approximately RMB226,036,000 for the corresponding period in 2012. The increase was mainly due to substantial growth of our export sales of deep-processed products to the US. The Group's unit cost of deep-processed products decreased by 11.6% to RMB17,573 per tonne for the Period under Review from RMB19,877 per tonne for the corresponding period in 2012, primarily due to the decline of aluminium ingot prices and the Group's reinforcement of cost control during the Period under Review.

The cost of sales of our construction segment increased by 11.6% to approximately RMB327,486,000 for the Period under Review from approximately RMB293,525,000 for the corresponding period in 2012. The increase was mainly due to a higher sales volume of the construction segment. The unit cost of the Group's construction segment decreased by 14.8% to RMB15,589 per tonne for the Period under Review from RMB18,295 per tonne for the corresponding period in 2012 due to the decline of aluminium ingot prices and the Group's reinforcement of cost control.

Gross Profit and Gross Margin

The Group's gross profit increased by 22.5% from approximately RMB1,606,937,000 for the corresponding period in 2012 to approximately RMB1,968,664,000 for the Period under Review. The increase was mainly due to increases in sales volume and gross margins 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 corresponding period in 2012:

	For the six months ended 30 June					
	2013			2012		
	Gross profit RMB'000	**%**	**Gross margin**	Gross profit RMB'000	%	Gross margin
Aluminium extrusion business						
Industrial segment	**1,925,002**	**97.9%**	**28.9%**	1,597,554	99.4%	24.3%
Construction segment	**41,973**	**2.1%**	**11.4%**	9,383	0.6%	3.1%
Total	**1,966,975**	**100.0%**	**28.0%**	1,606,937	100.0%	23.4%

The Group typically sets prices for its aluminium extrusion products on a "cost-plus" basis. Processing charges are added as components of final prices, taking into account the complexity of product design, level of precision of a product, size of the relevant contract, our trading history and relationship with customers, and the overall market condition and demand.

Our gross profit from aluminium extrusion product business increased by 22.4% to approximately RMB1,966,975,000 for the Period under Review from approximately RMB1,606,937,000 for the corresponding period in 2012. Our overall gross margin for aluminium extrusion product business increased to 28.0% for the Period under Review from 23.4% for the corresponding period in 2012. The increase was primarily attributable to increases in gross margins of industrial segment products which accounted for a larger share of our total sales.

	For the six months ended 30 June					
	2013			2012		
	Gross profit RMB'000	**%**	**Gross margin**	Gross profit RMB'000	%	Gross margin
Industrial segment						
Industrial aluminium extrusion products	**1,655,889**	**86.0%**	**28.0%**	1,386,652	86.8%	22.6%
Deep-processed products	**269,113**	**14.0%**	**36.8%**	210,902	13.2%	48.3%
Total	**1,925,002**	**100.0%**	**28.9%**	1,597,554	100.0%	24.3%

The Group's overall gross profit from the industrial segment increased by 20.5% to approximately RMB1,925,002,000 for the Period under Review from approximately RMB1,597,554,000 for the corresponding period in 2012. The overall gross margin of the industrial segment increased to 28.9% for the Period under Review from 24.3% for the corresponding period in 2012. The increase was primarily attributable to increases in gross margins of industrial aluminium extrusion products.

Our gross profit from industrial aluminium extrusion products increased by 19.4% to approximately RMB1,655,889,000 for the Period under Review from approximately RMB1,386,652,000 for the corresponding period in 2012. The increase was mainly due to increases in gross margins and sales volume of industrial aluminium extrusion products. The gross margin of our industrial aluminium extrusion products increased to 28.0% for the Period under Review from 22.6% for the corresponding period in 2012, primarily because of the Group's reinforcement of cost control and the decline of aluminium ingot prices.

The Group's gross profit from deep-processed products increased by 27.6% from approximately RMB210,902,000 for the corresponding period in 2012 to approximately RMB269,113,000 for the Period under Review. The increase was primarily due to growth of export sales of the Group's deep-processed products to the US. The gross margin of our deep-processed products decreased from 48.3% for the corresponding period in 2012 to 36.8% for the Period under Review. The decrease was primarily due to certain price concessions offered to existing deep-processed product customers in our effort to further expand overseas markets and boost export sales.

The Group's gross profit from the construction segment increased by 347.3% to approximately RMB41,973,000 for the Period under Review from approximately RMB9,383,000 for the corresponding period in 2012. The increase was mainly due to increases in gross margins and sales volume of the construction segment. The gross margin of the Group's construction segment increased from 3.1% for the corresponding period in 2012 to 11.4% for the Period under Review, primarily because of the Group's reinforcement of cost control and lower aluminium ingot prices.

Investment Income

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

The bank interest income decreased by 8.1% to approximately RMB69,841,000 for the Period under Review from approximately RMB76,011,000 for the corresponding period in 2012, which was primarily attributable to a smaller proportion of fixed deposits and pledged bank deposits with higher interest rates.

The Group's short-term investment gains from bank investment products amounted to approximately RMB1,445,000 (corresponding period in 2012: approximately RMB1,263,000) 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 RMB134,539,000 for the Period under Review, an increase of approximately RMB46,248,000 over approximately RMB88,291,000 for the corresponding period in 2012. This was principally due to the facts that:

(i) there was an increase in government subsidies of approximately RMB29,630,000 to approximately RMB126,302,000 for the Period under Review from approximately RMB96,672,000 for the corresponding period in 2012. 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) there was a net income of 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 during the Period under Review, providing mostly machines and equipment related to metal processing. The Group did not have this business during the corresponding period in 2012;

(iii) the Group did not incurred any losses and gains from disposal of property, plant and equipment for the Period under Review, while we recorded losses of approximately RMB10,237,000 from disposals of property, plant and equipment for the corresponding period in 2012; and

(iv) for other items, such as foreign exchange gains and losses and income from disposal of scrap materials, consumables and dies, we incurred net losses of approximately RMB4,195,000 for the Period under Review whereas we recorded net gains of approximately RMB1,856,000 for the corresponding period in 2012.

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 17.1% from approximately RMB57,437,000 for the corresponding period in 2012 to approximately RMB67,231,000 for the Period under Review, which was primarily attributable to:

(i) an increase of 18.4% in advertising expenses from approximately RMB36,712,000 for the corresponding period in 2012 to approximately RMB43,482,000 for the Period under Review;

(ii) an increase of 21.1% in transportation costs from approximately RMB9,570,000 for the corresponding period in 2012 to approximately RMB11,593,000 for the Period under Review, which was primarily due to increases in relevant overseas transportation costs as a result of the increased export sales of our deep-processed products; and

(iii) an increase of 9.0% in other selling expenses from approximately RMB11,155,000 for the corresponding period in 2012 to approximately RMB12,156,000 for the Period under Review.

Administrative and Other Operating Expenses

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

The administrative and other operating expenses increased by 172.6% to approximately RMB447,294,000 for the Period under Review from approximately RMB164,068,000 for the corresponding period in 2012. 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 RMB169,120,000 for the Period under Review from approximately RMB33,624,000 for the corresponding period in 2012. The substantial increase in research and development expenditures mainly resulted from the research and development that the Group conducted during the Period under Review, with a view toward further developing high value-added, refined-/deep-processed industrial aluminium extrusion products, 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, heavy trucks, passenger cars and special vehicles;

(ii) the Group's successive acquisitions of land use rights in Liaoning and Heilongjiang provinces in China since 2011 led to an increase of land use taxes from approximately RMB59,834,000 for the corresponding period in 2012 to approximately RMB111,133,000 for the Period under Review;

(iii) amortization expenses of land use rights increased to approximately RMB47,536,000 for the Period under Review from approximately RMB21,194,000 for the corresponding period in 2012 because of the successive acquisitions of land use rights in Liaoning Province, Heilongjiang Province and Tianjin Municipality in China since 2011;

(iv) non-cash charges recognized by the Group arising from share options calculated at fair value decreased to approximately RMB6,972,000 for the Period under Review from approximately RMB14,331,000 for the corresponding period in 2012; and

(v) other administrative and operating related expenses increased to approximately RMB112,533,000 for the Period under Review from approximately RMB35,085,000 for the corresponding period in 2012.

Share of Profit of an Associate

The Group's share of profit of an associate for the Period under Review was approximately RMB1,503,000 (corresponding period in 2012: approximately RMB1,547,000), which is the share of profit recognized using equity-method accounting for the investment in CR Zhongwang Aluminium Company Limited. Liaoning Zhongwang Group Company Limited ("Zhongwang PRC"), a wholly-owned subsidiary of the Company, and China Railway Materials Shenyang Company Limited established a joint venture, CR Zhongwang Aluminium Company Limited, on 18 November 2011. Zhongwang PRC holds 49.0% of the equity of the joint venture.

Finance Costs

Our finance costs increased by 46.6% from approximately RMB164,879,000 for the corresponding period in 2012 to approximately RMB241,781,000 for the Period under Review, mainly because there was an increase in the Group's borrowings and debentures for the Period under Review as compared to the corresponding period in 2012.

For the Period under Review, the interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment amounted to approximately RMB105,644,000 (corresponding period in 2012: approximately RMB51,618,000) at an annualized capitalization rate of 4.72% (corresponding period in 2012: 5.11%).

During the corresponding period in 2012 and the Period under Review, the Group's loans carried average interest rates of 5.72% and 5.04% per annum, respectively; the debentures carried interest rates ranged from 4.07% to 5.68% per annum.

Profit before Taxation

Our profit before taxation increased by 2.3% from approximately RMB1,387,665,000 for the corresponding period in 2012 to approximately RMB1,419,686,000 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 0.8% to approximately RMB347,917,000 for the Period under Review from approximately RMB350,611,000 for the corresponding period in 2012. Our effective tax rates for the Period under Review and the corresponding period in 2012 were 24.5% and 25.3%, respectively.

During the Period under Review, the Group's effective tax rate was lower than that for the corresponding period in 2012, mainly because that we had higher research and development expenditures for the Period under Review than the corresponding period in 2012 and 50% of the expenditures were applied to directly offset taxable income during the Period under Review in calculations for income tax expense at 30 June 2013 (according to Enterprise Income Tax Law of the PRC, if research and development expenditures are charged to profit or loss but not accounted as intangible assets, 50% of the research and development expenditures incurred during a year can be applied to directly offset taxable income for the year).

Profit Attributable to Equity Shareholders

The Company's profit attributable to equity shareholders increased by 3.3% to approximately RMB1,071,769,000 for the Period under Review from approximately RMB1,037,054,000 for the corresponding period in 2012. Our net margin of approximately 15.3% for the Period under Review was roughly the same as the corresponding period in 2012.

Cash Flows

Cash flows of the Group for the Period under Review and corresponding period in 2012 are as follows:

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**1,601,544**	127,372
Net cash used in investing activities	**(1,514,453)**	(4,070,115)
Net cash from financing activities	**2,875,281**	2,958,369

Net Current Assets

As at 30 June 2013, the Group had net current assets of approximately RMB3,236,279,000, 45.3% higher than net current assets of approximately RMB2,226,671,000 as at 31 December 2012, mainly reflecting the facts that:

(i) As at 30 June 2013, the Group's current assets amounted to approximately RMB17,064,291,000, an increase of approximately RMB4,088,926,000 as compared with approximately RMB12,975,365,000 as at 31 December 2012. The increase was primarily due to increases in cash and cash equivalents, other receivables, deposits and prepayments; and

(ii) As at 30 June 2013, the Group's current liabilities amounted to approximately RMB13,828,012,000, an increase of approximately RMB3,079,318,000 as compared to approximately RMB10,748,694,000 as at 31 December 2012. The increase was primarily due to the reclassification of debentures matured within a year from non-current liabilities as at 31 December 2012 to current liabilities as at 30 June 2013.

Liquidity

As at 30 June 2013 and 31 December 2012, we had cash and cash equivalents of approximately RMB10,852,516,000 and approximately RMB7,890,144,000, respectively, and balances of pledged bank deposits shown under current assets of approximately RMB3,139,000 and RMB67,648,000, respectively.

Borrowings

As at 30 June 2013, our debentures and loans amounted to approximately RMB15,003,154,000 in aggregate, an increase of approximately RMB3,235,682,000 over approximately RMB11,767,472,000 as at 31 December 2012.

As at 30 June 2013, the Group's debentures and loans under current liabilities amounted to approximately RMB8,360,146,000 (31 December 2012: approximately RMB6,488,172,000) and debentures and loans under non-current liabilities amounted to approximately RMB6,643,008,000 (31 December 2012: approximately RMB5,279,300,000). Further details are disclosed in notes 19 and 20 to the Unaudited Interim Financial Report.

The Group's gearing ratio was approximately 52.6% as at 30 June 2013, while it was approximately 48.0% as at 31 December 2012. The ratio was calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

As at 30 June 2013, save for pledged bank deposits, the Group had five sets of horizontal single action aluminium extrusion presses of a total carrying amount of approximately RMB982,805,000 (31 December 2012: approximately RMB972,400,000) which are pledged assets for financing arrangements.

On 31 July 2012, the Group sold certain equipment to a financial institution at RMB800,000,000 and then leased back for five years at RMB183,612,000 per annum. The Group has an option to buy back these equipment at RMB1 on 1 August 2017 when the lease term expires, i.e. the bargain purchase option. The aggregate carrying value of the equipment amounted to approximately RMB982,805,000 at 30 June 2013 (31 December 2012: approximately RMB972,400,000).

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

Accordingly, this indicates that the arrangement does not, in substance, involve a lease under IAS 17. Instead, the sales and leaseback transactions are closely interrelated and shall be accounted for as one transaction lest the overall economic effect cannot be understood without reference to the series of transactions as a whole. The substance of the arrangement is cash borrowing, secured by the underlying asset and repayable in instalments over the lease term of five years. The information of the underlying assets and the secured borrowings is disclosed in notes 9 and 19(b) to the Unaudited Interim Financial Report.

Contingent Liabilities

As at 30 June 2013 and 31 December 2012, the Group had no material contingent liabilities.

Employees

As at 30 June 2013, the Group had 5,911 full-time employees for, inter alia, production, research and development, sales and management, representing an increase of 25.8% as compared with 4,697 employees as at 30 June 2012. During the Period under Review, relevant employee costs (including Directors' remuneration) were approximately RMB272,014,000 (including share option charges of approximately RMB6,972,000), an increase of 75.3% as compared with approximately RMB155,151,000 (including share option charges of approximately RMB14,331,000) for the corresponding period in 2012.

Employee costs (excluding share option charges) of the Group increased mainly because the Group increased its number of employees for the expansion of its 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 2013, the Group had 689 research and development and quality control personnel which accounted for 11.7% of the Group's total number of employees. The Group 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 stepped up its investment in research and development and the expenditures increased from approximately RMB33,624,000 for the corresponding period in 2012 to approximately RMB169,120,000 for the Period under Review. The share of our research and development expenditures in sales revenue increased to approximately 2.4% for the Period under Review from approximately 0.5% for the corresponding period in 2012. The increase mainly resulted from the research and development that the Group conducted during the Period under Review, with a view toward further developing high value-added, refined-/deep-processed industrial aluminium products, 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, heavy trucks, passenger cars and special vehicles.

Capital Commitments

As at 30 June 2013, 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 RMB18.9 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 2013, capital commitments in respect of the equipment already contracted for the production of aluminium flat rolled products amounted to approximately RMB15.6 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 2013, approximately 87.9% of the revenue of the Group was denominated in Renminbi and approximately 12.1% was denominated in USD, while approximately 89.7% of the borrowings of the Group were denominated in Renminbi and approximately 10.3% were denominated in USD.

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 bank borrowings and debentures. The Group has to face the cash-flow interest rate risk on floating-rate borrowings and fair value interest rate risk on fixed-rate borrowings. As at 30 June 2013, our fixed-rate borrowings were approximately RMB608,935,000 (31 December 2012: approximately RMB480,000,000).

During the Period under Review, the Group issued two tranches of short-term debentures, each at a value of RMB1,000,000,000 with a maturity period of one year, and at a fixed interest rate of 4.47% and 4.58% per annum, respectively.

During 2012, the Group issued debentures of RMB2,000,000,000 and RMB1,000,000,000, respectively, both with a maturity period of three years and at a fixed interest rate of 4.93% and 5.35% per annum, respectively.

During 2010 and 2011, the Group issued two tranches of debentures, each at a value of RMB1,200,000,000 with a maturity period of three years, and at a fixed interest rate of 4.07% and 5.68% per annum, respectively.

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 85.1% and 87.2% of the Group's cost of sales of aluminium extrusion products for the Period under Review and corresponding period in 2012, 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 most of 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 did not enter into any aluminium ingot forward contracts to hedge against aluminium ingot price fluctuation risk during the Period under Review.

Disclosure of Interests

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

As at 30 June 2013, the interests and short positions of our Directors and chief executive in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are as follows:

Name of Director	Capacity/Nature of Interests	Total number of ordinary shares	Approximate percentage of shareholding (%)
Liu Zhongtian ("Mr. Liu")	Interests in controlled corporation/ Long position(1)	4,004,200,000	74.07
Gou Xihui	Beneficial owner/Long position(2)	5,000,000	0.09
Lu Changqing	Beneficial owner/Long position(2)	4,200,000	0.08
Chen Yan	Beneficial owner/Long position(2)	4,200,000	0.08
Zhong Hong	Beneficial owner/Long position(2)	4,200,000	0.08
Lo Wai Kei, Roy	Beneficial owner/Long position(2)	600,000	0.01
Shi Ketong	Beneficial owner/Long position(2)	600,000	0.01
Wen Xianjun	Beneficial owner/Long position(2)	600,000	0.01
Wong Chun Wa	Beneficial owner/Long position(2)	600,000	0.01

(1) Zhongwang International Group Limited ("ZIGL") is the legal and beneficial owner of these shares. The entire issued share capital of ZIGL is legally and beneficially owned by Mr. Liu, who also serves as a director of ZIGL.

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

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or is deemed to have taken under the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" below, at no time during the six months ended 30 June 2013 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Directors' Interests in Competing Business

For the six months ended 30 June 2013, none of the Directors or controlling shareholders (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

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

As at 30 June 2013, to the best knowledge of the Directors, the table below lists out the persons (other than the Directors or chief executive of our Company), who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Capacity/Nature of Interests	Total number of ordinary shares	Approximate percentage of shareholding (%)
ZIGL	Beneficial owner/Long position[1]	4,004,200,000	74.07

(1) The entire issued share capital of ZIGL is legally and beneficially owned by Mr. Liu.

Save as disclosed above, as at 30 June 2013, the Directors are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share-Based Incentive Schemes

(a) Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted a pre-IPO share option scheme on 17 April 2008 (the "Pre-IPO Share Option Scheme"). According to the Pre-IPO Share Option Scheme, four Directors and 70 other employees (including two senior management members) of our Group were given the rights to subscribe for shares of the Company at the subscription price of HK$2.00 per share. The total number of the shares subject to the Pre-IPO Share Option Scheme is 40,400,000 shares, equivalent to approximately 0.75% of the issued share capital of the Company as at 30 June 2013. Since no further options can be granted under the Pre-IPO Share Option Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Pre-IPO Share Option Scheme.

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

Movement of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2013 is as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2013	Number of underlying shares comprised in the options lapsed or cancelled during the six months ended 30 June 2013	Number of underlying shares comprised in the options exercised during the six months ended 30 June 2013	Number of underlying shares comprised in the options outstanding as at 30 June 2013
Directors							
Lu Changqing	17 April 2008	7 May 2014	2.0	2,200,000	—	—	2,200,000
Chen Yan	17 April 2008	7 May 2014	2.0	2,200,000	—	—	2,200,000
Zhong Hong	17 April 2008	7 May 2014	2.0	2,200,000	—	—	2,200,000
Gou Xihui	17 April 2008	7 May 2014	2.0	1,700,000	—	—	1,700,000
70 Other Employees (including two senior management members) of our Group (one of the senior management members' options were granted on 30 December 2008)	17 April 2008	7 May 2014	2.0	32,100,000	—	—	32,100,000
Total				**40,400,000**	**—**	**—**	**40,400,000**

As at the date of this report, no further options were granted under the Pre-IPO Share Option Scheme and none of the share options under Pre-IPO Share Option Scheme had been exercised, cancelled nor lapsed.

(b) Share Option Scheme

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

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

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2013 is as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2013	Number of underlying shares comprised in the options lapsed or cancelled during the six months ended 30 June 2013	Number of underlying shares comprised in the options exercised during the six months ended 30 June 2013	Number of underlying shares comprised in the options outstanding as at 30 June 2013
Directors							
Gou Xihui	22 March 2011	21 March 2021	3.9	3,300,000	—	—	3,300,000
Lu Changqing	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Zhong Hong	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
49 Other Employees (including two senior management members of our Group)	22 March 2011	21 March 2021	3.9	33,400,000	—	—	33,400,000
Total				**45,100,000**	**—**	**—**	**45,100,000**

Save as disclosed above, during the six months ended 30 June 2013, no option was granted under the Share Option Scheme, and none of the share options under the Share Option Scheme had been exercised, cancelled nor lapsed.

Further particulars of the Pre-IPO Share Option Scheme and the Share Option Scheme mentioned above are set out in note 24 to the Unaudited Interim Financial Report on pages 52 to 54 of this Interim Report and the sections headed "Statutory and General Information — Other Information — Pre-IPO Share Option Scheme" and "Statutory and General Information — Other Information — Share Option Scheme" of the prospectus of the Company issued on 24 April 2009.

Disclosure Pursuant to Rule 13.18 of the Listing Rules

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 30 June 2013.

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

Pursuant to the terms of the Facility Agreement, in case of occurrence of an event that: (i) Mr Liu, the Company's Chairman and controlling shareholder (the "Majority Shareholder"), ceases to directly or indirectly own an aggregated beneficial ownership of at least 30 per cent in the issued share capital of the Company; or (ii) the Majority Shareholder and the directors, senior management and technical core personnel of any member of the Company and its subsidiaries ceases to directly or indirectly own an aggregated beneficial ownership of at least 51 per cent in the issued share capital of the Company, the Lenders may at its discretion and upon notification to the Company in accordance with the Facility Agreement cancel the Facility and declare all outstanding loans, together with accrued interest, and all other amounts accrued under the Facility Agreement to be immediately due and payable.

Corporate Governance and Other Information

Corporate Governance Practices

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

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

For the six months ended 30 June 2013, save as disclosed below, all the code provisions set out in the Governance Code were met by the Company.

Compliance with the Model Code by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013 and up to the date of this report.

Compliance with the Code on Corporate Governance Practices

Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

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

For the six months ended 30 June 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least one-third of the Board of independent non-executive Directors with one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Board Committees

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

(a) Audit Committee

The audit committee comprises three members who are all independent non-executive Directors with one member possessing appropriate professional qualifications or accounting or related financial management expertise. Members of the audit committee comprise Mr. Wong Chun Wa (chairman), Mr. Wen Xianjun and Mr. Shi Ketong. None of them is a member of the former or existing auditors of the Company. The audit committee has reviewed and discussed the audited annual results for the year ended 31 December 2012, the unaudited financial results and operational statistics for the three months ended 31 March 2013, and the unaudited interim results for the six months ended 30 June 2013, with the senior management of the Company, and has also reviewed the internal control, risk management and financial reporting matters of the Group. The terms of reference of the audit committee adopted by the Board have been published on the websites of the Company and the Stock Exchange according to requirements under the New Code.

(b) Nomination and Remuneration Committee

We established a remuneration committee in accordance with the requirements of Appendix 14 of the Listing Rules in 2009. In compliance with the Governance Code, the Company expanded its remuneration committee's duties on 28 December 2011 to include nomination-related authority and duties and changed its name to the nomination and remuneration committee. Members of the nomination and remuneration committee comprise Mr. Wen Xianjun (chairman), Mr. Liu and Mr. Shi Ketong. The terms of reference of the nomination and remuneration committee adopted by the Board have been published on the websites of the Company and the Stock Exchange according to requirements under the New Code.

(c) Corporate Governance Committee

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

(d) Strategy and Development Committee

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

Internal Control

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

i. effectiveness and efficiency of operations;

ii. reliability of financial reporting; and

iii. compliance with applicable laws and regulations.

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

Purchase, Sale or Redemption of the Shares

There was no redemption of any shares during the interim reporting period by our Company. There was also no purchase or sale of the Company's shares during the interim reporting period by our Company or any of its subsidiaries.

Major Purchase and Sale of the Subsidiaries and Associates

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

Interim Dividend

The Directors proposed not to declare any interim dividend for the six-month period ended 30 June 2013 (corresponding period in 2012: nil).

Directors' Profile Updates

Mr. Wen Xianjun ("Mr. Wen"), an independent non-executive Director, tendered his resignation as an independent director of Zhejiang Dongliang New Material Co., Ltd. on 24 June 2013. Mr. Wen's resignation will become effective upon the appointment of an independent director to fill his vacancy.

Mr. Wen was appointed as an independent director of Jiaozuo Wanfang Aluminum Manufacturing Co. Ltd. (焦作萬方鋁業股份有限公司), a company listed on the Shenzhen Stock Exchange, with effect from 24 July 2013.

Save as disclosed above, during the six months ended 30 June 2013 and up to the date of this report, there was no change to the information which is required to be disclosed and has been disclosed by all Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Continual Communications with Shareholders, Investors and Analysts

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

Media Relations

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

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

		Six months ended 30 June	
	Note	**2013** **RMB'000** **(unaudited)**	2012 RMB'000 (unaudited)
Revenue	4	**7,021,397**	6,876,847
Cost of sales		**(5,052,733)**	(5,269,910)
Gross profit		**1,968,664**	1,606,937
Investment income		**71,286**	77,274
Other income/(expenses) and other gains/(losses), net	5	**134,539**	88,291
Selling and distribution costs		**(67,231)**	(57,437)
Administrative and other operating expenses		**(447,294)**	(164,068)
Share of profit of an associate		**1,503**	1,547
Finance costs	6(a)	**(241,781)**	(164,879)
Profit before taxation	6	**1,419,686**	1,387,665
Income tax	7	**(347,917)**	(350,611)
Profit for the period attributable to equity shareholders of the Company		**1,071,769**	1,037,054
Other comprehensive income:			
Exchange differences arising on translation to presentation currency		**(145)**	770
Total comprehensive income for the period attributable to equity shareholders of the Company		**1,071,624**	1,037,824
Earnings per share			
Basic (RMB)	8	**0.20**	0.19
Diluted (RMB)	8	**0.20**	0.19

The notes on pages 39 to 54 form part of the interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 21(a).

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**6,343,326**	6,239,194
Prepaid lease payments	10	**4,879,242**	4,257,015
Interest in an associate		**54,514**	53,011
Deposits for acquisition of property, plant and equipment and prepaid lease	11	**9,314,008**	8,494,889
Pledged bank deposits	15	**1,532,000**	1,597,500
Deferred tax assets		**33,477**	32,724
		22,156,567	20,674,333
Current assets			
Inventories	12	**3,550,895**	3,988,488
Trade and bills receivables	13	**1,182,660**	784,856
Other receivables, deposits and prepayments	14	**1,372,336**	155,247
Prepaid lease payments	10	**102,745**	88,982
Pledged bank deposits	15	**3,139**	67,648
Cash and cash equivalents	16	**10,852,516**	7,890,144
		17,064,291	12,975,365
Current liabilities			
Trade payables	17	**3,953,354**	3,271,204
Bills payable	18	**342,550**	63,000
Other payables and accrued charges		**1,038,612**	820,028
Current tax liabilities		**133,350**	106,290
Debentures	20	**4,400,000**	1,200,000
Bank and other loans	19	**3,960,146**	5,288,172
		13,828,012	10,748,694
Net current assets		**3,236,279**	2,226,671
Total assets less current liabilities		**25,392,846**	22,901,004

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Non-current liabilities			
Bank and other loans	19	**3,643,008**	1,079,300
Debentures	20	**3,000,000**	4,200,000
Deferred tax liabilities		**163,259**	113,721
		6,806,267	5,393,021
NET ASSETS		**18,586,579**	17,507,983
CAPITAL AND RESERVES			
Share capital	21(b)	**474,675**	474,675
Reserves	21(c)	**18,111,904**	17,033,308
TOTAL EQUITY		**18,586,579**	17,507,983

The notes on pages 39 to 54 form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note21(c)(iv))	Other reserve RMB'000 (Note21 (c)(iii))	Surplus reserve RMB'000 (Note21(c)(i))	Enterprise development fund RMB'000 (Note21(c)(ii))	Share option reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012		474,675	9,039,698	(2,992,978)	635,898	1,165,761	1,165,761	113,851	1,797	6,073,066	15,677,529
Changes in equity for the six months ended 30 June 2012:											
Profit for the period		—	—	—	—	—	—	—	—	1,037,054	1,037,054
Other comprehensive income for the period		—	—	—	—	—	—	—	770	—	770
Total comprehensive income for the period		—	—	—	—	—	—	—	770	1,037,054	1,037,824
Recognition of share-based payment	24(b)	—	—	—	—	—	—	14,331	—	—	14,331
At 30 June 2012 and 1 July 2012 (unaudited)		474,675	9,039,698	(2,992,978)	635,898	1,165,761	1,165,761	128,182	2,567	7,110,120	16,729,684
Changes in equity for the six months ended 31 December 2012:											
Profit for the period		—	—	—	—	—	—	—	—	769,729	769,729
Other comprehensive income for the period		—	—	—	—	—	—	—	(485)	—	(485)
Total comprehensive income for the period		—	—	—	—	—	—	—	(485)	769,729	769,244
Recognition of share-based payment	24(b)	—	—	—	—	—	—	9,055	—	—	9,055
Appropriations		—	—	—	—	166,918	166,918	—	—	(333,836)	—
At 31 December 2012		474,675	9,039,698	(2,992,978)	635,898	1,332,679	1,332,679	137,237	2,082	7,546,013	17,507,983
At 1 January 2013		**474,675**	**9,039,698**	**(2,992,978)**	**635,898**	**1,332,679**	**1,332,679**	**137,237**	**2,082**	**7,546,013**	**17,507,983**
Changes in equity for the six months ended 30 June 2013:											
Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,071,769**	**1,071,769**
Other comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(145)**	**—**	**(145)**
Total comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(145)**	**1,071,769**	**1,071,624**
Recognition of share-based payment	24(b)	**—**	**—**	**—**	**—**	**—**	**—**	**6,972**	**—**	**—**	**6,972**
At 30 June 2013 (unaudited)		**474,675**	**9,039,698**	**(2,992,978)**	**635,898**	**1,332,679**	**1,332,679**	**144,209**	**1,937**	**8,617,782**	**18,586,579**

The notes on pages 39 to 54 form part of the interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 **RMB'000** **(unaudited)**	2012 RMB'000 (unaudited)
Net cash generated from operating activities	**1,601,544**	127,372
Net cash used in investing activities	**(1,514,453)**	(4,070,115)
Net cash generated from financing activities	**2,875,281**	2,958,369
Net increase/(decrease) in cash and cash equivalents	**2,962,372**	(984,374)
Cash and cash equivalents at the beginning of the period	**7,890,144**	10,122,226
Cash and cash equivalents at the end of the period	**10,852,516**	9,137,852

The notes on pages 39 to 54 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

1 Corporate information

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

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

2 Basis of preparation

The interim financial report has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and relevant disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim financial report was authorised for issue on 28 August 2013. It was unaudited.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 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 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 8 March 2013.

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 1, Presentation of financial statements — Presentation of items of other comprehensive income

  The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss.

3 Changes of accounting policies (continued)

— IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements, relating to the preparation of consolidated financial statements and SIC 12, Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

— IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

— IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

— Annual Improvements to IFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the chief operating decision maker and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

— Amendments to IFRS 7, Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation*, and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32. The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

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

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

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

4 Segment reporting

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

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

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

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

At 30 June 2013, 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	
	2013 **RMB'000** **(unaudited)**	2012 RMB'000 (unaudited)	**2013** **RMB'000** **(unaudited)**	2012 RMB'000 (unaudited)
Industrial	**6,650,203**	6,573,939	**1,925,002**	1,597,554
Construction	**369,459**	302,908	**41,973**	9,383
Others	**1,735**	—	**1,689**	—
Total	**7,021,397**	6,876,847	**1,968,664**	1,606,937
Investment income and other income/ (expenses) and other gains/(losses), net			**205,825**	165,565
Selling and distribution costs			**(67,231)**	(57,437)
Administrative and other operating expenses			**(447,294)**	(164,068)
Share of profit of an associate			**1,503**	1,547
Finance costs			**(241,781)**	(164,879)
Profit before taxation			**1,419,686**	1,387,665
Income tax			**(347,917)**	(350,611)
Profit for the period			**1,071,769**	1,037,054

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

4 Segment reporting (continued)

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

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
People's Republic of China ("PRC")	**6,171,267**	6,325,990
United States of America	**840,224**	548,756
Others	**9,906**	2,101
	7,021,397	6,876,847

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Government subsidies (Note)	**126,302**	96,672
Sales of equipment	**79,804**	—
Others	**3,172**	1,248
Other expenses		
Cost of sales of equipment	**(67,372)**	—
Other gains/(losses), net		
Losses on disposal of property, plant and equipment	**—**	(10,237)
Exchange (losses)/gains	**(5,984)**	910
Others	**(1,383)**	(302)
Total	**134,539**	88,291

Note: The amounts mainly represent subsidies received from the Finance Bureau and other government departments of Liaoyang City, Daqing 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	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
(a) Finance costs		
Interests on borrowings wholly repayable within five years:		
— Bank and other loans	**193,225**	156,354
— Debentures	**154,200**	60,143
Less: Interest expense capitalised into deposits for acquisition of property, plant and equipment*	**(105,644)**	(51,618)
Total finance costs	**241,781**	164,879

* The borrowing costs have been capitalised at an average interest rate of 4.72% per annum (six months ended 30 June 2012: 5.11%).

(b) Staff costs		
Staff costs (including directors' remunerations):		
— Salaries and other benefits	**251,515**	131,669
— Contributions to defined contribution retirement plan	**13,527**	9,151
— Equity-settled share-based payment expenses	**6,972**	14,331
	272,014	155,151
(c) Other items		
Amortisation of prepaid lease payments	**53,311**	25,562
Depreciation of property, plant and equipment	**193,702**	225,810
Reversal of impairment losses on trade receivables	**(510)**	(1,098)
Operating lease charges in respect of office premises	**9,993**	4,805
Research and development costs	**169,120**	33,624
Cost of inventories	**5,120,105**	5,269,910

7 Income tax

	Six months ended 30 June	
	2013 **RMB'000** **(unaudited)**	2012 RMB'000 (unaudited)
Current tax — PRC tax		
Provision for the period	**295,868**	328,999
Over-provision in prior years	**—**	(1,245)
Withholding tax on intra-group interest income	**3,264**	2,052
	299,132	329,806
Deferred taxation	**48,785**	20,805
Total income tax	**347,917**	350,611

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.

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 2013 and 2012 and on the number of shares as follows:

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Profit attributable to equity shareholders of the Company	**1,071,769**	1,037,054

	Six months ended 30 June	
	2013 '000 (unaudited)	2012 '000 (unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**5,406,306**	5,406,306
Effect of dilutive potential ordinary shares: — Share options issued by the Company	**10,989**	12,324
Weighted average number of shares for the purpose of diluted earnings per share	**5,417,295**	5,418,630
Earnings per share		
Basic (RMB)	**0.20**	0.19
Diluted (RMB)	**0.20**	0.19

The computation of diluted earnings per share does not assume the exercise of certain share options because the exercise price of those options was higher than the average market price for shares for each of the six-month periods ended 30 June 2013 and 2012.

9 Property, plant and equipment

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of approximately RMB297,834,000 (six months ended 30 June 2012: RMB320,208,000). No property, plant and equipment were disposed during the six months ended 30 June 2013 (six months ended 30 June 2012: the net book value of disposed property, plant and equipment amounted to RMB11,413,000), resulting in no gain or loss on disposal (six months ended 30 June 2012: loss on disposal amounted to RMB10,237,000).

As at 30 June 2013, certain of the Group's machineries with a carrying amount of approximately RMB982,805,000 (31 December 2012: RMB972,400,000) were used to secure the Group's borrowings (see Note 19(b)).

10 Prepaid lease payments

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

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Leasehold land in the PRC under leases	**4,981,987**	4,345,997
Analysed for reporting purpose:		
— Current assets	**102,745**	88,982
— Non-current assets	**4,879,242**	4,257,015
	4,981,987	4,345,997

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

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment (Note)	**9,314,008**	7,814,243
Deposits for acquisition of prepaid lease	**—**	680,646
	9,314,008	8,494,889

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 RMB8,376,278,000 (31 December 2012: RMB7,185,181,000).

12 Inventories

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Raw materials	**2,818,499**	3,403,220
Work in progress	**396,060**	358,054
Finished goods	**336,336**	227,214
	3,550,895	3,988,488

13 Trade and bills receivables

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Trade and bills receivables	**1,192,647**	795,353
Less: Impairment losses	**(9,987)**	(10,497)
	1,182,660	784,856

For the six months ended 30 June 2013, the Group allows an average credit period of 90 days (six months ended 30 June 2012: 90 days) for domestic sales and an average credit period of 180 days (six months ended 30 June 2012: 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 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
0 to 90 days	**582,185**	426,296
91 to 180 days	**452,799**	220,714
Over 180 days	**147,676**	137,846
	1,182,660	784,856

In determining the recoverability of the trade receivables, the Group considered any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. As at 30 June 2013, included in trade receivables are receivables due from three (31 December 2012: three) customers located in the PRC amounting to approximately RMB904,169,000 (31 December 2012: RMB614,465,000). The directors also believed that there is no further credit provision required in excess of the allowance for doubtful debts.

As at 30 June 2013, trade receivables of approximately RMB234,557,000 (31 December 2012: RMB195,983,000) were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

14 Other receivables, deposits and prepayments

As at 30 June 2013, included in the other receivables, deposits and prepayments are prepayments paid to suppliers amounting to approximately RMB1,081,960,000 (31 December 2012: RMB96,735,000).

15 Pledged bank deposits

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

16 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 2013, included in cash and cash equivalents of the Group were fixed deposits of RMB Nil (31 December 2012: RMB50,811,000) with an original maturity of three months or less.

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 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
0–90 days	**1,384,138**	1,659,523
91–180 days	**1,353,135**	1,611,681
181 days to 1 year	**1,216,081**	—
	3,953,354	3,271,204

18 Bills payable

As at 30 June 2013, all the bills payable are repayable within 180 days (31 December 2012: 180 days) and are denominated in Renminbi.

As at 30 June 2013, bills payable amounting to RMB Nil (31 December 2012: RMB63,000,000) was secured by deposits placed in banks.

19 Bank and other loans

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

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Bank loans:		
— Guaranteed by a related party	**—**	1,500,000
— Unguaranteed and unsecured	**2,108,935**	932,556
	2,108,935	2,432,556
Add: Current portion of long-term bank and other loans	**1,851,211**	2,855,616
	3,960,146	5,288,172

19 Bank and other loans (Continued)

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

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Bank loans:		
— Guaranteed by a related party	**1,500,000**	—
— Unguaranteed and unsecured	**3,445,740**	3,320,000
Other loan:		
— Secured by property, plant and equipment (Note)	**548,479**	614,916
	5,494,219	3,934,916
Less: Current portion of long-term bank and other loans	**(1,851,211)**	(2,855,616)
	3,643,008	1,079,300

Note: At 30 June 2013, the long-term loan from a financial institution is secured by certain property, plant and equipment of the Group (see Note 9). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB982,805,000 at 30 June 2013 (31 December 2012: RMB972,400,000).

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the Group's bank and other loans is subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions.

20 Debentures

During the year ended 31 December 2010, the Group issued an unsecured debenture of RMB1,200,000,000 with maturity of three years and repayable on 9 November 2013, with effective interest rate of 4.07% per annum. The debenture was guaranteed by an independent third party at a fee of RMB6,244,000 per annum.

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

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

During the six months period ended 30 June 2013, the Group issued two unsecured debentures of RMB1,000,000,000 each with maturity of one year and repayable on 13 March 2014 and 8 May 2014, respectively, and with effective interest rate of 4.47% and 4.58% per annum, respectively.

21 Capital, reserves and dividends

(a) Dividends

The directors proposed not to declare any interim dividends for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

(b) Share capital

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary share of HK$0.1 each:			
Authorised:			
At 1 January 2012, 31 December 2012 and 30 June 2013	8,000,000,000	800,000	N/A
Issued:			
At 1 January 2012, 31 December 2012 and 30 June 2013	5,406,306,400	540,631	474,675

(c) Nature and purpose of reserves

(i) Surplus reserve

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

(ii) Enterprise development fund

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

(iii) Other reserve

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

(iv) Special reserve

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

22 Commitments

(a) Capital commitments

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**18,874,308**	18,299,236

(b) Operating lease commitments

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 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within one year	**19,194**	16,565
After one year but within five years	**20,035**	23,190
	39,229	39,755

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.

23 Related party transactions

During each of the six-month periods ended 30 June 2013 and 2012, the Group had entered into the following transactions with related companies:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Goods purchased from related companies	**—**	4,031
Rental income from an associate	**75**	75
Guarantees obtained from a related company	**1,500,000**	1,500,000

24 Share-based payments

(a) Pre-IPO Share Option Scheme

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

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

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

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

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

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

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

24 Share-based payments (Continued)

(b) Share Option Scheme

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

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

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

Type of share option	Grant date	Exercise period	Exercise price HK$	Number of share options granted on grant date
Scheme	17/04/2008	08/05/2009 to 07/05/2014	2.00	40,400,000
Category: Directors				8,300,000
Employees				32,100,000
Share Option Scheme	22/03/2011	22/03/2012 to 21/03/2021	3.90	45,700,000
Category: Directors				11,700,000
Employees				34,000,000

24 Share-based payments (Continued)

(b) Share Option Scheme (Continued)

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

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

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

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

The following table discloses movement of the Company's share options held by grantees during the six months ended 30 June 2013:

Type of option	Outstanding at 1 January 2013	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 30 June 2013	Exercisable at the end of the period
Scheme	40,400,000	-	-	-	-	40,400,000	40,400,000
Share Option Scheme	45,100,000	-	-	-	-	45,100,000	18,040,000

During the six months ended 30 June 2013, share based payment expenses of approximately RMB1,754,000 (six months ended 30 June 2012: RMB4,969,000) and approximately RMB5,218,000 (six months ended 30 June 2012: RMB9,362,000) in relation to the Scheme and Share Option Scheme, respectively, are recognised in profit or loss.