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

2011 INTERIM REPORT

* *For identification purposes only*

Committed to Light-weight Development For a Greener World

Our philosophy: To become the global top high-end processed aluminium product developer and manufacturer by focusing our services on transportation, machinery equipment and electric power engineering sectors and continually consolidating our industry leadership position through leading edge research, development and manufacturing capabilities in the world.

Contents

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
Bank of Liaoyang, Wensheng Branch
Liaoyang City Hongwei District Agricultural Credit
Cooperatives
Industrial and Commercial Bank of China Limited,
Liaoyang Rongxing Sub-branch
Bank of China Limited, Liaoyang Branch

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
PRC

Corporate Information

Place of Business in Hong Kong

56/F, Bank of China Tower
1 Garden Road, Admiralty
Hong Kong

Company Website

www.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

Morrison & Foerster
Edinburgh Tower, 33/F
The Landmark, 15 Queen's Road 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 Havas International Finance Communications Group
Units 2009–2018
20th Floor, Shui On Centre
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Wanchai, Hong Kong
zhongwang@pordahavas.com

Corporate Profile

China Zhongwang Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the biggest one in Asia and China. Headquartered in Liaoning province, China, the Group has, over the years, committed itself to the energy-saving and light-weight development of, among others, transportation, machinery equipment and electric power engineering sectors through the provision of high quality industrial aluminium extrusion products.

After eighteen years of dedication and hard work since its founding in 1993, the Group owned 75 world's leading aluminium extrusion production lines as at 30 June 2011, of which the 125MN oil-driven dual action aluminium extrusion press is one of the largest and most advanced presses in China and in the world. The Group has built the world's leading aluminium tilt smelting and casting equipment in the industry, as well as the largest customised industrial aluminium extrusion product die design and manufacturing center in Asia. Our annual production capacity as at 30 June 2011 was approximately 700 kilotonnes. The close coordination between the processes, namely product development, smelting and casting, die and extrusion, and the advanced technologies applied, is the Group's important source of competitiveness and outstanding features.

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 sector (including railway passenger and cargo carriages, metropolitan rails, automobiles, heavy trucks, vessels, aviation and aerospace) as well as machinery equipment and electric power engineering fields.

In order to consolidate the Group's leading position in the industrial aluminium extrusion industry, we will continue to focus on sectors such as transportation, machinery equipment and electric power engineering, with emphasis on the light-weight development towards the target of reducing energy consumption and achieving low carbon emission. In addition, the Group plans to extend its business into the high value-added aluminium flat rolled product segment. High value-added aluminium flat rolled products, mainly consisting of medium-to-high thickness plates, high-end foils and sheets, etc., are principally applied in sectors such as aviation and aerospace, vessel, railway transportation, automobile, machinery equipment, packaging and electronics, etc. This new business venture will not only enable the Group to further capitalize on its leading edge in aluminium alloy smelting and casting and product research and development, but also achieve synergies with its existing business by taking full advantage of its customer and market resources in related downstream application sectors.

To sum up, we strive to become a driving force for light-weight development in China to help build a new and brighter future.

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

Financial Highlights

	For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**4,273,146**	6,472,258
Gross profit	**880,699**	3,073,645
Gross profit margin	**20.6%**	47.5%
Profit before taxation	**569,778**	2,784,784
Profit attributable to shareholders	**411,600**	2,092,476
Earnings per share (Note 1)		
Basic (RMB)	**0.08**	0.39
Diluted (RMB)	**0.08**	0.39

	As at 30 June 2011	As at 31 December 2010
	RMB'000	RMB'000
	(unaudited)	(audited)
Net cash (Note 2)	**9,198,789**	10,200,918
Net assets	**14,970,195**	15,573,606
Total assets	**27,093,427**	24,639,885
Gearing ratio (Note 3)	**44.7%**	36.8%

Notes:

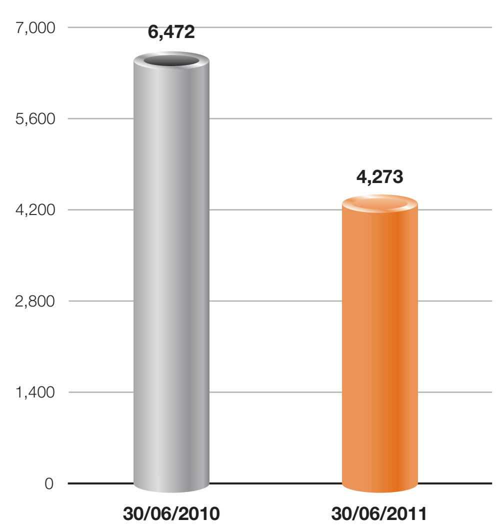
1. The calculation of earnings per share was based on the profit attributable to shareholders of the Company for each of the six-month periods ended 30 June 2011 and 2010 and on the weighted average number of shares for the respective period.

2. Bank deposits and cash (excluding pledged bank deposits) less bank borrowings and debentures.

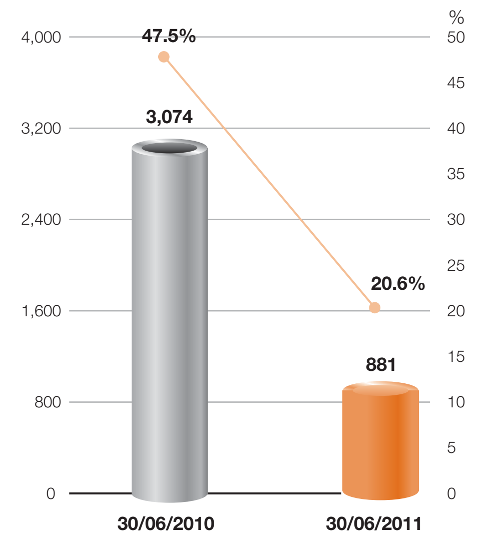
3. Gearing ratio = total liabilities/total assets * 100%.

Financial Highlights

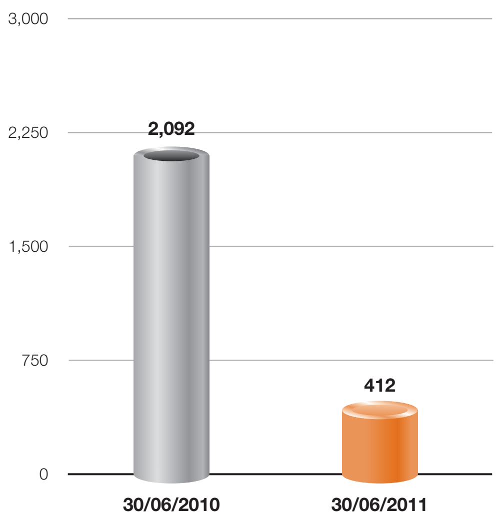
Revenue
(RMB million)



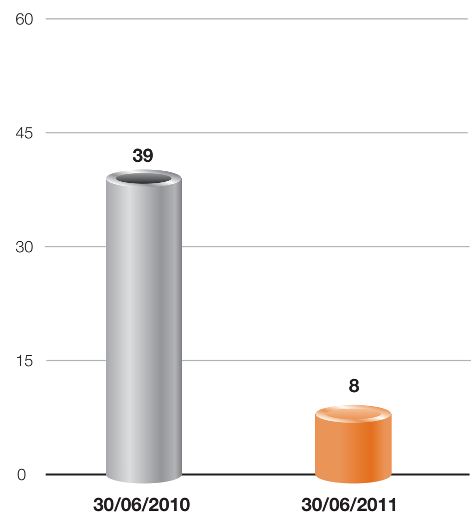
Gross profit/Gross profit margin
(RMB million)



Profit attributable to shareholders
(RMB million)



Earnings per share (basic)
(RMB cents)



Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited, I present the interim report on the results of the Group for the six months ended 30 June 2011 ("Review Period") for your review.

Following 2010, a year of development accompanied by challenges, the first half of 2011 remained a period full of challenges for the Group and the aluminium extrusion sector in China. During the Review Period, the Group continued its business strategic transformation. By increasing the weight of the China domestic market and that of high value-added products in its business, we strove to offset and alleviate the adverse impact of the anti-dumping and countervailing duty investigations by the United States in respect of certain aluminium extrusion products exported from China. During the Review Period, the Group focused on the PRC market and export played only a supplementary role. The process of extending market reach in the PRC was accelerated and several large China enterprises became our customers. Thus, the sales revenue from the PRC market increased by 57.9% over the corresponding period of last year, accounting for 97.9% of the total sales revenue. The PRC market has become our dominant source of income.

At the same time, the Group worked vigorously on the development of deep-processed industrial aluminium extrusion products. Through making full use of existing technologies, market and customer resources in both upstream and downstream sectors the industrial chain, we endeavoured to extend our reach along the industrial chain to cover high value-added aluminium flat rolled product sector, with a view to laying a solid foundation for long-term growth.

Business Performance

Because of the anti-dumping and countervailing duty investigations initiated by the US Government in April 2010, the Group's export sales were substantially reduced, resulting in the declines of the revenue and profit attributable to shareholders to RMB4.27 billion (2010: RMB6.47 billion) and RMB0.41 billion (2010: RMB2.09 billion) during the Review Period respectively as compared to the same period of last year. Though the performance was subdued on a year-on-year basis, our orderly expansion in the PRC market has brought significant increase in sales and consequently, we have seen substantial quarterly improvement of our business since the beginning of 2011. Sales revenue and profit attributable to shareholders of second quarter of 2011 increased by 86.6% and 49.7%, respectively, as compared to the first quarter of 2011, showing that the Group's business was gradually out of the woods.

Chairman's Statement

Expanding the Customer Base, Optimizing and Enhancing Production Capacity and Sharpening Competitiveness

In tandem with the light-weight development underpinned by energy-saving and low carbon emission in the PRC and the rest of the world, the Group continued to extend into the field of high-end industrial aluminium extrusion products and committed strong efforts to exploring business opportunities in sectors such as transportation, machinery and electric power engineering. Encouraging results have been achieved. The Group's core competitiveness lies in our integrated production base which combines smelting and casting, extrusion, die, and research and development capability under the same roof. Currently, the Group has built the world's leading aluminium tilt smelting and casting equipment in the industry, as well as the largest customised industrial aluminium extrusion product die design and manufacturing center in Asia, enabling the Group to rapidly develop tailor-made products to suit the needs of different customers. As at 30 June 2011, the Group owned 75 aluminium extrusion production lines, including the world's most advanced 125MN oil-driven dual action aluminium extrusion press. In view of the development of aluminium extrusion process equipment towards large, modern, sophisticated and automotive models, the Group continues to optimize its production capacity as planned during the Review Period. Capacity expansion with a focus on large equipment has been gradually implemented. The Group is installing eighteen large tonnage production lines during the current year and the following year, each with a pressing power at or above 75MN, including three 125MN oil-driven dual action aluminium extrusion presses, in order to further increase the Group's production capacity of large-section industrial aluminium extrusion products. Two of the 75MN production lines have been installed and put into operation. The Group's production capacity of high-precision large-section industrial aluminium extrusion products is far ahead of other players in the global aluminium extrusion industry.

Focusing on High-End Market and Developing the Deep-Processed Industrial Aluminium Extrusion Products

The Group has been striving to become the top developer and manufacturer of high-end aluminium products in the world. During the Review Period, fully utilizing its strengths in aluminium alloy smelting and casting technologies and die development capabilities, the Goup actively developed deep-processed industrial aluminium extrusion products in order to realize this vision. To this end, the Group has set up a specialized deep-processing technical team, through such processes as cutting, welding and surface treatment, to further process industrial aluminium extrusion products into finished or semi-finished products ready for use by customers. This initiative allowed our products to command a higher gross profit margin, while alleviating the adverse impact of the anti-dumping and countervailing duty investigations by the US, Currently, we have commenced sales of deep-processed products to the US market.

In addition, during the Review Period the Group completed the plant construction for an industrial aluminium extrusion product deep-processing centre and the installation of the newly imported world's advanced deep-processing equipment had begun with a view to producing deep-processed products for sectors such as transportation, machinery equipment and electric power engineering. It is expected that these new deep-processed industrial aluminium extrusion products will become the Group's new profit growth engine after the commencement of their mass production.

Chairman's Statement

Upgrading Industrial Structure and Entry into the Business of High Value-Added Aluminium Flat Rolled Products

In addition to optimizing production capacity, developing deep-processed products and accelerating development in the PRC market, the Group has also been actively looking for new opportunities with high growth potential. As disclosed in the 2010 annual report, the Group is actively planning to enter into the market sector of high value-added aluminium flat rolled products and has earmarked this new business as a priority venture of the Group.

Aluminium flat rolled products, mainly consisting of medium-to-high thickness plates, high-end foils and sheets, etc., are principally applied in sectors such as aviation and aerospace, vessel, railway transportation, automobile, machinery equipment, packaging and electronics, etc. Their scope of applications and customer base have an indivisible relationship with those of the industrial aluminium extrusion products. As compared to the industrial aluminium extrusion products, high-end aluminium flat rolled products have higher profit margins and more technical content. Combining these two businesses will create synergies that enable them to complement and reinforce each other, promote the all-round implementation of the Group's development strategy of becoming an integrated high-end aluminium processed product developer and manufacturer, and facilitate the Group to attain leapfrog development.

The Group plans to complete in several stages the construction of an aluminium flat rolled product manufacturing base with an annual production capacity of 3 million tonnes. It will be among the world's leading manufacturers in terms of production capacity and product positioning. The Group has tentatively decided to develop aluminium flat rolled product manufacturing business in Tianjin, Panjin City of Liaoning Province and Daqing City of Heilongjiang Province. It is expected that starting from 2014 when those production lines begin commercial operation one after another, aluminium flat rolled product manufacturing will become the Group's main growth engine.

Future Prospects

Against the backdrop of the global light-weight development and the move of the world's industrial production bases into China, coupled with increased domestic demands in infrastructure and consumption driven by China's fast economic growth, we see strong demand for high-end aluminium processed products. In light of the global distribution of industrial aluminium extrusion product industry, China has become the world's most important driver of the development of aluminium extrusion products and aluminium processing industry in terms of production capacity and the sophistication of equipment. As the largest industrial aluminium extrusion product developer and manufacturer in Asia and the PRC, the Group enjoys huge development potential.

Chairman's Statement

Discerning and quickly responding to market opportunities has been our key to success. The PRC's industrial aluminium extrusion product enterprises are much younger companies within the industry around the globe; however, thanks to mostly its foresighted strategic transformation and sustained investment in key production equipment and research and development, the Group quickly became the world's second-largest industrial aluminium extrusion product developer and manufacturer and the biggest one in Asia and the PRC. Looking ahead, the Group will continue to optimize its production capacity by applying advanced equipment, build up our manufacturing and deep-processing capabilities of high-end products through technological research and development, and leverage our core competitive edges to develop the high-end aluminium extrusion and aluminium flat rolled product sectors which are increasingly booming in the PRC and overseas markets. Thus, we will establish a solid foundation for continuously enhancing the Group's profitability.

Despite the adverse impact of anti-dumping and countervailing duty investigations by the US, the Group is successful in achieving rapid transformation of its product structure and bringing gradually the operational and results performance out of the woods. It is attributable not only to the vision and good execution capabilities of the management, but also to the dedication and commitment to work by all our staff. On behalf of the Board of Directors, I would like to hereby express my sincere gratitude to all my colleagues for their hardwork and to our shareholders and investors for their constant attention and support. We will continue to focus on the development of the industrial aluminium extrusion product and high-end aluminium flat rolled product industry, forging ahead with determination towards building the Group into the world's most competitive and the top integrated developer and manufacturer of high-end industrial processed aluminium products.

Thank you.

Liu Zhongtian
Chairman

Hong Kong, 12 August 2011

Business Review and Prospects

Business Review

The Group is headquartered in Liaoyang City, Liaoning Province, China. Our manufacturing facilities are strategically located in Liaoning Province, in close proximity to major production areas of aluminium ingots, coal and electricity, which are principal raw materials and energy sources used in our production. 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 sector (including railway passenger and cargo carriages, metropolitan rails, automobiles, heavy trucks, vessels, aviation and aerospace) as well as machinery equipment and electric power engineering fields. In addition, the Group has striven to develop deep-processed industrial aluminium extrusion products by capitalizing on its latest technologies, market and customer resources in both upstream and downstream sectors of the industrial chain, so as to extend our industrial chain to the synergistic high value-added aluminium flat rolled product segment.

As at 30 June 2011, the Group operated 75 aluminium extrusion presses, including the 125MN oil-driven dual action extrusion press commissioned in early 2009 as one of the largest and most advanced extrusion presses in China and the world (Installation has begun for the Group's newly acquired second 125MN extrusion press). These advanced equipment has enhanced the Group's production capability in industrial aluminium extrusion products, especially large-section products.

Having been adversely affected by, among others, the anti-dumping and countervailing duty investigations conducted by the US, our revenue and profit attributable to shareholders of the Company for the six months ended 30 June 2011 dropped to approximately RMB4,273,146,000 and RMB411,600,000 respectively and our earnings per share was RMB0.08. However, thanks to our orderly development of the domestic market, our sales from domestic market for the six months ended 30 June 2011 increased by 57.9% over the same period of last year, representing 97.9% of our total revenue. During the period, the China market became our main source of revenue.

Prospects

China has become the largest consumer of industrial aluminium extrusion and aluminium alloy products in the world in recent years. It has pressing demand for high-end industrial aluminium extrusion products generated from transportation sectors such as railway passenger and cargo carriage, metropolitan rail, automobile, heavy truck, vessel, aviation and aerospace as well as from the fields of machinery equipment, electric power engineering and new energy, etc., thus creating a favorable environment of market demand. In view of the tremendous potential for market development, we will further consolidate our four-in-one industry leading strengths, namely aluminium alloy smelting and casting technology, die design and manufacturing, manufacturing equipment and product development, and strive to develop deep processing products of industrial aluminium extrusions, so as to extend our industrial chains to the synergistic high value-added aluminium flat rolled product business. Even though the anti-dumping and countervailing duty investigations conducted by the US will have, for a certain period of time, a rather big negative impact on our Company's sales market, yet thanks to the concerted efforts by all members of the Group, our Company's business has already moved out of the woods on a quarter-on-quarter basis. Meanwhile, the Group intends to drive ongoing business growth and solidify its

Business Review and Prospects

competitive positions via the following four major development strategies, laying concrete foundations for long-term development:

1. Optimising production capacity: Capacity expansion for high value-added industrial aluminium extrusion products will be ongoing, and new large-scale extrusion presses will be installed and put into operation to provide additional capacity for large-section industrial aluminium extrusion products. The Group is adding, according to its plan, 18 new large-scale extrusion presses each with a pressing power at or above 75MN during this year and the next, including three 125MN oil-driven dual-action extrusion presses, in order to further increase the Group's lead over other players in the global aluminium extrusion industry in terms of production capacity for high precision and large-section industrial aluminium extrusion products;

2. Strengthening research and development and developing deep-processed products: The Group will continue to enhance its aluminium alloy smelting and casting and die development and manufacturing capabilities with a view to improving its high-end product development capabilities. In addition, the Group will continue to develop deep-processing technologies for industrial aluminium extrusion products, so as to expand its product offerings to include different types of processed aluminium products as well as add more value to its products;

3. Intensifying market development efforts: With rapid development of its economy, China has rising demand for high-end products. The Group plans to redeploy its resources to increase its market shares in such major domestic sectors as transportation, machinery equipment and electric power engineering, etc.. In addition, the Group will implement a strategy that positions overseas markets in a supplementary role, by producing and exporting different types of processed aluminium products to overseas in order to build a diversified income base;

4. Extending industrial chains and developing high value-added aluminium flat rolled products: the Group will leverage its leading strengths in aluminium alloy smelting and casting as well as product research and development, capitalize on its existing business network and customer resources in the aluminium extrusion industry to further develop the synergistic business in high value-added aluminium flat rolled products. The planned total production capacity for the Group's aluminium flat rolled products project is approximately 3 million tonnes. Production is scheduled to commence in 2014 and full production capacity is expected to be reached by 2018. The Group has preliminary plans to develop its business in aluminium flat rolled products in three cities, namely Tianjin, Panjin of Liaoning Province and Daqing of Heilongjiang Province.

While the Group will remain committed to the research and development and manufacturing of industrial aluminium extrusion products for the transportation, machinery equipment and electric power engineering sectors, we will optimize production capacity of high value-added products by technologically-advanced equipment as well as enhance production and deep-processing capacity of high value-added aluminium flat rolled products by our leading R&D capacity. More efforts will be put into the expansion of domestic and overseas markets for high-end aluminium products with the support of our strong capital. The Board and management of the Company are convinced that the four major development strategies will help achieve sustainable growth and create higher value for shareholders.

Management Discussion and Analysis

For the six-month period ended 30 June 2011, the Group's revenue and profit attributable to shareholders of the Company amounted to approximately RMB4.27 billion and RMB0.41 billion, respectively, representing decreases of 34.0% and 80.3% over the corresponding periods in 2010, respectively. Earnings per share for the six-month peroid ended 30 June 2011 was RMB0.08.

A comparison of the financial results for the six-month period ended 30 June 2011 and the corresponding period in 2010 is set out as follows.

Revenue

The following table sets forth the breakdowns of our revenue, sales volume and average selling price by product segments for the six-month periods ended 30 June 2010 and 2011, respectively:

	Six months ended 30 June					
	2011			2010		
	Revenue	**Volume**	**Average selling price**	Revenue	Volume	Average selling price
	RMB'000	**Tonnes**	**RMB/ Tonne**	RMB'000	Tonnes	RMB/ Tonne
Industrial aluminium extrusion products	**4,017,993**	**175,252**	**22,927**	6,245,099	174,056	35,880
Construction aluminium extrusion products	**255,153**	**13,178**	**19,362**	227,159	12,131	18,725
Total	**4,273,146**	**188,430**	**22,678**	6,472,258	186,187	34,762

For the six-month period ended 30 June 2011, the Group's revenue was approximately RMB4,273,146,000, representing a decrease of about 34.0% from approximately RMB6,472,258,000 for the same period in 2010. The decrease in revenue was primarily attributable to substantial decline in our export sales of aluminium extrusion products destined for the United States ("the US") for the six-month period ended 30 June 2011 as compared to the same period in 2010 as a result of the adverse impact of the anti-dumping and countervailing duty investigations by the US government. Decrease in revenue was also attributable to a decline in the average selling price of industrial aluminium extrusion products for domestic sales. The Group's revenue from industrial aluminium extrusion products decreased significantly by 35.7% to RMB4,017,993,000 for the six months ended 30 June 2011 from RMB6,245,099,000 for the same period in 2010. The Group's revenue from construction aluminium extrusion products of RMB255,153,000 for the six-month period ended 30 June 2011 was substantially in line with RMB227,159,000 for the same period in 2010. For the six-month period ended 30 June 2011, the Group's average processing fee for its products decreased by 61.3%, the average selling price dropped by 34.8%, and the average purchasing price of aluminium ingots increased by 5.7% over the same period of last year.

Management Discussion and Analysis

Total sales volume of our products increased to 188,430 tonnes for the six-month period ended 30 June 2011 from 186,187 tonnes for the same period of 2010, with a decline in the average selling price to RMB22,678 per tonne from RMB34,762 per tonne for the same period in 2010. Total sales volume was substantially in line with that in the same period of 2010. Sales volume of our industrial aluminium extrusion products increased to 175,252 tonnes for the six months ended 30 June 2011 from 174,056 tonnes for the same period in 2010. Sales volume of our construction aluminium extrusion products for the six months ended 30 June 2011 increased to 13,178 tonnes from 12,131 tonnes for the same period in 2010. Average selling price of our industrial aluminium extrusion products went down to RMB22,927 per tonne for the six months ended 30 June 2011 from RMB35,880 per tonne for the same period of 2010, while the average selling price of our construction aluminium extrusion products went up to RMB19,362 per tonne for the six months ended 30 June 2011 from RMB18,725 per tonne for the same period of 2010. Decline in the average selling price of our industrial aluminium extrusion products was attributable to shrinkage in contribution from export sales, which required higher processing fees, as a percentage of our total sales, as well as a decrease in the average processing fee charged for our industrial aluminium extrusion products for domestic sales as a result of pricing pressure from market competition. For our construction aluminium extrusion products, the average selling price was moderately higher than the same period of last year primarily because of an increase of aluminium ingot prices.

Geographically, the Group's overseas clients mainly came from countries and regions such as the US and Australia. For the six-month period ended 30 June 2011, our sales revenue from overseas was approximately RMB88,229,000 (corresponding period in 2010: RMB3,822,692,000), representing 2.1% (corresponding period in 2010: 59.1%) of the Group's total revenue.

Breakdowns of our revenue by geographical regions for the six months ended 30 June 2010 and 2011 are as follows:

	Six months ended 30 June			
	2011		2010	
	RMB'000	**%**	RMB'000	%
PRC	**4,184,917**	**97.9**	2,649,566	40.9
US	**30,478**	**0.7**	2,671,886	41.3
Australia	**54,014**	**1.3**	1,136,059	17.6
Others	**3,737**	**0.1**	14,747	0.2
Total	**4,273,146**	**100.0**	6,472,258	100.0

For the six-month period ended 30 June 2011, our revenue generated from domestic sales increased substantially to RMB4,184,917,000 from RMB2,649,566,000 for the same period in 2010, which was primarily attributable to the Group's active expansion of its market share in the Chinese domestic market. Our new customers included large state-owned enterprises from such sectors as transportation, electric power engineering and machinery equipment.

Management Discussion and Analysis

As a result of the adverse impact of the US anti-dumping and countervailing duty investigations, our export sales to the US for the six-month period ended 30 June 2011 were substantially lower than those for the same period in 2010. Our export sales to Australia for the six-month period ended 30 June 2011 decreased over the same period in 2010, primarily because the Group's focus on developing the domestic market had led it to apply those large machinery which had been previously used for the production of large-section aluminium extrusion products to be sold overseas to the production of products intended for domestic sales.

Cost of Sales

Cost of aluminium ingots is the primary component of the Group's cost of sales. Cost of sales decreased by 0.2% to RMB3,392,447,000 for the six months ended 30 June 2011 from RMB3,398,613,000 for the same period in 2010. Cost of sales for our industrial aluminium extrusion products decreased by 0.5% from RMB3,180,553,000 for the same period in 2010 to RMB3,165,500,000 for the six-month period ended 30 June 2011. Cost of sales for our construction aluminium extrusion products increased by 4.1% from RMB218,060,000 for the same period in 2010 to RMB226,947,000 for the six-month period ended 30 June 2011. Our cost of sales for the six months ended 30 June 2011 was substantially equivalent to that of the same period in 2010, principally due to similar level of sales volume recorded for the six months ended 30 June 2011 over the same period in 2010.

Gross Profit and Gross Profit Margin

The following sets forth the breakdowns of our gross profit, gross profit proportions and gross profit margin by product segments for the six-month periods ended 30 June 2010 and 2011:

	Six months ended 30 June					
	2011			2010		
	Gross profit RMB'000	**%**	**Gross profit margin %**	Gross profit RMB'000	%	Gross profit margin %
Industrial aluminium extrusion products	**852,493**	**96.8**	**21.2**	3,064,546	99.7	49.1
Construction aluminium extrusion products	**28,206**	**3.2**	**11.1**	9,099	0.3	4.0
Total	**880,699**	**100.0**	**20.6**	3,073,645	100.0	47.5

Management Discussion and Analysis

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 decreased by 71.3% to RMB880,699,000 for the six-month period ended 30 June 2011 from RMB3,073,645,000 for the same period in 2010. Our overall gross profit margin decreased to 20.6% for the six-month period ended 30 June 2011 from 47.5% for the same period in 2010. Gross profit margin of our industrial aluminium extrusion products decreased to 21.2% for the six months ended 30 June 2011 from 49.1% for the same period in 2010, which was primarily attributable to a drop in contribution from export sales, which commanded higher gross profit margins, as a percentage of our overall profit as well as decreases in average processing fees of industrial aluminium extrusion products sold domestically.

Gross profit margin of our construction aluminium extrusion products increased to 11.1% for the six months ended 30 June 2011 from 4.0% for the same period in 2010, which was primarily attributable to an increase in gross profit margin as a result of lower depreciation charges for the six months ended 30 June 2011 following the provision of impairment loss for the equipment used in the production of construction aluminium extrusion products at the end of 2010.

Bank Interest Income

Bank interest income increased by 109.8% from RMB24,484,000 for the same period in 2010 to RMB51,361,000 for the six-month period ended 30 June 2011, which was primarily attributable to an increase in the balance of our bank deposits and higher deposit interest rate. For the six-month periods ended 30 June 2010 and 2011, our bank deposits carried average interest rates of 0.36% and 0.59% per annum, respectively.

Other Income, Other Gains and Losses

Other income, other gains and losses recorded a net loss of approximately RMB11,716,000 for the six-month period ended 30 June 2011 against a net gain of RMB10,437,000 for the same period in 2010, which was primarily attributable to: (i) a decrease in government subsidies to RMB115,000 for the six-month period ended 30 June 2011 from RMB31,774,000 for the same period in 2010. 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; and (ii) a substantial decrease in export sales for the six-month period ended 30 June 2011, leading to a decrease of our foreign exchange losses to RMB15,035,000 for the six-month period ended 30 June 2011 from RMB22,647,000 for the same period in 2010. The Group's foreign exchange losses were primarily attributable to the impact of the continuously falling US dollar exchange rate on the Group's deposits denominated in foreign currencies and sales settled in foreign currencies.

Management Discussion and Analysis

Selling and Distribution Costs

Selling and distribution costs primarily consist of advertising and promotional expenses, wages and salaries of sales staff and transportation costs. These costs decreased by 22.0% to approximately RMB57,484,000 for the six-month period ended 30 June 2011 from approximately RMB73,653,000 for the same period in 2010, which was primarily attributable to a decrease of 67.4% in product transportation costs to RMB5,460,000 for the six-month period ended 30 June 2011 from RMB16,725,000 for the same period in 2010, resulting from a decline in the Group's export sales.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise wages, salaries and benefits, share option charges, depreciation charges of office equipment, professional service charges and other charges. Administrative and other operating expenses increased by 8.1% to approximately RMB93,156,000 for the six-month period ended 30 June 2011 from RMB86,148,000 for the same period in 2010, which was primarily attributable to the fact that although the non-cash charges arising from share options calculated at fair value dropped to RMB16,155,000 for the six months ended 30 June 2011 from RMB18,415,000 for the same period in 2010, other administrative and operating expenses, including wages and operating lease rentals, increased to RMB77,001,000 for the six-month period ended 30 June 2011 from RMB67,733,000 for the same period in 2010, which was primarily the result of the Group's initiatives in employing additional staff and setting up a Hong Kong office in order to expand its operation scale.

Finance Costs

Our finance costs increased by 21.9% from RMB163,981,000 for the same period in 2010 to RMB199,926,000 for the six-month period ended 30 June 2011, which was primarily attributable to increases in our bank borrowings and debentures for general operations and the average loan interest rate in the first half of 2011 over the same period in 2010. For the six-month periods ended 30 June 2010 and 2011, bank loans carried average interest rates of 4.70% and 5.50% per annum, respectively.

Profit before Taxation

Our profit before taxation decreased by 79.5% from approximately RMB2,784,784,000 for the same period in 2010 to approximately RMB569,778,000 for the six-month period ended 30 June 2011, which was primarily attributable to the above factors described in this section.

Management Discussion and Analysis

Income Tax Expense

Our income tax expense decreased to RMB158,178,000 for the six-month period ended 30 June 2011 from RMB692,308,000 for the same period in 2010, which was primarily attributable to the decline in profit before taxation. Our effective tax rates for the six-month periods ended 30 June 2010 and 2011 were 24.9% and 27.8%, respectively. Our effective tax rate for the six-month period ended 30 June 2011 was higher than the same period in 2010 because the proportion of the withholding income tax, which a wholly-owned subsidiary incorporated in Hong Kong had to pay on its interest income earned from loans to another wholly-owned subsidiary established in China, to the Group's income tax in the current period was slightly higher than the same period in 2010.

Profit Attributable to Shareholders

The Company's profit attributable to shareholders decreased by 80.3% to RMB411,600,000 for the six-month period ended 30 June 2011 from RMB2,092,476,000 for the same period in 2010. Our net profit margin decreased from 32.3% for the same period in 2010 to 9.6% for the six-month period ended 30 June 2011, which was primarily attributable to the above factors described in this section.

Interim Dividend

The Directors proposed not to declare any interim dividend for the six-month period ended 30 June 2011 (corresponding period in 2010: nil).

Cash Flows

Cash flows of the Group for the six-month periods ended 30 June 2011 and 2010 are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**1,584,045**	1,105,124
Net cash (used in) from investing activities	**(1,349,583)**	1,747,451
Net cash from (used in) financing activities	**1,131,955**	(379,382)

Management Discussion and Analysis

Cash Flows of Operating Activities

For the six-month period ended 30 June 2011, the Group's net cash generated from operating activities amounted to approximately RMB1,584,045,000, an increase of RMB478,921,000 over the same period in 2010, which was primarily attributable to the net effects of a decrease of cash generated from operating activities before movements in working capital by RMB2,211,281,000 over the same period in 2010, an increase of cash generated from the movement in trade receivables and other receivables etc. by approximately RMB1,790,318,000 over the same period in 2010 and a decrease in income taxes paid by approximately RMB899,884,000 over the same period in 2010 for the six-month period ended 30 June 2011.

Cash Flows of Investing Activities

For the six-month period ended 30 June 2011, the Group's net cash used in investing activities was approximately RMB1,349,583,000, which mainly reflected the expenditure of approximately RMB378,148,000 for acquisition of plants and equipment; approximately RMB708,566,000 in prepaid lease payments for tracts of land in Daqing City of Heilongjiang Province, which will be used for the production of aluminium flat rolled products.

Cash Flows of Financing Activities

For the six-month period ended 30 June 2011, the Group's net cash generated from financing activities was approximately RMB1,131,955,000, which mainly reflected our new issue of debentures of RMB1,200,000,000 and additional bank borrowings of RMB1,801,000,000 and cash expenditure of approximately RMB1,869,045,000 for the repayments of principals and interest for bank borrowings and dividend payments for the six-month period ended 30 June 2011.

Net Current Assets

As at 30 June 2011, we had net current assets of RMB14,607,791,000 (31 December 2010: approximately RMB15,274,112,000).

Liquidity

As a result of sound business development, our financial position was much stronger than before. As at 30 June 2011 and 31 December 2010, we had bank balances and cash of approximately RMB18,629,789,000 and approximately RMB17,263,372,000, respectively, and balances of pledged bank deposits of approximately RMB6,694,000 and RMB12,721,000, respectively.

Management Discussion and Analysis

Borrowings

As at 30 June 2011, our total debentures and bank loans amounted to approximately RMB9,431,000,000, an increase of approximately RMB2,368,546,000 over approximately RMB7,062,454,000 as at 31 December 2010.

As at 30 June 2011, the Group's debentures and bank borrowings shown under current liabilities amounted to RMB3,351,000,000 (31 December 2010: RMB2,132,454,000) and debentures and bank borrowings shown under non-current liabilities amounted to RMB6,080,000,000 (31 December 2010: RMB4,930,000,000). Details are disclosed in notes 18 and 20 to the condensed consolidated financial statements in this interim report.

The Group's gearing ratio was approximately 44.7% as at 30 June 2011 over approximately 36.8% as at 31 December 2010. The ratio was calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

As at 30 June 2011 and 31 December 2010, save for pledged bank deposits, the Group had not pledged any assets for securing bank facilities or issuing debentures.

Contingent Liabilities

For the six-month periods ended 30 June 2010 and 2011, the Group had no material contingent liabilities.

Employees

As at 30 June 2011, the Group had 3,208 full-time employees for, inter alia, production, research and development, sales and management. During the period, relevant employee costs (including Directors' remuneration) were approximately RMB105,155,000 (including share option charges of RMB16,155,000), an increase of 23.1% as compared to approximately RMB85,434,000 for the same period in 2010 (including share option charges of RMB18,415,000). Employee costs (excluding share option charges) of the Group increased mainly because the number of employees increased. 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.

Research and Development

The Group has 490 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 15.3% 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. For the six-month period ended 30 June 2011, our research and development expenditure represented approximately 0.2% of the Group's sales revenue.

Management Discussion and Analysis

Market Risks

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

Foreign Exchange Risk

Most of our businesses are settled in Renminbi. However, receivables from the sales of aluminium extrusion products to overseas customers are settled in foreign currencies. As at 30 June 2011, approximately 97.9% of the revenue of the Group was denominated in Renminbi and approximately 2.1% was denominated in USD, and all of the borrowings of the Group were denominated in Renminbi.

In July 2005, the PRC government introduced the managed floating exchange rate system which allowed Renminbi to float in accordance with market demand and supply and within the regulated range determined by reference to a basket of currencies. Exchange rate fluctuations will impact on the sales revenue of contracts denominated in foreign currencies and on borrowings denominated in foreign currencies, hence may have 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 significant interest-bearing assets, most of our revenue and operating cash flows are not affected by interest rate changes in the market.

Interest rate fluctuation risk borne by the Group is primarily derived from bank borrowings and debentures. The Group has to face the cash-flow interest rate risk on floating-rate borrowings and fair value interest rate risk on fixed-rate borrowings. Our borrowings did not contain any fixed-rate borrowings as at 30 June 2011 and 31 December 2010.

Aluminium Ingot Price Fluctuation Risk

Aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc., are our principal raw materials which accounted for 86.2% and 86.1% of the cost of sales of the Group for the six-month periods ended 30 June 2011 and 2010, respectively. Generally, our pricing of products is on a “cost-plus” basis, pursuant to which the selling price for our products is determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. Our pricing policy is to pass on most of the price fluctuation risk to our customers. However, we may not be able to pass the entire cost of price increases to 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 aluminium ingot forward contracts to hedge against aluminium ingot price fluctuation risk.

Management Discussion and Analysis

Investment Risks

As we do not hold any US Treasury bonds, the downgrade of US credit rating by Standard & Poor's Rating Services on 5 August 2011 has no impact on the Group.

Anti-Dumping and Countervailing Duty Investigations

The Group's revenue from export sales is subject to the adverse impact of changes in the policies, laws and regulations of countries or regions to which the products are distributed. On 29 March 2011, the US Department of Commerce made a final determination on its anti-dumping and countervailing duty investigations of certain aluminium extrusion exports from China to the US, imposing an anti-dumping duty of 33.28% and a countervailing duty of 374.15% on the 1, 3, 6 aluminium alloy series extrusion exports from the Group. The US Department of Commerce issued the respective anti-dumping and countervailing duty orders on 20 May 2011, instructing the US Customs to levy an anti-dumping duty of 33.28% and a countervailing duty of 374.15% on the aforesaid product series of the Group in accordance with its final determination. Our export sales to the US for the six-month period ended 30 June 2011 was substantially lower than that for the same period in 2010 as a result of the outcome of the US anti-dumping and countervailing duty investigations.

Investment Strategy

To further reinforce and strengthen the profitability of its business in large cross-section industrial aluminium extrusion products, the Group is adding, according to its plan, 18 new, large-scale extrusion presses each with a pressing power at or above 75MN during this year and the next, including three globally advanced 125MN extrusion presses, in order to further increase the Group's production capacity in large cross-section industrial aluminium extrusion products. The newly acquired large-scale extrusion presses will be installed and put into operation this year and in 2012 respectively. Meanwhile, the Group will leverage its existing technology edge and customer resources in the aluminium extrusion industry to actively develop the deep-processing business of industrial aluminium extrusion products as well as the synergistic business in high value-added aluminium flat rolled products, in a bid to foster new operating benefits for the Company.

The planned total production capacity for the Group's aluminium flat rolled products project is approximately 3 million tonnes. Production is scheduled to commence in 2014 and full production capacity is expected to be reached by 2018. The Group has preliminary plans to develop its business in aluminium flat rolled products in three cities, namely Tianjin, Panjin of Liaoning Province and Daqing of Heilongjiang Province. High value-added aluminium flat rolled products, mainly consisting of medium-to-high thickness plates, high-end foils and sheets, are principally applied in sectors such as aviation and aerospace, vessel, railway transportation, automobile, machinery and equipment, packaging and electronics.

Disclosure of Interests

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

As at 30 June 2011, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), are as follows:

(a) Long positions in our shares

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

(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)	97,156,250	1.8

Disclosure of Interests

(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. Pursuant to the terms of the redeemable 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"), Olympus Alloy and UBS AG London Branch were entitled to exchange such notes for the existing shares held by ZIGL. Pursuant to a deed of share charge (as amended or otherwise modified from time to time, the "Deed") 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, 97,156,250 existing shares were charged by ZIGL to Olympus Alloy, who held such number of shares as the Security Agent for the holders of the Olympus Exchangeable Notes (including Olympus Alloy and UBS AG London Branch). On 8 August 2011, the charge over 97,156,250 existing shares was discharged and released upon the redemption of the Olympus Exchangeable Notes by ZIGL when each of such notes reached its maturity date.

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

Save as disclosed above, as at 30 June 2011, 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 is deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2011, 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 Director	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
ZIGL	Beneficial owner/Long position(1)	4,004,200,000	74.07
ZIGL	Beneficial owner/Short position(1)&(2)	97,156,250	1.8
Mr. Liu	Interests in controlled corporation/Long position(1)	4,004,200,000	74.07
Mr. Liu	Interests in controlled corporation/Short position(1)&(2)	97,156,250	1.8
Wang Zhijie ("Mrs. Liu")	Interests of spouse/Long position(1)	4,004,200,000	74.07
Mrs. Liu	Interests of spouse/Short position(1)&(2)	97,156,250	1.8

Disclosure of Interests

(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 and UBS AG London Branch were entitled to exchange such notes for the existing shares held by ZIGL. Pursuant to the Deed and based on the offer price of HK$7.0 for the listing of the Company, 97,156,250 existing shares were charged by ZIGL to Olympus Alloy, who held such number of shares as the Security Agent for the holders of the Olympus Exchangeable Notes (including Olympus Alloy and UBS AG London Branch). On 8 August 2011, the charge over 97,156,250 existing shares was discharged and released upon the redemption of the Olympus Exchangeable Notes by ZIGL when each of such notes reached its maturity date.

Save as disclosed above, as at 30 June 2011, 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 2011 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Directors' Interests in Competing Business

For the six-month period ended 30 June 2011, 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 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 is 40,400,000 shares, representing approximately 0.75% of the issued share capital of the Company as at 30 June 2011. 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.

Disclosure of Interests

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.

Movement of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2011 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2011	Number of underlying shares comprised in the options lapsed or cancelled during the six months ended 30 June 2011	Number of underlying shares comprised in the options exercised during the six months ended 30 June 2011	Number of underlying shares comprised in the options outstanding as at 30 June 2011
Directors							
Lu Changqing	17 April 2008	7 May 2014	2.0	2,200,000	–	–	2,200,000
Chen Yan	17 April 2008	7 May 2014	2.0	2,200,000	–	–	2,200,000
Zhong Hong	17 April 2008	7 May 2014	2.0	2,200,000	–	–	2,200,000
Gou Xihui	17 April 2008	7 May 2014	2.0	1,700,000	–	–	1,700,000
70 Other Employees (including three senior management members) of our Group	17 April 2008 (one of the senior management members' options were granted on 30 December 2008)	7 May 2014	2.0	32,100,000	–	–	32,100,000
Total				40,400,000	–	–	40,400,000

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

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 Board 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.

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.

During the six month period ended 30 June 2011, 8 Directors and 52 other employees (including two senior management members) of our Group were granted a total of 45,700,000 share options to subscribe for a total of 45,700,000 shares of the Company, including 200,000 shares underlying options which had been cancelled or lapsed, at the exercise price of HK$3.90 per share. As at 30 June 2011, the number of shares underlying outstanding options was 45,500,000 (representing approximately 0.84% of the issued share capital of the Company as at 30 June 2011).

Disclosure of Interests

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2011 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the options outstanding as at date of grant	Number of underlying shares comprised in the options lapsed or cancelled during the six months ended 30 June 2011	Number of underlying shares comprised in the options exercised during the six months ended 30 June 2011	Number of underlying shares comprised in the options outstanding as at 30 June 2011
Directors							
Lu Changqing	22 March 2011	21 March 2021	3.9	2,000,000	–	–	2,000,000
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	–	–	2,000,000
Zhong Hong	22 March 2011	21 March 2021	3.9	2,000,000	–	–	2,000,000
Gou Xihui	22 March 2011	21 March 2021	3.9	3,300,000	–	–	3,300,000
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	–	–	600,000
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	–	–	600,000
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	–	–	600,000
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	–	–	600,000
52 Other Employees (including two senior management members) of our Group	22 March 2011	21 March 2021	3.9	34,000,000	(200,000)	–	33,800,000
Total				45,700,000	(200,000)	–	45,500,000

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 2011, 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 2011 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.

Board Committees

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

Corporate Governance and Other Information

(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 2011, the unaudited financial results and operational statistics for the three months ended 31 March 2011, 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 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.

Internal Control

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

(i) effectiveness and efficiency of operations;

(ii) reliability of financial reporting; and

(iii) compliance with applicable laws and regulations.

Corporate Governance and Other Information

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

Purchase, Sale or Redemption of the Shares

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

Major Purchase and Sale of the Subsidiaries and Associates

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

Interim Dividend

The Directors proposed not to declare any interim dividend for the six-month period ended 30 June 2011 (corresponding period in 2010: nil).

Directors' Profile Updates

During the six-month period ended 30 June 2011, there was no change to the information which is required to be disclosed and has been disclosed by all Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Continual Communications with Shareholders, Investors and Analysts

The Investor Relations Department has strictly followed our policies and relevant regulations in treating all shareholders, investors and research analysts in a fair and transparent manner. We have held a number of personal and telephone conferences with institutional investors and research analysts to promote and establish effective channels for dual communications between the Company and investors. In addition, we responded promptly to investors' enquiries through telephone or email.

Media Relations

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

Condensed Consolidated Statement of Income

For the six-month period ended 30 June 2011

		Six months ended 30 June	
	Notes	**2011**	2010
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	**4,273,146**	6,472,258
Cost of sales		**(3,392,447)**	(3,398,613)
Gross profit		**880,699**	3,073,645
Bank interest income		**51,361**	24,484
Other income, other gains and losses	5	**(11,716)**	10,437
Selling and distribution costs		**(57,484)**	(73,653)
Administrative and other operating expenses		**(93,156)**	(86,148)
Finance costs	6	**(199,926)**	(163,981)
Profit before taxation		**569,778**	2,784,784
Income tax expense	7	**(158,178)**	(692,308)
Profit for the period	8	**411,600**	2,092,476
Earnings per share			
Basic (RMB)	10	**0.08**	0.39
Diluted (RMB)	10	**0.08**	0.39

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**411,600**	2,092,476
Other comprehensive income:		
Exchange differences arising from translation to presentation currency	**5,499**	—
Total comprehensive income for the period attributable to owners of the Company	**417,099**	2,092,476

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	**30 June 2011 RMB'000 (unaudited)**	31 December 2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**5,284,374**	4,912,337
Prepaid lease payments	11	**1,059,588**	150,591
Deposits for acquisition of property, plant and equipment		**105,942**	174,066
Deferred income tax assets		**42,500**	42,500
		6,492,404	5,279,494
Current assets			
Inventories	12	**1,563,277**	937,970
Trade receivables	13	**297,218**	738,805
Other receivables, deposits and prepayments	14	**82,078**	404,204
Prepaid lease payments	11	**21,967**	3,319
Pledged bank deposits		**6,694**	12,721
Bank balances and cash	15	**18,629,789**	17,263,372
		20,601,023	19,360,391
Current liabilities			
Trade payables	16	**558,952**	113,269
Bills payable	17	**1,348,200**	1,100,200
Other payables and accrued charges		**564,205**	601,015
Tax liabilities		**170,875**	139,341
Bank loans	18	**3,351,000**	2,132,454
		5,993,232	4,086,279

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	**30 June 2011 RMB'000 (unaudited)**	31 December 2010 RMB'000 (audited)
Net current assets		**14,607,791**	15,274,112
Total assets less current liabilities		**21,100,195**	20,553,606
Capital and reserves			
Share capital	19	**474,675**	474,675
Reserves		**14,495,520**	15,098,931
		14,970,195	15,573,606
Non-current liabilities			
Bank loans	18	**3,680,000**	3,730,000
Debentures	20	**2,400,000**	1,200,000
Deferred tax liabilities		**50,000**	50,000
		6,130,000	4,980,000
		21,100,195	20,553,606

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2011

	Attributable to owners of the Company									
	Paid–in capital/share capital RMB'000	Share premium RMB'000	Surplus reserve (Note a) RMB'000	Enterprise development fund (Note b) RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Special reserve (Note c) RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
As at 1 January 2011	474,675	10,076,363	1,039,274	1,039,274	635,898	–	(2,992,978)	80,087	5,221,013	15,573,606
Total comprehensive income for the period	–	–	–	–	–	5,499	–	–	411,600	417,099
Recognition of share-based payment	–	–	–	–	–	–	–	16,155	–	16,155
Dividend (Note 9)	–	(1,036,665)	–	–	–	–	–	–	–	(1,036,665)
As at 30 June 2011 (unaudited)	**474,675**	**9,039,698**	**1,039,274**	**1,039,274**	**635,898**	**5,499**	**(2,992,978)**	**96,242**	**5,632,613**	**14,970,195**
1 January 2010	474,675	11,304,209	777,650	777,650	635,898	–	(2,992,978)	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 9)	–	(1,227,846)	–	–	–	–	–	–	–	(1,227,846)
As at 30 June 2010 (unaudited)	474,675	10,076,363	777,650	777,650	635,898	–	(2,992,978)	68,690	5,240,870	15,058,818

Notes:

(a) The Articles of Association of Liaoning Zhongwang Group Co. Ltd. ("Zhongwang PRC") state that it may make an appropriation of 10% of its profit for the year (prepared under the generally accepted accounting principles in the People's Republic of China ("PRC")) each year to the surplus reserve until the balance reaches 50% of its paid-in capital. The surplus reserve shall only be used for making good losses, capitalization into paid-in capital and expansion of its production and operation.

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

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

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**1,584,045**	1,105,124
Net cash (used in) from investing activities	**(1,349,583)**	1,747,451
Net cash from (used in) financing activities	**1,131,955**	(379,382)
Net increase in cash and cash equivalents	**1,366,417**	2,473,193
Cash and cash equivalents at the beginning of the period	**17,263,372**	13,709,564
Cash and cash equivalents at the end of the period	**18,629,789**	16,182,757

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The Company acts as an investment holding company and provides corporate management services.

The condensed consolidated financial statements for the six-month period ended 30 June 2011 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.

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 2010. Unless otherwise stated, the condensed consolidated financial statements are denominated in Renminbi ("RMB"), the functional currency of the Company.

This condensed consolidated interim financial information was approved for publication on 12 August 2011. It was unaudited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments or interpretations, ("new and revised IFRSs") issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective for the Group's financial year beginning on 1 January 2011.

IAS 24 (Revised)	Related party disclosures
IAS 32 (Amendment)	Classification of rights issues
IFRSs (Amendments)	Improvements to IFRSs 2010
IFRIC 14 (Amendment)	Prepayments of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

IFRS 7	Disclosures — Transfers of financial assets[1]
IFRS 9	Financial instruments[2]
IFRS 10	Consolidated financial statements[2]
IFRS 11	Joint arrangements[2]
IFRS 12	Disclosures of interests in other entities[2]
IFRS 13	Fair value measurement[2]
IAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
IAS 19 (Revised)	Employee benefits[2]
IAS 27 (Revised)	Separate financial statements[2]
IAS 28 (Revised)	Investments in associates and joint ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2012.
4 Effective for annual periods beginning on or after 1 July 2012.

IFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of IFRS 9 will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the financial instruments held by the Group as at 30 June 2011.

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

3. REVENUE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of aluminium products		
— For industrial use	**4,017,993**	6,245,099
— For construction use	**255,153**	227,159
	4,273,146	6,472,258

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

4. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers, for the purpose of resources allocation and assessment of performance focuses on the type of products (i.e. aluminium products produced for construction use or industrial use). Each type of products has different client base and requires different production technologies. The Group's 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").

	Revenue		Segment profit	
	Six months ended 30 June		Six months ended 30 June	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Industrial	**4,017,993**	6,245,099	**852,493**	3,064,546
Construction	**255,153**	227,159	**28,206**	9,099
Total	**4,273,146**	6,472,258	**880,699**	3,073,645
Bank interest and other income, other gains and losses			**39,645**	34,921
Central corporate expenses			**(150,640)**	(159,801)
Finance costs			**(199,926)**	(163,981)
Profit before taxation			**569,778**	2,784,784
Income tax expense			**(158,178)**	(692,308)
Profit for the period			**411,600**	2,092,476

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. This is the measure reported to the Group's chief operating decision makers for the purpose of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

4. SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC	**4,184,917**	2,649,566
US	**30,478**	2,671,886
Australia	**54,014**	1,136,059
Others	**3,737**	14,747
Total	**4,273,146**	6,472,258

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Government subsidies (Note)	**115**	31,774
Gain on disposal of property, plant and equipment	**1,637**	—
Others	**1,567**	1,352
	3,319	33,126
Other gains and losses		
Exchange loss	**(15,035)**	(22,647)
Loss on change in fair value of investments held for trading	**—**	(42)
	(15,035)	(22,689)
Total	**(11,716)**	10,437

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

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

6. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on borrowings wholly repayable within five years:		
Bank loans	**166,986**	129,081
Debentures	**32,940**	34,900
	199,926	163,981

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises PRC Enterprise Income Tax		
Current taxation	**158,178**	692,308

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as expense	**3,392,447**	3,398,613
Depreciation of property, plant and equipment	**178,235**	190,896
Net exchange losses	**15,035**	22,647
Amortisation of prepaid lease payments	**4,761**	1,347
Research and development costs	**8,578**	6,407
Operating lease rentals in respect of rented premises	**4,684**	2,194
Loss on disposal of property, plant and machinery	**—**	974
Staff costs (including directors' emoluments):		
Salaries and other benefits	**83,922**	62,810
Retirement benefits scheme contributions	**5,078**	4,209
Employee share option benefit	**16,155**	18,415
	105,155	85,434

9. DIVIDEND

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.

In March 2011, the Company declared a final dividend of HK$0.23 per share for 2010, which were paid in June 2011 upon approval by the shareholders at the annual general meeting held on 12 May 2011. Such dividends amounted to RMB1,036,665,000 in aggregate and 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 2011 (corresponding period in 2010: nil).

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the consolidated profit attributable to equity holders of the Company for each of the six-month periods ended 30 June 2011 and 2010 and on the number of shares as follows:

	30 June 2011 RMB'000 (unaudited)	30 June 2010 RMB'000 (unaudited)
Earnings for the purposes of basic earnings per share	**411,600**	2,092,476

	30 June 2011 '000	30 June 2010 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**5,406,306**	5,406,306
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**8,785**	11,525
Weighted average number of shares for the purpose of diluted earnings per share	**5,415,091**	5,417,831
Earnings per share		
Basic (RMB)	**0.08**	0.39
Diluted (RMB)	**0.08**	0.39

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

11. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprised:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Leasehold land in the PRC under medium-term leases	**1,081,555**	153,910
Analysed for reporting purpose:		
Current assets	**21,967**	3,319
Non-current assets	**1,059,588**	150,591
	1,081,555	153,910

12. INVENTORIES

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Raw materials	**1,244,159**	715,291
Work-in-progress	**97,136**	104,001
Finished goods	**221,982**	118,678
	1,563,277	937,970

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

13. TRADE RECEIVABLES

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Trade receivables	**308,166**	749,753
Less: Allowance for bad and doubtful debts	**(10,948)**	(10,948)
	297,218	738,805

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 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
0–90 days	**242,481**	395,558
91–180 days	**27,814**	332,323
Over 180 days	**26,923**	10,924
	297,218	738,805

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. The Directors also believed that no further credit provision was required in excess of the allowance for doubtful debts.

As at 30 June 2011, trade receivables of approximately RMB53,169,000 (31 December 2010: RMB43,257,000) 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 2011

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Other receivables, deposits and prepayments	**82,078**	404,204

Deposits paid to suppliers amounting to RMB61,012,000 (31 December 2010: RMB388,797,000) were included in the other receivables, deposits and prepayments as at 30 June 2011.

15. 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 carried average interest rates of 0.59% and 0.36% per annum for the six-month period ended 30 June 2011 and the year ended 31 December 2010 respectively.

16. TRADE PAYABLES

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

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
0–90 days	**554,730**	108,937
91–180 days	**2,397**	3,053
181 days to 1 year	**1,824**	352
Over 1 year	**1**	927
	558,952	113,269

17. BILLS PAYABLE

As at 30 June 2011, all of the bills payable are repayable within 180 days (31 December 2010: 180 days) and are denominated in Renminbi.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

18. BANK LOANS

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Carrying amounts repayable based on contractual term:		
Within one year	1,901,000	832,454
In more than one year but not more than two years	2,430,000	3,270,000
In more than two years but not more than five years	1,250,000	460,000
	5,581,000	4,562,454
Carrying amounts of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	1,450,000	1,300,000
Less: Amounts due within one year shown under current liabilities	(3,351,000)	(2,132,454)
Amounts shown under non-current liabilities	3,680,000	3,730,000
Guaranteed by independent third parties	1,500,000	1,382,454

All bank loans are unsecured borrowings.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

18. BANK LOANS (Continued)

No single borrowing is individually material, and terms and conditions of all borrowings are presented by appropriate groupings.

The bank loans carried average interest rates of 5.42% and 5.50% per annum for the year ended 31 December 2010 and the six-month period ended 30 June 2011 period, respectively.

Movements in bank borrowings are analysed as follows:

	As at 31 December 2010 RMB'000 (Audited)
Balance as at 1 January 2010	5,653,324
Proceeds from borrowings	5,510,000
Repayments of borrowings	(4,567,506)
Balance as at 30 June 2010 (Unaudited)	6,595,818
Proceeds from borrowings	770,000
Repayments of borrowings	(1,503,364)
Balance as at 31 December 2010	5,862,454

	As at 30 June 2011 RMB'000 (Unaudited)
Balance as at 1 January 2011	**5,862,454**
Proceeds from borrowings	**1,801,000**
Repayments of borrowings	**(632,454)**
Balance as at 30 June 2011	**7,031,000**

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

19. SHARE CAPITAL

The Company

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary share of HK$0.1 each:			
Authorised			
At 1 January 2010, 31 December 2010 and at 30 June 2011	8,000,000,000	800,000	N/A
Issued			
At 31 December 2009, 31 December 2010 and 30 June 2011	5,406,306,400	540,631	474,675

20. DEBENTURES

During the six-month period ended 30 June 2011, the Group issued unsecured debenture of RMB1,200,000,000 with maturity of three years with effective interest rate of 5.68% per annum.

During the year ended 31 December 2010, the Group issued unsecured debenture of RMB1,200,000,000 with maturity of three years with effective interest rate of 4.07% per annum.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

21. 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 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Within one year	**9,367**	9,367
In the second to fifth year inclusive	**5,852**	10,217
	15,219	19,584

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

22. CAPITAL COMMITMENTS

	30 June 2011 RMB'000 (unaudited)	31 December 2010 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	**486,874**	586,795

23. PLEDGE OF ASSETS

Apart from the pledged bank deposits as disclosed in the condensed consolidated statement of financial position, the Group had not pledged any asset to secure bank facilities as at 30 June 2011 and 31 December 2010.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

24. RELATED PARTY TRANSACTIONS

During each of the six-month periods ended 30 June 2011 and 2010, the Group had entered into the following transactions with a related company:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Goods purchased from a related company		
Liaoning Cheng Cheng Plastics Co., Ltd. (Note 1)	**2,312**	2,586

Notes:

1. The company is the Group's related company which is owned by Mr. Liu.

25. PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

(1) Pre-IPO Share Option Scheme

Pursuant to an ordinary resolution of the Board passed on 17 April 2008, the Pre-IPO Share Option Scheme (the "Scheme") was conditionally approved and adopted to provide grantees with the opportunity to acquire proprietary interest in the Company and to recognise the contribution of certain members of the senior management and employees of the Group.

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

(i) the Listing Committee granting approval for the listing of and permission to deal in the shares of the Company which may fall to be issued pursuant to the exercise of the options granted under the 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/her option to subscribe for up to 20% of the total number of the shares of the Company under his/her option ("Vested Shares") during such period.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

25. PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME (Continued)

(1) Pre-IPO Share Option Scheme (continued)

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.

(2) Share Option Scheme

We also adopted a share option scheme at the Board 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.

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.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

25. PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME (Continued)

Details of the Pre-IPO share option scheme and share option scheme are as follows:

Type of share option	Grant Date	Exercise period	Exercise Price HK$	Number of share options granted
Pre-IPO share option scheme	17/04/2008	08/05/2009 to 07/05/2014	2.00	40,400,000
Category: Directors				8,300,000
Employees				32,100,000
Share option scheme	22/03/2011	22/03/2011 to 21/03/2021	3.90	45,700,000
Category: Directors				11,700,000
Employees				34,000,000

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2011

25. PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME (Continued)

Share-based payments recognized in the consolidated statement of income for the six-month period ended 30 June 2011 approximately amount to RMB16,155,000, while share-based payments recognized in the consolidated statement of income for the six-month period ended 30 June 2010 approximately amount to RMB18,415,000.

The movements of such share options for each of the six-month period ended 30 June 2011 are as follows:

Type of option	Outstanding at 1 January 2011	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 30 June 2011	Exercisable at the end of the period
Pre-IPO share option scheme	40,400,000	–	–	–	–	40,400,000	24,240,000
Share option scheme	–	45,700,000	–	(200,000)	–	45,500,000	–
	40,400,000	45,700,000	–	(200,000)	–	85,900,000	24,240,000

26. SUBSEQUENT EVENTS

No events of material significance to our Group have occurred subsequent to 30 June 2011.