中国忠旺控股有限公司*

China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 01333

Interim Report 2010

* *For identification purposes only*

China Zhongwang Holdings Limited

2010 Interim Report

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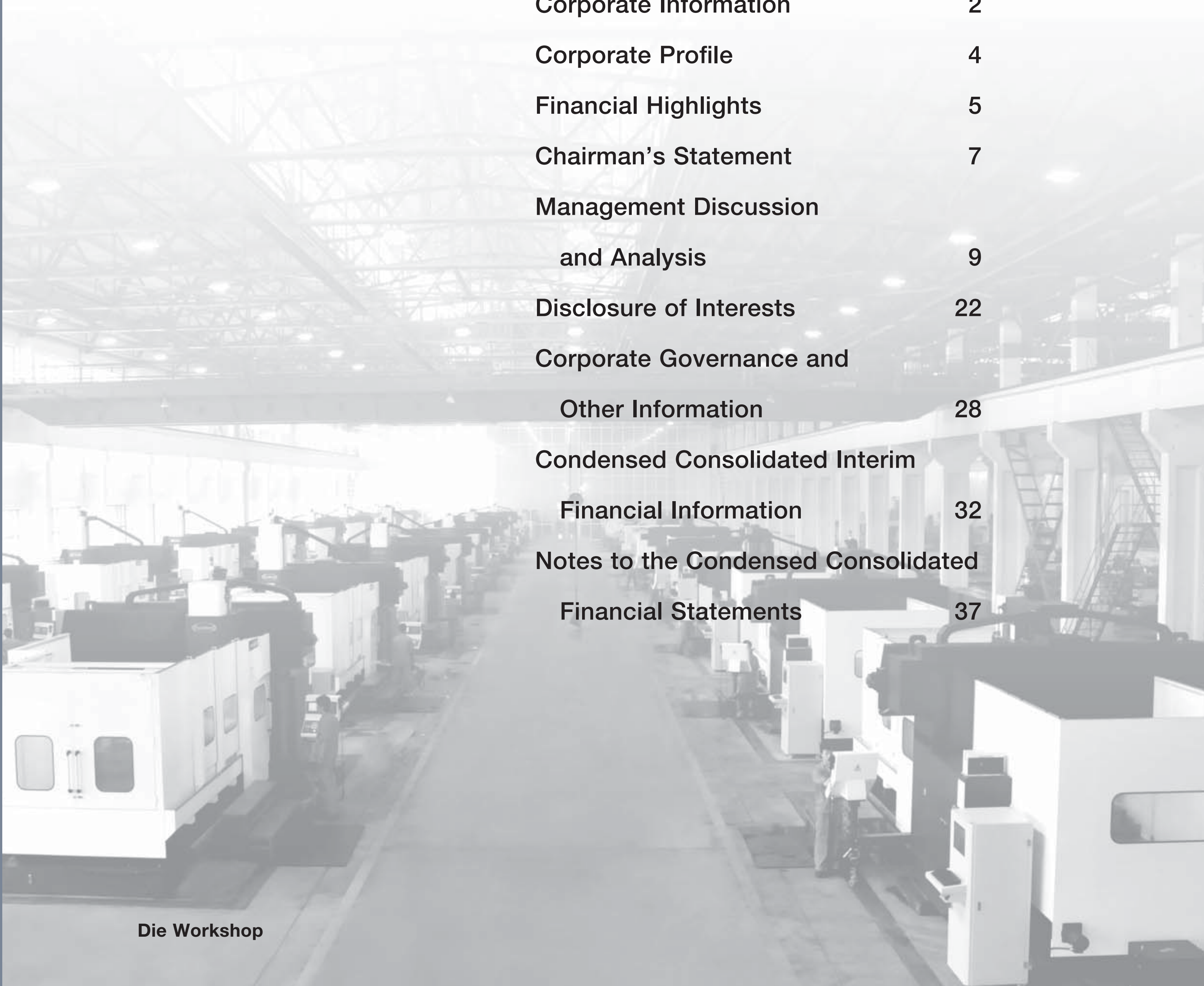

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Corporate Information

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

01333

Executive Directors

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

Independent Non-executive Directors

Mr. Wong Chun Wa
Mr. Wen Xianjun
Mr. Shi Ketong
Mr. Lo Wa Kei, Roy

Audit Committee

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

Remuneration Committee

Mr. Wen Xianjun *(Chairman)*
Mr. Liu Zhongtian
Mr. Shi Ketong

Corporate Governance Committee

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

Strategy and Development Committee

Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing
Mr. Wen Xianjun

Joint Company Secretaries

Mr. Cheung Lap Kei
Mr. Lu Changqing

Authorised Representatives

Mr. Cheung Lap Kei
Mr. Lu Changqing

Principal Bankers

Bank of Communications Co., Ltd.,
  Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Liaoyang City Commercial Bank, Wensheng Branch
Liaoyang City Hongwei District Agricultural Credit
  Cooperatives
Credit Agricole Indosuez

Registered Office

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

Head Office and Principal Place of Business in the PRC

No. 299, Wensheng Road
Liaoyang City
Liaoning 111003
China

Corporate Information

Place of Business in Hong Kong

20th Floor, Alexandra House
Central, Hong Kong

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

Corporate Profile

China Zhongwang Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is a leading manufacturer of industrial aluminium extrusion products in China and the world. According to its strategy formulated in 2002 focusing on the development of industrial aluminium extrusion products, the Company has been successfully transformed. Industrial aluminium extrusion products have accounted for 96.5% of the total sales revenue and contributed to 99.7% of the total gross profit. The Group is the world's third largest and Asia and China's largest research-based manufacturer of high value-added aluminium extrusion products for the transportation, machinery equipment and electric power engineering sectors in terms of production capacity for the period ended 31 December 2009. The Group is also the world's second largest and Asia and China's largest manufacturer in terms of sales of industrial aluminium extrusion products.[1]

With seventeen years of commitments and contributions since its establishment in 1993, the Group operated 73 globally advanced extrusion production lines for aluminium extrusion products as at 30 June 2010, of which the 125MN oil-driven dual action aluminium extrusion press is one of the largest and most advanced aluminium extrusion presses in China and even in the world.[2] In addition to our extrusion equipment, we also operate the most advanced smelting and casting equipment in China and have strong design and processing capabilities for die tools.[2] The close coordination among product development, smelting and casting, die and extrusion is an important source of the Group's competitive advantages and outstanding feature of the Group.

The Group is principally engaged in the production of high precision, large-section and high value-added industrial aluminium extrusion products which are widely used in the transportation, machinery equipment and electric power engineering sectors. Within the transportation sector, industrial aluminium extrusion products are mainly applicable to industries such as railway cargo and passenger carriage, metropolitan rail (subway and light rail), automobile, heavy truck, vessel, aviation and aerospace. The Group has established long-term cooperation relationship with a number of customers in different industries. However, in order to preserve higher gross profit for our products, the Group continues the expansion in the high value-added industrial aluminium product market, increasing the share of high-end industrial aluminium extrusion products in our business and reducing our production of construction aluminium extrusion products.

We will continue to focus our attention on the transportation, machinery equipment and electric power engineering sectors, in particular on the light-weight development in the direction of reducing energy consumption and achieving low-carbon and emission-reducing and to strengthen every aspect of our existing competitive advantages in our vibrant efforts to become the world's top industrial aluminium extrusion product manufacturer with strong research and development capabilities.

For further information, please visit the Company's website at www.zhongwang.com.

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1 Rankings and relevant information relating to aluminium extrusion product manufacturers in the world are cited from a report of the Boston Consulting Group.

2 Descriptions relating to equipment information are extracted from a report of the Boston Consulting Group.

Financial Highlights

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Revenue	**6,472,258**	6,328,588
Gross profit	**3,073,645**	2,512,184
Gross profit margin	**47.5%**	39.7%
Operating profit (Note 1)	**2,784,784**	2,249,769
Listing expenses (Note 2)	**—**	36,558
Profit before taxation	**2,784,784**	2,213,211
Profit attributable to shareholders	**2,092,476**	1,624,826
Earnings per share (Note 3)		
Basic (RMB)	**0.39**	0.37
Diluted (RMB)	**0.39**	0.37

	As at 30 June 2010	As at 31 December 2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Net cash (Note 4)	**7,586,939**	6,056,240
Net assets	**15,058,818**	14,175,773
Gearing ratio (Note 5)	**42.8%**	42.0%

Notes:

1. Operating profit represents profit before listing expenses and income tax.

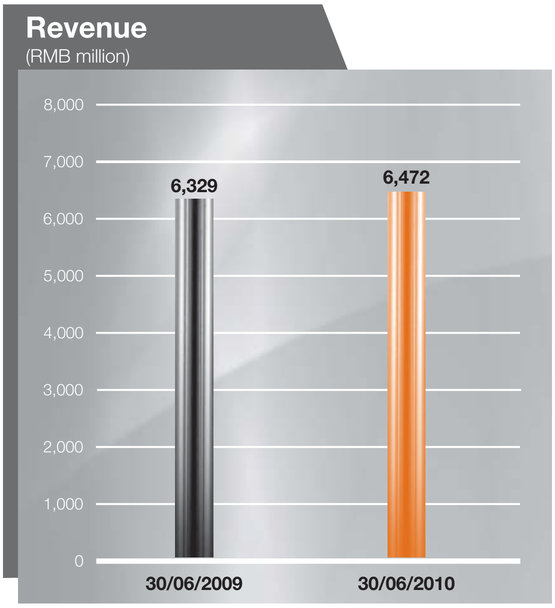
2. Listing expenses for the six-month period ended 30 June 2009 represent the one-off expenses of RMB36,558,000 relating to the listing ("Listing") of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). We do not have this kind of expenses in 2010.

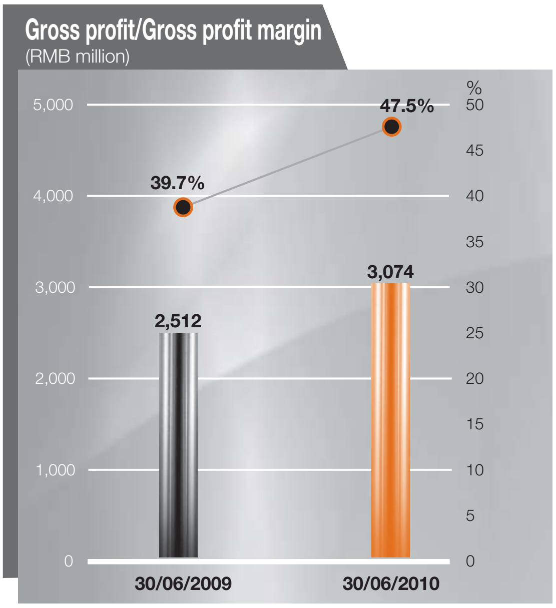
3. For each of the six-month periods ended 30 June 2010 and 2009, the calculation of basic earnings per share was based on the profit attributable to shareholders of the Company for each of the six-month periods ended 30 June 2010 and 2009 and on the weighted average number of shares for the respective period.

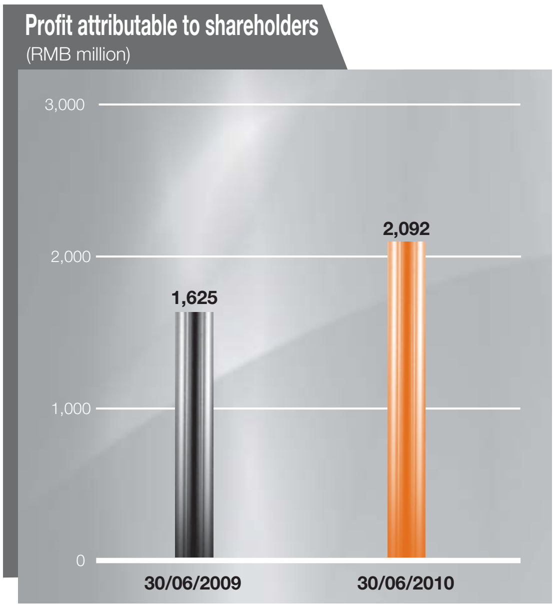
4. Bank deposits and cash (excluding pledged bank deposits) less bank borrowings and short-term debentures.

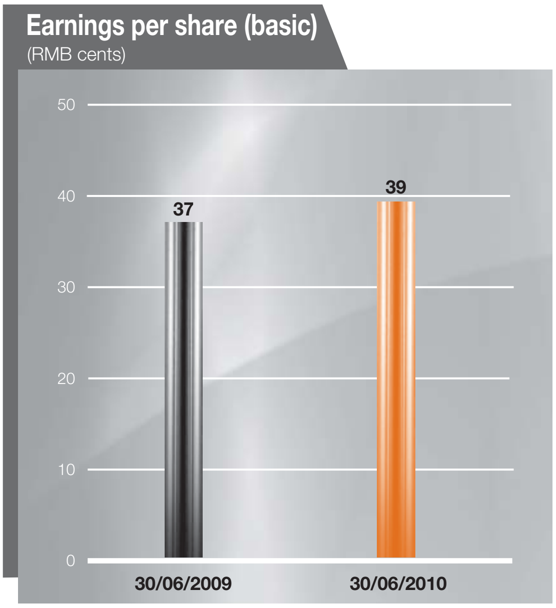
5. Gearing ratio = total liabilities/total assets * 100%.

Financial Highlights









Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited, I am pleased to present the interim report on the results of the Group for the six-month period ended 30 June 2010.

China is the largest and fastest-growing consumer of aluminium extrusion materials in the world with strong growth of approximately 24% per annum over the last five year. Thus, China has become the principal growth driver for the global market. Domestically, with the advocation of an environment-friendly economy underpinned by low-carbon consumption and the light-weight trend in transportation sector, industrial aluminium extrusion materials continued to account for a rapid growing share in the application of aluminium extrusion materials as a whole and in various major downstream application sectors.

The Group is the second largest manufacturer in the world and the largest manufacturer in Asia and China (in terms of sales volume) with strong research and development capabilities of high value-added industrial aluminium extrusion products for the transportation, machinery equipment and electric power engineering sectors. The Group sustained steady business development during the period under review. To capitalise on enormous market opportunities, the Group remained dedicated to the transportation, machinery equipment and electric power engineering sectors during the first half of 2010, dispensing vigorous efforts in international as well as domestic market development. In addition, the Group achieved satisfactory growth in the sales and net profit of industrial aluminium extrusion products as a result of continuous capacity expansion and market development efforts for high value-added industrial aluminium extrusion products. For the period under review, the Group reported revenue of approximately RMB6,472,258,000 (2009: RMB6,328,588,000), representing a 2.3% growth over the corresponding period in 2009. Profit attributable to shareholders for the period under review increased 28.8% to approximately RMB2,092,476,000 (2009: RMB1,624,826,000).

With the commissioning of the advanced large-scale facilities such as the 125MN oil-driven dual action extrusion press and the advanced alloy smelting and casting and die equipment, the proportion of high-end industrial aluminium extrusion materials in the Group's turnover increased and that drove the overall gross profit margin up to 47.5% (2009: 39.7%).

Chairman's Statement

Industrial aluminium extrusion materials are characterised by their lightness, abrasion-proof qualities, anti-corrosion properties and environmtent-friendly low-carbon feature, which correspond to the important trend of light-weight and low-carbon development in the transportation, electric power engineering and machinery equipment sectors. In future, the Group will continue to increase its production capacity in high value-added industrial aluminium extrusion materials by installing new production lines and acquiring manufacturers of industrial aluminium materials with sound reputation, as well as developing high-end processed aluminium products which provide synergies. On 9 February 2010, Liaoning Zhongwang, a wholly-owned subsidiary of the Company, entered into a framework agreement with certain independent third parties to acquire 100% equity interest in Qinghai Guoxin Aluminium Industry Incorporated Company, one of the largest professional manufacturers of high-precision hard industrial aluminium extrusion products in the PRC (for details on the progress of the proposed acquisition, please refer to the Company's announcements dated 9 February 2010, 29 April 2010 and 28 July 2010, respectively). If the proposed acquisition can be completed in 2010, it is expected that the production capacity of the Group will be increased by 120 kilotons. By installing additional production lines simultaneously, it is estimated that the Group will be able to accelerate its plan to reach a production capacity of 800 kilotons one year ahead of our target. Accordingly, we will maintain the continuous growth of our business, enhance our ongoing competitiveness and further strengthen our global leadership in the industrial aluminium extrusion market.

After years of market-oriented competition and development, PRC aluminium extrusion sector has acquired comprehensive competitive edges in the global market, becoming the top growth driver for the global aluminium extrusion industry.

The Group will continue to increase its penetration rate in the industrial aluminium extrusion market by enhancing its research and development capabilities, strengthening its capabilities in metal alloy smelting and casting and die creation, and procuring additional deep-processing equipment for downstream high value-added products. Meanwhile, we will actively identify value-added high-end processed aluminium products which provide synergies, in order to enhance our overall competitive strengths in a continuous manner.

The outstanding results of the Group would not have been achieved without the incessant efforts of its staff and all parties who support the Group. I would like to take this opportunity to express my sincere gratitude for the contributions made by all colleagues, and I must also thank our shareholders, investors and patrons for their unfailing trust and support for the Group. We will continue to step up our efforts and seek to reward our supportive shareholders, patrons and colleagues with excellent business performance.

Liu Zhongtian
Chairman

Hong Kong, 10 August 2010

Management Discussion and Analysis

Financial Review

We are a leading industrial aluminium extrusion product manufacturer in Asia and China, with strong research and development capabilities. The principal activities of the Group are research, development, production and sale of a wide range of high-quality industrial aluminium extrusion products. Primarily focused on the transportation, machinery equipment and electric power engineering sectors, our products are able to meet customers' stringent quality and specification standards as well as material quality requirements.

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, our trading history and relationship with the customer, and the overall market condition and demand. Moreover, the Group is generally able to pass the risk of price fluctuations of aluminum ingots, the major raw materials for producing aluminum extrusion products, on to our customers.

For the six-month period ended 30 June 2010, the Group's revenue and profit attributable to shareholders of the Company amounted to approximately RMB6.47 billion and RMB2.09 billion, respectively, representing growth rates of 2.3% and 28.8% over the corresponding period in 2009, respectively. Earnings per share for the six-month period ended 30 June 2010 was RMB0.39, representing an increase of 5.4% over the corresponding period in 2009.

A comparison of the financial results for the six-month period ended 30 June 2010 and the corresponding period in 2009 is set out as follows.

Revenue

The following table sets forth the breakdown of our revenue, sales volume and average selling price by product segments for the six-month periods ended 30 June 2009 and 2010, respectively:

	Six months ended 30 June					
	2010			2009		
	Revenue RMB'000	**Volume Ton**	**Average selling price RMB/Ton**	Revenue RMB'000	Volume Ton	Average selling price RMB/Ton
Industrial aluminium extrusion products	**6,245,099**	**174,056**	**35,880**	4,709,554	159,478	29,531
Construction aluminium extrusion products	**227,159**	**12,131**	**18,725**	1,619,034	86,041	18,817
Total	**6,472,258**	**186,187**	**34,762**	6,328,588	245,519	25,776

Management Discussion and Analysis

For the six-month period ended 30 June 2010, the Group's turnover amounted to approximately RMB6,472,258,000, representing an increase of approximately 2.3% from approximately RMB6,328,588,000 for the corresponding period in 2009.

The increase in revenue was mainly attributable to rising sales volume and increase in average selling price of the Group's industrial aluminium extrusion products. The significant growth in the Group's sales volume in industrial aluminium extrusion products resulted primarily from increasing market demand for industrial aluminium extrusion products used in the transportation, machinery equipment and electric power engineering sectors. Meanwhile, we continued to develop industrial aluminium extrusion products with high added value, and upgrade product quality and technical standards in 2010 to satisfy the stringent requirements of domestic and international customers. For the six-month period ended 30 June 2010, the average processing fee increased by 42.8%, the average price increased by 34.9% whereas the average cost of aluminium ingot increased by 24.3% compared to those of the corresponding period in 2009.

In 2010, we continued to strive for market expansion of our industrial aluminium extrusion products. It has been an important strategic objective of the Group to enlarge its market share for industrial aluminium extrusion products which command a higher profit margin and promise a brighter future prospect. In line with this strategic objective, during the first half of 2010, revenue generated from our industrial aluminium extrusion products increased significantly, accounting for 96.5% of the Group's revenue, while revenue generated from our construction aluminium extrusion products further decreased to just 3.5% of the Group's revenue. Revenue generated from our industrial aluminium extrusion products increased significantly by 32.6% from RMB4,709,554,000 for the six-month period ended 30 June 2009 to RMB6,245,099,000 for the six-month period ended 30 June 2010. On the other hand, revenue generated from our construction aluminium extrusion products decreased by 86.0% from RMB1,619,034,000 for the six-month period ended 30 June 2009 to RMB227,159,000 for the six-month period ended 30 June 2010.

Total sales volume of the Group decreased to 186,187 tons for the six-month period ended 30 June 2010 from 245,519 tons for the same period in 2009, while the average selling price of the Group's products increased to RMB34,762 per ton for the six-month period ended 30 June 2010 from RMB25,776 per ton for the same period in 2009. Sales volume of our industrial aluminium extrusion products increased to 174,056 tons for the six-month period ended 30 June 2010 from 159,478 tons for the same period in 2009. Sales volume of our construction aluminium extrusion products decreased to 12,131 tons for the six-month period ended 30 June 2010 from 86,041 tons for the same period in 2009. The average selling price of our industrial aluminium extrusion products increased to RMB35,880 per ton for the six-month period ended 30 June 2010 from RMB29,531 for the same period in 2009, while the average selling price of our construction aluminium extrusion products decreased to RMB18,725 per ton for the six-month period ended 30 June 2010 from RMB18,817 for the same period in 2009. The increase in the selling price of the Group's industrial aluminium extrusion products was mainly attributable to the growth in processing fees and aluminium ingot prices. Meanwhile, due to the fact that the decline in processing fees charged was offset by the growth in aluminium ingot prices, the selling price for the Group's construction aluminium extrusion products remained approximately the same with that for the same period last year.

Management Discussion and Analysis

For the six-month period ended 30 June 2010, the Group's overseas sales amounted to approximately RMB3,822,692,000, representing 59.1% of the Group's total sales. Overseas customers of the Group are mainly located in regions such as the United States and Australia. In addition, part of the revenue from the Group's export sales could be adversely affected by the revision of laws, regulations and policies of the countries and regions where the Group's products are distributed. The Group will seek to further increase, based on market demand for industrial aluminium extrusion products, the weighting of high value-added products intended for the above-mentioned regions but not subject to those policy changes, while further developing PRC domestic market and other overseas markets such as Australia and the European Union, in a bid to mitigate the adverse impact of such potential policy changes.

Cost of sales decreased by 10.9% to RMB3,398,613,000 for the six-month period ended 30 June 2010 from RMB3,816,404,000 for the same period in 2009. Cost of sales for our industrial aluminium extrusion products increased by 30.1% to RMB3,180,553,000 for the six-month period ended 30 June 2010 from RMB2,444,543,000 for the same period in 2009, while cost of sales for our construction aluminium extrusion products decreased by 84.1% to RMB218,060,000 for the six-month period ended 30 June 2010 from RMB1,371,861,000 for the same period in 2009. The decrease in cost of sales of the Group was mainly attributed to the decline in total production volume during the period under review as compared to the corresponding period last year. Cost of aluminum ingots is the primary cost of sales component for the Group.

Gross Profit and Gross Profit Margin

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

Our gross profit increased by 22.3% to RMB3,073,645,000 for the six-month period ended 30 June 2010 from RMB2,512,184,000 for the same period in 2009. Our overall gross profit margin increased to 47.5% for the six-month period ended 30 June 2010 from 39.7% for the same period in 2009. Gross profit margin of our industrial aluminium extrusion products increased to 49.1% for the six-month period ended 30 June 2010 from 48.1% for the same period in 2009, mainly because we continued to develop high value-added industrial aluminium extrusion products and upgrade our product quality and technological level in 2010, thereby enhanced our competitiveness in the market and in turn raised the average selling prices of our industrial aluminium extrusion products.

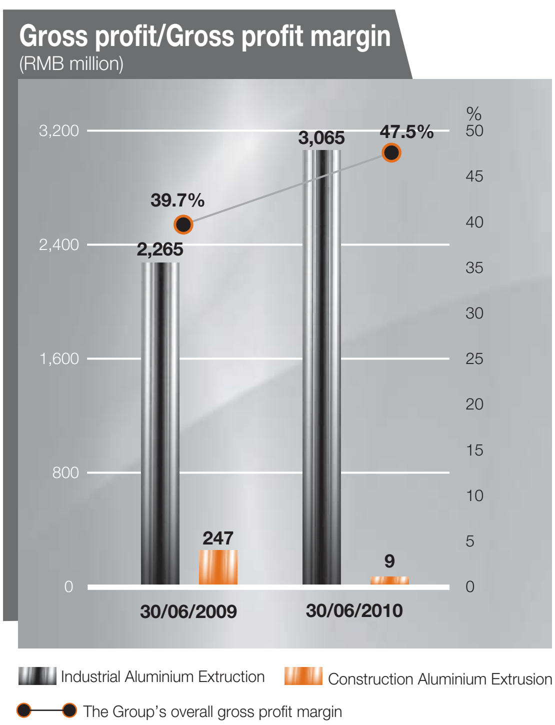
The gross profit margin of our construction aluminium extrusion products decreased to 4.0% for the six-month period ended 30 June 2010 from 15.3% for the same period in 2009, which was primarily due to the declined processing charges brought by the intensifying competition in the construction aluminium product market. In response to that, the Group's strategic business focus has been shifted to the research and development, production and sales of industrial aluminium extrusion products since a few years ago, which in turn led to the decreasing proportion of construction aluminium products in the Group's output.

Management Discussion and Analysis

The following table sets forth the breakdown of our gross profit, gross profit proportions and gross profit margin by product segments for the six-month periods ended 30 June 2009 and 2010, respectively:

	Six months ended 30 June					
	2010			2009		
	Gross profit RMB' 000	%	Gross profit margin %	Gross profit RMB' 000	%	Gross profit margin %
Industrial aluminium extrusion products	**3,064,546**	**99.7**	**49.1**	2,265,011	90.2	48.1
Construction aluminium extrusion products	**9,099**	**0.3**	**4.0**	247,173	9.8	15.3
Total	**3,073,645**	**100.0**	**47.5**	2,512,184	100.0	39.7

Breakdown of gross profit of our products is as follows:



Other Income, Other Gains and Losses

Other income, other gains and losses decreased by 50.7% to RMB10,437,000 for the six-month period ended 30 June 2010 from RMB21,174,000 for the same period in 2009, which was mainly due to: (i) foreign exchange losses of RMB22,647,000 for the six-month period ended 30 June 2010 (foreign exchange gains were RMB10,147,000 for the six-month period ended 30 June 2009); and (ii) an increase in government subsidies to RMB31,774,000 for the six-month period ended 30 June 2010 from RMB9,240,000 for the same period in 2009. The aggregate amount of government subsidies for research and development received by us in each period is determined and distributed by relevant PRC authorities at their sole discretion. The Group's foreign exchange losses for the period under review mainly reflected the impact of the continuously rising RMB exchange rate on the Group's deposits denominated in foreign currencies.

Selling and Distribution Costs

Selling and distribution costs, primarily comprising advertising and promotional expenses, wages and salaries of sales staff and transportation costs, increased by 18.7% to RMB73,653,000 for the six-month period ended 30 June 2010 from RMB62,060,000 for the same period in 2009, which was mainly due to the increase in advertising and promotional expenses during the period over the same period last year.

Administrative and Other Operating Expenses

Administrative and other operating expenses, mainly comprising share option charges, wages and salaries, depreciation of office equipment and other expenses, increased by 17.0% to RMB86,148,000 for the six-month period ended 30 June 2010 from RMB73,635,000 for the same period in 2009. The increase was primarily due to the increase in operating expenses such as wages and salaries as well as office equipment depreciation charges in line with the expansion of the Group's operating scale.

Listing Expenses

Listing expenses refer to the professional charges and related expenses relating to the Listing. Among which, transaction charges of equity transfer related to new share issue amounted to approximately RMB274,229,000 and were accounted as equity decrease. Other charges of approximately RMB36,558,000 were recognized as expenses when they incurred. We do not have this kind of expenses during 2010.

Finance Costs

Our finance costs decreased by 4.8% to RMB163,981,000 for the six-month period ended 30 June 2010 from RMB172,314,000 for the same period in 2009, which was mainly due to the decline in the average loan interest rate for our loan capital during the period, as compared to the same period last year. For the six-month periods ended 30 June 2009 and 2010, the bank loans carried average interest rates of 6.3% and 4.7% per annum, respectively.

Profit Before Taxation

Our profit before taxation increased by 25.8% to RMB2,784,784,000 for the six-month period ended 30 June 2010 from RMB2,213,211,000 for the same period in 2009, which was primarily due to the factors described above in this section headed "Financial Review".

Management Discussion and Analysis

Income Tax Expense

Our income tax expense increased by 17.7% to RMB692,308,000 for the six-month period ended 30 June 2010 from RMB588,385,000 for the same period in 2009. The increase was mainly due to the increase in profit before taxation. Our effective tax rates for the six-month periods ended 30 June 2009 and 2010 were 26.6% and 24.9%, respectively. The reason why the effective tax rate for the six-month period ended 30 June 2009 was higher than the applicable tax rate of 25% to Liaoning Zhongwang is that deferred taxation in respect of temporary differences relating to accumulated profits had been provided for one of our PRC subsidiaries by the Group during that period. For the six-month period ended 30 June 2010, no provision in respect of deferred taxation was made for the undistributed profits of the subsidiary as dividends were paid out of the share premium by the Company.

Profit Attributable to Shareholders

Our profit attributable to the shareholders of the Company increased significantly by 28.8% to RMB2,092,476,000 for the six-month period ended 30 June 2010 from RMB1,624,826,000 for the same period in 2009. Our net margin increased to 32.3% for the six-month period ended 30 June 2010 from 25.7% for the same period in 2009. The increase was mainly due to the factors described above in this section headed "Financial Review".

Interim Dividend

The Directors proposed not to declare any interim dividend for the six-month period ended 30 June 2010.

Cash Flows

The following sets forth the cash flows of the Group for the six-month periods ended 30 June 2010 and 30 June 2009:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Net cash generated from operating activities	**1,105,124**	1,401,003
Net cash generated from investing activities	**1,747,451**	92,396
Net cash (used in) generated from financing activities	**(379,382)**	6,128,718

Management Discussion and Analysis

For the six-month period ended 30 June 2010, the Group's net cash generated from operating activities amounted to approximately RMB1,105,124,000, which mainly consisted of:

	RMB'000
Cash generated from operating activities	3,136,505
Increase in trade receivables, other receivables and prepayments and inventories	(1,341,406)
Increase in payables and other liabilities	336,553
Income tax paid	(1,026,528)
Total	1,105,124

For the six-month period ended 30 June 2010, the Group's net cash generated from investing activities amounted to approximately RMB1,747,451,000, which mainly consisted of:

	RMB'000
Increase in loan receivables	(200,000)
Loan receivables recovered (Note 1)	2,500,000
Acquisition in property, plant and equipment	(473,108)
Others	(79,441)
Total	1,747,451

Note 1: For details, please refer to the 2009 Annual Report and the announcements dated 20 April 2010 and 29 April 2010, respectively.

For the six-month period ended 30 June 2010, the Group's net cash used in financing activities amounted to approximately RMB379,382,000, which mainly consisted of:

	RMB'000
New bank borrowings	5,510,000
Banking borrowings repaid	(4,567,506)
Interest paid	(94,030)
Dividends paid	(1,227,846)
Total	(379,382)

Management Discussion and Analysis

Net Current Assets

As our capital structure and operating cash flow improved, we had net current assets of RMB16,076,836,000 as at 30 June 2010 (31 December 2009: approximately RMB12,433,428,000).

Liquidity

As at 30 June 2010 and 31 December 2009, we had bank balances and cash of approximately RMB16,182,757,000 and RMB13,709,564,000, respectively, while balances of pledged bank deposits amounted to approximately RMB32,842,000 and RMB63,082,000, respectively.

Borrowings

As at 30 June 2010, our short-term debentures and bank loans, in aggregate, amounted to approximately RMB8,595,818,000, an increase of approximately RMB942,494,000 over approximately RMB7,653,324,000 as at 31 December 2009. In the same period in 2009, most of our bank loans were due within one year whereas, in 2010, most of them were due within two to three years, thanks to the optimisation of our borrowing portfolio in 2010.

We repaid the majority of our indebtedness with cash flow generated from operation and net proceeds from initial public offering. The Group's gearing ratio was approximately 42.8% as at 30 June 2010 compared to 42.0% as at 31 December 2009. The ratio was calculated by dividing total liabilities by total assets.

As at 30 June 2010, about 97.9% of our borrowings were denominated in Renminbi. Our borrowings include fixed and floating rate borrowings.

Pledged Assets

As at 31 December 2009, save for the pledged bank deposits, leasehold land, buildings and machineries of the Group with carrying values of approximately RMB534,885,000 had been pledged as security for bank facilities acquired by the Group. As at 30 June 2010, the Group had not pledged any assets for bank loans.

Contingent Liabilities

For each of the periods ended 30 June 2010 and 30 June 2009, the Group had no material contingent liabilities.

Management Discussion and Analysis

Employees

As at 30 June 2010, the Group had approximately 2,488 full-time employees, who were variously engaged in management, administration, production and sales duties. During the period under review, relevant employee costs (including Directors' remuneration) amounted to approximately RMB85,434,000 (including share option charges of RMB18,415,000) (six-month period ended 30 June 2009: approximately RMB81,407,000, including share option charges of RMB28,353,000). The increase in employee costs (excluding share option charges) of the Group was mainly due to increases in average salaries of employees, benefit expenses and social security payments as required under the laws of the PRC. The Group ensured the attractiveness of its employee remuneration packages and granted performance-based bonuses in accordance with general standards set out in the Group's remuneration policy.

Use of Net Proceeds Received from the IPO

On 8 May 2009, the Company was successfully listed on the Main Board of the Stock Exchange, with net proceeds received from the IPO (taking into account the exercise of the over-allotment option and after deducting related expenses) amounting to approximately HK$9.5 billion (equivalent to approximately RMB8.36 billion). We have utilised such net proceeds in the manner consistent with that mentioned in the prospectus of the Company dated 24 April 2009 (the "Prospectus") under the section headed "Use of Proceeds", of which approximately RMB2.10 billion in aggregate were used for the expansion of the Group's production capacity and the strengthening of the Group's competitiveness by installing additional production lines and acquiring manufacturing equipments and facilities for the industrial aluminium extrusion products of the Group and approximately RMB1.20 billion in aggregate was used for the repayment of loans, while the balance of un-utilised proceeds was deposited in banks.

Research and Development

The Group has 432 research and development and quality control personnel as well as a number of experts in global aluminium industry. Research and development and quality control personnel accounted for 17.4% of the Group's total number of employees. The Group cooperates with a number of leading research and academic institutions to upgrade its production technologies. We have strong research and development capabilities for new materials with a focus on research and development of metal alloys. We also have a strong die design and production centre which can provide suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision. As at 30 June 2010, the Group had 214 layout design patents. For the six-month period ended 30 June 2010, our research and development expenditures amounted to approximately RMB6,407,000, representing approximately 0.1% of the Group's sales revenue.

Market Risk

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

Management Discussion and Analysis

Foreign Exchange Risk

Most of our businesses are settled in Renminbi. However, receivables from the sales of aluminium extrusion products to overseas distributors and customers are settled in foreign currencies. As at 30 June 2010, approximately 40.9% of the revenue of the Group was denominated in Renminbi and approximately 59.1% was denominated in USD. Approximately 97.9% of the borrowings of the Group were denominated in Renminbi and the balance in USD.

In July 2005, the PRC government introduced the managed floating exchange rate system which allowed Renminbi to float in accordance with market demand and supply within the regulated range determined by the Currency Basket. Exchange rate fluctuations will decrease sales revenue of any contract denominated in foreign currencies and increase borrowings denominated in foreign currencies, and hence may have an adverse effect on the Group.

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

Interest Rate Risk

As we do not have any major interest-bearing assets, most of our revenue and operating cash flows are not affected by interest rate changes. Interest rate change risk borne by the Group is primarily derived from borrowings. The Group is subject to the cash-flow interest rate risk in respect of its floating-rate borrowings and the fair value interest rate risk in respect of its fixed-rate borrowings. Within the Group's borrowings, fixed-rate borrowings amounted to RMB6.46 billion as at 30 June 2010 compared with RMB0.47 billion as at 31 December 2009.

Risk relating to Price Fluctuations of Aluminium Ingot

Aluminium ingots, aluminium rods, magnesium ingots and silicone ingots are our principal raw materials which accounted for 86.1% and 87.1% of the cost of sales of the Group for the six-month periods ended 30 June 2010 and 30 June 2009, respectively. Generally, our pricing of products are on a "cost-plus" basis, pursuant to which the selling price for our products is determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. Our pricing policy is to pass on most of the risk of price fluctuations to our customers. However, we may not be able to pass the entire cost of price fluctuations to the customers or completely offset the effect of increases in raw material prices, which could affect the profitability of the Group. The Group did not enter into any long-term aluminium ingot contracts to hedge against aluminium ingot price change risk.

Management Discussion and Analysis

Antidumping and Anti-subsidy

The Group's revenue generated from export sales may be adversely affected by amendments to policies, laws and regulations of the countries or regions where our products are distributed. In April 2010, the Department of Commerce and the International Trade Commission of the United States commenced investigations against some aluminium extrusion products exported to the United States from China based on its antidumping and anti-subsidy regulations. The United States was the Group's major market to export its aluminium extrusion products for the year ended 31 December 2009 and the six months ended 30 June 2010. The Group's policies and strategies regarding export sales to the United States may be adjusted based on the preliminary investigation results which will be released at a later stage. In addition, in order to minimise the negative impact brought by such investigation by the United States authorities, the Group has adjusted its strategies by further increasing the share of high-end industrial aluminium extrusion products not on the US antidumping list in its export sales to the United States and actively expanding its market share in the PRC as well as in other overseas markets, such as Australia and the European Union.

Investment Strategy

The Group is considering potential investments to complement and augment our existing business portfolio by acquisitions in new products and potential companies and/or exploring new markets. Currently, we continue to seek attractive investment so as to enhance the shareholder value.

Management Discussion and Analysis

Business Review

The Group is headquartered at Liaoyang City, Liaoning Province, China. Our manufacturing facilities are strategically located in Liaoning Province, close to major production areas of aluminium ingots, coal and electricity, which are principal raw materials and energy sources used in the production of our products. We focus on the production of high-precision, large-section and high value-added industrial aluminium extrusion products, which are primarily used as parts and components of end-products in the transportation sector (such as railway cargo and passenger carriages, metropolitan rails (subways and light rails), automobiles and vessels), the machinery equipment sector and the electric power engineering sector. Our industrial aluminium extrusion products are manufactured on a customised basis in accordance with our customer's specifications and quality standards.

As at 30 June 2010, the Group operated 73 aluminium extrusion presses, among which the 125MN oil-driven dual action extrusion press, which went into operation since early 2009, is one of the largest and most advanced extrusion presses in China or even in the world. The advanced equipments have enhanced production capability in respect of the Group's industrial aluminium extrusion, in particular, large-section industrial extrusion products.

From the marketing perspective, while the Group will continue to develop businesses with existing customers, it will also actively seek new customers and explore new business sectors.

The Group gained further penetration into the market for industrial aluminium extrusion products as the demand for such products continued to increase during the year, resulting in significant contributions to the Group's results improvement. For the six-month period ended 30 June 2010, our revenue and profit attributable to shareholders of the Company amounted to approximately RMB6.47 billion and RMB2.09 billion, respectively, increasing by 2.3% and 28.8% over the same period in 2009, respectively. Earnings per share for the six-month period ended 30 June 2010 was RMB0.39, representing a 5.4% growth over the same period in 2009.

Management Discussion and Analysis

Outlook

The Group endeavors to continuously enhance its leading position in the PRC industrial aluminium extrusion industry and become the top industrial aluminium extrusion product manufacturer with strong research and development capabilities in the world. In terms of production capacity, the PRC accounts for approximately 57% of the global aluminium extrusion production capacity, thus becoming the processing centre of the world's aluminium extrusion products. In terms of volume of consumption, the global demand for industrial aluminium extrusion products grew steadily in the past few years. With a strong growth in demand, the PRC has become the major driving force for the growth in the global market. With the enhanced technology level of Chinese enterprises, the industrial shift of the global production sector and the increase in demand of the PRC market, China has become the major producer and consumer for aluminium extrusion products in the world.

Capitalising on market opportunities and in response to challenges of robust development in the future, the Group will continue to promote the sustainable development of our business through the following three strategies:

I. Taking industrial aluminium extrusion products as the core of our business and emphasizing high value-added products, in order to continuously increase the market share in industrial aluminium extrusion products: the Group will continue to focus on the transportation, machinery equipment and electric power engineering sectors as its core business directions, seeking to increase the market share of its products in the PRC as well as in the world through on-going capacity expansion. In respect of the two core elements of industrial aluminium extrusion production, namely alloy casting technology and die design and manufacturing, we will seek an all-round upgrade of the core competitiveness of our products by fully capitalising on our leading edge and our sizeable production capacity as well as diversified mix of production lines;

II. Exploring the deep-processing of industrial aluminium extrusion products and high-end processed aluminium products which provide synergies: the Group will actively expand the refined-processing and deep-processing of industrial aluminium extrusion products and other high-end processed aluminium products which provide synergies, with a view to realising price premium by increasing the convenience afforded to customers by its end-products; and extension of processed aluminium production chain.

III. Fully exploiting the huge industry development potential and promoting the usage of new products and their application in markets: the Group will fully integrate the inherent advantages of industrial aluminium extrusion materials in the transportation, machinery equipment and electric power engineering sectors, particularly in terms of lightness and low-carbon environmental friendliness. Meanwhile, we endeavor to increase our research and development efforts in new products and to develop new applications in the market, thus expanding our leading edge in product innovation and market applications.

In addition, selective acquisition of aluminium extrusion manufacturers is one of our development strategies. We will actively identify opportunities to acquire industrial aluminium extrusion product manufacturers with potential to increase the Group's production capacity and enhance our competitiveness. On 9 February 2010, Liaoning Zhongwang Group Co., Ltd. ("Liaoning Zhongwang"), a wholly-owned subsidiary of the Company, entered into a framework agreement (the "Framework Agreement") with certain independent third parties (the "Sellers") to acquire 100% equity interest in Qinghai Guoxin Aluminium Industry Incorporated Company ("Qinghai Guoxin" or the "Target Company"). If the proposed acquisition can be completed in 2010, it is expected that the production capacity of the Group will increase by 120 kilotons. At the same time, it is estimated that the Group's production capacity can be increased by an extra 80 kilotons in 2010 by installing additional production lines.

Disclosure of Interests

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

As at 30 June 2010, the interests and short positions of our directors and chief executives in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(a) Long positions in our shares

Name of Director	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Liu	Interests 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

(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 (as amended or otherwise modified from time to time, the "Deed"), ZIGL has charged 138,794,642 existing shares to Olympus Alloy, who holds such number of shares as agent for the holders of the Olympus Exchangeable Notes.

(2) Details of the interest in pre-IPO share options are set out below in the paragraph headed "Pre-IPO Share Option Scheme" and the Prospectus of the Company.

Disclosure of Interests

(b) Short Position in Shares

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

(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, 138,794,642 existing shares were charged by ZIGL to Olympus Alloy. Olympus Alloy holds such number of shares as agent for the holders of the Olympus Exchangeable Notes.

Save as disclosed above, as at 30 June 2010, 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.

Disclosure of Interests

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

As at 30 June 2010, to the best knowledge of the Directors and the chief executives of the Company, the followings are the persons (other than the Directors or chief executives of our Company), who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

Name of shareholder	Capacity/Nature of 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	Interests in controlled corporation/Long position(1)	4,000,000,000	73.99
Mr. Liu	Interests in controlled corporation/Short position(1)&(2)	138,794,642	2.57
Mrs. Liu	Interests of spouse/ Long position(1)	4,000,000,000	73.99
Mrs. Liu	Interests of spouse/ Short position(1)&(2)	138,794,642	2.57

(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.

Save as disclosed above, as at 30 June 2010, the Directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" below, at no time during the six-month period ended 30 June 2010 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.

Disclosure of Interests

Directors' Interests in Competing Business

For the six-month period ended 30 June 2010, none of the Directors or management shareholders (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

Share-based Incentive Schemes

(a) Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted a pre-IPO share option scheme pursuant to a resolution of the Board passed on 17 April 2008 (the "Pre-IPO Share Option Scheme"). According to the Pre-IPO Share Option Scheme, 4 Directors and 70 other employees (including 3 senior management members) of our Group were given the rights to subscribe for shares of the Company at the subscription price of HK$2.00 per share. The total number of the shares subject to the Pre-IPO Share Option Scheme are 40,400,000 shares, equivalent to approximately 0.75% of the issued share capital of the Company as at 30 June 2010. Since no further options can be granted under the Pre-IPO Share Option Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Pre-IPO Share Option Scheme.

The purpose of the granting of the Pre-IPO Share Option Scheme was to recognize the contribution of certain members of the senior management and employees of our Group. Under the Pre-IPO Share Option Scheme, except for one of the options that was granted to the relevant grantee on 30 December 2008, all the options were granted to the respective grantees on 17 April 2008. The granted pre-IPO share options are valid for a period ending on the date before the fifth anniversary of the Listing Date[1]. Each option granted has a vesting period as set out under the Pre-IPO Share Option Scheme and a grantee shall be entitled to exercise his option to subscribe for up to 20% of the total number of our shares under option during such period. Options granted under the Pre-IPO Share Option Scheme shall lapse (to the extent not already exercised) if the grantee ceases to be a participant of the Pre-IPO Share Option Scheme by reason of the termination of his or her employment.

1 "Listing Date" — means 8 May 2009, the date on which dealing in our Shares first commenced on the Main Board of the Stock Exchange.

Disclosure of Interests

Details of the share options outstanding as at 30 June 2010 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
70 Other Employees (including 3 senior management members) of our Group	17 April 2008 (one of the senior management members' options were granted on 30 December 2008)	32,100,000	0.60
Total		40,400,000	0.75

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

(b) **Share Option Scheme**

We also adopted a share option scheme at the annual general meeting on 17 April 2008 (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, invite directors, senior management and consultants of any member of the Group to participate in the Share Option Scheme to subscribe for the ordinary shares of the Company. The period within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date the offer has been made to the grantees. All outstanding options shall lapse when the employment of the holder ceases or where the holder is no longer a member of the Group.

Disclosure of Interests

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 exceeding 1 percent requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

For the six-month period ended 30 June 2010, no option has been granted under the Share Option Scheme.

Further particulars of the Pre-IPO Share Option Scheme and the Share Option Scheme mentioned above are set out in Note 27 to the Condensed Consolidated Interim Financial Statements and the section headed "Statutory and General Information — Pre-IPO Share Option Scheme" of the Prospectus.

Corporate Governance and Other Information

Corporate Governance Practices

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

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code. In respect of the six-month period ended 30 June 2010, save as disclosed below, all the provisions set out in the Code were met by the Company.

Compliance with the Model Code by Directors

The Company has adopted the Model Code for Directors' Securities Transactions (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six-month period ended 30 June 2010 and up to the date of this report.

Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code since the Listing except for the deviation from provision A.2.1 of the Code.

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 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 interests of the Company. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

Corporate Governance and Other Information

Board Committees

The Board has set up Audit Committee, Remuneration Committee, Corporate Governance Committee and Strategy and Development Committee (collectively the "Board Committees"). The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(a) Audit Committee

The audit committee ("Audit Committee") comprises three members who are all independent non-executive Directors, namely, Mr. Wong Chun Wa (chairman), Mr. Wen Xianjun and Mr. Shi Ketong. None of them is a member of the former or existing auditors of the Company. The Audit Committee has reviewed and discussed the unaudited interim results for the six months ended 30 June 2010, the unaudited financial results and operational statistics for the three months ended 31 March 2010 and the Moores Rowland's Review Report for each quarter ended 31 March 2010 and 30 June 2010, respectively, with the senior management of the Company, and has also reviewed the internal control and financial reporting matters of the Group.

(b) Remuneration Committee

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

(c) Corporate Governance Committee

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

(d) Strategy and Development Committee

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

Corporate Governance and Other Information

Internal Control

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

(i) effectiveness and efficiency of operations;

(ii) reliability of financial reporting; and

(iii) compliance with applicable laws and regulation.

In the course of preparation for the Listing, the Company appointed Moores Rowland (Beijing) Certified Public Accountants ("Moores Rowland") to evaluate our internal control 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 review of our bank acceptance notes activities on a quarterly basis for the period up to 30 June 2010; and

(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 the period up to 30 June 2010.

Based on Moores Rowland's review on our internal control mechanisms and measures for the period from 1 January 2010 to 31 March 2010 (the "First Quarter") and the period from 1 April 2010 to 30 June 2010 (the "Second Quarter") (the "Moores Rowland's Review Report"), the findings were as below:

(i) Moores Rowland has reviewed the effectiveness of our internal control measures relating to any overstated bill financing activities that occurred during the First Quarter and the Second Quarter (the "Bill Issuance Control") and did not identify any existing ineffective Bill Issuance Control or overstated bill financing activity; and

(ii) Moores Rowland has reviewed the effectiveness of other selected material internal control measures (excluding the Bill Issuance Control) for the First Quarter and the Second Quarter and did not identify any material operating ineffectiveness of our internal control measures.

Corporate Governance and Other Information

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

On 9 February 2010, Liaoning Zhongwang entered into the Framework Agreement with the Sellers to acquire 100% equity interest in Qinghai Guoxin, one of the largest professional manufacturers of high-precision hard industrial aluminium extrusion products in the PRC (the "Proposed Acquisition"). As set out in the Company's announcement dated 29 April 2010, a supplemental agreement was entered into between Liaoning Zhongwang and the Sellers, pursuant to which the due diligence period agreed in the Framework Agreement was extended by three months from the date of signing this supplemental agreement. As at 28 July 2010, the due diligence work in respect of the Proposed Acquisition has been completed and Liaoning Zhongwang entered into a second supplemental agreement with the Sellers whereby all parties agreed to extend the negotiation period in connection with the Proposed Acquisition by two months from the date of signing the second supplemental agreement. Announcements with respect to further progress of the Proposed Acquisition will be made by the Company at the appropriate time.

Major Purchase and Sale of the Subsidiaries and Associates

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

Interim Dividend

The Directors proposed not to declare any interim dividend for the six-month period ended 30 June 2010.

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2010

	Notes	Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
		(unaudited)	(audited)
Revenue	3	**6,472,258**	6,328,588
Cost of sales		**(3,398,613)**	(3,816,404)
Gross profit		**3,073,645**	2,512,184
Interest income		**24,484**	24,420
Other income, other gains and losses	5	**10,437**	21,174
Selling and distribution costs		**(73,653)**	(62,060)
Administrative and other operating expenses		**(86,148)**	(73,635)
Listing expenses	6	**—**	(36,558)
Finance costs	7	**(163,981)**	(172,314)
Profit before taxation		**2,784,784**	2,213,211
Income tax expense	8	**(692,308)**	(588,385)
Profit and total comprehensive income for the period attributable to owners of the Company	9	**2,092,476**	1,624,826
Earnings per share			
Basic (RMB)	11	**0.39**	0.37
Diluted (RMB)	11	**0.39**	0.37

Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	**30 June 2010 RMB'000 (unaudited)**	31 December 2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**5,031,974**	4,671,072
Prepaid lease payments	12	**152,256**	63,718
Deposits for acquisition of property, plant and equipment		**57,752**	84,879
		5,241,982	4,819,669
Current assets			
Inventories	13	**1,582,345**	862,365
Trade receivables	14	**2,635,511**	2,348,973
Other receivables, deposits and prepayments	15	**642,530**	307,642
Prepaid lease payments	12	**3,306**	1,472
Amounts due from related parties		**—**	9,118
Held-for-trading investments		**—**	1,565
Loan receivables		**—**	2,300,000
Pledged bank deposits	16	**32,842**	63,082
Bank balances and cash	17	**16,182,757**	13,709,564
		21,079,291	19,603,781
Current liabilities			
Trade payables	18	**168,108**	367,379
Bills payable	19	**1,400,200**	608,200
Other payables and accrued charges		**949,731**	1,135,956
Tax liabilities		**98,598**	432,818
Short term debentures	20	**2,000,000**	2,000,000
Bank loans	21	**385,818**	2,626,000
		5,002,455	7,170,353

Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Net current assets		**16,076,836**	12,433,428
Total assets less current liabilities		**21,318,818**	17,253,097
Capital and reserves			
Share capital	22	**474,675**	474,675
Reserves		**14,584,143**	13,701,098
		15,058,818	14,175,773
Non-current liabilities			
Bank loans	21	**6,210,000**	3,027,324
Deferred tax liabilities		**50,000**	50,000
		6,260,000	3,077,324
		21,318,818	17,253,097

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2010

	Attributable to owners of the Company								
	Paid–in capital/share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Surplus reserve (Note a) RMB'000	Enterprise development fund (Note b) RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
As at 1 January 2009	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 year	–	–	–	–	–	–	–	3,528,815	3,528,815
Capitalisation of accumulated profits of a subsidiary (Note c)	–	–	–	506,849	–	–	–	(506,849)	–
Recognition of share-based payment	–	–	–	–	–	–	50,275	–	50,275
Issue of shares on 8 May 2009 (Note 22)	123,242	8,503,698	–	–	–	–	–	–	8,626,940
Issue of shares on 3 June 2009 (Note 22)	556	38,340	–	–	–	–	–	–	38,896
Transaction costs attributable to issue of new shares	–	(274,229)	–	–	–	–	–	–	(274,229)
Dividend (Note 10)	–	–	–	–	–	–	–	(1,000,000)	(1,000,000)
Appropriations	–	–	–	–	356,981	356,981	–	(713,962)	–
As at 31 December 2009 (audited)	474,675	11,304,209	(2,992,978)	635,898	777,650	777,650	50,275	3,148,394	14,175,773
Total comprehensive income for the period	–	–	–	–	–	–	–	2,092,476	2,092,476
Recognition of share-based payment	–	–	–	–	–	–	18,415	–	18,415
Dividend (Note 10)	–	(1,227,846)	–	–	–	–	–	–	(1,227,846)
As at 30 June 2010 (unaudited)	**474,675**	**10,076,363**	**(2,992,978)**	**635,898**	**777,650**	**777,650**	**68,690**	**5,240,870**	**15,058,818**
As at 1 January 2009	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
Shares in issue as at 8 May 2009 (Note 22)	123,242	8,503,698	–	–	–	–	–	–	8,626,940
Shares issued as at 3 June 2009 (Note 22)	556	38,340	–	–	–	–	–	–	38,896
Transaction costs attributable to issue of new shares	–	(274,229)	–	–	–	–	–	–	(274,229)
Dividend (Note 10)	–	–	–	–	–	–	–	(1,000,000)	(1,000,000)
As at 30 June 2009 (audited)	474,675	11,304,209	(2,992,978)	635,898	420,669	420,669	28,353	1,958,367	12,249,862

Notes:

(a) The articles of association of Liaoning Zhongwang 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 until the balance reaches 50% of its paid-in capital. The surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of its production and operation.

(b) Pursuant to the PRC Company Law, Liaoning Zhongwang 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, accumulated profits of approximately RMB506,849,000 were capitalised into the paid-in capital of Liaoning Zhongwang for the year ended 31 December 2009.

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Net cash from operating activities	**1,105,124**	1,401,003
Net cash from investing activities	**1,747,451**	92,396
Net cash (used in) from financing activities	**(379,382)**	6,128,718
Net increase in cash and cash equivalents	**2,473,193**	7,622,117
Cash and cash equivalents at the beginning of the period	**13,709,564**	4,261,817
Cash and cash equivalents at the end of the period	**16,182,757**	11,883,934

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF CONDENSED 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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and No. 299, Wensheng Road, Liaoyang City, Liaoning 111003, China, respectively.

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

The condensed consolidated financial statements for the six-month period ended 30 June 2010 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and relevant disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not purport to contain all information and matters required to be disclosed, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2009. Unless otherwise stated, the condensed consolidated financial statements are denominated in Renminbi ("RMB"), the functional currency of the Company. All numerical figures have been rounded to the nearest thousand.

This condensed consolidated interim financial information was approved for publication on 10 August 2010. It was unaudited.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

2. SUMMARY OF ACCOUNTING POLICIES AND ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Except as described below, the accounting policies adopted in the preparation of this condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 December 2009.

(a) **Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group**

- IFRS 3 (Revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures' are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Although it is not applicable to the Group at this moment, 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 the Group's ownership interest in a subsidiary.

- IFRIC — Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009.

- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) are effective for annual periods beginning on or after 1 January 2010.

- IAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009.

- IFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010.

- The first round of annual improvements to IFRSs was issued in May 2008 by the IASB. The improvement related to IFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual periods beginning on or after 1 July 2009.

- The second round of annual improvements to IFRSs was issued in April 2009 by IASB. All improvements are effective from the financial year of 2010.

2. SUMMARY OF ACCOUNTING POLICIES AND ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

(b) **The following new standards, new interpretations and amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group:**

- IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not required to be adopted until 1 January 2013 but is permitted for early adoption.

- IAS 24 (Revised) 'Related party disclosures' supersedes IAS 24 'Related party disclosures' issued in 2003. The revised IAS 24 is required to be adopted from 1 January 2011. Early adoption of the entire standard or of the part just applying to government related entities is permitted.

- According to 'Classification of rights issues' (Amendment to IAS 32), rights issues offered for a fixed amount of foreign currency require the same to be accounted for as derivative liabilities under current practice. The amendment states that if such rights issues are offered pro rata to all the entity's existing shareholders of the same class, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be adopted for annual periods beginning on or after 1 February 2010. Early adoption is permitted.

- Amendments to IFRIC Int–14 'Prepayments of a minimum funding requirement' correct an unintended consequence of IFRIC Int–14, 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise any surplus arising from the voluntary prepayment of minimum capital contributions in respect of future service as an asset. The above scenario was not anticipated when IFRIC Int–14 was issued, and the amendments have solved the problem. The amendments are effective for annual periods beginning on or after 1 January 2011. Early adoption is permitted. The amendments should be adopted retrospectively for the earliest comparative period presented.

- IFRIC — Int 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the settlement of the financial liability fully or partially by the entity's shares or other equity instruments. The interpretation is effective for annual periods beginning on or after 1 July 2010. Early adoption is permitted.

- 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' (Amendment to IFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to IFRS 7 in relation to the waiver from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. The amended standard should be adopted for annual periods beginning on or after 1 July 2010. Early adoption is permitted.

- The third round of annual improvements to IFRSs was issued in May 2010 by IASB. All improvements are going to be effective in the financial year of 2011.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

2. SUMMARY OF ACCOUNTING POLICIES AND ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

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

3. REVENUE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Sales of aluminium products		
— For industrial use	**6,245,099**	4,709,554
— For construction use	**227,159**	1,619,034
	6,472,258	6,328,588

4. SEGMENT INFORMATION

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 January 2009. IFRS 8 is a disclosure standard that 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 for the purpose of allocating resources to the segment and assessing its performance.

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 aluminium 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 (i.e. aluminium products for industrial use or construction use). Each type of products has different client bases and requires different production technology. The Group's operating and reportable segments under IFRS 8 are therefore as follows:

(a) Sales of aluminium products for industrial markets ("Industrial"); and

(b) Sales of aluminium products for construction markets ("Construction").

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

4. SEGMENT INFORMATION (Continued)

	Revenue		Segment profit	
	Six months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(audited)	**(unaudited)**	(audited)
Industrial	**6,245,099**	4,709,554	**3,064,546**	2,265,011
Construction	**227,159**	1,619,034	**9,099**	247,173
Total	**6,472,258**	6,328,588	**3,073,645**	2,512,184
Interest and other income			**34,921**	45,594
Central corporate expenses			**(159,801)**	(172,253)
Finance costs			**(163,981)**	(172,314)
Profit before taxation			**2,784,784**	2,213,211
Income tax expense			**(692,308)**	(588,385)
Profit for the period			**2,092,476**	1,624,826

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the gross profit earned by each segment. It is reported to the Group's management for the purpose of resource allocation and performance assessment.

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
PRC	**2,649,566**	4,945,636
United States	**2,671,886**	1,377,863
Australia	**1,136,059**	3,663
Others	**14,747**	1,426
Total	**6,472,258**	6,328,588

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Other income		
Government subsidies (Note)	**31,774**	9,240
Gain on disposal of property, plant and equipment	**—**	937
Others	**1,352**	562
	33,126	10,739
Other gains and losses		
Exchange (loss) gain	**(22,647)**	10,147
(Loss) gain on change in fair value of investments held for trading	**(42)**	288
	(22,689)	10,435
Total	**10,437**	21,174

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

6. 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.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

7. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Interests on borrowings wholly repayable within five years:		
Bank loans	**129,081**	112,314
Short term debentures	**34,900**	60,000
	163,981	172,314

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
The charge comprises PRC Enterprise Income Tax		
Current taxation	**692,308**	568,385
Deferred tax charge	**—**	20,000
	692,308	588,385

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, a tax rate of 25% has been applicable to our PRC subsidiaries from 1 January 2008 onwards.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Profit for the period has been arrived at after charging:		
Allowance for bad and doubtful debts in respect of trade receivables	**—**	198
Loss on disposal of property, plant and machinery	**974**	—
Cost of inventories recognised as expense	**3,398,613**	3,816,404
Depreciation of property, plant and equipment	**190,896**	161,753
Net exchange losses	**22,647**	—
Amortisation of prepaid lease payments	**1,347**	728
Research and development costs	**6,407**	4,544
Operating lease rentals in respect of rented premises	**2,194**	146
Staff costs (including directors' emoluments):		
Salaries and other benefits	**62,810**	48,816
Retirement benefits scheme contributions	**4,209**	4,238
Employee share option benefit	**18,415**	28,353
	85,434	81,407

10. DIVIDEND

The Company declared and paid a dividend of RMB0.25 per share with an aggregate amount of RMB1,000,000,000 in April 2009, which was paid to ZIGL in April 2009.

In April 2010, the Company declared a final dividend of HK$0.19 per share and a special dividend of HK$0.07 per share for 2009, which were paid in June 2010 upon approval by the shareholders at the annual general meeting held on 3 June 2010. Such dividends (final dividends amounted to RMB897,273,000 in aggregate and final special dividends amounted to RMB330,573,000 in aggregate) were distributed from the share premium of the Company.

The Directors proposed not to declare any interim dividend for the six-month period ended 30 June 2010.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the six-month periods ended 30 June 2010 and 2009 is based on the consolidated profit attributable to equity holders of the Company for each of the six-month periods ended 30 June 2010 and 2009 and on the number of shares as follows:

	30 June 2010 RMB'000 (unaudited)	30 June 2009 RMB'000 (audited)
Earnings for the purposes of basic earnings per share	**2,092,476**	1,624,826

	30 June 2010 '000	30 June 2009 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**5,406,306**	4,418,665
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**11,525**	14,199
Weighted average number of shares for the purpose of diluted earnings per share	**5,417,831**	4,432,854
Earnings per share		
Basic (RMB)	**0.39**	0.37
Diluted (RMB)	**0.39**	0.37

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

12. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprised:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Leasehold land in the PRC under medium-term leases	**155,562**	65,190
Analysed for reporting purpose:		
Current assets	**3,306**	1,472
Non-current assets	**152,256**	63,718
	155,562	65,190

13. INVENTORIES

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Raw materials	**1,234,579**	506,383
Work-in-progress	**31,621**	251,698
Finished goods	**316,145**	104,284
	1,582,345	862,365

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

14. TRADE RECEIVABLES

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Trade receivables	**2,636,847**	2,350,309
Less: Allowance for bad and doubtful debts	**(1,336)**	(1,336)
	2,635,511	2,348,973

The Group allows an average credit period of 90 days for domestic sales and an average credit period of 180 days for overseas sales. The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts) at the end of each reporting period:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
1–90 days	**1,184,354**	2,300,656
91–180 days	**1,439,225**	40,176
181–365 days	**10,748**	8,141
Over 365 days	**1,184**	—
	2,635,511	2,348,973

In determining the recoverability of the trade receivables, the Group considered any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Except for the trade receivables due from a customer amounting to approximately RMB1,828,237,000 (31 December 2009: approximately RMB1,748,144,000), there was no other material concentration of credit risk. The directors also believed that no further credit provision was required in excess of the allowance for doubtful debts.

As at 30 June 2010, trade receivables amounting to RMB2,589,554,000 (31 December 2009: RMB2,300,656,000) were neither past due nor impaired. These customers were reputable enterprises and no counterparty default was noted in the past.

As at 30 June 2010, trade receivables of approximately RMB45,957,000 (31 December 2009: RMB48,317,000) were past due but not provided for as there had been no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral over these balances.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Other receivables, deposits and prepayments	**642,530**	307,642

Deposits paid to suppliers amounting to RMB534,170,000 (31 December 2009: RMB86,607,000) were included in the other receivables, deposits and prepayments as at 30 June 2010.

16. PLEDGED BANK DEPOSITS

The deposits carry average effective interest rates of 1.98% per annum for both of the six-month period ended 30 June 2010 and the year ended 31 December 2009. The pledged bank deposits will be released upon the settlement of relevant bills payable.

17. 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 0.36% per annum for both of the six-month period ended 30 June 2010 and six-month period ended 31 December 2009 respectively.

18. TRADE PAYABLES

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

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
0 to 90 days	**164,298**	363,896
91 to 180 days	**1,855**	1,925
181 days to 1 year	**1,207**	689
Over 1 year	**748**	869
	168,108	367,379

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

19. BILLS PAYABLE

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

20. SHORT TERM DEBENTURES

In 2009, the Group issued debentures in two tranches, each with an amount of RMB1,000,000,000, a one-year maturity period not matured as at 30 June 2010 and with an average effective interest rate of 3.49% per annum.

21. BANK LOANS

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Within one year	**385,818**	2,626,000
In more than one year but not more than two years	**1,450,000**	636,564
In more than two years but not more than five years	**4,760,000**	2,390,760
Total bank loans	**6,595,818**	5,653,324
Less: Amounts due within one year shown under current liabilities	**(385,818)**	(2,626,000)
	6,210,000	3,027,324
Guaranteed by independent third parties	**385,818**	386,564

The bank loans carried average interest rates of 5.0% and 4.7% per annum for the year ended 31 December 2009 and the six-month period ended 30 June 2010 period, respectively.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

22. SHARE CAPITAL

The Company

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary share of HK$0.1 each:			
Authorised			
On incorporation, at 31 December 2009 and at 30 June 2010	8,000,000,000	800,000	N/A
Issued			
At 1 January 2009	4,000,000,000	400,000	350,877
Issued on 8 May 2009 (Note a)	1,400,000,000	140,000	123,242
Issued on 3 June 2009 (Note b)	6,306,400	631	556
At 31 December 2009	5,406,306,400	540,631	474,675
At 30 June 2010	5,406,306,400	540,631	474,675

Notes:

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

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

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

23. 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 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Within one year	**4,387**	4,387
In the second to fifth year inclusive	**2,925**	4,753
	7,312	9,140

24. CAPITAL COMMITMENTS

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**615,940**	598,705

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

25. PLEDGE OF ASSETS

Apart from the pledged bank deposits as disclosed in note 16, the Group had not pledged any asset to secure bank facilities as at 30 June 2010. As at 31 December 2009, the Group had pledged leasehold land, buildings and machineries with carrying values of approximately RMB534,885,000 for bank facilities granted to the Group. The carrying values of the assets pledged were as follows:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Pledged for banking facilities granted to the Group:		
Leasehold land	**–**	6,939
Buildings	**–**	98,655
Machineries	**–**	429,291
	–	534,885

26. RELATED PARTY TRANSACTIONS

During each of the six-month periods ended 30 June 2010 and 2009, the Group had entered into the following significant transactions with related companies:

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (audited)
Goods purchases from related companies		
Liaoyang Futian Chemical Co., Ltd. (Note 1)	**–**	22,316
Liaoning Cheng Cheng Plastics Co., Ltd. (Note 1)	**2,586**	3,380
	2,586	25,696
Disposal of property, plant and equipment to related companies (Note 2)		
Liaoning Hong Cheng Vinyl Profile Co., Ltd. (Note 1)	**–**	1,180
	–	1,180

Notes:

1. Those companies are the Group's related companies which are owned by Mr. Liu.

2. The consideration of disposal of property, plant and equipment was equivalent to the net book values on the relevant date of purchase or disposal.

27. PRE-IPO SHARE OPTION SCHEME

Pursuant to an ordinary resolution of the Board passed on 17 April 2008, the Pre-IPO Share Option 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 Pre-IPO Share Option 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.

The subscription price per share under the Scheme is HK$2. 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.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2010

27. PRE-IPO SHARE OPTION SCHEME (Continued)

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 2009 and at 30 June 2010
Directors	**8,300,000**
Employees	**32,100,000**
Total	**40,400,000**

Share-based payment expense amounting to approximately RMB18,415,000 was recognised in the consolidated statement of comprehensive income for the six-month period ended 30 June 2010. For the period from the Listing to 30 June 2009, share-based payment expense of approximately RMB28,353,000 was 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.

28. SUBSEQUENT EVENTS

On 28 July 2010, Liaoning Zhongwang entered into a second supplemental agreement with the Sellers. As the due diligence work in relation to the proposed acquisition has been completed and the specific terms of the proposed acquisition are currently in negotiation, all parties agree to extend the negotiation period in connection with the proposed acquisition by two months from the date of the signing of the second supplemental agreement.