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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 2010

## GROUP FINANCIAL HIGHLIGHTS

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

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

* *For identification purpose only*

*Notes:*

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

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

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

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

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

# OPERATION HIGHLIGHTS

## Healthy Financial Performance

The Group gained further penetration into the market for industrial aluminium extrusion products as the demand from the customers in the market continued to increase during the first half of 2010. Simultaneously, the Group achieved satisfactory growth in the sales and net profit of industrial aluminium extrusion products as a result of continuous capacity expansion and enhancement in production efficiency. For the six-month period ended 30 June 2010, our revenue and profit attributable to shareholders of the Company increased by 2.3% and 28.8% over the same period in 2009, respectively. Earnings per share for the six-month period ended 30 June 2010 was RMB0.39, representing a 5.4% growth over the same period in 2009.

## Enhancement in Gross Profit

Our gross profit increased by 22.3% to RMB3,073,645,000 for the six-month period ended 30 June 2010 from RMB2,512,184,000 for the same period in 2009. Our overall gross profit margin increased to 47.5% for the six-month period ended 30 June 2010 from 39.7% for the same period in 2009.

## Research and Development Team

The Group has 432 research and development and quality control personnel as well as a number of experts in global aluminium industry. The Group cooperates with a number of leading research and academic institutions to upgrade its production technologies. We have strong research and development capabilities over 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 board of directors proposed not to declare any interim dividend for the six-month period ended 30 June 2010.

## 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 2010, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six-month period ended 30 June 2010*

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2010*

| | *Notes* | **30 June 2010** *RMB'000* *(unaudited)* | 31 December 2009 *RMB'000* *(audited)* |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **5,031,974** | 4,671,072 |
| Prepaid lease payments | | **152,256** | 63,718 |
| Deposits for acquisition of property, plant and equipment | | **57,752** | 84,879 |
| | | **5,241,982** | 4,819,669 |
| Current assets | | | |
| Inventories | 11 | **1,582,345** | 862,365 |
| Trade receivables | 12 | **2,635,511** | 2,348,973 |
| Other receivables, deposits and prepayments | 13 | **642,530** | 307,642 |
| Prepaid lease payments | | **3,306** | 1,472 |
| Amounts due from related parties | | **—** | 9,118 |
| Held-for-trading investments | | **—** | 1,565 |
| Loan receivables | | **—** | 2,300,000 |
| Pledged bank deposits | | **32,842** | 63,082 |
| Bank balances and cash | | **16,182,757** | 13,709,564 |
| | | **21,079,291** | 19,603,781 |
| Current liabilities | | | |
| Trade payables | 14 | **168,108** | 367,379 |
| Bills payable | | **1,400,200** | 608,200 |
| Other payables and accrued charges | | **949,731** | 1,135,956 |
| Tax liabilities | | **98,598** | 432,818 |
| Short term debentures | | **2,000,000** | 2,000,000 |
| Bank loans | 15 | **385,818** | 2,626,000 |
| | | **5,002,455** | 7,170,353 |
| Net current assets | | **16,076,836** | 12,433,428 |
| Total assets less current liabilities | | **21,318,818** | 17,253,097 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

*As at 30 June 2010*

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six-month period ended 30 June 2010*

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

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

*For the six-month period ended 30 June 2010*

**1. Corporate Information and Basis of Preparation of Condensed Consolidated Financial Statements**

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 29 January 2008. Its ultimate holding company is Zhongwang International Group Limited ("**ZIGL**"), a limited company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and No. 299, Wensheng Road, Liaoyang City, Liaoning 111003, China, respectively.

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

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

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

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

**2. Summary of Accounting Policies and Adoption of New and Revised International Financial Reporting Standards ("IFRS")**

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

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

- IFRS 3 (Revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures' are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Although it is not applicable to the Group at this moment, the adoption of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3. Renvenue

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

## 4. Segment Information

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 January 2009. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and assessing its performance.

The Group's executive Directors are the chief operating decision makers as they collectively make strategic decisions towards the Group's operations. The Group is principally engaged in sales of aluminium products and nearly all identifiable assets of the Group are located in the PRC. Information reported to the Group's management for the purpose of resources allocation and assessment of performance focuses on the type of products (i.e. aluminium products for industrial use or construction use). Each type of products has different client bases and requires different production technology. The Group's operating and reportable segments under IFRS 8 are therefore as follows:

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

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

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

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

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

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

## 5. Other Income, Other Gains and Losses

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

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

## 6. Listing Expenses

The amount represents professional fees and other expenses related to the Listing. Pursuant to IAS 32 "Financial Instruments: Presentation", the transaction costs of an equity transaction are accounted for as an deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs are recognised as an expense when incurred.

## 7. Finance Costs

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

## 8. Income Tax Expense

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

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

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

## 9. Dividend

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

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

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

## 10. Earnings per Share

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

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

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

## 11. Inventories

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

## 12. Trade Receivables

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

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

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

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

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

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

**13. Other Receivables, Deposits and Prepayments**

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

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

**14. Trade Payables**

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

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

## 15. Bank Loans

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

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

## 16. Capital Commitments

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

## 17. Pledge of Assets

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

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

## 18. Subsequent Events

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

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

The Group typically sets prices for our products on a "cost-plus" basis, pursuant to which we add our processing charges to the prevailing market price of aluminum ingots, taking into account the complexity of product design, level of precision of the product, size of the contract, our trading history and relationship with the customer, and the overall market condition and demand. Moreover, the Group is generally able to pass the risk of price fluctuations of aluminum ingots, the major raw materials for producing aluminum extrusion products, on to our customers.

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

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

## Revenue

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

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

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

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

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

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

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

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

**Gross Profit and Gross Profit Margin**

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

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

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

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

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

## Other Income, Other Gains and Losses

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

## Selling and Distribution Costs

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

## Administrative and Other Operating Expenses

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

### Listing Expenses

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

### Finance Costs

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

### Profit Before Taxation

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

### Income Tax Expense

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

### Profit Attributable to Shareholders

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

### Interim Dividend

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

**Cash Flows**

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

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

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

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

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

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

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

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

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

**Net Current Assets**

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

**Liquidity**

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

**Borrowings**

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

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

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

**Pledged Assets**

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

## Contingent Liabilities

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

## Employees

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

## Use of Net Proceeds Received from the IPO

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

## Research and Development

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

## Market Risk

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

## Foreign Exchange Risk

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

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

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

## Interest Rate Risk

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

## Risk relating to Price Fluctuations of Aluminium Ingot

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

**Antidumping and Anti-subsidy**

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

**Investment Strategy**

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

## BUSINESS REVIEW

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

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

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

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

# OUTLOOK

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

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

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

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

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

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to establishing and maintaining 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. As at the date of this announcement, the Board is comprised of nine members, including five executive Directors and four independent non-executive Directors. The Board will review its guidelines from time to time to ensure that they are in line with the internationally-recognized best practices.

### Corporate Governance Practice

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

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 performs both the roles of chairman of the Board and the president (i.e. the chief executive officer) of the Company. Mr. Liu Zhongtian 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 interest of the Company. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

## 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 fulfillment 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.

In the course of preparation for the Listing, the Company appointed Moores Rowland (Beijing) Certified Public Accountants ("**Moores Rowland**") to evaluate our internal control and to provide recommendations on how we can further improve the effectiveness of our internal control system. Accordingly, we then implemented various measures and rectified the deficiencies identified by Moores Rowland before the Listing.

After the Listing, the Company continued to appoint Moores Rowland to:

(i) conduct comprehensive review of our bank acceptance notes activities on a quarterly basis for the period up to 30 June 2010; and

(ii) review and test the effectiveness of our material internal control measures, including newly implemented internal control mechanisms and measures, on a quarterly basis for the period up to 30 June 2010.

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

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

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

**Compliance with the Model Code by the 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. Having made specific enquiries, all Directors have confirmed that they have complied with the standards set out in the Model Code throughout the six-month period ended 30 June 2010 and up to the date of this announcement.

**Audit Committee**

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

**Remuneration Committee**

We have established a remuneration committee (the "**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.

**Corporate Governance Committee**

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

**Strategy and Development Committee**

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

**Purchase, Sale or Redemption of Listed Securities**

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

**Interim Dividend**

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

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

The Company's interim report for the six-month period ended 30 June 2010 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, distributors, 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, 10 August 2010

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