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 2011

GROUP FINANCIAL HIGHLIGHTS

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

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

Notes:

1. The calculation of earnings per share was based on the profit attributable to shareholders of the Company for each of the six-month periods ended 30 June 2011 and 2010 and on the weighted average number of shares for the respective period.
2. Bank deposits and cash (excluding pledged bank deposits) less bank borrowings and debentures.
3. Gearing ratio = total liabilities/total assets * 100%

* *For identification purposes only*

OPERATION HIGHLIGHTS

Financial Performance

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

Development Strategies

While the Group will remain committed to the research and development and manufacturing of industrial aluminium extrusion products for the transportation, machinery equipment and electric power engineering sectors, we will optimize production capacity of high value-added products by applying technologically-advanced equipment as well as enhance production and deep-processing capabilities of high value-added aluminium flat rolled products by our leading R&D capacity. More efforts will be put into the expansion of domestic and overseas markets for high-end aluminium products with the support of our strong capital.

Research and Development Team

The Group has 490 research and development and quality control personnel as well as a number of experts in global aluminium industry. Research and development and quality control personnel accounted for 15.3% of the Group's total number of employees. The Group cooperates with a number of leading research and academic institutions to upgrade its production technologies. We have strong research and development capabilities for new materials with a focus on research and development of metal alloys. We also have a strong die design and production centre which can provide suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision.

INTERIM DIVIDEND

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

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six-month period ended 30 June 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six-month period ended 30 June 2011

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2011

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**30 June 2011** *RMB'000* *(unaudited)*	31 December 2010 *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		**5,284,374**	4,912,337
Prepaid lease payments	11	**1,059,588**	150,591
Deposits for acquisition of property, plant and equipment		**105,942**	174,066
Deferred income tax assets		**42,500**	42,500
		6,492,404	5,279,494
Current assets			
Inventories	12	**1,563,277**	937,970
Trade receivables	13	**297,218**	738,805
Other receivables, deposits and prepayments	14	**82,078**	404,204
Prepaid lease payments	11	**21,967**	3,319
Pledged bank deposits		**6,694**	12,721
Bank balances and cash	15	**18,629,789**	17,263,372
		20,601,023	19,360,391
Current liabilities			
Trade payables	16	**558,952**	113,269
Bills payable	17	**1,348,200**	1,100,200
Other payables and accrued charges		**564,205**	601,015
Tax liabilities		**170,875**	139,341
Bank loans	18	**3,351,000**	2,132,454
		5,993,232	4,086,279
Net current assets		**14,607,791**	15,274,112
Total assets less current liabilities		**21,100,195**	20,553,606

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2011

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2011

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six-month period ended 30 June 2011

1. General Information and Basis Of Preparation

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

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

The condensed consolidated financial statements for the six-month period ended 30 June 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and relevant disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated financial statements do not purport to contain all information and matters required to be disclosed, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010. Unless otherwise stated, the condensed consolidated financial statements are denominated in Renminbi ("RMB"), the functional currency of the Company.

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

2. Principal Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Revenue

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

4. Segment Information

Information reported to the Company's executive directors, being the chief operating decision makers, for the purpose of resources allocation and assessment of performance focuses on the type of products (i.e. aluminium products produced for construction use or industrial use). Each type of products has different client base and requires different production technologies. The Group's reportable segments under IFRS 8 are therefore as follows:

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

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

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

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

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

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

5. Other Income, Other Gains and Losses

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

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

6. Finance Costs

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

7. Income Tax Expense

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

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

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

8. Profit for the Period

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

9. Dividend

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

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

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

10. Earnings Per Share

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

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

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

11. Prepaid Lease Payments

The Group's prepaid lease payments comprised:

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

12. Inventories

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

13. Trade Receivables

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

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

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

In determining the recoverability of the trade receivables, the Group considered any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Directors also believed that no further credit provision was required in excess of the allowance for doubtful debts.

As at 30 June 2011, trade receivables of approximately RMB53,169,000 (31 December 2010: RMB43,257,000) were past due but not provided for as there had been no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral over these balances.

14. Other Receivables, Deposits and Prepayments

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

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

15. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The deposits carried average interest rates of 0.59% and 0.36% per annum for the six-month period ended 30 June 2011 and the year ended 31 December 2010 respectively.

16. Trade Payables

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

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

17. Bills Payable

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

18. Bank Loans

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

All bank loans are unsecured borrowings.

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

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

Movements in bank borrowings are analysed as follows:

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

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

19. Share Capital

The Company

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

20. Debentures

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

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

21. Operating Lease Commitments

The Group as lessee

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

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

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

22. Capital Commitments

	30 June 2011 *RMB'000* ***(unaudited)***	31 December 2010 *RMB'000* *(audited)*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**486,874**	586,795

23. Pledge of Assets

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

BUSINESS REVIEW

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

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

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

PROSPECTS

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Revenue

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

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

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

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

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

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

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

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

Bank Interest Income

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

Other Income, Other Gains and Losses

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

Selling and Distribution Costs

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

Administrative and Other Operating Expenses

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

Finance Costs

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

Profit before Taxation

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

Income Tax Expense

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

Profit Attributable to Shareholders

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

Interim Dividend

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

Cash Flows

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

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

Cash Flows of Operating Activities

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

Cash Flows of Investing Activities

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

Cash Flows of Financing Activities

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

Net Current Assets

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

Liquidity

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

Borrowings

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

As at 30 June 2011, the Group's debentures and bank borrowings shown under current liabilities amounted to RMB3,351,000,000 (31 December 2010: RMB2,132,454,000) and debentures and bank borrowings shown under non-current liabilities amounted to RMB6,080,000,000 (31 December 2010: RMB4,930,000,000).

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

Pledged Assets

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

Contingent Liabilities

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

Employees

As at 30 June 2011, the Group had 3,208 full-time employees for, inter alia, production, research and development, sales and management. During the period, relevant employee costs (including Directors' remuneration) were approximately RMB105,155,000 (including share option charges of RMB16,155,000), an increase of 23.1% as compared to approximately RMB85,434,000 for the same period in 2010 (including share option charges of RMB18,415,000). Employee costs (excluding share option charges) of the Group increased mainly because the number of employees increased. The Group ensured the attractiveness of its employee remuneration packages and granted performance-based bonuses in accordance with general standards set out in the Group's remuneration policy.

Research and Development

The Group has 490 research and development and quality control personnel as well as a number of experts in global aluminium industry. Research and development and quality control personnel accounted for 15.3% of the Group's total number of employees. The Group cooperates with a number of leading research and academic institutions to upgrade its production technologies. We have strong research and development capabilities for new materials with a focus on research and development of metal alloys. We also have a strong die design and production centre which can provide suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision. For the six-month period ended 30 June 2011, our research and development expenditure represented approximately 0.2% of the Group's sales revenue.

Market Risks

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

Foreign Exchange Risk

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

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

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

Interest Rate Risk

As we do not have any significant interest-bearing assets, most of our revenue and operating cash flows are not affected by interest rate changes in the market.

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

Aluminium Ingot Price Fluctuation Risk

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

Investment Risks

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

Anti-Dumping and Countervailing Duty Investigations

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

Investment Strategy

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

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

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code. In respect of the six-month period ended 30 June 2011, save as disclosed below, all the provisions set out in the Code were met by the Company.

Compliance with the Model Code by Directors

The Company has adopted the Model Code for Directors' Securities Transactions (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six-month period ended 30 June 2011 and up to the date of this report.

Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code since the listing of its shares on the main board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") except for the deviation from provision A.2.1 of the Code.

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

Board Committees

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

(a) Audit Committee

The audit committee ("**Audit Committee**") comprises three members who are all independent non-executive Directors, namely, Mr. Wong Chun Wa (chairman), Mr. Wen Xianjun and Mr. Shi Ketong. None of them is a member of the former or existing auditors of the Company. The Audit Committee has reviewed and discussed the unaudited interim results for the six months ended 30 June 2011, the unaudited financial results and operational statistics for the three months ended 31 March 2011, with the senior management of the Company, and has also reviewed the internal control and financial reporting matters of the Group.

(b) Remuneration Committee

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

(c) Corporate Governance Committee

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

(d) Strategy and Development Committee

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

Internal Control

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

(i) effectiveness and efficiency of operations;

(ii) reliability of financial reporting; and

(iii) compliance with applicable laws and regulations.

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

Purchase, Sale or Redemption of the Shares

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

Major Purchase and Sale of the Subsidiaries and Associates

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

Interim Dividend

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

Directors' Profile Updates

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

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 2011 will be published on the website of the Stock Exchange and the Company's website at www.zhongwang.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

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

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

Hong Kong, 12 August 2011

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