中国忠旺控股有限公司*
China Zhongwang Holdings Limited
(incorporated in the Cayman Islands with limited liability)
Stock Code: 01333

COMMITTED TO LIGHT-WEIGHT DEVELOPMENT FOR A GREENER WORLD

INTERIM REPORT
2012

* For identification purposes only

Our Philosophy:

To become the world's top developer and manufacturer of high-end processed aluminium products by focusing our services on transportation, machinery and equipment and electric power engineering sectors and continuously consolidating our leading position in the industry through cutting-edge research & development and globally advanced manufacturing capabilities.

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

Nomination and Remuneration Committee

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

Corporate Governance Committee

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

Strategy and Development Committee

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

Joint Company Secretaries

Mr. Cheung Lap Kei
Mr. Lu Changqing

Authorised Representatives

Mr. Cheung Lap Kei
Mr. Lu Changqing

Principal Bankers

Bank of Communications Co., Ltd., Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Liaoyang City Hongwei District Agricultural Credit Cooperatives
Bank of China Limited, Liaoyang Branch
Agricultural Bank of China, Liaoyang Hongwei Sub-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

Place of Business in Hong Kong

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

Company Website

www.zhongwang.com

Legal Advisors

As to Hong Kong laws

Morrison & Foerster
33/F, Edinburgh Tower
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

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, 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 Relations Consultant

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

Media Relations Consultant

PR Asia Consultant Limited
5/F, Euro Trade Centre
13-14 Connaught Road Central
Hong Kong

Corporate Profile

China Zhongwang Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is a leading industrial aluminium extrusion product developer and manufacturer in the world. On 8 May 2009, the Company (stock code: 01333) was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. We have been primarily focusing on the light-weight development of transportation, machinery and equipment and electric power engineering sectors through the provision of quality processed aluminium products. The Group is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the biggest in Asia and China[1].

The Group was founded in 1993 with its headquarters based in Liaoning Province, China. After 19 years of dedicated development, the Group currently has 93 internationally advanced aluminium extrusion production lines (including 14 aluminium extrusion production lines of 75MN or above under installation, 3 of which are 125MN aluminium extrusion production lines) with an aggregate production capacity of over 800,000 tonnes. It is estimated that all the aluminium extrusion production lines currently under installation will complete their installation and test operation and commence production by the end of 2012, by which time the Group's annual total production capacity of aluminium extrusion products is expected to reach 1 million tonnes. In addition, the Group has ordered two ultra-large 225MN extrusion presses, which are the largest and most advanced presses in the world, to be gradually put into operation in two years. The acquisitions will reinforce the Group's leading edge in the production of high precision large-section industrial aluminium extrusion products and enhance our core competitiveness in the global industrial aluminium extrusion market. Meanwhile, we have also built a world-leading aluminium tilt smelting and casting facility which is closely linked with the industry chain, as well as the largest customized industrial aluminium extrusion product die design and manufacturing centre in Asia.

The Group is currently engaged primarily in the production of high precision, large-section and high value-added industrial aluminium extrusion products which are widely used in transportation (including railway passenger and cargo carriages, metropolitan subways and light rails, automobiles, heavy trucks, vessels, aviation, aerospace, etc.), machinery and equipment and electric power engineering sectors. The Group's unique core competitiveness in the industry lies in the comprehensive strength of our four-in-one model, i.e. the integration of smelting and casting, die design, advanced equipment and research and development capability all under one roof. The Group has won numerous global certifications and accreditations from the railway, shipbuilding and other industries. The Group now boasts of a solid base of over 1,000 customers in major markets all over the world.

While consolidating our leadership in the research and production of high-end industrial aluminium extrusion products, we will also leverage our solid financial strengths and prestigious market position to develop in phases the high-end aluminium flat rolled product business with a production capacity of up to 3 million tonnes per year, with a view to fully capitalizing on our existing advantages in the industry. The first phase of the project will commence production by the end of 2014 and its full capacity will be reached by 2018.

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

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

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

Financial Highlights

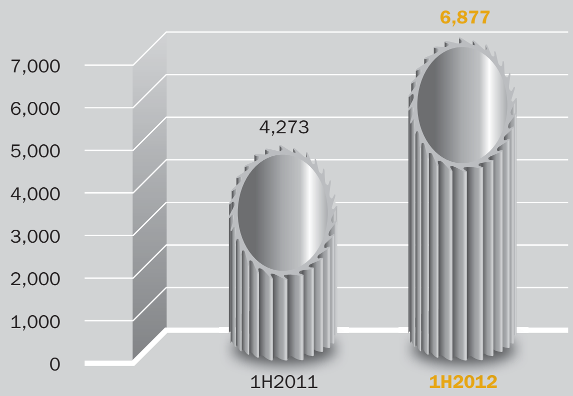
	For the six months ended 30 June	
	2012 **RMB'000** **(unaudited)**	2011 RMB'000 (unaudited)
Revenue	**6,876,847**	4,273,146
Gross profit	**1,606,937**	880,699
Gross profit margin	**23.4%**	20.6%
Profit before taxation	**1,387,665**	569,778
Profit attributable to equity shareholders	**1,037,054**	411,600
Earnings per share (Note 1)		
Basic (RMB)	**0.19**	0.08
Diluted (RMB)	**0.19**	0.08

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Net assets	**16,729,684**	15,677,529
Total assets	**32,266,945**	27,774,599
Gearing ratio (Note 2)	**48.2%**	43.6%

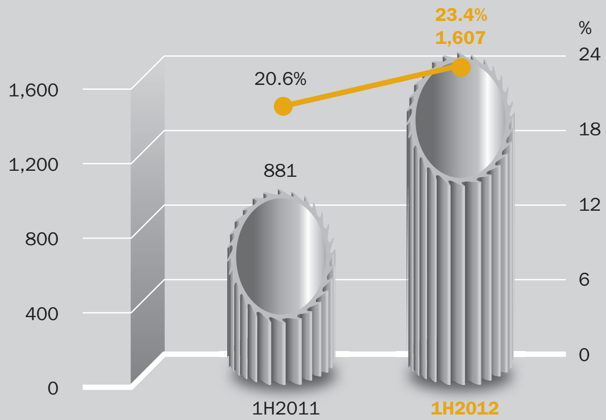
Notes:

1. The calculation of earnings per share was based on the profit attributable to ordinary equity shareholders of the Company for each of the six-month periods ended 30 June 2012 and 2011 and on the weighted average number of shares for the respective period.
2. Gearing ratio = total liabilities/total assets * 100%.

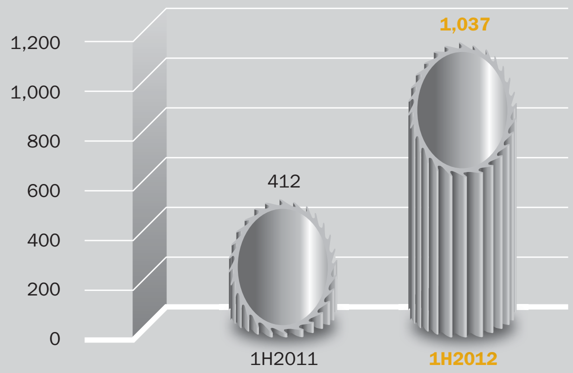
Revenue
(RMB millions)



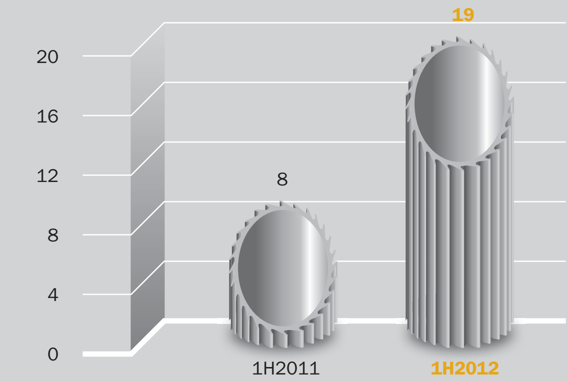
Gross Profit/Gross Profit Margin
(RMB millions)



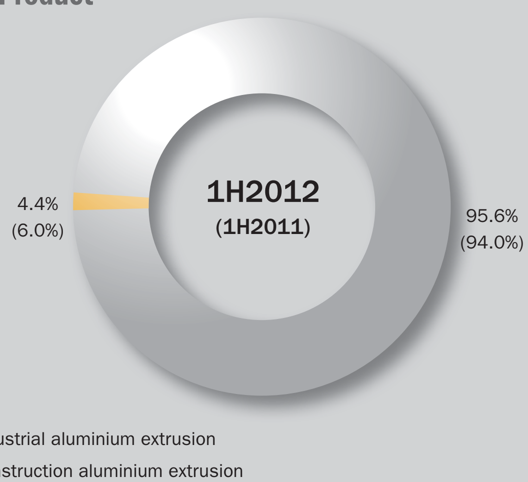
Profit Attributable To Equity Shareholders
(RMB millions)



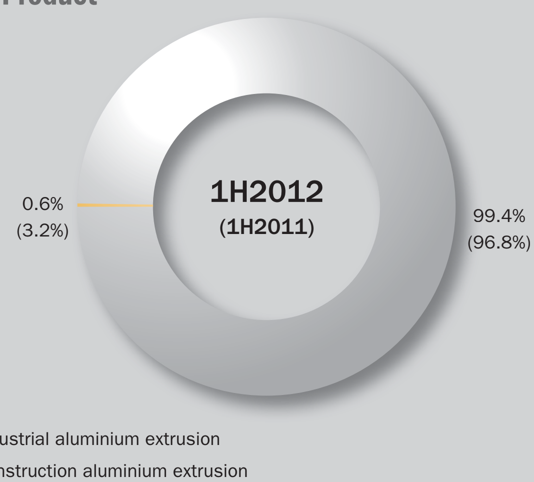
Earnings Per Share (Basic)
(RMB cents)



Revenue Composition
— By Product



Gross Profit Composition
— By Product



Chairman's Statement

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited, I am pleased to present the interim report on the results of the Group for the six months ended 30 June 2012 (the "Period Under Review") for your review.

Stable Growth with Continuous Improvements

The Period Under Review represented a crucial period of growth amid sustained stability in our Group's development, as we delivered encouraging results on all fronts including corporate development, product research and development, capacity expansion and market development following our strategic adjustments in 2011, with notable recovery and sustainable improvements in our operational performance. During the Period Under Review, the Group continued to implement the policy of focusing on the development of hi-tech and high value-added aluminium processing business, making an all-out effort to tap the enormous market potential of China's aluminium processing industry in line with our market outreach strategy focused primarily on China and to a lesser extent on the overseas. In the meantime, we extended our business scope to cover deep-processed products, an export driver, as well as the business of high-precision aluminium flat rolled products, a sector that offers synergies with the business of industrial aluminium extrusion products. These three core business lines will underpin the Group's model of sustainable growth and continuously sharpen our major competitive edges in the aluminium processing sector.

Business Performance

Thanks to its strong foothold in China and firm efforts to capitalize on the growing demand in China's domestic market for high-end industrial aluminium extrusion products, the Group reported notable year-on-year growth in operating results for the Period Under Review despite volatility in the world economy since the beginning of 2012:

- Building on our growth momentum in the second half of 2011, the Group's revenue and profit attributable to shareholders grew by 60.9% and 152.0% during the Period Under Review, as compared to the same period of last year, to reach RMB6.88 billion and RMB1.04 billion, respectively;

- Sales of aluminium extrusion products during the Period Under Review amounted to 286,110 tonnes, increasing by 51.8% as compared to the same period of last year and well beyond the half-way mark of the Group's target of 500,000 tonnes for full-year sales;

- Sales in the Chinese market increased to 272,573 tonnes in volume and RMB6.33 billion in value, representing year-on-year growth of 46.6% and 51.2%, respectively, as the Group continued to extend its reach and consolidate its position in the market segment comprising mainly large-scale enterprises;

- Export sales resumed growth during the Period Under Review with sales volume and sales revenue increasing by 452.7% and 524.3% over the same period of last year to 13,537 tonnes and RMB0.55 billion, respectively, reflecting the successful diversification of the Group's export products through the development of deep-processing technologies;

- Overall gross profit margin for the Period Under Review improved by 2.8 percentage points to 23.4% as compared to the same period of last year, reflecting a higher proportion of high-end large-section products in an optimized product mix enabled by the gradual commissioning of 18 large-scale extrusion presses, the installation of which has started since 2011, as well as by increased sales of deep-processed products with higher gross profit margins.

Industrial Aluminium Extrusion Products — Large-Tonnage Presses Facilitated Capacity Optimization while Product Upgrades Helped Us Battle for High-End Market

The industrial aluminium extrusion business is currently the principal operation of the Group that provides stable cash flow. As the world's second largest developer and manufacturer of industrial aluminium extrusion products, the Group procures world-class technologies and equipment on a continued basis to expand and optimize its production capacity. The Group's plan to acquire, beginning last year until the end of this year, 18 large-tonnage extrusion presses each with a pressing power of 75MN or above (including nine 75MN presses, six 90MN presses and three 125MN presses) has been progressing as scheduled, with 4 installed presses currently on trial run and another 14 presses set for installation in the latter half of the year. As at 30 June 2012, the Group owned 79 industrial aluminium extrusion production lines with an aggregate production capacity of over 800,000 tonnes per annum. Upon installation of all of the 18 large-tonnage extrusion presses, the Group will own over 20 presses each with a pressing power of 75MN or above, including 4 of the world's leading 125MN presses.

In view of increasing applications of high-end large-section aluminium extrusion products, the Group ordered during the Period Under Review two 225MN horizontal single action aluminium extrusion presses with core components to be imported from Germany so that we would be well-equipped to seize market opportunities ahead of others. Deliveries of these presses, the largest and most advanced of their kind in the world, are scheduled for 2014. The Group has further reaffirmed its core competitiveness as a market leader by continuously extending its leading edges over its competitors at home and abroad in terms of equipment and technological standards.

Deep-Processing Business — Extending Our Reach along the Industry Chain to Cover More High Value-added Products

In addition to its business in industrial aluminium extrusion, the Group is engaged in vigorous efforts to recruit talents and strengthen its downstream hardware facilities, with a view to achieving product diversification through the development of the deep-processing business. Following comprehensive training in technology, our recently established deep-processing technology team has commenced small-scale production to further process for sale the industrial aluminium extrusion products manufactured by the Group into finished or semi-finished products through procedures such as cutting, welding and surface treatment.

The Group's deep-processing centre has imported several advanced production lines and related processing equipment from Europe and installation and testing works are currently underway. These highly automated equipment are capable of manufacturing, with high efficiency and precision, large-sized deep-processed products with stringent specifications, such as aluminium alloy railway carriage bodies and components.

Deep-processed aluminium products offer higher added value and command a gross profit margin at a premium to that of general industrial aluminium extrusion products. With deep-processed aluminium products, the Group will be able to reopen the door to its export markets. The Group's distinct competitive edge will be further enhanced when its industrial aluminium extrusion product deep-processing centre becomes fully operational by the second half of 2012.

High-Precision Aluminium Flat Rolled Products — Construction in Full Gear as a Pioneer in the Formulation of Industry Standards

The Group continued to advance its project for aluminium flat rolled products during the Period Under Review, as an industrial land site located in Wuqing District, Tianjin was acquired for the construction of a new production base for aluminium flat rolled products. Currently, preliminary infrastructure development for the production plant has commenced according to schedule. As disclosed in our 2011 Annual Report, production equipment for aluminium flat rolled products has been ordered from such countries as Germany and the United States for the manufacturing of high-end aluminium plates, sheets and foils, including medium-to-high thickness aluminium plates. Deliveries of major equipment will be made in batches starting from the end of 2013.

In terms of technology and human resources, the Group has commenced the process of overseas recruitment of high-calibre technical personnel to attract the service of well-experienced technical experts, in a bid to gear up technological resources and the research and development process for aluminium flat rolled products. Given our strengths and leading edge in aluminium processing industry in terms of technology, talents, customer base and financial resources, the Group is fully confident in the future development of this business segment.

In the next two years, the Group will commit its full efforts to the construction of Phase I of the project. Its target is to complete the construction and commissioning of production facilities with an annual capacity of 1.8 million tonnes in the second half of 2014 and to achieve the full capacity of 3 million tonnes per annum by 2018.

Future Prospects

The future development of our Group will be dependent on two major trends – the increasingly popular application of processed aluminium alloy products in various industries as a novel material on the one hand and, on the other, the global light-weight development trend driven by successive introduction of environmental protection and emission-reduction measures under growing scrutiny by governments around the world.

Notwithstanding adjustment pressure in the domestic economy, as indicated by the nation's major economic indicators, China is expected to sustain growth momentum as an emerging economy. Against the backdrop of light-weight development and structural upgrade (in such sectors as high-end equipment manufacturing, new energy, new material and new-energy automobile), consumption of industrial aluminium extrusion products is expected to sustain stable growth. According to the Group's projections, China's demand for industrial aluminium extrusion products will reach 4 million tonnes for the full year of 2012, representing a solid year-on-year growth of 12%.

Aluminium alloy materials have extensive applications in energy conservation and environment protection, high-end equipment manufacturing, new energy, new material and new-energy automobile, which are among industrial sectors highlighted for support in China's 12th Five-Year Development Plan. The development of aluminium-magnesium alloy for applications in aviation and automotive sectors is being encouraged in *The State Guiding Catalog of Industrial Structure Adjustment (2011)*, while the recently announced *Development Plan for Energy-saving and New-energy Automotive Industry (2012-2020)* has set a target for China's sales of energy-saving automobiles to rank number one globally by 2020. As light-weight vehicle bodies hold the key to the success of new-energy automobiles, light but hard aluminium processed products are expected to play an important role in the development and application of new-energy automobiles.

Moreover, *12th Five-Year Development Plan for the Non-ferrous Metal Industry*, *12th Five-Year Development Plan for New Materials Industry* and *12th Five-Year Development Plan for High-end Equipment Manufacturing Industry* have unanimously emphasized the importance of high-performance aluminium alloys and encouraged the development of key projects in aluminium alloy plates for vehicles, large-sized aluminium extrusion products for high-speed trains, medium-to-high thickness aluminium plates for aviation and aerospace sectors and aluminium alloy plates for cryogenic equipment. Given the unequivocal concern and emphasis on high-end aluminium products indicated in national policies, China's aluminium processing industry is set to embrace a golden period of development.

The strategy for the development of high-end industrial aluminium extrusion products, deep-processed products and high-precision aluminium flat rolled products that the Group has already implemented is in perfect tandem with the guiding direction of the planning of the Chinese Government and with the general trend of industrial development. Encouraged by favourable market conditions and national policies, the Group will continue to strengthen its leading position in the business of industrial aluminium extrusion products, while vigorously develop its deep-processing business to enhance profitability. Meanwhile, we will also advance the project for aluminium flat rolled products in full gear to lay a solid foundation for sustained profit growth.

The full implementation of our Group's market strategy transformation within a limited timeframe owes to the concerted efforts and dedication of our staff. On behalf of the Board, I would like to express sincere gratitude to all employees, as well as to all shareholders, customers and business partners for their enduring interest and support. The Group will implement its development strategy of focusing on the three core businesses in a resolute manner, endeavour to improve its operating results and spare no effort in delivering sustainable growth and return for shareholders.

Thank you!

Liu Zhongtian
Chairman

Hong Kong, 22 August 2012

Management Discussion and Analysis

I. Business Review

During the Period Under Review, the Group delivered encouraging results on various fronts, such as product research and development, manufacturing and sales, and overall corporate development.

During the Period Under Review, while continuing to consolidate its overall leadership in industrial aluminium extrusion, the Group also endeavoured to enhance its soft/hardware strengths in deep-processing business. At our new deep-processing centre, several welding lines were imported from Europe together with associated auxiliary equipment. Installation and testing works are currently underway and full operation is scheduled for the latter half of the year. Meanwhile, with intensified efforts, we completed the training of related technical personnel and workers and built a specialized team with proven skills, providing assurance to the operation of the deep-processing centre in terms of human resources and technology.

Total sales of the Group's products grew to 286,110 tonnes for the Period Under Review from 188,430 tonnes for the same period in 2011, representing growth of approximately 51.8%; revenue grew to approximately RMB6,876,847,000 for the Period Under Review from approximately RMB4,273,146,000 for the same period of 2011, representing growth of approximately 60.9%. Profit attributable to shareholders of the Company soared by 152.0% to approximately RMB1,037,054,000 for the Period Under Review from approximately RMB411,600,000 for the same period of 2011. The substantial growth in results reflected the positive effects of the range of measures adopted by the Group since the anti-dumping and countervailing investigations of the United States.

In other developments, the Group continued to expand and optimize its production capacity during the Period Under Review. While actively stepping up the installation and testing of 14 large extrusion presses of 75MN or above, we further ordered 2 mega-sized 225MN extrusion presses. These presses, with core components imported from Germany and scheduled for delivery in 2014, are the world's largest and most advanced machinery of the same type. The installation and commissioning of these presses will further cement the Group's leadership in the production of high-precision, large-section industrial aluminium extrusion products.

The Group also made significant progress in the implementation of its aluminium flat rolled product project during the Period Under Review. In March 2012, the Group successfully won the bid for land use right of four pieces of land in Wuqing District, Tianjin City at a total consideration of approximately RMB1,398,200,000 for the construction of a production base for aluminium flat rolled products. Preliminary infrastructure works for the production plants and other facilities are currently underway in accordance with our plans.

II. Future Prospects

China's economic growth during the Period Under Review faced certain challenges as a result of developments in macro-economic environment, such as the aggravating debt issue of the Eurozone and slow U.S. economic recovery. Adjustment pressure will remain in the second half of 2012. For the medium to long term, China will sustain its growth momentum as an emerging economy. As China undergoes the crucial period of building a society of general affluence with further strides in industrialisation, urbanisation and informatisation, increasing domestic consumption and ongoing construction works in transportation, energy, government subsidized housing, urban infrastructure construction and the development of the new countryside, the demand for non-ferrous metal products including aluminium processed products will continue to grow. This will give rise to broader market opportunities for the development of the non-ferrous metal industry. Meanwhile, given increasingly stringent and demanding requirements for the specifications and quality of products, the transformation and upgrade of China's non-ferrous metal industry has become an imperative task.

The Chinese Government has indicated its enhanced guidance and support for high-end manufacturing industries in two important policy documents, *12th Five-Year (2011–2015) Development Plan for the Non-ferrous Metal Industry and Industrial Transformation and Upgrade Plan (2011–2015),* promulgated in December 2011 and January 2012, respectively. In *12th Five-Year (2011–2015) Development Plan for the Non-ferrous Metal Industry*, in particular, a sub-plan for the aluminium industry — *Special Development Plan for the Aluminium Industry during the 12th Five-Year Period (2011–2015)* — has been formulated, calling for an average annual growth of above 12% in the industrial added value of the aluminium industry, the development of novel aluminium alloys and processing technologies and equipment, vigorous development of refined-/deep-processing, and the production of high-end aluminium products meeting the requirements of strategic new industries and other industries in terms of variety and quality during the 12th Five-Year Plan period. *Special Development Plan for the Aluminium Industry during the 12th Five-Year Period (2011–2015)* has expressly called for growth in the percentage share of sales revenue generated from high-end aluminium products from 8% in 2010 to 20% in 2015. This presents an important development opportunity for China Zhongwang Holdings Limited, who has positioned itself over the years as a supplier of high-end products embodying advanced technologies.

In addition, the Chinese Government has introduced a series of plans and guidance including *The State Guiding Catalog of Industrial Structure Adjustment (2011)*, *12th Five-Year (2011–2015) Development Plan for New Materials Industry*, *12th Five-Year (2011–2015) Development Plan for High-end Equipment Manufacturing Industry* and *Development Plan For Energy-saving and New-energy Automotive Industry*, all of which have emphasized the importance of aluminium alloys as high-performance metal materials and encouraged extensive applications in such sectors as aviation and aerospace, automobiles and high-speed trains.

The Group is therefore optimistic about the development prospects of China's aluminium processing market and believes that even though China's industrial aluminium extrusion market, as affected by the macro-economic environment, might see lower growth in 2012 than the 14.7% growth for the year 2011, it will still achieve a growth of above 12% with full-year demand in excess of 4 million tonnes. Meanwhile, enormous development opportunities arise for another important segment of the aluminium processing industry — the aluminium flat rolled products.

Aluminium flat rolled products include aluminium plates, sheets and foils, which are extensively applied in the aviation and aerospace, vessel, railway transportation, automobile, machinery and equipment and packaging sectors. According to the latest report by The Boston Consulting Group, the world's total consumption of aluminium flat rolled products is expected to increase from approximately 18.55 million tonnes in 2011 to approximately 31.66 million tonnes in 2020. The Chinese market is expected to grow at a faster pace than the world average, increasing from approximately 7.60 million tonnes in 2011 to approximately 15.99 million tonnes in 2020, accounting for a half of the world's total consumption. The room for growth is even greater for high-end products. Currently, high-end products account for 33% of the world's total consumption but the comparable percentage for China is only 12%, which is significantly lower than the world level. At present, China's market for high-end aluminium flat rolled products is still at a starting stage where demands are mainly met by imports, leaving much room for market development[1].

1 Figures in this paragraph are cited from a Boston Consulting Group report dated August 2012.

In view of the above, the management of our Group has formulated the following key development strategies:

1. Reinforcing the leading edge of our existing principal business — industrial aluminium extrusion:

    a) To increase our investment in equipment and optimise our equipment mix by expanding our capacity for high-end large-section industrial aluminium extrusion products and assuring the timely installation and testing of the remaining 14 large extrusion presses of 75MN or above (including 3 extrusion presses of 125MN) in compliance with relevant quality standards, so that our production capacity will reach 1 million tonnes by the end of 2012;

    b) To expand the variety and production scale of our deep-processed products to meet the demand for deep-processed products in the international and domestic markets, so that the Group's overall profitability will be further enhanced; and

    c) To strengthen our research capability in aluminium alloy smelting and casting, high-end product development and the design and manufacturing of sophisticated dies, providing technological support for the Group's future development.

2. Proactive and effective implementation of the project for high value-added aluminium flat rolled products to provide a new impetus for the Group's long-term development: Following a long period of research, planning and preparation, the Group's project for high value-added aluminium flat rolled products is now in the stage of implementation. We have entered into contracts for the purchase of production equipment for Phase I of the project with a planned annual production capacity of 1.8 million tonnes, and have acquired land sites for production through land bidding. Our next task is to commence preliminary work such as infrastructure construction and staff recruitment in a proactive and effective manner, so as to ensure that the project will be commissioned as scheduled in sound quality. Phase I of the project with a planned annual capacity of 1.8 million tonnes is expected to start production gradually by the end of 2014.

3. Responding timely to market demands and changes and increasing the intensity and depth of market development efforts: The market strategy focusing mainly on the domestic market supplemented by the overseas market will continue to be implemented. While cementing our relationships with existing customers, we will also step up our efforts to develop customers through flexible and diversified approaches, with a view to enlarging our market shares for industrial aluminium extrusion products and deep-processed products while paving the way for future sales of high value-added aluminium flat rolled products.

The Group believes that the effective implementation of these development strategies will enable it to establish three resource-sharing and complementary core business segments, namely industrial aluminium extrusion products, deep-processed products and high value-added aluminium flat rolled products, which will further complete the Group's industry chain of aluminium processing with a view towards generating stronger and longer-term return for shareholders.

III. Financial Review

For the six-month period ended 30 June 2012, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB6.88 billion and RMB1.04 billion, respectively, representing increases of 60.9% and 152.0% over the corresponding period in 2011, respectively. Basic earnings per share for the six-month period ended 30 June 2012 was RMB0.19 (corresponding period in 2011: RMB0.08).

A comparison of the financial results for the six-month period ended 30 June 2012 and the corresponding period in 2011 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 2012 and 2011, respectively:

	Six months ended 30 June					
	2012			2011		
	Revenue RMB'000	**Volume Tonne**	**Average selling price RMB/Tonne**	Revenue RMB'000	Volume Tonne	Average selling price RMB/Tonne
Industrial aluminium extrusion products	**6,573,939**	**270,066**	**24,342**	4,017,993	175,252	22,927
Construction aluminium extrusion products	**302,908**	**16,044**	**18,880**	255,153	13,178	19,362
Total	**6,876,847**	**286,110**	**24,036**	4,273,146	188,430	22,678

For the six-month period ended 30 June 2012, the Group's revenue was approximately RMB6,876,847,000, representing an increase of about 60.9% from approximately RMB4,273,146,000 for the same period in 2011. The increase in revenue was primarily attributable to the increase in domestic sales, growth in sales of deep-processed products and higher average selling price of industrial aluminium extrusion products. We have made intensive efforts to develop domestic customers since we shifted our focus back to the domestic market in 2011, and notable results have been achieved. Total sales volume of the Group increased to 286,110 tonnes for the six-month period ended 30 June 2012 from 188,430 tonnes for the same period in 2011. The average selling price of our products increased from RMB22,678 per tonne for the same period in 2011 to RMB24,036 per tonne for the six-month period ended 30 June 2012.

The Group's revenue from industrial aluminium extrusion products increased significantly by 63.6% to approximately RMB6,573,939,000 for the six-month period ended 30 June 2012 from approximately RMB4,017,993,000 for the same period in 2011, among which the revenue generated from deep-processed products increased significantly by 2,134.7% to approximately RMB436,938,000 for the six-month period ended 30 June 2012 from approximately RMB19,552,000 for the same period in 2011. Sales volume of our industrial aluminium extrusion products increased to 270,066 tonnes for the six-month period ended 30 June 2012 from 175,252 tonnes for the same period in 2011, among which the sales volume of deep-processed products increased from 531 tonnes for the same period in 2011 to 11,372 tonnes for the six-month period ended 30 June 2012. The average selling price of our industrial aluminium extrusion products went up to RMB24,342 per tonne for the six months ended 30 June 2012 from RMB22,927 per tonne for the same period of 2011, which was primarily attributable to an increase in sales volume of deep-processed products which command higher gross profit margins. To address changes in the external market environment on the basis of its research and judgment on the future development trends of the aluminium processing industry, the Group in 2011 fully leveraged its existing technologies and market and customer resources in the upstream and downstream of the industry chain to develop high-margin deep-processed industrial aluminium extrusion products, in connection with which a new deep-processing center has been built and will commence operation in the second half of 2012 to further increase the Group's production capacity for deep-processed products so that it will become an important profit growth point for the Group.

The Group's revenue from construction aluminium extrusion products increased by 18.7% to approximately RMB302,908,000 for the six-month period ended 30 June 2012 from approximately RMB255,153,000 for the same period in 2011 and our sales volume of these products increased to 16,044 tonnes for the six-month period ended 30 June 2012 from 13,178 tonnes for the same period in 2011.

The average selling price of our construction aluminium extrusion products decreased to RMB18,880 per tonne for the six-month period ended 30 June 2012 from RMB19,362 per tonne for the same period of 2011. The lower selling price was primarily caused by the decline in aluminium ingot price.

Breakdowns of our revenue by geographical regions for the six months ended 30 June 2012 and 2011 are as follows:

	Six months ended 30 June			
	2012		2011	
	RMB'000	**%**	RMB'000	%
PRC	**6,325,990**	**92.0**	4,184,917	97.9
US	**548,756**	**8.0**	30,478	0.7
Australia	**—**	**—**	54,014	1.3
Others	**2,101**	**—**	3,737	0.1
Total	**6,876,847**	**100.0**	4,273,146	100.0

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 2012, our sales revenue from overseas was approximately RMB550,857,000 (corresponding period in 2011: approximately RMB88,229,000), representing 8.0% (corresponding period in 2011: 2.1%) of the Group's total revenue.

For the six-month period ended 30 June 2012, our revenue generated from domestic sales increased substantially to approximately RMB6,325,990,000 from approximately RMB4,184,917,000 for the same period in 2011, 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 and equipment.

Currently, the Group's product sales to the US comprise mostly deep-processed industrial aluminium extrusion products. The increase in deep-processed product sales led to a substantial year-on-year growth in export sales to the US for the six-month period ended 30 June 2012 as compared to the same period in 2011. We did not have any export sales to Australia for the six-month period ended 30 June 2012, 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 increased by 55.3% to approximately RMB5,269,910,000 for the six months ended 30 June 2012 from approximately RMB3,392,447,000 for the same period in 2011. Cost of sales for our industrial aluminium extrusion products increased by 57.2% from approximately RMB3,165,500,000 for the same period in 2011 to approximately RMB4,976,385,000 for the six-month period ended 30 June 2012. Cost of sales for our construction aluminium extrusion products increased by 29.3% from approximately RMB226,947,000 for the same period in 2011 to approximately RMB293,525,000 for the six-month period ended 30 June 2012. The increase of our cost of sales was principally due to the growth in sales volume recorded for the current period.

Gross Profit and Gross Profit Margin

The following sets forth the breakdowns of our gross profit, gross profit proportion and gross profit margin by product segments for the six-month periods ended 30 June 2012 and 2011:

	Six months ended 30 June					
	2012			2011		
	Gross profit RMB'000	**%**	**Gross profit margin %**	Gross profit RMB'000	%	Gross profit margin %
Industrial aluminium extrusion products	**1,597,554**	**99.4**	**24.3**	852,493	96.8	21.2
Construction aluminium extrusion products	**9,383**	**0.6**	**3.1**	28,206	3.2	11.1
Total	**1,606,937**	**100.0**	**23.4**	880,699	100.0	20.6

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

Our gross profit increased by 82.5% to approximately RMB1,606,937,000 for the six-month period ended 30 June 2012 from approximately RMB880,699,000 for the same period in 2011. Our overall gross profit margin increased to 23.4% for the six-month period ended 30 June 2012 from 20.6% for the same period in 2011. The gross profit margin of our industrial aluminium extrusion products increased to 24.3% for the six months ended 30 June 2012 from 21.2% for the same period in 2011, which was primarily attributable to our endeavors in developing deep-processed industrial aluminium extrusion products which command higher gross profit margins.

The gross profit margin of our construction aluminium extrusion products decreased to 3.1% for the six months ended 30 June 2012 from 11.1% for the same period in 2011, as a result of the decline of the average selling price.

Investment Income

Investment income consists of interest income from bank deposits and from short-term investments.

Bank interest income increased by 62.1% to approximately RMB76,011,000 for the six-month period ended 30 June 2012 from approximately RMB46,893,000 for the same period in 2011, which was primarily attributable to an increase in average bank deposit interest rate and an increase in the contribution of fixed deposits with higher interest rates as a percentage of our total deposits. For the six-month periods ended 30 June 2011 and 2012, our bank deposits carried average interest rates of 0.59% and 0.66% per annum, respectively.

The accumulated amount of the principals of the bank investment products the Group invested in for the six months ended 30 June 2012 amounted to approximately RMB734,000,000, with a gain of approximately RMB1,263,000 at an average annualized rate of return of 3.41%. As at 30 June 2012, approximately RMB707,000,000 of the principals had been redeemed. The accumulated amount of the principals of the bank investment products the Group invested in for the same period in 2011 was approximately RMB2,600,000,000, with a gain of approximately RMB4,468,000 at an average annualized rate of return of 3.44%. As at 30 June 2011, approximately RMB2,600,000,000 of the principals had been redeemed.

Other Income, Other Gains and Losses

Other income, other gains and losses recorded a net gain of approximately RMB88,291,000 for the six-month period ended 30 June 2012 against a net loss of approximately RMB11,716,000 for the same period in 2011, which was primarily attributable to the facts that: (i) there was an increase in government subsidies to approximately RMB96,672,000 for the six-month period ended 30 June 2012 from approximately RMB115,000 for the same period in 2011. The aggregate amount of government subsidies for business development and technological research received by us in each period is determined and distributed by relevant PRC authorities at their sole discretion; (ii) the Group recorded foreign exchange gains of approximately RMB910,000 for the six months ended 30 June 2012 primarily due to the impact of the rising US dollar exchange rate in the second quarter of 2012 on the Group's deposits denominated in foreign currencies and sales settled in foreign currencies, while the Group incurred foreign exchange losses of approximately RMB15,035,000 for the same period in 2011 as a result of the impact of continuous falls in US dollar exchange rate in 2011 on the Group's deposits denominated in foreign currencies and sales settled in foreign currencies; and (iii) our disposal of property, plant and equipment incurred losses of approximately RMB10,237,000 for the six-month period ended 30 June 2012, which mainly consisted of the losses from discarding two machines, while we recorded gains of approximately RMB1,637,000 from disposal of property, plant and equipment for the same period in 2011.

Selling and Distribution Costs

Selling and distribution costs primarily consist of advertising and promotional expenses, wages and salaries of sales staff, transportation costs, etc. These costs decreased by 0.1% to approximately RMB57,437,000 for the six-month period ended 30 June 2012 from approximately RMB57,484,000 for the same period in 2011, which was primarily attributable to a decrease of 7.9% in advertising expense from approximately RMB39,881,000 for the same period in 2011 to approximately RMB36,712,000 for the six-month period ended 30 June 2012, offset in part by a moderate increase in other selling expenses.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise land use taxes, amortization of land use right, wages, salaries and benefits, share option expenses, professional service charges, and other related administrative and operating charges. Administrative and other operating expenses increased by 76.1% to approximately RMB164,068,000 for the six-month period ended 30 June 2012 from approximately RMB93,156,000 for the same period in 2011. The increase was primarily attributable to the fact that (i) the land use taxes arisen in relation to the acquisitions of land use right in Panjin City, Liaoning Province and Daqing City, Heilongjiang Province, respectively amounted to approximately RMB59,834,000 for the six-month period ended 30 June 2012, while there was no such land use tax expenses for the same period in 2011; (ii) the amortization expense of land use right increased to approximately RMB21,194,000 for the six-month period ended 30 June 2012 from approximately RMB3,108,000 for the same period in 2011 because of the successive acquisitions of land use right in Panjin City, Liaoning Province, Daqing City, Heilongjiang Province and Tianjin City since 2011; and (iii) the non-cash charges recognized by the Group arising from share options calculated at fair value decreased to approximately RMB14,331,000 for the six-month period ended 30 June 2012 from approximately RMB16,155,000 for the same period in 2011; and (iv) other administrative and operating related expenses decreased slightly.

Finance Costs

Our finance costs decreased by 17.5% from approximately RMB199,926,000 for the same period in 2011 to approximately RMB164,879,000 for the six-month period ended 30 June 2012.

For the six-month period ended 30 June 2012, there had been an increase in the Group's bank loans as compared to the same period in 2011, but finance costs were reduced as a result of interest capitalization.

For the six-month period ended 30 June 2012, the interest expense capitalized into deposits for acquisition of property, plant and equipment amounted to approximately RMB51,618,000 (corresponding period in 2011: nil) and the relevant capitalisation rates per annum ranged from 4.07% to 6.65% (corresponding period in 2011: nil).

As at 30 June 2011 and 2012, bank loans carried average interest rates of 5.50% and 5.72% per annum, respectively; the debentures carried interest rates ranged from 4.07% to 5.68% per annum.

Profit Before Taxation

Our profit before taxation increased by 143.5% from approximately RMB569,778,000 for the same period in 2011 to approximately RMB1,387,665,000 for the six-month period ended 30 June 2012, which was primarily attributable to the above factors described in this section.

Income Tax Expense

Our income tax expense increased by 121.7% to approximately RMB350,611,000 for the six-month period ended 30 June 2012 from approximately RMB158,178,000 for the six-month period ended 30 June 2011, which was primarily attributable to the growth in profit before taxation. Our effective tax rates for the six-month periods ended 30 June 2011 and 2012 were 27.8% and 25.3%, respectively.

Profit Attributable To Equity Shareholders

The Company's profit attributable to equity shareholders increased by 152.0% to approximately RMB1,037,054,000 for the six-month period ended 30 June 2012 from approximately RMB411,600,000 for the same period in 2011. Our net profit margin increased from 9.6% for the same period in 2011 to 15.1% for the six-month period ended 30 June 2012, 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 2012 (corresponding period in 2011: nil).

Cash Flows

Cash flows of the Group for the six-month periods ended 30 June 2012 and 2011 are as follows:

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Net cash generated from operating activities	**127,372**	1,584,045
Net cash used in investing activities	**(4,070,115)**	(1,349,583)
Net cash generated from financing activities	**2,958,369**	1,131,955

Cash Flows of Operating Activities

For the six-month period ended 30 June 2012, the Group's net cash generated from operating activities amounted to approximately RMB127,372,000, which mainly reflected: (i) the cash of approximately RMB7,830,597,000 received from the sales of the Group's products; (ii) the cash payment of approximately RMB6,728,734,000 by the Group for the purchase of merchandise; (iii) the payment for various taxes of approximately RMB707,469,000 by the Group; and (iv) the payment for other operating activities of approximately RMB285,629,000 by the Group.

Cash Flows of Investing Activities

For the six-month period ended 30 June 2012, the Group's net cash used in investing activities was approximately RMB4,070,115,000, which mainly reflected: (i) the expenditure of approximately RMB4,736,300,000 for acquisition of plant and equipment and prepaid lease payments by the Group; and (ii) the withdrawal of short-term deposits of approximately RMB629,000,000 by the Group.

Cash Flows of Financing Activities

For the six-month period ended 30 June 2012, the Group's net cash generated from financing activities was approximately RMB2,958,369,000, which mainly reflected: (i) our new issue of debentures of RMB2,000,000,000 and additional bank borrowings of approximately RMB2,689,747,000; and (ii) our cash expenditure of approximately RMB1,731,378,000 for the repayments of principals and interest for bank borrowings.

Net Current Assets

As at 30 June 2012, we had net current assets of approximately RMB5,769,608,000 (31 December 2011: approximately RMB7,092,413,000).

Liquidity

As at 30 June 2012 and 31 December 2011, we had bank balances and cash of approximately RMB9,137,852,000 and approximately RMB10,122,226,000, respectively, balances of pledged bank deposits of approximately RMB285,383,000 and RMB728,916,000, respectively and balances of short-term deposits of approximately RMB1,102,285,000 and RMB1,731,285,000, respectively.

Borrowings

As at 30 June 2012, our total debentures and bank loans amounted to approximately RMB10,709,747,000, an increase of approximately RMB3,179,747,000 over approximately RMB7,530,000,000 as at 31 December 2011.

As at 30 June 2012, the Group's bank borrowings shown under current liabilities amounted to RMB5,319,747,000 (31 December 2011: RMB4,020,000,000) and debentures and bank borrowings shown under non-current liabilities amounted to RMB5,390,000,000 (31 December 2011: RMB3,510,000,000).

The Group's gearing ratio was approximately 48.2% as at 30 June 2012 and approximately 43.6% as at 31 December 2011. The ratio was calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

As at 30 June 2012 and 31 December 2011, save for pledged bank deposits, the Group had not pledged any assets for securing bank facilities or issuing debentures.

Contingent Liabilities

As at 30 June 2012 and 31 December 2011, the Group had no material contingent liabilities.

Employees

As at 30 June 2012, the Group had 4,697 full-time employees for, inter alia, production, research and development, sales and management, representing an increase of 46.4% over 3,208 employees as at 30 June 2011. During the period, relevant employee costs (including Directors' remuneration) were approximately RMB155,151,000 (including share option charges of approximately RMB14,331,000), an increase of 47.5% as compared to approximately RMB105,155,000 for the same period in 2011 (including share option charges of approximately RMB16,155,000). 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 597 research and development and quality control personnel as well as a number of global experts in aluminium industry. Research and development and quality control personnel accounted for 12.7% 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 2012, our research and development expenditure represented approximately 0.5% of the Group's sales revenue.

Substantial Investments and Capital Commitments

On 30 May 2012, Liaoning Zhongwang Group Co., Ltd. (遼寧忠旺集團有限公司) entered into an agreement with Taiyuan Heavy Industry Co., Ltd. (太原重工股份有限公司) for the purchase of two sets of 225MN horizontal single action aluminium extrusion press, the largest in the world at present and the core components of which to be imported from Germany, at a total consideration of approximately RMB707,600,000. The first and the second sets of the extrusion press are expected to be delivered by the end of the 24th month and the 30th month after the signing of the equipment purchase agreement, respectively.

As at 30 June 2012, capital commitments of the Group already contracted for the acquisition of property, plant and equipment amounted to approximately RMB19.2 billion. It was primarily because the Group stated that it would purchase equipment for production of aluminium flat rolled products at a consideration of approximately US$3.8 billion (equivalent to approximately RMB24.0 billion) as disclosed in the Company's major transaction announcement dated 17 October 2011. We intend to apply cash generated from operating activities of the Company, commercial bank loans and other available means for the Company to finance the purchase. As at 30 June 2012, capital commitments in respect of the equipment already contracted for the production of aluminium flat rolled products amounted to approximately RMB18.4 billion.

Non-Adjusting Event after the Reporting Period

In July 2012, the Directors re-assessed the estimated economic useful lives of certain categories of equipment, taking into account of current usage status and conditions, historical usage experience and industry practices, and considered that the following change in estimated economic useful lives will be more approximate to the Group's circumstances.

	Estimated economic useful lives	Depreciation rate per annum
Machinery:		
Aluminium extrusion press machine, smelting and casting plant, and other auxiliary machinery and equipment	Change from 10 years to 15 years	Change from 9% to 6%

The Directors considered this re-assessment to be a change in accounting estimate and therefore accounted for the change prospectively from 1 July 2012. For the machineries as at 30 June 2012 subject to the change in estimated economic useful lives, this change in accounting estimate will result in a decrease in depreciation charge amounting to approximately RMB76,421,000 for the six months ending 31 December 2012.

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. For the six months ended 30 June 2012, approximately 92.0% of the revenue of the Group was settled in Renminbi and approximately 8.0% was settled in USD. As at 30 June 2012, 97.0% of the borrowings of the Group were denominated in Renminbi and 3.0% were denominated in USD.

On 17 October 2011, the Group issued a major transaction announcement which disclosed the purchase of equipment for production of aluminium flat rolled products at a consideration of approximately US$3.8 billion. The consideration will be paid in USD by several instalments.

In July 2005, the PRC government introduced the managed floating exchange rate system which allowed Renminbi to float in accordance with market demand and supply and within the regulated range determined by reference to a basket of currencies. Exchange rate fluctuations will 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. As at 30 June 2012, approximately RMB640,000,000 of our bank borrowings were fixed rate borrowings, while the Group had no such fixed rate borrowings as at 31 December 2011. During the six-month period ended 30 June 2012, the Group issued debentures of RMB2,000,000,000 with a maturity period of three years at a fixed interest rate of 4.93% per annum. During the year ended 31 December 2011, the Group issued debentures of RMB1,200,000,000 with a maturity period of three years at a fixed interest rate of 5.68% per annum. During the year ended 31 December 2010, the Group issued debentures of RMB1,200,000,000 with a maturity period of three years at a fixed interest rate of 4.07% per annum.

Aluminium Ingot Price Fluctuation Risk

Aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc., are our principal raw materials which accounted for 87.2% and 86.2% of the cost of sales of the Group for the six-month periods ended 30 June 2012 and 2011, 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 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.

Disclosure of Interests

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

As at 30 June 2012, 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:

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

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

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

Save as disclosed above, as at 30 June 2012, 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 2012, to the best knowledge of the Directors and the chief executives of the Company, the followings are the persons (other than the Directors or chief executives of our Company), who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

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

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

Save as disclosed above, as at 30 June 2012, 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 2012 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 2012, none of the Directors or management shareholders (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

Share-based Incentive Schemes

(a) Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted a pre-IPO share option scheme on 17 April 2008 (the "Pre-IPO Share Option Scheme"). According to the Pre-IPO Share Option Scheme, four Directors and 70 other employees (including two senior management members) of our Group were given the rights to subscribe for shares of the Company at the subscription price of HK$2.00 per share. The total number of the shares subject to the Pre-IPO Share Option Scheme are 40,400,000 shares, equivalent to approximately 0.75% of the issued share capital of the Company as at 30 June 2012. Since no further options can be granted under the Pre-IPO Share Option Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Pre-IPO Share Option Scheme.

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

Movement of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2012 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 2012	Number of underlying shares comprised in the options lapsed or cancelled during the six months ended 30 June 2012	Number of underlying shares comprised in the options exercised during the six months ended 30 June 2012	Number of underlying shares comprised in the options outstanding as at 30 June 2012
Directors							
Lu Changqing	17 April 2008	7 May 2014	2.0	2,200,000	—	—	2,200,000
Chen Yan	17 April 2008	7 May 2014	2.0	2,200,000	—	—	2,200,000
Zhong Hong	17 April 2008	7 May 2014	2.0	2,200,000	—	—	2,200,000
Gou Xihui	17 April 2008	7 May 2014	2.0	1,700,000	—	—	1,700,000
70 Other Employees (including two senior management members) of our Group (one of the senior management members' options were granted on 30 December 2008)	17 April 2008	7 May 2014	2.0	32,100,000	—	—	32,100,000
Total				**40,400,000**	**—**	**—**	**40,400,000**

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

(b) Share Option Scheme

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10 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.

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2012 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 2012	Number of underlying shares comprised in the options lapsed or cancelled during the six months ended 30 June 2012	Number of underlying shares comprised in the options exercised during the six months ended 30 June 2012	Number of underlying shares comprised in the options outstanding as at 30 June 2012
Directors							
Gou Xihui	22 March 2011	21 March 2021	3.9	3,300,000	—	—	3,300,000
Lu Changqing	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Zhong Hong	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
52 Other Employees (including 2 senior management members) of our Group	22 March 2011	21 March 2021	3.9	33,800,000		—	33,800,000
Total				**45,500,000**	**—**	**—**	**45,500,000**

During the six months ended 30 June 2012, no option was granted under the Share Option Scheme, and none of the share options under the Share Option Scheme had been exercised, cancelled nor lapsed.

Corporate Governance and Other Information

Corporate Governance Practices

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

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices contained in the then Appendix 14 of the Listing Rules (the "Old Code") since its listing on the Stock Exchange in 2009, and has, since 1 April 2012, adopted the new code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "New Code", together with the Old Code, the "Governance Code") as currently in force at the date of this Report. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the requirements under Appendix 14 of the Listing Rules. Save as disclosed below, the Company was compliant with the code provisions in the Old Code and the New Code for the three-month period ended 31 March 2012 and 30 June 2012, respectively.

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 the 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 2012 and up to the date of this report.

Compliance with the Code on Corporate Governance Practices

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

Provision A.2.1 of the Governance Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same person. The Company deviates from this provision because Mr. Liu performs both the roles of chairman of the Board and the president (i.e. the chief executive) of the Company. Mr. Liu is the founder of the Group and has extensive experience in 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 nomination and remuneration committee, a corporate governance committee and a strategy and development committee (collectively the "Board Committees"). The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

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 2012, the unaudited financial results and operational statistics for the three months ended 31 March 2012, with the senior management of the Company, and has also reviewed the internal control, risk management and financial reporting matters of the Group. The terms of reference of the Audit Committee adopted by the Board have been published on the websites of the Company and the Stock Exchange according to requirements under the New Code.

(b) Nomination and Remuneration Committee

We have established a nomination and remuneration committee ("Nomination and Remuneration Committee") in accordance with the requirements of the Listing Rules and Governance Code. Members of the Nomination and Remuneration Committee comprise Mr. Wen Xianjun (chairman), Mr. Liu and Mr. Shi Ketong. The terms of reference of the Nomination and Remuneration Committee adopted by the Board have been published on the websites of the Company and the Stock Exchange according to requirements under the New Code.

(c) Corporate Governance Committee

We have established a corporate governance committee ("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 are Mr. Liu (chairman), Mr. Lu Changqing and Mr. Wen Xianjun.

Internal Control

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

i. effectiveness and efficiency of operations;

ii. reliability of financial reporting; and

iii. compliance with applicable laws and regulations.

Through the Audit Committee, the Board reviews the internal control mechanism in respect of financial, operational and compliance matters of the Group. The Board 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 2012 (corresponding period in 2011: nil).

Subsequent Events

Please refer to note 28 to the unaudited interim financial report on page 48 for the details.

Directors' Profile Updates

During the six-month period ended 30 June 2012, 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. The Board adopted a shareholder communication policy to ensure that the shareholders are provided with ready, equal and timely access to balanced and understandable information of the Company. 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 explain our operating strategies and financial performance to the general public by much faster and effective means.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

		Six months ended 30 June	
	Note	**2012 RMB'000 (unaudited)**	2011 RMB'000 (unaudited)
Revenue	4	**6,876,847**	4,273,146
Cost of sales		**(5,269,910)**	(3,392,447)
Gross profit		**1,606,937**	880,699
Investment income		**77,274**	51,361
Other income, other gains and losses	5	**88,291**	(11,716)
Selling and distribution costs		**(57,437)**	(57,484)
Administrative and other operating expenses		**(164,068)**	(93,156)
Share of profit from an associate		**1,547**	—
Finance costs	6	**(164,879)**	(199,926)
Profit before taxation		**1,387,665**	569,778
Income tax	7	**(350,611)**	(158,178)
Profit for the period attributable to equity shareholders of the Company	6	**1,037,054**	411,600
Other comprehensive income:			
Exchange differences arising on translation to presentation currency		**770**	5,499
Total comprehensive income for the period attributable to equity shareholders of the Company		**1,037,824**	417,099
Earnings per share			
Basic (RMB)	9	**0.19**	0.08
Diluted (RMB)	9	**0.19**	0.08

The notes on pages 34 to 48 form part of the interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	**As at 30 June 2012 RMB'000 (unaudited)**	As at 31 December 2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	**5,812,616**	5,729,631
Prepaid lease payments	11	**3,627,521**	1,685,257
Interest in an associate		**50,755**	49,208
Deposits for acquisition of property, plant and equipment and prepaid lease	12	**6,894,572**	4,645,603
Deferred tax assets		**27,516**	35,417
		16,412,980	12,145,116
Current assets			
Inventories	13	**3,163,903**	2,480,047
Trade receivables	14	**812,796**	499,976
Bills receivable		**21,262**	—
Other receivables, deposits and prepayments	15	**1,219,501**	32,051
Prepaid lease payments	11	**83,983**	34,982
Pledged bank deposits	16	**285,383**	728,916
Short-term deposits	17	**1,102,285**	1,731,285
Cash and cash equivalents	18	**9,137,852**	10,122,226
Other current assets		**27,000**	—
		15,853,965	15,629,483
Current liabilities			
Trade payables	19	**2,212,588**	2,706,173
Bills payable	20	**1,602,200**	826,200
Other payables and accrued charges		**722,865**	733,768
Amounts due to related parties		**63**	209
Current taxation		**226,894**	250,720
Bank loans	21	**5,319,747**	4,020,000
		10,084,357	8,537,070
Net current assets		**5,769,608**	7,092,413
Total assets less current liabilities		**22,182,588**	19,237,529

As at 30 June 2012

	Note	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Non-current liabilities			
Bank loans	21	**990,000**	1,110,000
Debentures	22	**4,400,000**	2,400,000
Deferred tax liabilities		**62,904**	50,000
		5,452,904	3,560,000
Net assets		**16,729,684**	15,677,529
Capital and reserves			
Share capital	23	**474,675**	474,675
Reserves		**16,255,009**	15,202,854
Total equity		**16,729,684**	15,677,529

The notes on pages 34 to 48 form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note (d))	Other reserve RMB'000 (note (c))	Surplus reserve RMB'000 (note (a))	Enterprise development fund RMB'000 (note (b))	Share option reserve RMB'000	Exchange reserves RMB'000	Accumulated profits RMB'000	Total RMB'000
As at 1 January 2011		474,675	10,076,363	(2,992,978)	635,898	1,039,274	1,039,274	80,087	—	5,221,013	15,573,606
Changes in equity for the six months ended 30 June 2011:											
Total comprehensive income for the period		—	—	—	—	—	—	—	5,499	411,600	417,099
Recognition of share-based payment		—	—	—	—	—	—	16,155	—	—	16,155
Dividend	8	—	(1,036,665)	—	—	—	—	—	—	—	(1,036,665)
As at 30 June 2011 and 1 July 2011 (unaudited)		474,675	9,039,698	(2,992,978)	635,898	1,039,274	1,039,274	96,242	5,499	5,632,613	14,970,195
Changes in equity for the six months ended 31 December 2011:											
Total comprehensive income for the period		—	—	—	—	—	—	—	(3,702)	693,427	689,725
Recognition of share-based payment		—	—	—	—	—	—	17,609	—	—	17,609
Appropriations		—	—	—	—	126,487	126,487	—	—	(252,974)	—
As at 31 December 2011 and 1 January 2012		474,675	9,039,698	(2,992,978)	635,898	1,165,761	1,165,761	113,851	1,797	6,073,066	15,677,529
Changes in equity for the six months ended 30 June 2012:											
Total comprehensive income for the period		—	—	—	—	—	—	—	770	1,037,054	1,037,824
Recognition of share-based payment		—	—	—	—	—	—	14,331	—	—	14,331
As at 30 June 2012 (unaudited)		**474,675**	**9,039,698**	**(2,992,978)**	**635,898**	**1,165,761**	**1,165,761**	**128,182**	**2,567**	**7,110,120**	**16,729,684**

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 in accordance with Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the People's Republic of China ("PRC")) each year to the surplus reserve until the balance reaches 50% of its paid-in capital. The surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of its production and operation.

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

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

(d) 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 China Zhongwang Holdings Limited (the "Company") issued for the acquisition and (ii) the consideration paid by a subsidiary of the Company for acquiring 60% equity interest in Zhongwang PRC.

The notes on pages 34 to 48 form part of the interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 **RMB'000** **(unaudited)**	2011 RMB'000 (unaudited)
Net cash generated from operating activities	**127,372**	1,584,045
Net cash used in investing activities	**(4,070,115)**	(1,349,583)
Net cash generated from financing activities	**2,958,369**	1,131,955
Net (decrease)/increase in cash and cash equivalents	**(984,374)**	1,366,417
Cash and cash equivalents at the beginning of the period	**10,122,226**	17,263,372
Cash and cash equivalents at the end of the period	**9,137,852**	18,629,789

The notes on pages 34 to 48 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

1 General information

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

The Company and its subsidiaries (the "Group") are principally engaged in the manufacturing of aluminium products.

2 Basis of preparation

The interim financial report has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and relevant disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hongkong Limited. The interim financial report was authorised for issue on 22 August 2012. It was unaudited.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2012.

3 Changes of accounting policies

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– Amendments to IFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*

The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity needs not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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

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

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

4 Segment information

Information reported to the Group'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 Six months ended 30 June		Segment profit Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	**2012 RMB'000 (unaudited)**	2011 RMB'000 (unaudited)
Industrial	**6,573,939**	4,017,993	**1,597,554**	852,493
Construction	**302,908**	255,153	**9,383**	28,206
Total	**6,876,847**	4,273,146	**1,606,937**	880,699
Investment income and other income, other gains and losses			**165,565**	39,645
Selling and distribution costs			**(57,437)**	(57,484)
Administrative and other operating expenses			**(164,068)**	(93,156)
Share of profit from an associate			**1,547**	—
Finance costs			**(164,879)**	(199,926)
Profit before taxation			**1,387,665**	569,778
Income tax			**(350,611)**	(158,178)
Profit for the period			**1,037,054**	411,600

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.

4 Segment information (Continued)

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

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
PRC	**6,325,990**	4,184,917
US	**548,756**	30,478
Australia	**—**	54,014
Others	**2,101**	3,737
Total	**6,876,847**	4,273,146

5 Other income, other gains and losses

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Other income		
Government subsidies (Note)	**96,672**	115
Others	**1,248**	1,567
	97,920	1,682
Other gains and losses		
(Losses)/gains on disposal of property, plant and equipment	**(10,237)**	1,637
Exchange gains/(losses)	**910**	(15,035)
Others	**(302)**	—
	(9,629)	(13,398)
Total	**88,291**	(11,716)

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

6 Profit for the period

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
(a) Finance costs		
Interests on borrowings wholly repayable within five years:		
— Bank loans	**156,354**	166,986
— Debentures	**60,143**	32,940
Less: Interest expense capitalised into deposits for acquisition of property, plant and equipment*	**(51,618)**	—
Total finance costs	**164,879**	199,926

* The borrowing costs have been capitalised at the rate of 4.07%–6.65% per annum (six months ended 30 June 2011: Nil).

	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
(b) Other items		
Cost of inventories recognised as expense	**5,269,910**	3,392,447
Depreciation of property, plant and equipment	**225,810**	178,235
Amortisation of prepaid lease payments	**25,562**	4,761
Research and development costs	**33,624**	8,578
Operating lease rentals in respect of rented premises	**4,805**	4,684
Staff costs (including directors' emoluments):		
Salaries and other benefits	**131,669**	83,922
Retirement benefits scheme contributions	**9,151**	5,078
Employee share option benefit	**14,331**	16,155
	155,151	105,155

7 Income tax

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises PRC Enterprise Income Tax		
Current taxation	**328,999**	153,192
(Over-provision)/under-provision in prior year	**(1,245)**	1,397
Withholding tax on intra-group interest income	**2,052**	3,589
Deferred taxation	**20,805**	—
Total income tax	**350,611**	158,178

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 had no assessable profit generated in, or derived from, Hong Kong.

8 Dividend

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 approximately 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 months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9 Earnings per share

The calculation of the basic and diluted earnings per share is based on the profit for the period attributable to ordinary equity shareholders of the Company for each of the six-month periods ended 30 June 2012 and 2011 and on the number of shares as follows:

	Six months ended 30 June	
	2012 **'000** **(unaudited)**	2011 '000 (unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**5,406,306**	5,406,306
Effect of dilutive potential ordinary shares: — Share options issued by the Company	**12,324**	8,785
Weighted average number of shares for the purpose of diluted earnings per share	**5,418,630**	5,415,091

The computation of diluted earnings per share does not assume the exercise of certain share options because of the exercise price of those options was higher than the average market price for shares for each of the six-month periods ended 30 June 2012 and 2011.

10 Property, plant and equipment

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with a cost of approximately RMB320,208,000 (six months ended 30 June 2011: approximately RMB369,776,000). Items of property, plant and equipment with a net book value of approximately RMB11,413,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: approximately RMB1,061,000), resulting in a loss on disposal of approximately RMB10,237,000 (six months ended 30 June 2011: gains on disposal of approximately RMB1,637,000).

11 Prepaid lease payments

The Group's prepaid lease payments comprised:

	As at **30 June** **2012** **RMB'000** **(unaudited)**	As at 31 December 2011 RMB'000 (audited)
Leasehold land in the PRC under leases	**3,711,504**	1,720,239
Analysed for reporting purpose:		
— Current assets	**83,983**	34,982
— Non-current assets	**3,627,521**	1,685,257
	3,711,504	1,720,239

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

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment (Note)	**6,035,269**	4,346,623
Deposits for acquisition of prepaid lease	**859,303**	298,980
Total	**6,894,572**	4,645,603

Note: Included in deposits for acquisition of property, plant and equipment are deposits paid to three suppliers for production of aluminium flat rolled products amounting to approximately RMB5,587,812,000 (31 December 2011: approximately RMB4,255,992,000).

13 Inventories

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Raw materials	**2,549,037**	2,244,771
Work-in-progress	**255,936**	63,417
Finished goods	**358,930**	171,859
	3,163,903	2,480,047

14 Trade receivables

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Trade receivables	**823,103**	511,381
Less: Allowance for bad and doubtful debts	**(10,307)**	(11,405)
	812,796	499,976

14 Trade receivables (Continued)

For the six months ended 30 June 2012, the Group allows an average credit period of 90 days (six months ended 30 June 2011: 90 days) for domestic sales and an average credit period of 180 days (six months ended 30 June 2011: 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:

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
0–90 days	**491,702**	352,623
91–180 days	**257,503**	85,646
Over 180 days	**63,591**	61,707
	812,796	499,976

In determining the recoverability of the trade receivables, the Group considered any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. As at 30 June 2012, included in trade receivables are receivables due from three (2011: three) customers located in the PRC amounting to approximately RMB623,089,000 (31 December 2011: approximately RMB422,315,000). The directors also believed that there is no further credit provision required in excess of the allowance for doubtful debts.

As at 30 June 2012, trade receivables of approximately RMB111,935,000 (31 December 2011: approximately RMB95,482,000) were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

15 Other receivables, deposits and prepayments

As at 30 June 2012, included in the other receivables, deposits and prepayments are prepayments paid to suppliers amounting to approximately RMB1,160,675,000 (31 December 2011: approximately RMB18,946,000).

16 Pledged bank deposits

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

17 Short-term deposits

Short-term deposits are fixed deposits with banks held by the Group with an original maturity of more than three months but not more than one year.

18 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and bank deposits with an original maturity of three months or less. As at 30 June 2012, included in cash and cash equivalents were fixed deposits of RMB Nil (31 December 2011: RMB800,000,000) with an original maturity of three months or less.

19 Trade payables

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

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
0–90 days	**2,121,814**	2,145,825
91–180 days	**90,774**	560,336
181 days to 1 year	**—**	12
	2,212,588	2,706,173

20 Bills payable

As at 30 June 2012, all the bills payable are repayable within 180 days (31 December 2011: 180 days) and are denominated in Renminbi.

21 Bank loans

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Carrying amounts repayable based on contractual term:		
— Within one year	**4,599,747**	1,820,000
— In more than one year but not more than two years	**990,000**	840,000
— In more than two years but not more than five years	**—**	270,000
	5,589,747	2,930,000
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)	**720,000**	2,200,000
Less: Amounts due within one year shown under current liabilities	**(5,319,747)**	(4,020,000)
Amounts shown under non-current liabilities	**990,000**	1,110,000

As at 30 June 2012, included in the bank loans were guaranteed loans of RMB1,500,000,000 which were guaranteed by a related company, Liaoning Hong Cheng Vinyl Profile Co., Ltd.

As at 31 December 2011, included in the bank loans were guaranteed loans of RMB1,500,000,000 which were guaranteed by an independent third party.

21 Bank loans (Continued)

All bank loans are unsecured borrowings.

As at 30 June 2012, the bank loans carried an average interest rate of 5.72% (31 December 2011: 6.19%) per annum.

22 Debentures

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

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

During the six months ended 30 June 2012, the Group issued an unsecured debenture of RMB2,000,000,000 with maturity of three years and repayable on 25 June 2015, with effective interest rate of 4.93% per annum.

23 Share capital

The Company

		Share capital	
	Number of shares	**HK$'000**	**RMB'000**
Ordinary share of HK$0.1 each:			
Authorised:			
At 1 January 2011, 31 December 2011 and 30 June 2012	8,000,000,000	800,000	N/A
Issued:			
At 1 January 2011, 31 December 2011 and 30 June 2012	5,406,306,400	540,631	474,675

24 Operating lease commitments

The Group as lessee

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

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Within one year	**19,713**	8,911
In the second to fifth year inclusive	**30,514**	1,745
	50,227	10,656

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.

25 Capital commitments

	As at 30 June 2012 RMB'000 (unaudited)	As at 31 December 2011 RMB'000 (audited)
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**19,214,800**	20,058,215

26 Related party transactions

During each of the six-month periods ended 30 June 2012 and 2011, the Group had entered into the following transactions with related companies:

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Goods purchased from related companies:		
Liaoning Chengcheng Plastics Co., Ltd.	**3,959**	2,312
Liaoyang Gang Long Chemicals Co., Ltd.	**72**	—
Rental income from an associate:		
China Railway Zhongwang Aluminium Company Limited	**75**	—
Guarantees obtained from a related company:		
Liaoning Hong Cheng Vinyl Profile Co., Ltd.	**1,500,000**	—

27 Pre-IPO share option scheme and share option scheme

(a) 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 Scheme; and

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

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

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

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

27 Pre-IPO share option scheme and share option scheme (Continued)

(b) Share Option Scheme

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

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

Details of the Scheme and the 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	22/03/2012 to 21/03/2021	3.90	45,700,000
Category: Directors				11,700,000
Employees				34,000,000

27 Pre-IPO share option scheme and share option scheme (Continued)

(b) Share Option Scheme (Continued)

The fair value of the 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 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.

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

During the six months ended 30 June 2012, share based payment expenses of approximately RMB4,969,000 (six months ended 30 June 2011: approximately RMB9,646,000) and RMB9,362,000 (six months ended 30 June 2011: approximately RMB6,509,000) in relation to the Scheme and Share Option Scheme, respectively, are recognised in profit or loss.

The following table discloses movement of the Company's share options held by grantees during the six months ended 30 June 2012:

Type of option	Outstanding at 1 January 2012	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 30 June 2012	Exercisable at the end of the period
Pre-IPO share option scheme	40,400,000	—	—	—	—	40,400,000	32,320,000
Share option scheme	45,500,000	—	—	—	—	45,500,000	9,100,000

28 Non-adjusting event after the reporting period

In July 2012, the directors of the Company re-assessed the estimated economic useful lives of certain categories of equipment, taking into account of current usage status and conditions, historical usage experience and industry practices, and considered that the following change in estimated economic useful lives will be more approximate to the Group's circumstances.

	Estimated economic useful lives	Depreciation rate per annum
Machinery:		
Aluminum extrusion press machine, smelting and casting plant, and other auxiliary machinery and equipment	Change from 10 years to 15 years	Change from 9% to 6%

The directors of the Company considered this re-assessment to be a change in accounting estimate and therefore accounted for the change prospectively from 1 July 2012. For the machineries as at 30 June 2012 subject to the changes in estimated economic useful lives, this change in accounting estimate will result in a decrease in depreciation charge amounting to approximately RMB76,421,000 for the six months ending 31 December 2012.