中国忠旺控股有限公司*

China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01333)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	*(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)		
Basic (RMB)	**0.20**	0.19
Diluted (RMB)	**0.20**	0.19

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

Note: 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.

* *For identification purpose only*

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2013 (the "**Period under Review**"), together with the comparative figures for the six months ended 30 June 2012, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Note	**Six months ended 30 June 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/(expense) 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

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		**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	14	**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		**1,372,336**	155,247
Prepaid lease payments	10	**102,745**	88,982
Pledged bank deposits	14	**3,139**	67,648
Cash and cash equivalents	15	**10,852,516**	7,890,144
		17,064,291	12,975,365
Current liabilities			
Trade payables	16	**3,953,354**	3,271,204
Bills payable	17	**342,550**	63,000
Other payables and accrued charges		**1,038,612**	820,028
Current tax liabilities		**133,350**	106,290
Debentures		**4,400,000**	1,200,000
Bank and other loans		**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 (Continued)

As at 30 June 2013

	As at 30 June 2013 ***RMB'000*** ***(unaudited)***	As at 31 December 2012 *RMB'000* *(audited)*
Non-current liabilities		
Bank and other loans	**3,643,008**	1,079,300
Debentures	**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	**474,675**	474,675
Reserves	**18,111,904**	17,033,308
TOTAL EQUITY	**18,586,579**	17,507,983

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	*(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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 condensed consolidated interim financial statements 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 condensed consolidated interim financial statements was authorised for issue on 28 August 2013. It was unaudited.

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

This condensed consolidated interim financial statements 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 condensed consolidated interim financial statements as being previously reported information does not constitute the Company's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 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.

— 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.

3 Changes of accounting policies (Continued)

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 condensed consolidated interim financial statements 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 condensed consolidated interim financial statements 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		**Segment profit**	
	Six months ended 30 June		**Six months ended 30 June**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(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.

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.

4 Segment reporting (Continued)

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	2012
	RMB'000	*RMB'000*
	(unaudited)	*(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	2012
	RMB'000	*RMB'000*
	(unaudited)	*(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

7 Income tax (Continued)

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	2012
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit attributable to equity shareholders of the Company	**1,071,769**	1,037,054

	Six months ended 30 June	
	2013	2012
	'000	*'000*
	(unaudited)	*(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 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).

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

14 Pledged bank deposits

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

15 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and bank deposits with an original maturity of three months or less. As at 30 June 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.

16 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

17 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.

18 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.

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 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. 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.

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		**Sales volume**		**Average selling price**	Revenue		Sales volume		Average selling price
	RMB'000	*%*	***tonnes***	*%*	***RMB/ tonne***	*RMB'000*	*%*	*tonnes*	*%*	*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		**Sales volume**		**Average selling price**	Revenue		Sales volume		Average selling price
	RMB'000	*%*	***tonnes***	*%*	***RMB/ tonne***	*RMB'000*	*%*	*tonnes*	*%*	*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		**Gross margin**	Gross profit		Gross margin
	RMB'000	*%*		*RMB'000*	*%*	
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.

Interim Dividend

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

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 receiveables, 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 under current assets were 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 bank loans under non-current liabilities amounted to approximately RMB6,643,008,000 (31 December 2012: approximately RMB5,279,300,000).

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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

For the six months ended 30 June 2013, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following provision.

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

Compliance with the Model Code by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Review of Financial Statements

The audit committee of the Board has discussed with the Company's management and reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013.

Publication of Interim Report on the Websites of the Stock Exchange and the Company

The Company's interim report for the six months ended 30 June 2013 will be published on the website of the Stock Exchange and the Company's website at www.zhongwang.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

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

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

Hong Kong, 28 August 2013

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

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

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