中国忠旺控股有限公司*

China Zhongwang Holdings Limited

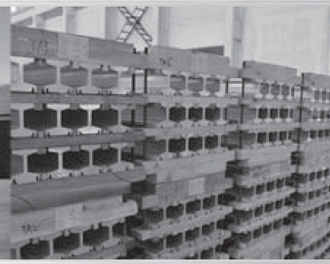
(incorporated in the Cayman Islands with limited liability)

Stock Code : 1333

2009 Interim Report

* *For identification purposes only*

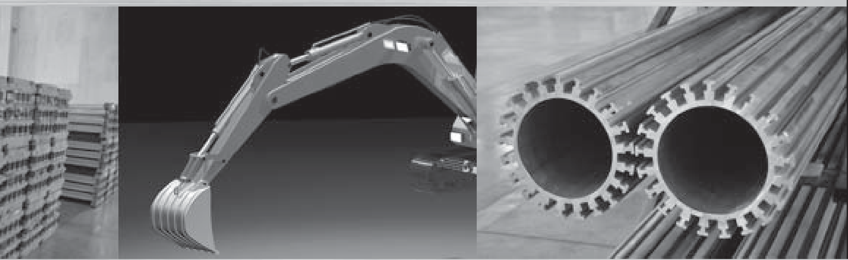


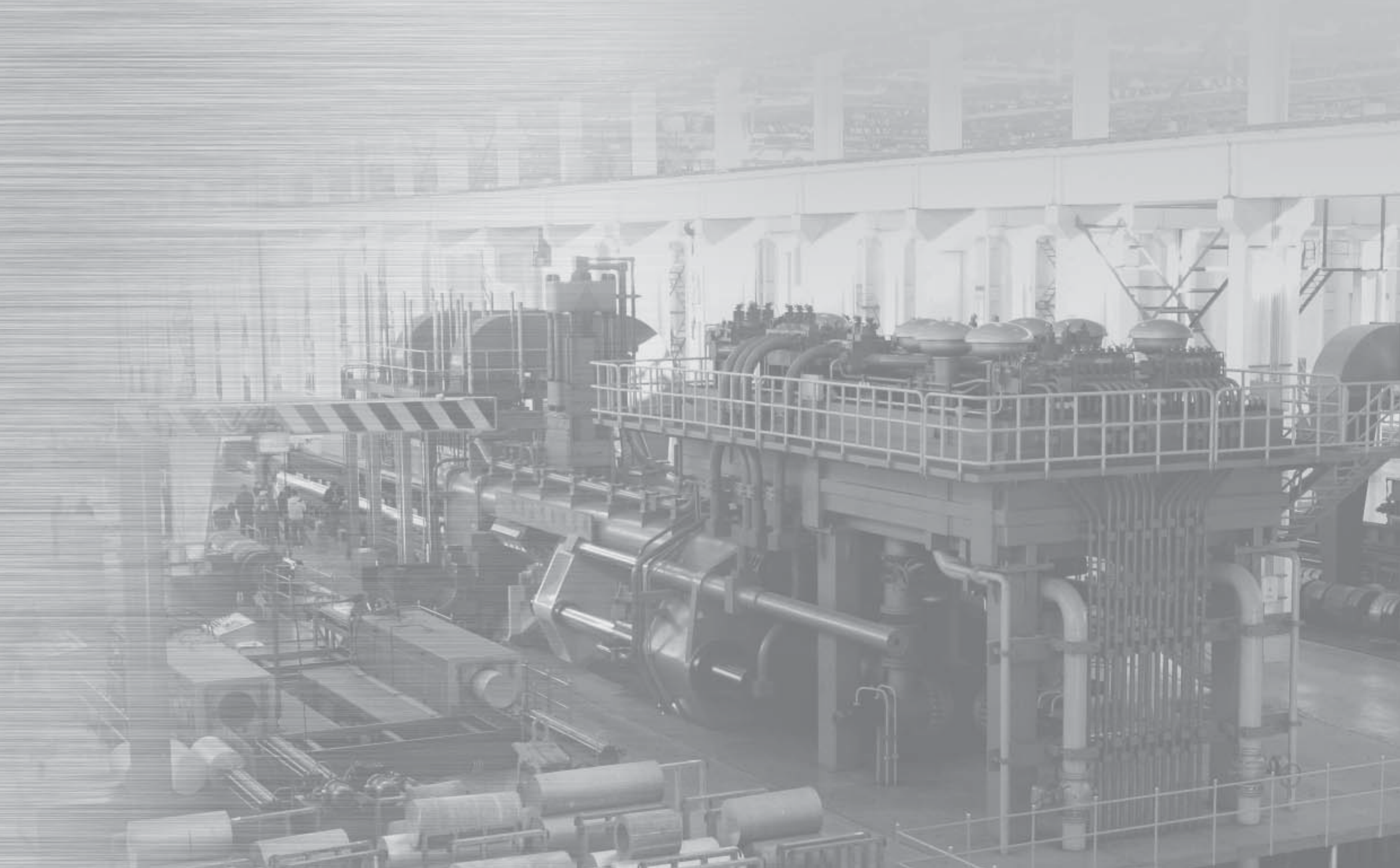



China Zhongwang Holdings Limited

2009 Interim Report

Contents





Corporate Information

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

1333

Executive Directors

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

Non-executive Director

Mr. Ma Xiaowei

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

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. Lu Changqing
Mr. Cheung Lap Kei

Authorized Representatives

Mr. Lu Changqing
Mr. Cheung Lap Kei

Registered Office

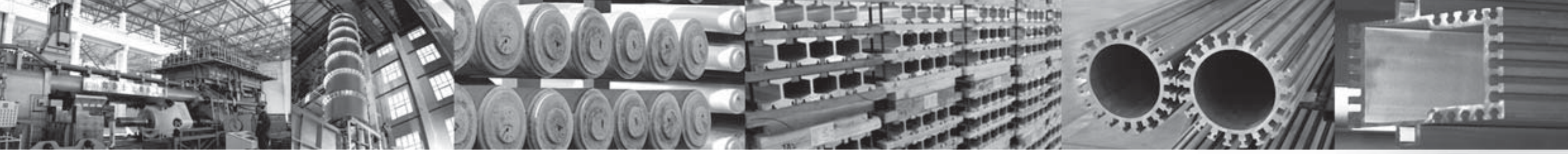
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the PRC

No. 299, Wensheng Road
Liaoyang City
Liaoning 111003
China

Place of Business in Hong Kong

20th Floor, Alexandra House
Central, Hong Kong



Corporate Information

Company Website

www.zhongwang.com

Investor Relations

Email: ir@zhongwang.com

Compliance Advisor

Shenyin Wanguo Capital (H.K.) Limited
28/F, Citibank Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

Legal Advisors

As to Hong Kong laws

Freshfields Bruckhaus Deringer
11/F, Two Exchange Square,
8 Connaught Place
Central, Hong Kong

As to PRC laws

Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022, PRC

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway, Hong Kong

Principal Share Registrar in the Cayman Islands

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman
KY1-1107
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 & Media Relations Advisor

Porda International (Finance) PR Group
Units 2009–2018,
20th Floor, Shui On Centre,
6–8 Harbour Road
Wanchai, Hong Kong

Financial Highlights

	For the six months ended 30 June		
			Change in
	2009	2008	**percentage**
	RMB'000	RMB'000	**%**
	(audited)	(unaudited)	
Turnover	**6,328,588**	5,802,725	9.1
Gross profit	**2,512,184**	1,493,657	68.2
Gross profit ratio	**39.7**	25.7	N/A
Operating profits (note 1)	**2,249,769**	1,272,087	76.9
Listing expenses	**36,558**	—	N/A
Profit before income tax	**2,213,211**	1,272,087	74.0
Profit for the period (note 2)	**1,624,826**	946,495	71.7
Earnings per share			
Basic	**RMB0.37**	RMB0.24	54.2
Diluted	**RMB0.37**	N/A	N/A

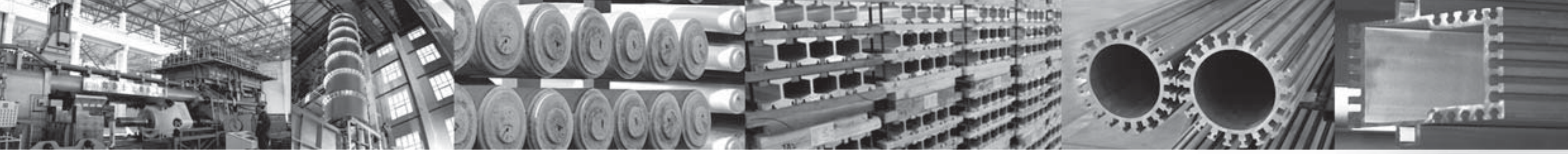
	As at	As at	
	30 June	31 December	**Change in**
	2009	2008	**percentage**
	RMB'000	RMB'000	**%**
	(audited)	(audited)	
Net cash (note 3)	**6,203,551**	(508,821)	N/A
Net assets	**12,249,862**	3,205,076	282.2
Gearing ratio	**41.7**	75.1	N/A

Notes:

1. Operating profits represent profit before listing expenses and income tax.

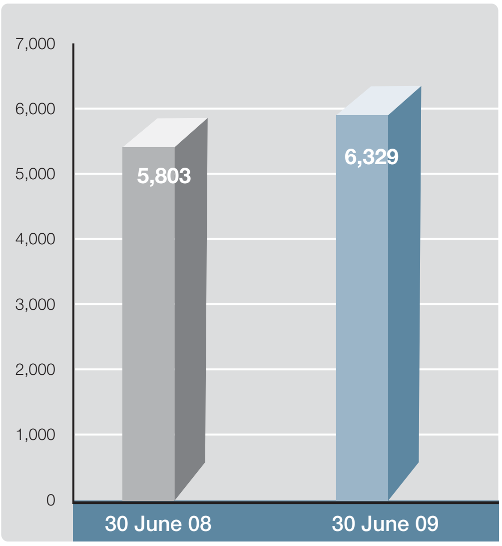
2. For the purpose of illustration, excluding the impact of one-off expenses related to the Listing which was charged to the income statement, profit for the period of the Company would have increased by approximately 75.5% to approximately RMB1,661,384,000 (30 June 2008: approximately RMB946,495,000).

3. Bank deposits and cash (excluding pledged bank deposits) less bank borrowings and short-term debentures.

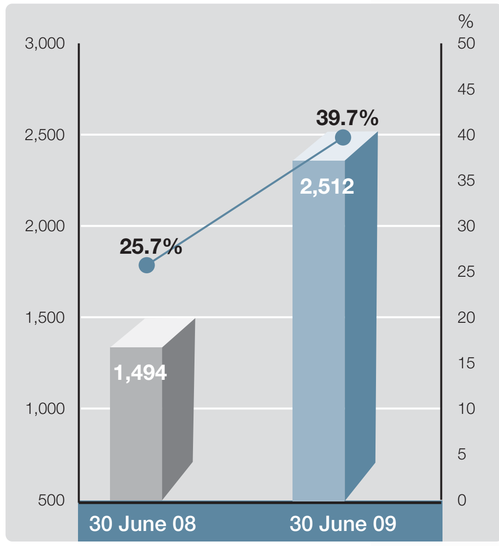


Financial Highlights

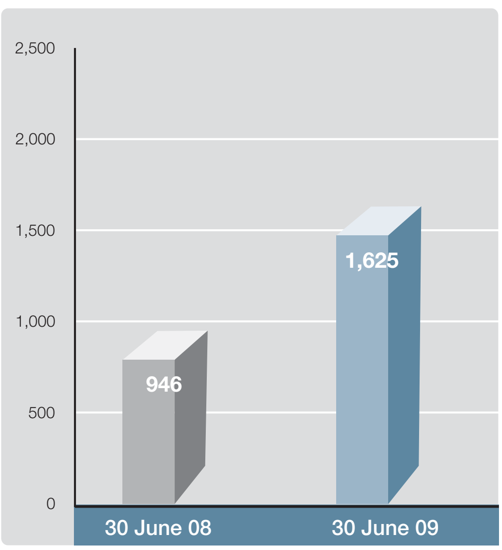
Revenue
(RMB million)



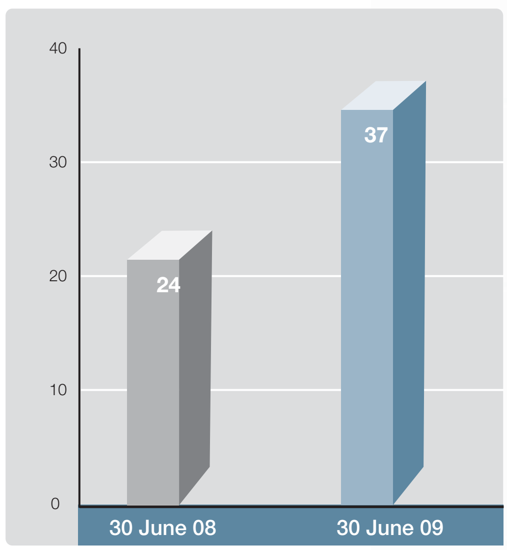
Gross Profit/ Gross Profit Margin
(RMB million)



Profit
(RMB million)



Earnings per Share (Basic)
(RMB cents)



Chairman's Statement

Dear Shareholders,

The board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") are pleased to present the first interim report since the Group's listing (the "Listing") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 May 2009.

The Listing marked a major milestone for the Group. The net proceeds from the initial public offering of the Company's shares (the "IPO") amounted to approximately HK$9.5 billion. The IPO strengthened the capital base of the Group and established a platform for the Group to tap funds for future opportunities and advancement in the market of industrial aluminum extrusion products.

The Group has focused on the development, production and sale of quality industrial aluminum extrusion products mainly used in the transportation, machinery equipment and infrastructure sectors in recent years, including parts and components for end products such as railway cargo, passenger carriages, metropolitan rails (subways and light rails), light trucks, automobiles, aircrafts, vessels and power transmitters.

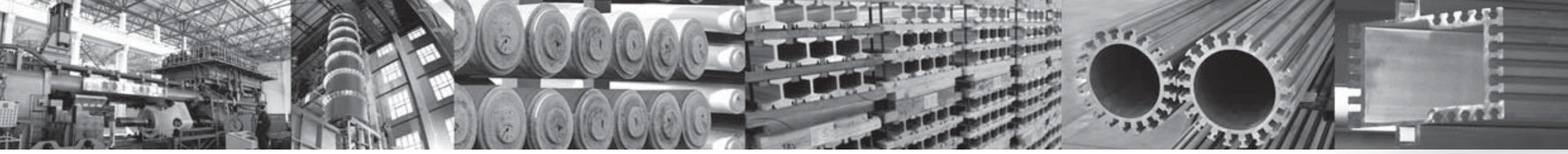
For the first half of the financial year of 2009, the Group achieved remarkable improvement in its results when compared with the corresponding period last year. During the period, the revenue of the Group was approximately RMB6,328,588,000 (same period of 2008: RMB5,802,725,000), representing an increase of 9.1% over the corresponding period last year. Profits of the Group increased by approximately 71.7% to approximately RMB1,624,826,000 (same period of 2008: RMB946,495,000) and earnings per share were RMB0.37 (same period of 2008: RMB0.24). Excluding the effect of the one-off listing expense of approximately RMB36,558,000 charged to the income statement, the Group's actual profits were approximately RMB1,661,384,000 for the period, representing an increase of 75.5% over the corresponding period last year. The Listing and trading of the shares of the Company only started in May of 2009 and the proceeds shall be applied in accordance with the corresponding prospectus. Therefore, the Directors do not propose the payment of interim dividends.

The Group will continue to expand the business of industrial aluminum extrusion products used in the transportation, machinery equipment and infrastructure sectors. China will remain our major market while our coverage will continue to extend to overseas markets. The Group believes that our business growth will be maintained in the second half of the year and will bring satisfactory rewards to the Group and its shareholders. In view of our long-term development, we will further expand our production capacity to meet ever-increasing demand from customers at home and abroad.

I would like to express my gratitude to our shareholders, investors and customers for their trust and support and my appreciation to management and all the staff for their efforts and contribution.

Liu Zhongtian
Chairman

Hong Kong, 25 August 2009



Management Discussion and Analysis

Financial Review

The Group is headquartered in Liaoyang City, Liaoning Province, China. Our manufacturing facilities are strategically located in Liaoning which is in close proximity to major production areas of aluminum ingots, coal and electricity, the principal raw materials and energy sources used in the manufacturing of our products. The Group is principally engaged in the production and sale of quality aluminum extrusion products which meet the stringent specifications and quality standards of our customers. We produce a wide range of aluminum extrusion products for various applications, which can be broadly classified into two principal product categories, namely, industrial aluminum extrusion products and construction aluminum extrusion products.

Our industrial aluminum extrusion products entail the following: We produce plain, sizable, large-section and high-precision aluminum extrusion products primarily used as parts and components for end products such as railway cargo and passenger carriages, metropolitan rails (subways and light rails), light trucks, automobiles, aircraft, vessels, power transmitters, machinery equipment and infrastructure. Our industrial aluminum extrusion products are manufactured on a customized basis in accordance with our customers' specifications and quality standards.

Our construction aluminum extrusion products entail the following: Our construction aluminum extrusion products are primarily used in the fabrication of door frames and window frames, curtain wall systems, and interior decoration materials for building construction purposes.

In light of the increasing demand from customers of the industrial market and its higher profit margin as compared with that of the construction market, we will concentrate on developing industrial aluminum extrusion products with a particular focus on the transportation, machinery equipment and infrastructure sectors.

The Group typically sets prices for our products on a "cost-plus" basis, pursuant to which we add our processing charges to the prevailing market price of aluminum ingots, taking into account the complexity of product design, level of precision of the product, size of the contract, trading history and our relationship with the customer, and the overall market condition and demand. The Group only maintains minimum inventory of aluminum ingots, the principal raw materials for the production of aluminum extrusion products. Industrial aluminum extrusion products are customized products and the Group generally will not keep stock in excess of the ordered amount. As a result, the risk of price fluctuations of aluminum ingots is passed to our customers.

Management Discussion and Analysis

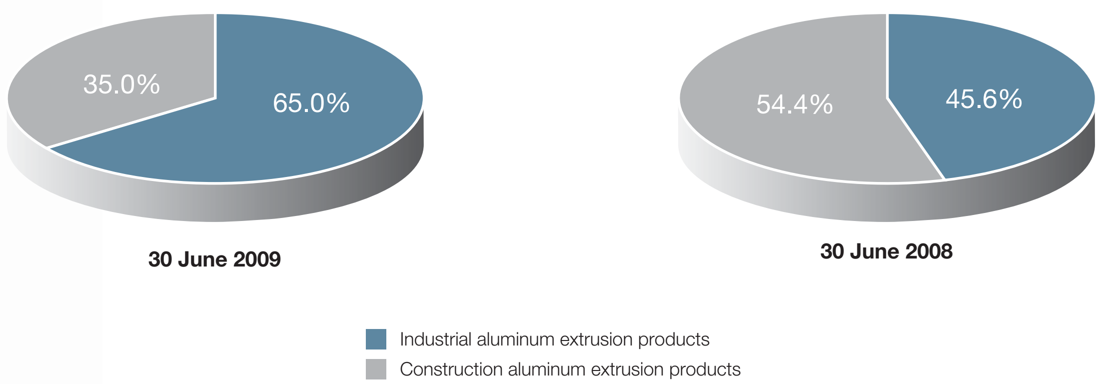
Turnover

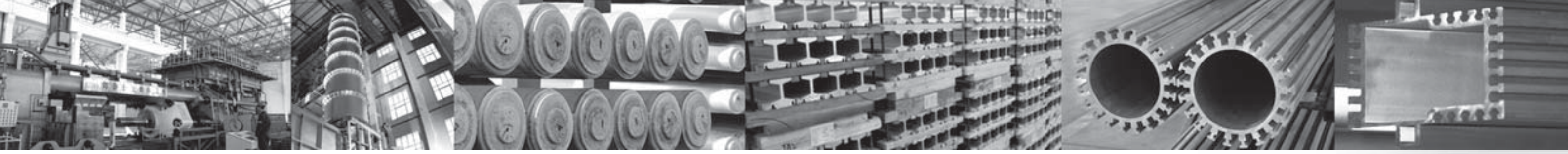
For the period ended 30 June 2009, our turnover amounted to approximately RMB6,328,588,000, representing an increase of approximately 9.1% as compared to approximately RMB5,802,725,000 for the same period last year.

The following table sets forth the breakdown of our revenue, sales volume and gross profit margin by product category for the period ended 30 June 2009.

	For the six months ended 30 June									
	2009					2008				
	Revenue RMB million	**%**	**Sales volume (tons)**	**%**	**Gross profit margin %**	Revenue RMB million	%	Sales volume (tons)	%	Gross profit margin %
Industrial aluminum extrusion products	**4,710**	**74.4**	**159,478**	**65.0**	**48.1**	3,080	53.1	106,236	45.6	37.0
Construction aluminum extrusion products	**1,619**	**25.6**	**86,041**	**35.0**	**15.3**	2,723	46.9	126,882	54.4	13.0
Total	**6,329**	**100.0**	**245,519**	**100.0**	**39.7**	5,803	100.0	233,118	100.0	25.7

Revenue by Product





Management Discussion and Analysis

Revenue increased by 9.1% from RMB5,802,725,000 for the period ended 30 June 2008 to RMB6,328,588,000 for the period ended 30 June 2009. The increase in revenue was mainly due to the significant increase in sales volume and average selling price of our industrial aluminum extrusion products caused by increased processing fees charged to our customers. Such increase resulted primarily from a growing market demand for our industrial aluminum extrusion products used in the transportation, machinery equipment and infrastructure sectors.

Revenue generated from our industrial aluminum extrusion products increased significantly by 52.9% from RMB3,080,198,000 for the period ended 30 June 2008 to RMB4,709,554,000 for the period ended 30 June 2009. Revenue generated from our construction aluminum extrusion products decreased by 40.5% from RMB2,722,527,000 for the period ended 30 June 2008 to RMB1,619,034,000 for the period ended 30 June 2009. Our total sales volume increased from 233,118 tons for the period ended 30 June 2008 to 245,519 tons for the period ended 30 June 2009, and our average selling price was RMB25,776 per ton for the period ended 30 June 2009 as compared to RMB24,892 per ton for the period ended 30 June 2008.

The sales volume of our industrial aluminum extrusion products increased from 106,236 tons for the period ended 30 June 2008 to 159,478 tons for the period ended 30 June 2009. The sales volume of our construction aluminum extrusion products decreased from 126,882 tons for the period ended 30 June 2008 to 86,041 tons for the period ended 30 June 2009. The average selling price of our industrial aluminum extrusion products increased from RMB28,994 per ton for the period ended 30 June 2008 to RMB29,531 per ton for the period ended 30 June 2009, while the average selling price of our construction aluminum extrusion products decreased from RMB21,457 per ton for the period ended 30 June 2008 to RMB18,817 per ton for the period ended 30 June 2009. Based on the “cost-plus” pricing model, the selling price of our products was calculated according to the prevailing market price of aluminum ingots plus our processing charges. For the period ended 30 June 2009, the processing charges for the Group’s industrial aluminum extrusion products and construction aluminum extrusion products increased as compared to the same period last year and the average purchasing price of aluminum ingots decreased as compared to the same period last year. Price of industrial aluminum extrusion products of the Group increased mainly because the growth of processing charges on products was more than the decrease of aluminum ingot price. Price of the Group’s construction aluminum extrusion products decreased mainly because the growth of processing charges on products was smaller than the decrease of aluminum ingot price.

Management Discussion and Analysis

As a result of our business strategy to increase our penetration of the industrial market, which has shown an increasing demand and provided a higher profit margin than the construction market, during the period, our sales of industrial aluminum extrusion products increased significantly and accounted for 74.4% of our revenue while our sales of construction aluminum extrusion products accounted for 25.6% of our revenue.

China has been the major market for our products. Nevertheless, the enhanced international reputation of the Company upon the Listing in Hong Kong and the increasing demand from overseas customers resulted in a rise in the Group's overseas sales from 3.6% as at 30 June 2008 to 21.9% as at 30 June 2009 of the Group's total sales. Overseas customers of the Group are mainly located in regions like the United States and Australia.

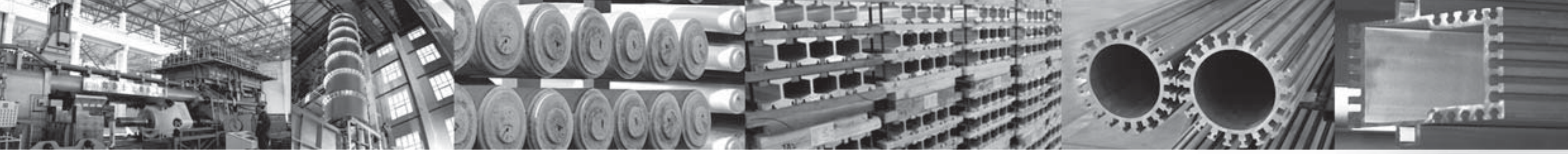
Cost of sales

Cost of sales decreased by 11.4% from RMB4,309,068,000 for the period ended 30 June 2008 to RMB3,816,404,000 for the period ended 30 June 2009. Cost of sales for our industrial aluminum extrusion products increased by 26.0% from RMB1,939,734,000 for the period ended 30 June 2008 to RMB2,444,543,000 for the period ended 30 June 2009, while cost of sales for our construction aluminum extrusion products decreased by 42.1% from RMB2,369,334,000 for the period ended 30 June 2008 to RMB1,371,861,000 for the period ended 30 June 2009. Such decrease was mainly due to the fact that the average purchasing price for aluminum ingots for the period decreased in comparison to the same period last year. Aluminum ingots made up the primary cost of sales for the Group.

Gross profit

Our gross profit increased by 68.2% from RMB1,493,657,000 for the period ended 30 June 2008 to RMB2,512,184,000 for the period ended 30 June 2009. Our overall gross profit margin increased from 25.7% for the period ended 30 June 2008 to 39.7% for the period ended 30 June 2009. The gross profit margin of our industrial aluminum extrusion products increased from 37.0% for the period ended 30 June 2008 to 48.1% for the period ended 30 June 2009, mainly because some of our large aluminum extrusion presses commenced production in 2008. The commencement of production allowed us to produce large-section, high-precision aluminum extrusion products, which enhanced our competitiveness in the market and increased market demand for our industrial aluminum extrusion products. As such, the average selling prices of our industrial aluminum extrusion products increased.

The gross profit margin of our construction aluminum extrusion products increased from 13.0% for the period ended 30 June 2008 to 15.3% for the period ended 30 June 2009, primarily due to our focus on manufacturing quality construction aluminum extrusion products which generated a higher profit margin.



Management Discussion and Analysis

Interest income

Interest income decreased by 13.4% from RMB28,204,000 for the period ended 30 June 2008 to RMB24,420,000 for the period ended 30 June 2009. Such decrease was mainly due to a decrease in the average interest rate for bank deposits during the period.

Other income

Other income increased significantly by 242.7% from RMB6,179,000 for the period ended 30 June 2008 to RMB21,174,000 for the period ended 30 June 2009, mainly due to (i) an increase in government subsidies from RMB2,500,000 for the period ended 30 June 2008 to RMB9,240,000 for the period ended 30 June 2009, and (ii) foreign exchange gains of the Group of RMB10,147,000 for the period ended 30 June 2009 (for the period ended 30 June 2008: nil). The aggregate amount of government subsidies for the purposes of research and development which we receive each period is determined solely by the relevant PRC authorities on a discretionary basis. The increase of foreign exchange gains of the Group was mainly because our loans denominated in foreign currencies were impacted by the weakening US dollar while our sales denominated in foreign currencies were impacted by the increasing exchange rates of the Australian dollar and Euro.

Selling and distribution costs

Selling and distribution costs decreased by 15.4% from RMB73,373,000 for the period ended 30 June 2008 to RMB62,060,000 for the period ended 30 June 2009, which was mainly due to the decrease in promotional expenses during the period as compared to the same period last year.

Administrative and other operating expenses

Administrative and other operating expenses increased by 55.3% from RMB47,424,000 for the period ended 30 June 2008 to RMB73,635,000 for the period ended 30 June 2009. This increase was primarily due to the non-cash outflow charges of RMB28,353,000 arising from the pre-IPO share options measured at fair value (for the period ended 30 June 2008: nil) recognized for the period ended 30 June 2009. The Group did not recognize such share option charges during the period ended 30 June 2008 because the management was not certain as to whether the listing of shares would be successful.

Listing expense

Listing expense represents the one-off expense of RMB36,558,000 incurred in connection with the Listing, which was charged to profit and loss.

Management Discussion and Analysis

Finance costs

Our finance costs increased by 27.5% from RMB135,156,000 for the period ended 30 June 2008 to RMB172,314,000 for the period ended 30 June 2009. This increase was mainly due to an increase in short-term loans for our working capital during the period.

Profit before taxation

Our profit before tax increased significantly by 74.0% from RMB1,272,087,000 for the period ended 30 June 2008 to RMB2,213,211,000 for the period ended 30 June 2009. This increase was primarily due to the factors as described above.

Taxation

Our income tax expense increased significantly by 80.7% from RMB325,592,000 for the period ended 30 June 2008 to RMB588,385,000 for the period ended 30 June 2009 mainly due to an increase in profit before taxation. Our effective tax rates for the periods ended 30 June 2008 and 30 June 2009 were 25.6% and 26.6%, respectively.

Profit for the period

Our profit for the period increased significantly by 71.7% from RMB946,495,000 for the period ended 30 June 2008 to RMB1,624,826,000 for the period ended 30 June 2009. Our net profit margin increased from 16.3% for the period ended 30 June 2008 to 25.7% for the period ended 30 June 2009. This increase was mainly due to the factors as described above.

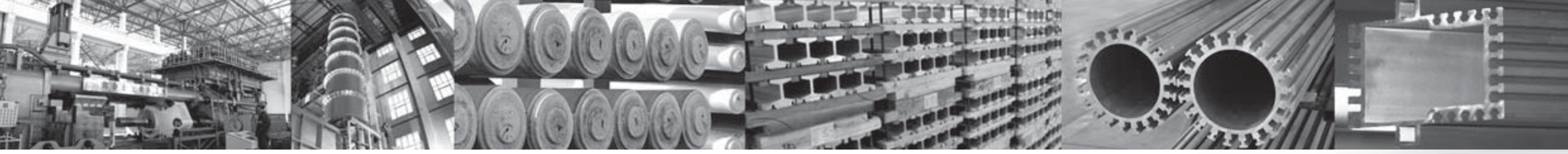
Net current assets

As our capital structure and operating cash flow improved, we had net current assets of RMB9,611,182,000 on 30 June 2009 (31 December 2008: approximately RMB11,165,000).

Liquidity and financing

By strengthening our financial resources with the net proceeds (approximately HK$9.5 billion) of the Listing, we held bank balances and cash of approximately RMB11,883,934,000 and approximately RMB4,261,817,000 on 30 June 2009 and 31 December 2008, respectively, and balances of pledged banking deposits of approximately RMB1,101,993,000 and approximately RMB1,230,750,000, respectively.

As of 30 June 2009, our short-term debenture and bank loans, in aggregate, amounted to approximately RMB5,680,383,000, representing an increase of approximately RMB909,745,000 from approximately RMB4,770,638,000 as of 31 December 2008. Most of the bank loans fell due within one year.



Management Discussion and Analysis

We repaid the majority of our indebtedness with the cash flow generated from our business operation. With proceeds from the Listing, our gearing ratio decreased to approximately 41.7% as of 30 June 2009, while that of 31 December 2008 was approximately 75.1%. The ratio was calculated by dividing total liabilities by total assets.

As of 30 June 2009, about 95.4% of our borrowings were denominated in Renminbi. Approximately 75.6% of our revenue was denominated in Renminbi and approximately 24.4% in US dollars, HK dollars and Australian dollars. Our borrowings include fixed and floating rate borrowings.

Our treasury and financing policy is to control foreign exchange risks and interest rate exposures in respect of particular transactions and hedge any material risks by using proper financial instruments.

Pledged assets

As at 30 June 2009, the equipment, inventories and trade receivables of the Group with the carrying value of approximately RMB2,165,726,000 (31 December 2008: approximately RMB2,100,243,000) had been pledged as security for bank loans acquired by the Group.

Contingent liabilities

For the periods ended 30 June of 2008 and 2009, the Group had no material contingent liabilities.

Employees

As at 30 June 2009, the Group had approximately 2,364 full-time employees who were responsible for management, administration and production. During the period, relevant employee costs (including Directors' remuneration) were approximately RMB81,407,000 (including share option charges of RMB28,353,000) (30 June 2008: approximately RMB45,411,000 (share option charges: nil)). The cost of employees (excluding share option charges) of the Group increased was mainly due to increases in average salaries of employees, benefit expenses and the social security payment as required under the laws of the PRC. The Group ensured the attractive remuneration packages for employees and granted bonuses with reference to employees' performance according to general rules of the Group's remuneration policy.

Use of listing proceeds

The shares of the Company started listing and trading on the Stock Exchange on 8 May 2009. The net proceeds from the share offering after deducting relevant listing expenses were HK$9.5 billion. During the period ended 30 June 2009, the net proceeds have been deposited with banks.

Management Discussion and Analysis

Business Review

The Group is a leading industrial aluminum extrusion products manufacturer in Asia and China, with a particular focus on, among others, the transportation, machinery equipment and infrastructure sectors, and has strong research and development capabilities.

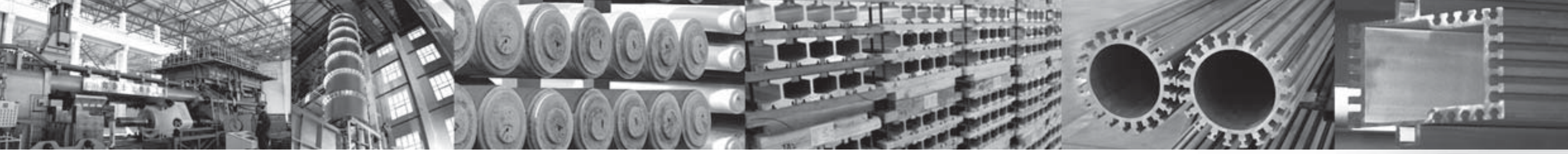
The Group achieved satisfactory operating results in the first half of the fiscal year 2009 through the continuous expansion of its production capacity of aluminum extrusion products, commitment to developing, manufacturing and selling products with high gross profit margin and proactive exploration of domestic and overseas markets. During the period ended 30 June 2009, the turnover and gross profit of the Group were approximately RMB6,328,588,000 and RMB2,512,184,000, representing increases of approximately 9.1% and 68.2% compared with the corresponding period last year, respectively. Profit for the period was approximately RMB1,624,826,000 and the one-off expense in relation to the Listing of approximately RMB36,558,000 has been charged to the income statement. For the purpose of illustration only, the actual profit for the period excluding such one-off expense was approximately RMB1,661,384,000, representing an increase of approximately 75.5% compared with the corresponding period last year.

The Group has continuously increased its production capacity by establishing new extrusion production lines. Currently, the Group has 64 aluminum extrusion presses, including a 125MN oil-driven dual action extrusion press which is the largest of its kind in China and one of the most advanced extrusion presses in the world, allowing us to produce large-section aluminum extrusion products with high precision.

We have a diverse base of domestic and overseas customers which includes large-scale customers in the railway, metropolitan conductor rail, automobile, shipbuilding and aircraft industries, as well as manufacturers of industrial equipment and machinery. The Group has been striving to develop new products. In view of the ever-increasing demand from industrial customers, the Group will continue to allocate more production capacity to industrial aluminum extrusion products which are more competitive and produce a higher gross margin which will further improve the turnover and profits of the Group.

The Group continuously expanded its coverage in China and overseas markets. We intend to explore further cooperation opportunities with major players in the transportation and machinery equipment sectors so as to expand our market shares of industrial aluminum extrusion products. In addition, the Group will continue to explore the markets of machinery equipment and infrastructure to strengthen our leading position in the industry.

Apart from the satisfactory operating results, the Group is delighted to announce another piece of good news in the first half of 2009. The Company was successfully listed on the Main Board of the Stock Exchange on 8 May 2009 and was welcomed by investors during its IPO. This represents a milestone for the business development of the Group.



Management Discussion and Analysis

Outlook

The Directors are of the view that the Group's industrial aluminum extrusion business, the products of which are mainly used in the transportation, machinery equipment and infrastructure sectors, saw a rapid growth in the first half of the year and will continue to grow in the second half of the year. Following the implementation of the large-scale economic stimulus measures by the PRC government, which includes the investment of RMB4 trillion in, among other things, railway, highways, airports, power grids and other infrastructure developments, to boost the domestic economy, the increasing demand for the products of the Group from our customers in the transportation sectors such as major suppliers of the Ministry of Railway and major conductor rail manufacturers will be favorable for the further development of the industrial aluminum extrusion market. Furthermore, the Group will focus on strengthening its leading position in the industrial aluminum extrusion industry in China to become the world's leading manufacturer of industrial aluminum extrusion products. As the Group continues to strive for sustainable growth of the business and seeks to maintain the Company's competitiveness in order to achieve a satisfactory return for the shareholders, it intends to further the rapid development of the Company in accordance with its future plans which are as follows:

Expand production capacity to increase the Group's market penetration in the industrial market

The Group will further penetrate the industrial market by expanding our production capacity of industrial aluminum extrusion products and increasing our marketing efforts with a particular focus on the transportation sectors, including the railway, metropolitan rail, conductor rail, automobile, shipbuilding and aviation sectors, and the machinery equipment and infrastructure sectors.

The Group is currently installing additional production lines which will allow us to manufacture different industrial aluminum extrusion products and diversify our product offerings for a broader customer base in the transportation, machinery equipment and infrastructure sectors. In addition, the Group may selectively acquire reputable aluminum extrusion product manufacturers that have the potential to increase the production capacity and penetration of the Company in the industrial market and transportation sectors. However, the Group has not yet identified any target for such acquisition.

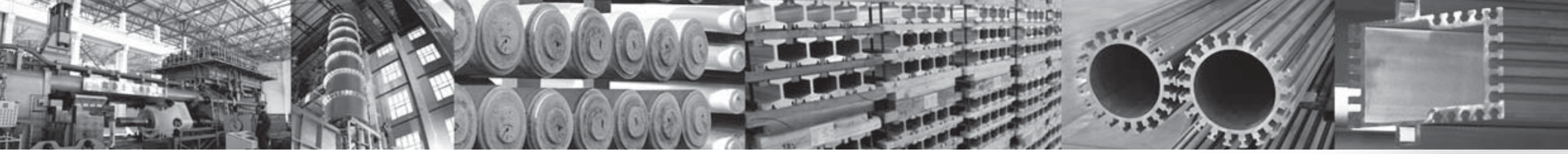
Management Discussion and Analysis

Expansion into downstream sectors of industrial aluminum extrusion products

The Group intends to expand into the downstream sectors of industrial aluminum extrusion products by developing and manufacturing more value-added products for our existing customers in the industrial market. The Company is currently developing value-added extrusion products, such as rail freight trunks and passenger trunks, metropolitan railway trunks, heavy truck bodies, and high-strength and high-quality quenching alloy products, all of which are ready to be assembled and used by our customers in the production of railway cargos, metropolitan conductor rails and automobiles without further processing. In addition, the Company intends to develop value-added products for customers in the aviation and shipbuilding sectors. The Company is currently constructing additional facilities and plans to install new equipment for the production of downstream value-added products, and such construction and installation are expected to be completed in 2011. The offering of value-added products will allow the Group to increase its profit margin and enhance its competitiveness in the marketplace.

Further enhancement of research and development capabilities

The Group plans to place even greater emphasis on product quality and layout and die engineering capability to further enhance our status as a leading aluminum extrusion producer in China. The Group will continue our research and development efforts in relation to improving our manufacturing techniques, seek to increase product quality and reduce costs where possible. The Group also plans to continue to leverage our production expertise and collaboration with various research and academic institutions to expand our product offerings, which will allow us to provide a broader range of aluminum extrusion products to customers. In addition, the Group intends to continue to expand our in-house die design team and research and development capabilities to cooperate with our key customers for the production of customized aluminum extrusion products to ensure that the quality of our products meets the standards and requirements of our customers. The Group also plans to increase investments in research and development and seek out professionals with industry-relevant expertise. Furthermore, the Group will seek more recognition of, and renew qualifications for, quality assurance certifications from domestic and international organizations.



Disclosure of Interests

Directors and Chief Executives' Interest

As at 30 June 2009, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long position in our shares

Name of director	Capacity/Nature of interest	Total number of shares	Approximate percentage of shareholding (%)
Liu Zhongtian ("Mr. Liu")	Interest in controlled corporation/ Long position[1]	4,000,000,000	73.99
Lu Changqing	Beneficial owner/Long position[2]	2,200,000	0.04
Chen Yan	Beneficial owner/Long position[2]	2,200,000	0.04
Zhong Hong	Beneficial owner/Long position[2]	2,200,000	0.04
Gou Xihui	Beneficial owner/Long position[2]	1,700,000	0.03

Notes:

(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. In connection with the exchangeable notes of a principal amount of US$100 million issued by ZIGL to Olympus Alloy Holdings, L.P. ("Olympus Alloy") (the "Olympus Exchangeable Notes"), pursuant to a deed of share charge executed by ZIGL for the benefit of Olympus Alloy and based on the offer price of HK$7.0 for the Listing of the Company, ZIGL has charged 138,794,642 existing shares for the benefit of Olympus Alloy.

(2) Interest in pre-IPO share options, the details of which are set out below in the paragraph headed "Pre-IPO Share Option Scheme" and the prospectus of the Company dated 24 April 2009.

(b) Short position in our shares

Name of director	Capacity/Nature of interest	Total number of shares	Approximate percentage of shareholding interest (%)
Mr. Liu	Interest in controlled corporation/ Short position[1]	138,794,642	2.57

Disclosure of Interests

Note:

(1) 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. Pursuant to the terms of the Olympus Exchangeable Notes issued by ZIGL, Olympus Alloy is entitled to exchange such notes for the existing shares held by ZIGL. Based on the offer price of HK$7.0 for the Listing of the Company, Olympus Alloy is entitled to acquire 138,794,642 existing shares from ZIGL.

Save as disclosed above, none of the Directors or chief executives 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 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.

Substantial Shareholders

As at 30 June 2009, so far as is known to the Directors and the chief executive of the Company, the interests or short positions of each of the persons and corporations (other than Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

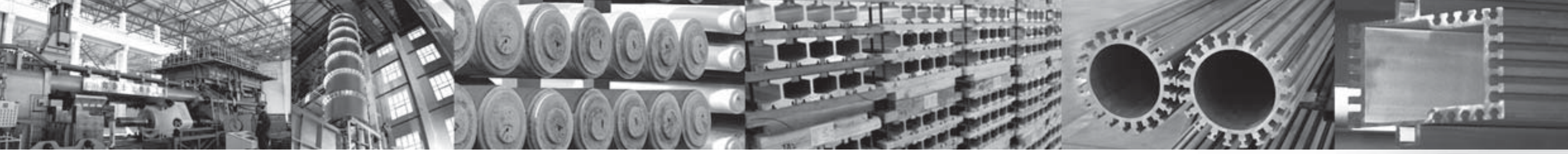
Long position and short position

Name of shareholder	Capacity/Nature of interest	Total number of shares	Approximate percentage of shareholding (%)
ZIGL	Beneficial owner/Long position[1]	4,000,000,000	73.99
ZIGL	Beneficial owner/Short position[1]&[2]	138,794,642	2.57
Mr. Liu	Interest in controlled corporation/ Long position[1]	4,000,000,000	73.99
Mr. Liu	Interest in controlled corporation/ Short position[1] & [2]	138,794,642	2.57
Wang Zhijie (Mr. Liu's wife)	Interest of spouse/Long position[1]	4,000,000,000	73.99
Wang Zhijie (Mr. Liu's wife)	Interest of spouse/Short position[1] & [2]	138,794,642	2.57

Notes:

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

(2) Pursuant to the terms of the Olympus Exchangeable Notes issued by ZIGL, Olympus Alloy is entitled to exchange such notes for the existing shares held by ZIGL. Based on the offer price of HK$7.0 for the Listing of the Company, Olympus Alloy is entitled to acquire 138,794,642 existing shares from ZIGL.



Disclosure of Interests

Save as disclosed above, as at 30 June 2009, no person or corporation had any interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest of 5% or more of, or any short position in the shares and underlying shares of the Company.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in "Pre-IPO Share Option Scheme" and "Share Option Scheme" below, at no time during the six months ended 30 June 2009, 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 Businesses

For the six months ended 30 June 2009, none of the directors or management shareholders (as defined in the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

Pledging of Shares by the Controlling Shareholder

In the course of the reorganisation in 2008, ZIGL, our controlling shareholder, issued Olympus Exchangeable Notes to Olympus Alloy in the principal amount of US$100 million, and gave a share charge for the benefit of Olympus Alloy in relation to a total of 400,000,000 shares in the Company on 8 August 2008 (the "Share Charge"). Based on the offer price of HK$7.0 upon the Listing, the number of shares subject to the Share Charge was adjusted to 138,794,642 on 8 May 2009. Under the Listing Rules, ZIGL is not permitted to transfer any shares to Olympus Alloy within a period of six months after the Listing.

Subject to certain anti-dilution adjustments, the price at which the Olympus Exchangeable Notes can be exchanged for shares is based on the timing of the Listing with respect to the issue date of the Olympus Exchangeable Notes. Within 365 days of the issue date, the price is reduced to 80% of the offer price.

Disclosure of Interests

Share Option Scheme

At the annual general meeting on 17 April 2008, the Company adopted a share option scheme (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 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 grantee. All outstanding options shall lapse when the employment of the holder ceases or where the holder is no longer a member of the Group.

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 percent of the shares in issue upon the Listing (the Company may refresh this 10 percent limit under certain conditions) or 30 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 12 month period must not exceed 1 percent of the shares in issue. Any further grant of options which would result in the number of shares (issued as aforesaid) exceeding 1 percent requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

As at 30 June 2009, no share options under the Share Option Scheme had been granted.

Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") pursuant to a resolution of the Board passed on 17 April 2008. The purpose of the grant of the pre-IPO share options is to recognize the contribution of certain members of the senior management and employees of the Group. The total number of 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 2009.

The share options subject to the Pre-IPO Share Option Scheme 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. With respect to the commencement of the dealing in shares of the Company on the Stock Exchange and each of the four consecutive anniversaries of the listing date, a grantee shall be entitled to exercise his option to subscribe for up to 20% of the total number of the shares under option during such period.

Disclosure of Interests

The subscription price per share under the Pre-IPO Share Option Scheme is HK$2.0. 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.

Details of the share options outstanding as at 30 June 2009 under the Pre-IPO Share Option Scheme are as follows:

Name of grantee	Date of grant	Number of shares subject to options	Approximate percentage of shareholding (%)
Directors			
Lu Changqing	17 April 2008	2,200,000	0.04
Chen Yan	17 April 2008	2,200,000	0.04
Zhong Hong	17 April 2008	2,200,000	0.04
Gou Xihui	17 April 2008	1,700,000	0.03
Senior management of the Group			
Zhou Mi	17 April 2008	900,000	0.02
Liu Zhongsuo	17 April 2008	2,200,000	0.04
Yang Gang	17 April 2008	2,200,000	0.04
Zhu Fengqi	17 April 2008	2,200,000	0.04
Cheung Lap Kei	30 December 2008	500,000	0.01
65 other employees of the Group	17 April 2008	24,100,000	0.45
Total		40,400,000	0.75

None of the share options under Pre-IPO Share Option Scheme had been exercised, cancelled nor lapsed as at 30 June 2009. For further details, see note 38 to the audited consolidated financial statements of the Company for the six months ended 30 June 2009.

Corporate Governance and Other Information

The Company is committed to establishing and maintaining 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 Board is comprised of ten members, including five executive directors, one non-executive director and four independent non-executive directors. The Board will review its guidelines from time to time to ensure that they are in line with the internationally-recognized best practices.

Compliance with the Model Code by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiries, all Directors have confirmed that they have complied with the standards set out in the Model Code.

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 fulfillment of the Company's corporate development strategy:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulation

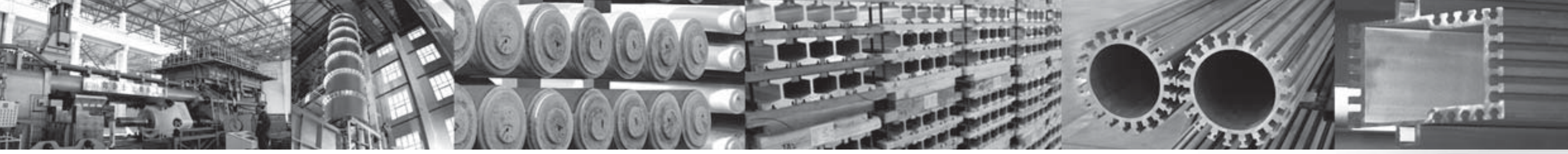
In the course of preparation for listing, the Company appointed Moores Rowland (Beijing) Certified Public Accountants ("Moores Rowland") to evaluate our internal controls and to provide recommendations on how we can further improve the effectiveness of our internal control system. Accordingly, we then implemented various measures and rectified the deficiencies identified by Moores Rowland before the listing.

After the Listing, the Company continued to appoint Moores Rowland to (i) conduct comprehensive reviews of our bank acceptance notes activities on a quarterly basis for at least 12 months after Listing, until our independent non-executive Directors determine otherwise; (ii) review and test the effectiveness of our material internal control measures, including newly implemented internal control mechanisms and measures, on a quarterly basis for at least 12 months after the Listing, until our independent non-executive Directors determine otherwise. Based on the first quarterly review which Moores Rowland has conducted after the Listing ("Moores Rowland's Review Report"), the findings were as follows:

(i) Moores Rowland reviewed the effectiveness of the internal controls established to prevent the recurrence of overstated bill financing (the 'Bill Issuance Control') during the period from 1 April 2009 to 30 June 2009, and did not identify any operating ineffectiveness of the bill issuance control and any overstated bill financing activity; and (ii) Moores Rowland reviewed the effectiveness of selected material internal controls, (excluding the Bill Issuance Control) during the period from 1 April 2009 to 30 June 2009, and did not identify any material operating ineffectiveness of those controls.

Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules since the Listing except for the deviation from provision A.2.1 of the Code.



Corporate Governance and Other Information

Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer 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 officer) 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 interest of the Company. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

Audit Committee

We have established an audit committee. Members of the audit committee consist of three independent non-executive directors of the Company, namely Mr. Wong Chun Wa (the chairman of the committee), Mr. Wen Xianjun and Mr. Shi Ketong. The audit committee has reviewed and discussed the audited interim results for the six months ended 30 June 2009 and the Moores Rowland's Review Report with the senior management of the Company, and has also reviewed the internal control and financial reporting matters of the Group.

Remuneration Committee

We have established a remuneration committee in accordance with the requirements of Appendix 14 of the Listing Rules. Members of the remuneration committee include Mr. Wen Xianjun (the chairman of the committee), Mr. Liu Zhongtian and Mr. Shi Ketong.

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 (the chairman of the committee), Mr. Wen Xianjun and Mr. Shi Ketong. The corporate governance committee has reviewed the Moores Rowland Review Report and also reviewed the Group's corporate governance matters and its internal control matters related to compliance issues.

Strategy and Development Committee

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

Interim Dividend

The Directors proposed not to declare any interim dividend for the six months ended 30 June 2009.

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.

Significant Investment

The Group did not have any significant investment for the interim reporting period.

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.

Independent Auditor's Report

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
CHINA ZHONGWANG HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

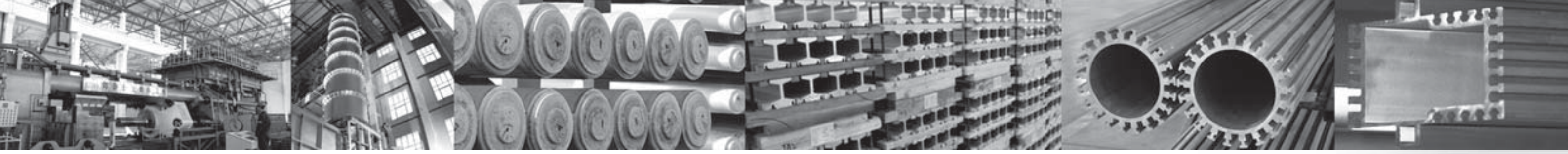
We have audited the consolidated financial statements of China Zhongwang Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 76, which comprise the consolidated statement of financial position as at 30 June 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.



Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2009 and of the Group's profit and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

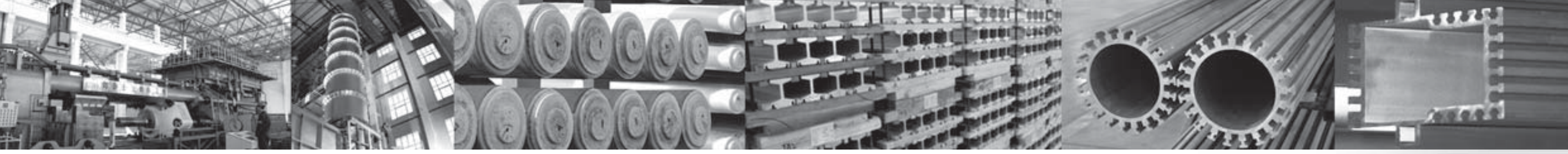
Without qualifying our opinion, we draw attention to the fact that the comparative consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period ended 30 June 2008 and the relevant explanatory notes disclosed in the consolidated financial statements have not been audited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2009

Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2009

	NOTES	**1.1.2009 to 30.6.2009 RMB'000**	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
Revenue	6	**6,328,588**	5,802,725
Cost of sales		**(3,816,404)**	(4,309,068)
Gross profit		**2,512,184**	1,493,657
Interest income	8	**24,420**	28,204
Other income	9	**21,174**	6,179
Selling and distribution costs		**(62,060)**	(73,373)
Administrative and other operating expenses		**(73,635)**	(47,424)
Listing expenses	10	**(36,558)**	—
Finance costs	11	**(172,314)**	(135,156)
Profit before taxation		**2,213,211**	1,272,087
Taxation	12	**(588,385)**	(325,592)
Profit for the period and total comprehensive income for the period attributable to owners of the Company	13	**1,624,826**	946,495
Earnings per share			
Basic	16	**RMB0.37**	RMB0.24
Diluted	16	**RMB0.37**	N/A



Consolidated Statement of Financial Position

At 30 June 2009

	NOTES	30.6.2009 RMB'000	31.12.2008 RMB'000
Non-current assets			
Property, plant and equipment	17	**3,191,437**	3,304,694
Prepaid lease payments	19	**64,462**	65,190
Deposits for acquisition of property, plant and equipment		**39,419**	4,027
		3,295,318	3,373,911
Current assets			
Inventories	20	**967,183**	1,058,768
Trade receivables	21	**1,019,680**	523,905
Other receivables, deposits and prepayments	22	**2,750,433**	2,386,851
Prepaid lease payments	19	**1,472**	1,472
Amounts due from related parties	23	**—**	22,170
Held-for-trading investments	24	**1,719**	1,431
Pledged bank deposits	25	**1,101,993**	1,230,750
Bank balances and cash	26	**11,883,934**	4,261,817
		17,726,414	9,487,164
Current liabilities			
Trade payables	27	**117,994**	24,820
Bills payable	28	**2,146,200**	2,351,200
Other payables and accrued charges		**379,356**	258,574
Amount due to a related party	23	**—**	320
Tax liabilities		**377,937**	200,447
Short term debenture	29	**2,000,000**	2,000,000
Bank loans	30	**3,093,745**	2,640,638
Dividend payable		**—**	2,000,000
		8,115,232	9,475,999
Net current assets		**9,611,182**	11,165
Total assets less current liabilities		**12,906,500**	3,385,076

Consolidated Statement of Financial Position

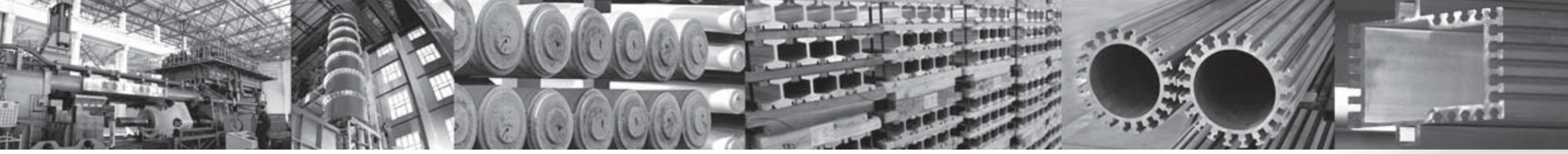
At 30 June 2009

	NOTES	30.6.2009 RMB'000	31.12.2008 RMB'000
Capital and reserves			
Share capital	31	**474,675**	350,877
Reserves		**11,775,187**	2,854,199
		12,249,862	3,205,076
Non-current liabilities			
Bank loans	30	**586,638**	130,000
Deferred tax liabilities	32	**70,000**	50,000
		656,638	180,000
		12,906,500	3,385,076

The consolidated financial statements on pages 26 to 76 were approved by the Board of Directors on 25 August 2009 and are signed on its behalf by:

Mr. Liu Zhongtian
DIRECTOR

Mr. Lu Changqing
DIRECTOR



Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2009

	Attributable to equity holders of the Company								
	Paid-in capital/share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Surplus reserve RMB'000 (Note a)	Enterprise development fund RMB'000 (Note b)	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2008	394,299	–	–	1,762	212,813	212,813	–	2,472,951	3,294,638
Total comprehensive income for the year	–	–	–	–	–	–	–	1,910,438	1,910,438
Capitalisation of accumulated profits of a subsidiary (note c)	–	–	–	127,287	–	–	–	(127,287)	–
Capitalisation of share premium (note 31)	350,877	(350,877)	–	–	–	–	–	–	–
Issue of shares on 31 January 2008 (note 31)	–	22	(22)	–	–	–	–	–	–
Issue of shares on 13 June 2008 (note 31)	–	1,360,328	(1,360,328)	–	–	–	–	–	–
Issue of shares on 8 August 2008 (note 31)	–	2,026,927	–	–	–	–	–	–	2,026,927
Reserve arising from corporate reorganisation (note d)	(394,299)	–	394,299	–	–	–	–	–	–
Deemed distributions (note e)	–	–	(2,026,927)	–	–	–	–	–	(2,026,927)
Dividend (note 15)	–	–	–	–	–	–	–	(2,000,000)	(2,000,000)
Appropriations	–	–	–	–	207,856	207,856	–	(415,712)	–
At 31 December 2008	350,877	3,036,400	(2,992,978)	129,049	420,669	420,669	–	1,840,390	3,205,076
Total comprehensive income for the period	–	–	–	–	–	–	–	1,624,826	1,624,826
Capitalisation of accumulated profits of a subsidiary (note c)	–	–	–	506,849	–	–	–	(506,849)	–
Recognition of share-based payment	–	–	–	–	–	–	28,353	–	28,353
Issue of shares on 8 May 2009 (note 31)	123,242	8,503,698	–	–	–	–	–	–	8,626,940
Issue of shares on 3 June 2009 (note 31)	556	38,340	–	–	–	–	–	–	38,896
Transaction costs attributable to issue of new shares	–	(274,229)	–	–	–	–	–	–	(274,229)
Dividend (note 15)	–	–	–	–	–	–	–	(1,000,000)	(1,000,000)
At 30 June 2009	**474,675**	**11,304,209**	**(2,992,978)**	**635,898**	**420,669**	**420,669**	**28,353**	**1,958,367**	**12,249,862**
At 1 January 2008	394,299	–	–	1,762	212,813	212,813	–	2,472,951	3,294,638
Total comprehensive income for the period (unaudited)	–	–	–	–	–	–	–	946,495	946,495
Issue of shares on 31 January 2008 (note 31)	–	22	(22)	–	–	–	–	–	–
Issue of shares on 13 June 2008 (note 31)	–	1,360,328	(1,360,328)	–	–	–	–	–	–
At 30 June 2008 (unaudited)	394,299	1,360,350	(1,360,350)	1,762	212,813	212,813	–	3,419,446	4,241,133

Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2009

Notes:

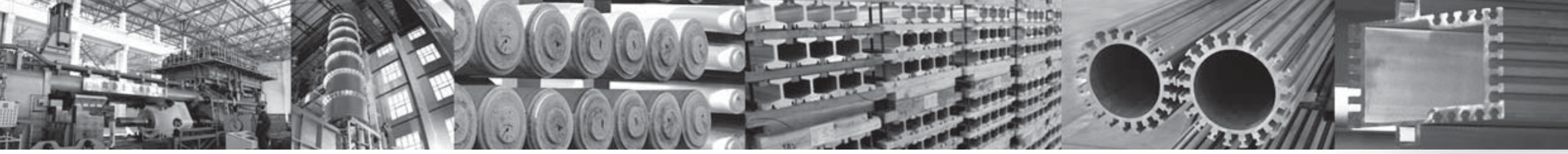
(a) The Articles of Association of Liaoning Zhongwang Group Co. Ltd. ("Zhongwang PRC") state that it may make an appropriation of 10% of its profit for the year (prepared under the generally accepted accounting principles in the People's Republic of China ("PRC")) each year to the surplus reserve at rate determined by directors of the relevant subsidiaries until the balance reaches 50% of the 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.

(b) Pursuant to the PRC Company Law, Zhongwang PRC may make an allocation to the enterprise development fund from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. 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.

(c) Pursuant to a resolution passed at the shareholders' meeting dated 18 February 2009 and 6 August 2008, accumulated profits of RMB506,849,000 and RMB127,287,000 were capitalised into the paid-in-capital of Zhongwang PRC for the six-month period ended 30 June 2009 and the year ended 31 December 2008 respectively.

(d) Pursuant to the corporate reorganisation completed on 8 August 2008, the Zhongwang China Investment (HK) Limited ("ZCIL (HK)") acquired the remaining 60% of the registered capital of Zhongwang PRC which became a wholly-owned subsidiary of the Company. Special reserve arising from the corporate reorganisation amounted to RMB394,299,000.

(e) The amount represents the consideration paid by ZCIL (HK) to Liaoyang City Aluminum Profile Product Co. Ltd ("Liaoyang Factory") for acquiring the remaining 60% equity interest in Zhongwang PRC which is already included in the consolidated financial statements since 1 January 2008. Liaoyang Factory is a PRC established enterprise wholly-owned by Mr. Liu Zhong Tian ("Mr. Liu"), the controlling shareholder of the Group. Accordingly, the consideration paid is deemed as a distribution to Mr. Liu.



Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2009

	1.1.2009 to 30.6.2009 RMB'000	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before taxation	**2,213,211**	1,272,087
Adjustments for:		
Interest expense	**172,314**	135,156
Depreciation of property, plant and equipment	**161,753**	154,435
Depreciation of investment properties	**—**	350
Gain on disposal of property, plant and equipment	**(937)**	(3,419)
Interest income	**(24,420)**	(28,204)
Release of prepaid lease payments	**728**	825
Change in fair value of held-for-trading investments	**(288)**	873
Allowances for bad and doubtful debtors	**198**	—
Share-based payment expenses	**28,353**	—
Operating cash flows before movements in working capital	**2,550,912**	1,532,103
Decrease in inventories	**91,585**	553,191
Increase in trade receivables	**(495,973)**	(104,305)
Increase in other receivables, deposits and prepayments	**(363,582)**	(933,949)
Increase in amounts due from related parties	**—**	(293)
Increase in trade payables	**93,174**	151,056
(Decrease) increase in bills payable	**(205,000)**	3,012,700
Increase in other payables and accrued charges	**120,782**	53,496
Cash generated from operations	**1,791,898**	4,263,999
Income tax paid	**(390,895)**	(374,034)
NET CASH FROM OPERATING ACTIVITIES	**1,401,003**	3,889,965

Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2009

	1.1.2009 to 30.6.2009 RMB'000	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(47,324)**	(38,421)
Deposits paid for acquisition of property, plant and equipment	**(38,992)**	(22,742)
Decrease (increase) in amounts due from related parties	**22,170**	(1,300)
Proceeds from disposal of property, plant and equipment	**3,365**	146,335
Proceeds from disposal of leasehold land	**—**	50,238
Proceeds from disposal of investment properties	**—**	25,120
Interest received	**24,420**	28,204
Decrease (increase) in pledged bank deposits	**128,757**	(804,420)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**92,396**	(616,986)
FINANCING ACTIVITIES		
Decrease in amounts due to related parties	**(320)**	(1,558,082)
New bank borrowings raised	**5,289,430**	2,514,690
Repayment of bank borrowings	**(4,379,685)**	(3,895,982)
Repayment of short-term debenture	**—**	(593,550)
Interest paid	**(172,314)**	(135,156)
Net proceeds from issue of new shares	**8,391,607**	—
Dividend paid	**(3,000,000)**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**6,128,718**	(3,668,080)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,622,117**	(395,101)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,261,817**	2,833,543
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by bank balances and cash	**11,883,934**	2,438,442

Notes To The Consolidated Financial Statements

For the six-month period ended 30 June 2009

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 29 January 2008. 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, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and No. 299, Wensheng Road, Liaoyang City, Liaoning, China, respectively.

Pursuant to group reorganisation (the "Corporate Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), the Company became the holding company of the Group on 8 August 2008. The Corporate Reorganisation was completed by interspersing the Company, Zhongwang China Investments Limited ("ZCIL (BVI)") and ZCIL (HK) between Zhongwang PRC and certain companies under the control of Mr. Liu. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Liu prior to and after the Corporate Reorganisation. Details of the Corporate Reorganisation were set out in the section headed "Our History and Corporate Structure" of prospectus dated 24 April 2009 issued by the Company (the "Prospectus").

The shares of the Company have been listed on the Stock Exchange since 8 May 2009.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period ended 30 June 2008 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the respective dates of incorporation of the relevant entity, where this is a shorter period.

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 40.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

Notes To The Consolidated Financial Statements

For the six-month period ended 30 June 2009

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

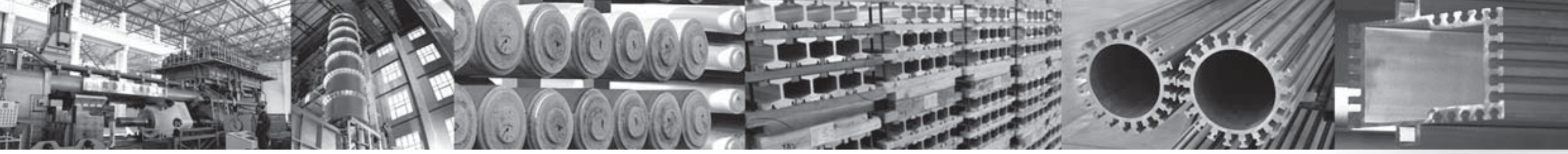
In the current period, the Group has applied the following new and revised standards, amendments and interpretations ("new IFRSs") issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, which are or have become effective for the Group's financial period beginning on 1 January 2009.

IFRSs (Amendments)	Improvements to IFRSs May 2008
IFRSs (Amendments)	Improvements to IFRSs April 2009
IAS 1 (Revised)	Presentation of financial statements
IAS 23 (Revised)	Borrowing costs
IAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
IFRS 2 (Amendment)	Vesting conditions and cancellations
IFRS 7 (Amendment)	Improving disclosures about financial instruments
IFRS 8	Operating segments
IFRIC — Int 9 & IAS 39 (Amendments)	Embedded derivatives
IFRIC — Int 13	Customer loyalty programmes
IFRIC — Int 15	Agreements for the construction of real estate
IFRIC — Int 16	Hedges of a net investment in a foreign operation

IFRS 8 Operating Segments

(effective for annual periods beginning on or after 1 January 2009)

IFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments (see note 7) and has had no impact on the reported results or financial position of the Group.



2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

IAS 1 (revised 2007) Presentation of Financial Statements

(effective for annual periods beginning on or after 1 January 2009)

IAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, IAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

The adoption of the new IFRSs had no material effect on how the results or financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs April 2009 [1]
IAS 27 (Revised)	Consolidated and separate financial statements [2]
IAS 39 (Amendment)	Eligible hedged items [2]
IFRS 2 (Amendment)	Group cash-settled share-based payment transaction [3]
IFRS 3 (Revised)	Business combinations [2]
IFRS 5 (Amendments)	Amendments included in improvements to IFRSs May 2008 [2]
IFRIC — Int 17	Distributions of non-cash assets to owners [2]
IFRIC — Int 18	Transfers of assets from customers [4]

1 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for transfers on or after 1 July 2009.

The adoption of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

Notes To The Consolidated Financial Statements

For the six-month period ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform to IFRS issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided and services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of goods is recognised when the goods are delivered and title has passed.

Rental income from leasing of premises is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rate that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grant

Government grants with no further related cost are recognised as income when they are unconditional and become receivable and are reported separately as other income.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charges as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period in which the item is derecognised.

Intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Research and development expenditure (Continued)

The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and accumulated impairment losses. The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Investment properties

Investment properties are property held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the period in which the item is derecognised.

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into either financial assets at fair value through profit or loss ("FVTPL") or loans receivables. All regular way of purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and refundable deposits, amounts due from related parties, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or has a recent actual pattern of short-term profit-taking.

At the end of each of the reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

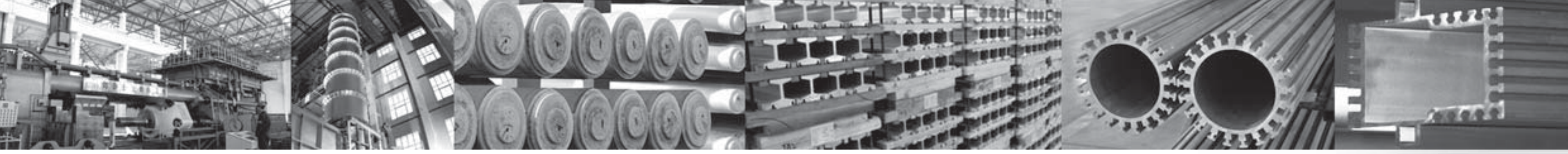
Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- the receivables become past due for a long period of time;

For trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence of impairment and is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account (if any). Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, bills payable, other payables and accrued charges, amount due to a related party, short term debenture and bank loans) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Group entity are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

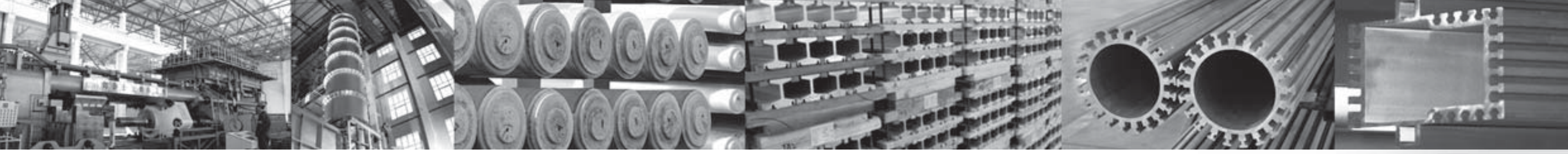
4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

Categories of financial instruments

	30.6.2009 RMB'000	31.12.2008 RMB'000
Financial assets		
Held-for-trading investments	**1,719**	1,431
Loans and receivables (including bank balances and cash)	**14,020,558**	6,038,642
	14,022,277	6,040,073
Financial liabilities		
Amortised cost	**8,108,533**	9,327,293

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and refundable deposits, amounts due from related companies, pledged bank deposits, bank balances, trade payables, bills payables, other payables, amount due to a related party, short-term debenture and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate pledged bank deposits, short-term debenture and bank loans (see note 25 for details of the pledged bank deposits and notes 29 and 30 for details of these borrowings). The Group has not used any derivative contracts to hedge its exposure to interest rate risk.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The sensitivity analysis below has been determined based on the exposure to interest rate at the end of each reporting period and the stipulated change taking place at the beginning of the respective financial year and held constant throughout the reporting periods. A 10 basis point represents management's assessment of possible change in interest rates.

At 30 June 2009, if interest rate had been 10 basis points higher/lower and all other variables were held constant, the Group's profit for the period would increase/decrease by approximately RMB11,884,000 (31.12.2008: RMB4,262,000) respectively.

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

Currency risk

The Group have certain trade receivables, bank balances, other payables and bank loans denominated in foreign currencies, hence expose to exchange rate fluctuations.

The Group has not entered into any forward contracts or derivatives to hedge against its foreign currency exposure. However, the management of the Group will consider to hedge these balances should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets at the reporting date is as follows:

	30.6.2009 RMB'000	31.12.2008 RMB'000
Trade receivables		
United States Dollars ("USD")	**699,225**	74,878
EURO	**—**	6,125
Australian Dollars ("AUD")	**6,760**	29,194
Great British Pound ("GBP")	**—**	745
Bank balances and cash		
HKD	**4,123,410**	—
USD	**94,705**	12,581
EURO	**240**	11,314
AUD	**5,610**	5,585
GBP	**—**	3,873
Other payables		
HKD	**824**	—
USD	**43,382**	—
Bank loans		
USD	**168,064**	33,148

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

Currency risk (Continued)

Foreign currency sensitivity

The Group is mainly exposed to HKD, USD, EURO, AUD and GBP. The following table details the Group's sensitivity to a 5% strengthening of RMB against the respective foreign currencies. 5% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. For a 5% weakening of RMB against the respective foreign currencies, there would be an equal and opposite impact on the profit.

	HKD Impact		USD Impact		EURO Impact		AUD Impact		GBP Impact	
	30.6.2009	31.12.2008	**30.6.2009**	31.12.2008	**30.6.2009**	31.12.2008	**30.6.2009**	31.12.2008	**30.6.2009**	31.12.2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Decrease in profit for the period	**206,129**	–	**29,124**	2,716	**12**	872	**619**	1,739	**–**	231

In the opinion of the directors of the Company, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the exposure at the end of each of the respective reporting period does not reflect the exposure during the periods.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Other than concentration of credit risks on deposits paid to three suppliers included in other receivables, deposits and prepayments of RMB2,636,741,000 (2008: RMB2,194,130,000), certain bank balances (including pledged bank deposits) of RMB4,128,804,000 (2008: RMB3,707,452,000) which are deposited with a local bank in Liaoyang City and certain trade receivables of RMB500,538,000 (2008: nil) due from a single customer located in the PRC, the Group does not have any other significant concentration of credit risk.

Notes To The Consolidated Financial Statements

For the six-month period ended 30 June 2009

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and aging analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Liquidity risk

The Group's liquidity position is monitored on a daily basis by the management and is reviewed monthly by the directors of the Company. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	0 to 90 days	91 to 180 days	181 days to 1 year	1 to 2 years	2–5 years	Total undiscounted cash flow	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2009								
Non-interest bearing	–	1,050,405	1,377,745	–	–	–	2,428,150	2,428,150
Fixed interest rate instruments	6.29	3,095,573	1,048,077	1,195,747	435,329	208,300	5,983,026	5,680,383
		4,145,978	2,425,822	1,195,747	435,329	208,300	8,411,176	8,108,533
As at 31 December 2008								
Non-interest bearing	–	380,182	4,150,000	26,273	–	–	4,556,455	4,556,455
Fixed interest rate instruments	6.78	343,457	635,669	3,937,782	19,656	139,828	5,076,392	4,770,638
		723,639	4,785,669	3,964,055	19,656	139,828	9,632,847	9,327,293

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Fair value

The fair value of financial assets and financial liabilities recorded at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The fair value of held-for-trading investments is based on the relevant price quoted from the brokers.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the short-term debenture and bank loans as disclosed in notes 29 and 30 respectively and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits.

The Group's board of directors reviews the capital structure on a continuous basis. As a part of this review the board of directors considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issuance of new shares, raising of new debts or repayment of existing debts. The Group's overall strategy remains unchanged throughout the periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the relevant assets, after taking into account their estimated residual value, if any. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expenses to be recorded during the periods. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

6. REVENUE

	1.1.2009 to 30.6.2009 RMB'000	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
Sales of aluminum products		
— for construction use	**1,619,034**	2,722,527
— for industrial use	**4,709,554**	3,080,198
	6,328,588	5,802,725

7. SEGMENT INFORMATION

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

The Group's executive directors are the chief operating decision makers as they collectively make strategic decisions towards the Group's operations. The Group is principally engaged in sales of aluminum products and nearly all identifiable assets of the Group are located in the PRC. Information reported to the Group's management for the purpose of resources allocation and assessment of performance focuses on the type of products (e.g. construction use and industrial use). Each type of products has different client base and requires different production technology. The Group's reportable segments under IFRS 8 are therefore as follows:

(a) sales of aluminum products for construction markets ("Construction"); and

(b) sales of aluminum products for industrial markets ("Industrial").

7. SEGMENT INFORMATION (Continued)

	Revenue		Segment Profit	
	Six-month period ended		Six-month period ended	
	30.6.2009	30.6.2008	**30.6.2009**	30.6.2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(unaudited)		(unaudited)
Construction	**1,619,034**	2,722,527	**247,173**	353,193
Industrial	**4,709,554**	3,080,198	**2,265,011**	1,140,464
Total	**6,328,588**	5,802,725	**2,512,184**	1,493,657
Interest and other income			**45,594**	34,383
Central corporate expenses			**(172,253)**	(120,797)
Finance costs			**(172,314)**	(135,156)
Profit before taxation			**2,213,211**	1,272,087
Taxation			**(588,385)**	(325,592)
Profit for the period			**1,624,826**	946,495

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

Segment profit represents the profit earned by each segment without allocation of interest and other income, central corporate expenses and finance costs. This is the measure reported to the Group's management for the purpose of resource allocation and assessment of segment performance.

Based on the shipping or delivery documents of each sales transaction, the management has categorised the revenue by location of customers as follows:

	Six-month period ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
		(unaudited)
PRC	**4,945,636**	5,591,279
United States of America	**1,377,863**	102,534
Australia	**3,663**	54,417
Others	**1,426**	54,495
	6,328,588	5,802,725

No non-current assets of the Group are located outside the PRC.

7. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets by operating segment, which is also the information available to the chief operating decision maker:

	30.6.2009	31.12.2008
	RMB'000	RMB'000
Construction	**1,665,254**	2,116,695
Industrial	**1,828,791**	1,202,593
Unallocated assets	**17,527,687**	9,541,787
Total segment assets	**21,021,732**	12,861,075

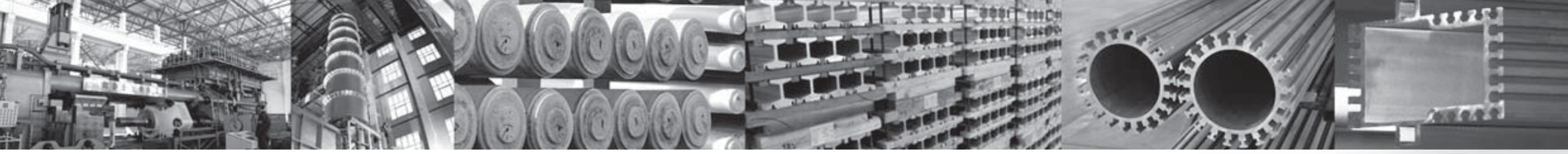
The unallocated assets are mainly other receivables, deposits and prepayments, held-for-trading investments, pledged bank deposits and bank balances and cash which are commonly used between segments and corporate operation.

The raw materials purchased for productions are commonly used for both Construction and Industrial segments. Accordingly, the account payables or bills payable cannot be allocated by segment. The remaining liabilities are corporate liabilities which were unallocated either.

Other information

For the six-month period ended 30 June 2009

	Construction	**Industrial**	**Unallocated**	**Consolidated**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Additions to property, plant and equipment	**641**	**33,164**	**17,119**	**50,924**
Depreciation of property, plant and equipment	**56,546**	**34,369**	**70,838**	**161,753**
Allowances for bad and doubtful debts in respect of trade receivables	**50**	**148**	**—**	**198**



7. SEGMENT INFORMATION (Continued)

Other information

For the six-month period ended 30 June 2008 (Unaudited)

	Construction RMB'000 (Unaudited)	Industrial RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Additions to property, plant and equipment	—	106,679	50,481	157,160
Depreciation of property, plant and equipment	56,541	28,894	69,000	154,435
Depreciation of investment properties	—	—	350	350

Major customer information

During the six-month period ended 30 June 2009, revenue of approximately RMB1,334,721,000 was contributed by a single customer and was categorised under Industrial segment.

There is no single customer accounted for over 10% of total revenue for the six-month period ended 30 June 2008.

8. INTEREST INCOME

The amounts represent interests income received from bank deposits.

9. OTHER INCOME

	1.1.2009 to 30.6.2009 RMB'000	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
Government subsidies (Note)	**9,240**	2,500
Gain on sales of scrap materials and consumables	**—**	118
Rental income	**—**	142
Gain on disposal of property, plant and equipment	**937**	3,419
Gain on change in fair value of investments held for trading	**288**	—
Exchange gain	**10,147**	—
Others	**562**	—
	21,174	6,179

Note: The amounts mainly represent subsidies received from the Finance Bureau of Liao Yang City for subsidising the Group's expenditure in technological research and market development.

10. LISTING EXPENSES

The amount represents professional fees and other expenses related to the Listing. Pursuant to IAS 32 Financial Instruments: Presentation, the transaction costs of an equity transaction are accounted for as an deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs are recognised as an expense when incurred.

11. FINANCE COSTS

	1.1.2009 to 30.6.2009 RMB'000	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
Interests on borrowings wholly repayable within five years:		
— Bank loans	**112,314**	105,994
— Bills payable	**—**	22,712
— Short term debenture	**60,000**	6,450
	172,314	135,156

12. TAXATION

	1.1.2009 to 30.6.2009 RMB'000	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
The charge comprises PRC Enterprise Income Tax		
Current taxation	**568,385**	325,592
Deferred tax charge (note 32)	**20,000**	—
	588,385	325,592

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the tax rate from 27% to 25% for the Zhongwang PRC effective from 1 January 2008. The applicable tax rate for Zhongwang PRC for the six-month period ended 30 June 2009 and 2008 is 25%.

12. TAXATION (Continued)

The taxation charge for the period can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	1.1.2009 to 30.6.2009 RMB'000	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
Profit before taxation	**2,213,211**	1,272,087
Taxation at the PRC income tax rate	**553,303**	318,022
Tax effect of withholding tax on dividends	**20,000**	—
Tax effect of expenses not deductible for tax purpose	**15,082**	7,570
Taxation for the period	**588,385**	325,592

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences relating to a portion of the undistributed profits of a PRC subsidiary amounting to approximately RMB1,731,726,000 (31 December 2008: RMB494,726,000) as the Company controls the dividend policy of such subsidiary and it is probable that such profits will not be distributed in the foreseeable future. As at the end of each reporting period date, the Group had no other significant unprovided deferred taxation.

13. PROFIT FOR THE PERIOD

	1.1.2009 to 30.6.2009 RMB'000	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Auditor's remuneration	**1,410**	125
Allowance for bad and doubtful debts	**198**	—
Cost of inventories recognised as expense	**3,816,404**	4,309,068
Depreciation of property, plant and equipment	**161,753**	154,435
Depreciation of investment properties	**—**	350
Net exchange losses	**—**	8,253
Release of prepaid lease payments	**728**	825
Research and development costs	**4,544**	4,499
Loss on change in fair value of investments held for trading	**—**	873
Operating lease rentals in respect of rented premises	**146**	2,224
Gross rental income from investment properties	**—**	(142)
Less: Direct operating expenses from investment properties that generated rental income during the period	**—**	372
	—	230
Staff costs (including directors' emoluments):		
Salaries and other benefits	**48,816**	42,284
Retirement benefits scheme contributions	**4,238**	3,127
Employee share option benefits	**28,353**	—
	81,407	45,411

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	1.1.2009 to 30.6.2009 RMB'000	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
Directors' emoluments		
Salaries and other benefits	**2,596**	2,223
Retirement benefit scheme contributions	**6**	6
Employee share option benefits	**5,825**	—
	8,427	2,229

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of directors during each of the six-month period ended 30 June 2009 and 2008 are analysed as follows:

	1 January 2009 to 30 June 2009				1 January 2008 to 30 June 2008		
Name of directors	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Employee share option benefits RMB'000	Total RMB'000	Salaries and other benefits RMB'000 (Unaudited)	Retirement benefit scheme contributions RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Executive directors:							
Mr. Liu	601	1	–	602	602	1	603
Mr. Liu Zhongsuo (Note)	–	–	–	–	402	1	403
Mr. Zhong Hong	401	1	1,544	1,946	402	1	403
Mr. Chen Yan	401	1	1,544	1,946	402	1	403
Mr. Lu Changqing	409	2	1,544	1,955	402	1	403
Mr. Gou Xihui	401	1	1,193	1,595	13	1	14
Non-executive directors:							
Ma Xiaowei	–	–	–	–	–	–	–
Independent non-executive directors:							
Wong Chun Wa	100	–	–	100	–	–	–
Wen Xianjun	100	–	–	100	–	–	–
Shi Ketong	100	–	–	100	–	–	–
Lo Wa Kei, Roy	83	–	–	83	–	–	–
Total	2,596	6	5,825	8,427	2,223	6	2,229

Note: Mr. Liu Zhongsuo resigned as an executive director on 1 August 2008.

For each of the six-month period ended 30 June 2009 and 2008, all five highest paid individuals are the directors of the Group whose emoluments are included in the disclosure set out above.

During each of the six-month period ended 30 June 2009 and 2008, no emolument was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during each of the six-month period ended 30 June 2009 and 2008.

15. DIVIDEND

Pursuant to the directors' meeting on 18 October 2008, the Company declared dividend of RMB0.5 per share with an aggregate amount of RMB2,000,000,000 which was distributed to the immediate holding company, ZIGL, in April 2009. In April 2009, the Company declared a dividend of RMB0.25 per share with an aggregate amount of RMB1,000,000,000 which was distributed to ZIGL in April 2009.

The directors do not recommend the payment of an interim dividend for the six-month period ended 30 June 2009.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the six-month period ended 30 June 2009 and 2008 is based on the consolidated profit attributable to equity holders of the Company for each of the six-month period ended 30 June 2009 and 2008 and on the number of shares as follows:

	30.6.2009 **RMB'000**	30.6.2008 RMB'000 (unaudited)
Earnings for the purposes of basic earnings per share	**1,624,826**	946,495

	2009 **'000**	2008 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**4,418,655**	4,000,000
Effect of dilutive potential ordinary shares: Share options issued by the Company	**14,199**	N/A
Weighed average number of shares for the purpose of diluted earnings per share	**4,432,854**	N/A

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2008	631,828	3,174,909	75,018	16,487	161,524	4,059,766
Transfer	6,436	206,257	2,982	6,010	(221,685)	—
Additions	4,825	29,724	2,163	3,335	460,380	500,427
Disposals	(178,130)	(35,266)	(12,899)	(104)	—	(226,399)
At 31 December 2008	464,959	3,375,624	67,264	25,728	400,219	4,333,794
Transfer	4,738	8,341	1,357	1,709	(16,145)	—
Additions	607	5,070	410	1,134	43,703	50,924
Disposals	—	—	(4,256)	—	—	(4,256)
At 30 June 2009	**470,304**	**3,389,035**	**64,775**	**28,571**	**427,777**	**4,380,462**
DEPRECIATION						
At 1 January 2008	144,363	587,974	47,919	7,684	—	787,940
Charge for the year	23,013	283,033	7,296	2,871	—	316,213
Eliminated on disposals	(38,960)	(27,459)	(8,634)	—	—	(75,053)
At 31 December 2008	128,416	843,548	46,581	10,555	—	1,029,100
Charge for the period	10,711	146,154	3,064	1,824	—	161,753
Eliminated on disposals	—	—	(1,828)	—	—	(1,828)
At 30 June 2009	**139,127**	**989,702**	**47,817**	**12,379**	**—**	**1,189,025**
CARRYING VALUES						
At 30 June 2009	**331,177**	**2,399,333**	**16,958**	**16,192**	**427,777**	**3,191,437**
At 31 December 2008	336,543	2,532,076	20,683	15,173	400,219	3,304,694

The above items of property, plant and equipment other than construction in progress are depreciated, after taking into account their estimated residual value, on a straight-line basis at the following rates per annum:

Buildings	4.5%
Machinery	9%
Motor vehicles	18%
Furniture, fixtures and equipment	18%

Notes To The Consolidated Financial Statements

For the six-month period ended 30 June 2009

18. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2008	31,346
Disposals	(31,346)
At 31 December 2008	—
DEPRECIATION	
At 1 January 2008	5,876
Charge for the year	350
Eliminated on disposals	(6,226)
At 31 December 2008	—
CARRYING VALUE	
At 31 December 2008	—

The above investment properties were rented out under operating leases during the year ended 31 December 2008.

The above investment properties were held under medium-term leases in the PRC and were depreciated on a straight-line basis over the term of 20 years.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	30.6.2009 **RMB'000**	31.12.2008 RMB'000
Leasehold land in the PRC under medium-term leases	**65,934**	66,662
Analysed for reporting purpose:		
Current assets	**1,472**	1,472
Non-current assets	**64,462**	65,190
	65,934	66,662

20. INVENTORIES

	30.6.2009 RMB'000	31.12.2008 RMB'000
Raw materials	264,969	30,385
Work-in-progress	193,514	219,320
Finished goods	508,700	809,063
	967,183	1,058,768

21. TRADE RECEIVABLES

	30.6.2009 RMB'000	31.12.2008 RMB'000
Trade receivables	1,019,925	523,952
Less: Allowance for bad and doubtful debts	(245)	(47)
	1,019,680	523,905

The Group allows an average credit period of 90 days. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the end of each of the reporting period.

	30.6.2009 RMB'000	31.12.2008 RMB'000
1–90 days	929,218	425,391
Over 90 days	90,462	98,514
	1,019,680	523,905

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. The directors also believe that there is no further credit provision required in excess of the allowance for doubtful debts.

21. TRADE RECEIVABLES (Continued)

As at 30 June 2009, the trade receivables of RMB929,218,000 (31 December 2008: RMB425,391,000) were neither past due nor impaired. These customers were reputable enterprises in certain cities of the PRC and no counterparty default was noted in the past.

As at 30 June 2009, trade receivables of RMB90,462,000 (31 December 2008: RMB98,514,000) 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.

Ageing of trade receivables which are past due but not impaired

	30.6.2009 RMB'000	31.12.2008 RMB'000
91–180 days	**72,585**	92,818
181–365 days	**17,877**	3,525
Over 365 days	**—**	2,171
Total	**90,462**	98,514

Movement in the allowance for bad and doubtful debts

	30.6.2009 RMB'000	31.12.2008 RMB'000
Balance at beginning of the period/year	**47**	219
Allowances for bad and doubtful debtors	**198**	47
Amounts written off as uncollectible	**—**	(219)
Balance at end of the period/year	**245**	47

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.6.2009 RMB'000	31.12.2008 RMB'000
Other receivables, deposits and prepayments	**2,750,433**	2,386,851

Included in the other receivables, deposits and prepayments are deposits paid to suppliers amounting to RMB2,696,788,000 (31 December 2008: RMB2,363,826,000) as at 30 June 2009.

23. AMOUNTS DUE FROM/TO RELATED PARTIES

	30.6.2009 RMB'000	31.12.2008 RMB'000
Amounts due from related parties		
Non-trading in nature		
Mr. Liu	–	16,631
Liaoning Hong Cheng Vinyl Profile Co., Ltd. ("Hong Cheng") (Note 1)	–	5,539
Total amounts due from related parties	–	22,170
Amount due to a related party		
Non-trading in nature		
Zhongwang Zhongtian Garment Co., Ltd. ("Zhongtian Garment") (Note 1)	–	320
Total amounts due to related companies	–	320

The amounts were unsecured, non-interest bearing and were repayable on demand.

23. AMOUNTS DUE FROM/TO RELATED PARTIES (Continued)

Note:

1. These are related companies of the Group which are beneficially owned by Mr. Liu. The maximum outstanding balance of the related companies beneficially owned by Mr. Liu disclosed pursuant to section 161B of Companies Ordinance during the periods are stated as follows:

	30.6.2009	31.12.2008
	RMB'000	RMB'000
Cheng Cheng Plastics Inc. ("CC Plastics")	**–**	425
Mr. Liu	**16,631**	22,650
Hong Cheng	**272,459**	527,323
Zhongtian Garment	**320**	68
Liaoyang Futian Chemical Co., Ltd. ("Futian Chemical")	**20,200**	200,805
Liaoning Cheng Cheng Co., Ltd. ("Cheng Cheng")	**186,440**	917,061

24. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments represented mutual funds stated at fair value at the end of each of the reporting period.

25. PLEDGED BANK DEPOSITS

The deposits carry average effective interest rates of 3.78% and 1.89% per annum for the year ended 31 December 2008 and six-month period ended 30 June 2009 respectively. The pledged bank deposits will be released upon the settlement of relevant bills payable.

26. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The deposits carry average interest rates of 0.66% and 0.26% per annum for the year ended 31 December 2008 and for the six-month period ended 30 June 2009 respectively.

27. TRADE PAYABLES

The following is an aged analysis of trade payables at the end of the reporting period:

	30.6.2009	31.12.2008
	RMB'000	RMB'000
0 to 90 days	**111,008**	20,731
91 to 180 days	**3,605**	2,385
181 days to 1 year	**3,381**	1,380
Over 1 year	**—**	324
	117,994	24,820

28. BILLS PAYABLE

All the bills payable are repayable within 180 days and are denominated in Renminbi.

29. SHORT TERM DEBENTURE

During the year ended 31 December 2008, the Group has issued two debentures of RMB1,000,000,000 each with maturity of one year. The average effective interest rate is 6% per annum.

30. BANK LOANS

	30.6.2009	31.12.2008
	RMB'000	RMB'000
Within one year	**3,093,745**	2,640,638
In more than one year but not more than two years	**386,638**	—
In more than two years but not more than five years	**200,000**	130,000
Total bank loans	**3,680,383**	2,770,638
Less: Amounts due within one year shown under current liabilities	**(3,093,745)**	(2,640,638)
	586,638	130,000
Secured by machinery, inventories and trade receivables of the Group	**1,041,080**	1,274,990
Guaranteed by independent third parties	**1,757,876**	1,330,000
	2,798,956	2,604,990

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below.

	30.6.2009	31.12.2008
	RMB'000	RMB'000
USD	**168,064**	33,148

The bank loans carry average fixed interest rates of 7.3% and 6.3% per annum for the year ended 31 December 2008 and for the six-month period ended 30 June 2009 respectively.

31. SHARE CAPITAL

THE COMPANY

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary share of HK$0.1 each:			
Authorized			
On incorporation, at 31 December 2008 and at 30 June 2009	8,000,000,000	800,000	N/A
Issued			
On incorporation (Note a)	1	—	—
Issued on 31 January 2008 (Note b)	1	—	—
Issued on 13 June 2008 (Note c)	1	—	—
Capitalisation on 22 July 2008 (Note d)	3,999,999,994	400,000	350,877
Issued on 8 August 2008 (Note e)	3	—	—
At 31 December 2008	4,000,000,000	400,000	350,877
Issued on 8 May 2009 (Note f)	1,400,000,000	140,000	123,242
Issued on 3 June 2009 (Note g)	6,306,400	631	556
At 30 June 2009	5,406,306,400	540,631	474,675

Pursuant to the Corporate Reorganisation completed on 8 August 2008, the Company became the holding company of the companies comprising the Group.

31. SHARE CAPITAL (Continued)

THE COMPANY (Continued)

Notes:

(a) On 29 January 2008, one subscriber share was issued to the Company's subscriber at par, and the said subscriber share was subsequently transferred to ZIGL, the ultimate holding company of the Group, on the same date.

(b) In connection with the Corporate Reorganisation, on 31 January 2008, the Company acquired the entire issued share capital of ZCIL (BVI) from ZIGL, and in consideration therefore, the Company issued one share at a consideration of HK$23,311.2 (equivalent to RMB22,000) to ZIGL.

(c) In connection with the Corporation Reorganisation, ZCIL (HK) (an indirect wholly-owned subsidiary of the Company) accepted the transfer of 40% of the registered capital of Zhongwang PRC from Kong Lung Industrial Company Limited, the then shareholder of Zhongwang PRC, and, in connection therewith, the Company issued one share at a consideration of US$197,023,300 (equivalent to RMB1,360,328,000) to ZIGL on 13 June 2008.

(d) On 22 July 2008, the Company capitalised an amount of HK$399,999,999 (equivalent to RMB350,877,000) standing to the credit of its share premium account in paying-up in full 3,999,999,994 shares, each of which was subsequently allotted and issued to ZIGL.

(e) On 8 August 2008, the Company has issued 3 shares to ZIGL for an aggregate consideration of approximately US$295,500,000, equivalent to RMB2,026,927,000, which was credited to share premium account.

(f) On 8 May 2009, the Company issued 1,400,000,000 new shares pursuant to the Listing and the Company's shares were listed on the Stock Exchange on the same date.

(g) On 3 June 2009, overallotment option was partially exercised by the joint global co-ordinators and 6,306,400 shares were issued.

32. DEFERRED TAXATION

The following is the major deferred tax liability recognised and movement thereon during the current period and prior year:

	Temporary difference arising from the withholding tax RMB'000
Charged to consolidated statement of comprehensive income for the year ended 31 December 2008 and at 31 December 2008	50,000
Charged to consolidated statement of comprehensive income for the six-month period ended 30 June 2009 (note 12)	20,000
At 30 June 2009	70,000

Under the new law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of a PRC subsidiary as it is probable that the temporary difference will be reversed in the foreseeable future.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	30.6.2009 RMB'000	31.12.2008 RMB'000
Within one year	**291**	292
In the second to fifth year inclusive	**107**	253
	398	545

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

Notes To The Consolidated Financial Statements

For the six-month period ended 30 June 2009

34. CAPITAL COMMITMENTS

	30.6.2009 RMB'000	31.12.2008 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**591,739**	197,144

35. PLEDGE OF ASSETS

Apart from the pledged bank deposits as disclosed in note 25, the Group has pledged certain machinery, inventories and trade receivables to secure the bank loans granted to the Group at the end of each of the reporting period. The carrying values of the assets pledged are as follows:

	30.6.2009 RMB'000	31.12.2008 RMB'000
Pledged for banking facilities granted to the Group:		
Machinery	**1,749,795**	1,628,511
Inventories	**380,566**	471,732
Trade receivables	**35,365**	—
	2,165,726	2,100,243

36. RETIREMENT BENEFIT PLAN

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during each of the six-month period ended 30 June 2009 and 2008 are disclosed in note 13.

Notes To The Consolidated Financial Statements

For the six-month period ended 30 June 2009

37. RELATED PARTY TRANSACTIONS

Apart from amounts from/to related parties as set out in note 23, during each of the six-month periods ended 30 June 2009 and 2008, the Group had entered into the following significant transactions with related companies in which Mr. Liu has beneficial interests:

	1.1.2009 to 30.6.2009 RMB'000	1.1.2008 to 30.6.2008 RMB'000 (Unaudited)
Sales to related companies		
CC Plastics	–	409
Purchases from related companies		
Futian Chemical	**22,316**	38,016
Liaoyang Pengli Dies Co., Ltd. ("Pengli Dies") (Note 1)	–	33,233
Cheng Cheng	**3,380**	3,743
	25,696	74,992
Purchase of property, plant and equipment from a related company (Note 2):		
Pengli Dies	–	18,932
Disposal of property, plant and equipment to related companies (Note 2):		
Zhongtain Garment	–	14,142
Futian Chemical	–	35,201
Cheng Cheng	–	33,791
Hong Cheng	**1,180**	55,199
	1,180	138,333
Disposal of leasehold land to related companies (Note 2):		
Futian Chemical	–	14,398
Cheng Cheng	–	3,462
Hong Cheng	–	32,377
	–	50,237
Disposal of investment properties to a related company (Note 2):		
Hong Cheng	–	25,120

37. RELATED PARTY TRANSACTIONS (Continued)

The directors of the Company considered that the directors are the key management of the Group, whose emoluments have been disclosed in note 14.

Notes:

1. The company is beneficially owned by Mr. Liu.

2. The consideration of purchase or disposal of property, plant and equipment, leasehold land and investment properties is equivalent to the net book values on the relevant date of purchase or disposal.

38. 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 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 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.

38. PRE-IPO SHARE OPTION SCHEME (Continued)

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.

A summary of the grantees who have been granted pre-IPO share options is set out below:

Category	Number of share options granted on 17 April 2008, outstanding at 31 December 2008 and at 30 June 2009
Directors	8,300,000
Employees	32,100,000
Total	40,400,000

In the opinion of the directors of the Company, the successful listing of the Company's shares on the Stock Exchange cannot be assumed with certainty as at 30 June 2008. Accordingly, no share-based payment expense is recognised in the statement of comprehensive income for such period. For the period from the Listing to 30 June 2009, share-based payment expense of approximately RMB28,353,000 is recognised in the consolidated statement of comprehensive income.

The fair value of pre-IPO share option being granted is RMB105,226,000 and 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:

Estimated share price at 17 April 2008	HK$4.7
Exercise price	HK$2
Expected volatility	58%
Expected life	5.6 years
Risk-free interest rate	2.2%
Expected dividend yield	2.5%

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 subject assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

Notes To The Consolidated Financial Statements

For the six-month period ended 30 June 2009

39. SUBSEQUENT EVENT

In July and August 2009, the Group has repaid the short term debentures amounting to RMB2,000,000,000 upon their maturity.

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 30 June 2009 and 31 December 2008 are as follows:

Name of the company	Place and date of incorporation/ establishment	Form of business structure	Place of operation	Equity interest attributable to the Group as at 30 June 2009	Equity interest attributable to the Group as at 31 December 2008	Issued and fully paid share capital/ registered capital	Principal activities
Zhongwang PRC	PRC	Wholly foreign owned enterprise	The PRC	**100%**	100%	US$900,000,000	Manufacturing of aluminum products
ZCIL(BVI)	British Virgin Islands 19 December 2007	Incorporated	The PRC	**100%**	100%	US$1.00	Investment holding
ZCIL (HK)	Hong Kong 23 January 2008	Incorporated	The PRC	**100%**	100%	HK$1.00	Investment holding

None of the subsidiaries had issued any debt securities at the end of the period/year.