中国忠旺控股有限公司*

China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01333)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	*(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)		
Basic (RMB)	**0.19**	0.08
Diluted (RMB)	**0.19**	0.08

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

Note: 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.

* *For identification purposes only*

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six-month period ended 30 June 2012, together with the comparative figures for the six-month period ended 30 June 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Note	***RMB'000***	*RMB'000*
		(unaudited)	*(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

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		**5,812,616**	5,729,631
Prepaid lease payments	10	**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	11	**6,894,572**	4,645,603
Deferred tax assets		**27,516**	35,417
		16,412,980	12,145,116
Current assets			
Inventories	12	**3,163,903**	2,480,047
Trade receivables	13	**812,796**	499,976
Bills receivable		**21,262**	—
Other receivables, deposits and prepayments	14	**1,219,501**	32,051
Prepaid lease payments	10	**83,983**	34,982
Pledged bank deposits		**285,383**	728,916
Short-term deposits	15	**1,102,285**	1,731,285
Cash and cash equivalents	16	**9,137,852**	10,122,226
Other current assets		**27,000**	—
		15,853,965	15,629,483
Current liabilities			
Trade payables	17	**2,212,588**	2,706,173
Bills payable	18	**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	19	**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

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	19	**990,000**	1,110,000
Debentures	20	**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	21	**474,675**	474,675
Reserves		**16,255,009**	15,202,854
Total equity		**16,729,684**	15,677,529

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	*(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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

(Expressed in Renminbi ("RMB"))

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 Hong Kong 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		**Segment profit**	
	Six months ended 30 June		**Six months ended 30 June**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(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.

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	*(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	2011
	RMB'000	*RMB'000*
	(unaudited)	*(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 City 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	2011
	RMB'000	*RMB'000*
	(unaudited)	*(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).

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	*(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	2011
	'000	*'000*
	(unaudited)	*(unaudited)*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**5,406,306**	5,406,306
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**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. Prepaid lease payments

The Group's prepaid lease payments comprised:

	As at 30 June 2012	As at 31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	*(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

11. 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).

12. 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

13. 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

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

14. Other receivables, deposits and prepayments

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

15. 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.

16. 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.

17. 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

18. 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.

19. 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.

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.

20. 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.

21. Share capital

The Company

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary share of HK$0.1 each:			
Authorised:			
At 1 January 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

22. Operating lease commitments

The Group as lessee

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

	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.

23. 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

24. 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 will account 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.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

During the six months ended 30 June 2012 (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 Industries*, *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 alloy as a high-performance metal material 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 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 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].

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.

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

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 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		**Gross profit margin**	Gross profit		Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*
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	2011
	RMB'000	*RMB'000*
	(unaudited)	*(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 single action horizontal 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 set 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:	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 considered this re-assessment to be a change in accounting estimate and therefore will account 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "**Old Code**") contained in the then Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") since its listing on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2009, and has, since 1 April 2012, adopted the code provisions set out in the Corporate Governance Code (the "**New Code**", together with the Old Code, the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining a high standard of corporate governance practices. In respect of the six-month period ended 30 June 2012, save as disclosed below, the Company complied with all the code provisions set out in the Corporate Governance Code.

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

Compliance with the Model Code by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Review of Financial Statements

The audit committee of the Board has discussed with the Company's management and reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2012.

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

The Company's interim report for the six months ended 30 June 2012 will be published on the website of the Stock Exchange and the Company's website at www.zhongwang.com and will be despatched to the Company's shareholders in due course.

APPRECIATION

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

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

Hong Kong, 22 August 2012

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

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

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