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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

GROUP FINANCIAL HIGHLIGHTS

	2011	2010
	RMB'000	*RMB'000*
Revenue	**10,305,694**	10,521,948
Gross profit	**2,222,297**	4,276,380
Profit before taxation	**1,528,025**	3,477,133
Profit attributable to shareholders	**1,105,027**	2,595,867
Earnings per share *(note 1)*		
Basic *(RMB)*	**0.20**	0.48
Diluted *(RMB)*	**0.20**	0.48
Net cash *(note 2)*	**4,323,511**	10,200,918
Net assets	**15,677,529**	15,573,606
Total assets	**27,774,599**	24,639,885

Notes:

1. The calculation of earnings per share was based on the profit attributable to shareholders of the Company for each of the years ended 31 December 2011 and 2010 and the weighted average number of shares during that year.

2. Net cash = bank balances and cash (excluding pledged bank deposits) + short-term deposits – bank loans – debentures

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010, as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Revenue	*3*	**10,305,694**	10,521,948
Cost of sales		**(8,083,397)**	(6,245,568)
Gross profit		**2,222,297**	4,276,380
Investment income	*5*	**145,712**	64,807
Other income, other gains and losses	*6*	**18,394**	(13,457)
Selling and distribution costs		**(116,851)**	(137,020)
Administrative and other operating expenses		**(278,015)**	(181,043)
Share of profit of an associate		**208**	—
Impairment loss on property, plant and equipment		**—**	(170,000)
Finance costs	*7*	**(463,720)**	(362,534)
Profit before taxation		**1,528,025**	3,477,133
Income tax expense	*8*	**(422,998)**	(881,266)
Profit for the year attributable to owners of the Company	*9*	**1,105,027**	2,595,867
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**1,797**	—
Total comprehensive income for the year attributable to owners of the Company		**1,106,824**	2,595,867
		RMB	*RMB*
Earnings per share			
Basic	*11*	**0.20**	0.48
Diluted	*11*	**0.20**	0.48

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011	2010
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**5,729,631**	4,912,337
Prepaid lease payments		**1,685,257**	150,591
Interest in an associate		**49,208**	—
Deposits for acquisition of property, plant and equipment and prepaid lease		**4,645,603**	174,066
Deferred tax assets		**35,417**	42,500
		12,145,116	5,279,494
Current assets			
Inventories		**2,480,047**	937,970
Trade receivables	*12*	**499,976**	738,805
Other receivables, deposits and prepayments		**32,051**	404,204
Prepaid lease payments		**34,982**	3,319
Pledged bank deposits		**728,916**	12,721
Short-term deposits		**1,731,285**	—
Bank balances and cash		**10,122,226**	17,263,372
		15,629,483	19,360,391
Current liabilities			
Trade payables	*13*	**2,706,173**	113,269
Bills payable	*13*	**826,200**	1,100,200
Other payables and accrued charges		**733,768**	601,015
Amounts due to related parties		**209**	—
Tax liabilities		**250,720**	139,341
Bank loans		**4,020,000**	2,132,454
		8,537,070	4,086,279
Net current assets		**7,092,413**	15,274,112
Total assets less current liabilities		**19,237,529**	20,553,606

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Capital and reserves			
Share capital		**474,675**	474,675
Reserves		**15,202,854**	15,098,931
		15,677,529	15,573,606
Non-current liabilities			
Bank loans		**1,110,000**	3,730,000
Debentures		**2,400,000**	1,200,000
Deferred tax liabilities		**50,000**	50,000
		3,560,000	4,980,000
		19,237,529	20,553,606

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

1. General

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate parent 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, PO 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 consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied a number of new and revised standards, amendments and 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 mandatorily effective for the Group's 2011 financial year ends.

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

IAS 1 (Amendments)	Presentation of items of other comprehensive income[1]
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[2]
IAS 19 (Revised 2011)	Employee benefits[3]
IAS 27 (Revised 2011)	Separate financial statements[3]
IAS 28 (Revised 2011)	Investments in associates and joint ventures[3]
IAS 32 (Amendments)	Offsetting financial assets and financial liabilities[4]
IFRS 1 (Amendments)	Government loans[3]
IFRS 7 (Amendments)	Disclosures — Transfers of financial assets[5]
IFRS 7 (Amendments)	Disclosures — Offsetting financial assets and financial liabilities[3]
IFRS 9	Financial instruments[6]
IFRS 9 and IFRS 7 (Amendments)	Mandatory effective date of IFRS 9 and transition disclosures[6]
IFRS 10	Consolidated financial statements[3]
IFRS 11	Joint arrangements[3]
IFRS 12	Disclosure of interests in other entities[3]
IFRS 13	Fair value measurement[3]
IFRIC 20	Stripping costs in the production phase of a surface mine[3]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 January 2014.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2015.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (Continued)

Amendments to IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for the Group's annual periods beginning on or after 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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. Revenue

	2011	2010
	RMB'000	*RMB'000*
Sales of aluminium products		
— for industrial use	**9,648,341**	9,997,194
— for construction use	**657,353**	524,754
	10,305,694	10,521,948

4. Segment information

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

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

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

4. Segment information (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment.

	Segment revenue		Segment result	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Industrial	**9,648,341**	9,997,194	**2,159,968**	4,259,623
Construction	**657,353**	524,754	**62,329**	(153,243)
Total	**10,305,694**	10,521,948	**2,222,297**	4,106,380
Investment income and other income, other gains and losses			**164,106**	51,350
Selling and distribution costs			**(116,851)**	(137,020)
Central corporate expenses			**(278,015)**	(181,043)
Share of profit of an associate			**208**	—
Finance costs			**(463,720)**	(362,534)
Profit before taxation			**1,528,025**	3,477,133
Income tax expense			**(422,998)**	(881,266)
Profit for the year			**1,105,027**	2,595,867

All of the segment revenue reported above is from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents gross profit after adjusted for impairment losses on property, plant and equipment earned by (incurred in) each segment. This is the measure reported to the Group's chief operating decision makers for the purpose of resource allocation and performance assessment.

Segment assets

The following is an analysis of the Group's assets by operating segment, which is also the information presented to the chief operating decision makers:

	2011	2010
	RMB'000	*RMB'000*
Industrial	**5,867,466**	3,735,365
Construction	**593,232**	677,343
Unallocated assets		
— Property, plant and equipment	**1,608,665**	1,458,719
— Prepaid lease payments	**61,848**	63,289
— Interest in an associate	**49,208**	—
— Deposits for acquisition of property, plant and equipment and prepaid lease	**4,645,603**	174,066
— Deferred tax assets	**35,417**	42,500
— Inventories	**2,298,682**	808,306
— Other receivables, deposits and prepayments	**32,051**	404,204
— Pledged bank deposits	**728,916**	12,721
— Short-term deposits	**1,731,285**	—
— Bank balances and cash	**10,122,226**	17,263,372
Total assets	**27,774,599**	24,639,885

4. Segment information (Continued)

For the purpose of monitoring segment performances and allocating resources between segments:

All assets are allocated to operating segments other than certain property, plant and equipment, certain prepaid lease payments, deposits for acquisition of property, plant and equipment and prepaid lease, deferred tax assets, raw materials and certain work in progress included in inventories, other receivables, deposits and prepayments, pledged bank deposits, short-term deposits, and bank balances and cash which are commonly used by both segments or used for corporate operation.

Segment assets mainly comprise of certain machinery, building, construction in progress, prepaid lease payments, inventories and trade receivables that can be identified to a particular operating segment.

The raw materials purchased for productions are commonly used by both Construction and Industrial segments. The related trade payables and bills payable are not identified to a particular operating segment. Other payables, accrued charges, amounts due to related parties, tax liabilities, debentures and bank loans cannot be allocated either. As a result, no segment liability is presented.

Geographical information

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

	2011	2010
	RMB'000	*RMB'000*
PRC	**9,838,586**	5,845,966
United States of America	**404,545**	3,066,528
Australia	**54,013**	1,572,467
Others	**8,550**	36,987
	10,305,694	10,521,948

Included in the sales above, approximately RMB375,156,000 (2010: RMB3,022,686,000) and RMB53,738,000 (2010: RMB1,568,712,000) which are categorised under sales to the United States of America and Australia respectively for the year ended 31 December 2011 are sold to certain customers in the PRC who shipped the goods to the ultimate customers in respective countries.

Nearly all non-current assets of the Group are located in the PRC.

5. Investment income

	2011	2010
	RMB'000	*RMB'000*
Bank interest income	**119,887**	64,807
Interest income from short-term investments	**25,825**	—
	145,712	64,807

6. **Other income, other gains and losses**

	2011	2010
	RMB'000	*RMB'000*
Other income		
Government subsidies *(Note)*	**24,925**	46,490
Gain on sales of scrap materials, consumables and moulds	**17,836**	1,844
Rental income from an associate	**13**	—
Others	**—**	1,252
	42,774	49,586
Other gain and losses		
Gain on disposal of property, plant and equipment	**2,029**	—
Exchange losses	**(26,409)**	(63,001)
Loss on change in fair value of investments held for trading	**—**	(42)
	(24,380)	(63,043)
Total	**18,394**	(13,457)

Note: The amounts mainly represent subsidies received from the Finance Bureau of Liao Yang City and the local government of Liao Yang City as incentive payments for the Group's achievements and contribution to the local community and to subsidise the Group's expenditure in technological research and market development.

7. **Finance costs**

	2011	2010
	RMB'000	*RMB'000*
Interests on borrowings wholly repayable within five years:		
— Bank loans	**372,280**	298,322
— Debentures	**91,440**	64,212
	463,720	362,534

8. **Income tax expense**

	2011	2010
	RMB'000	*RMB'000*
The charge comprises PRC Enterprise Income Tax		
Current taxation	**409,430**	914,599
Withholding tax on intergroup interest income	**5,088**	9,167
Underprovision in prior year	**1,397**	—
Deferred tax charge (credit)	**7,083**	(42,500)
	422,998	881,266

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% from 1 January 2008 onwards.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits generated in Hong Kong. Withholding tax in the PRC was made for the interest income being received/receivable from a PRC subsidiary.

9. Profit for the year

	2011	2010
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**4,000**	3,000
Allowance for bad and doubtful debts in respect of trade receivables	**457**	9,612
Allowance for bad and doubtful debts in respect of other receivables	**—**	200
Cost of inventories recognised as expense	**8,083,397**	6,245,568
Depreciation of property, plant and equipment	**377,980**	389,055
Release of prepaid lease payments	**16,834**	3,000
Research and development costs	**53,470**	30,596
Loss on disposal of property, plant and equipment	**—**	629
Operating lease rentals in respect of rented premises	**14,636**	6,431
Staff costs (including directors' emoluments):		
Salaries and other benefits	**190,814**	158,400
Retirement benefits scheme contributions	**13,525**	8,654
Employee share option benefits	**33,764**	29,812
	238,103	196,866

10. Dividend

For the year ended 31 December 2011, no dividend has been proposed since the end of the reporting period.

During the year ended 31 December 2011, the Company declared and paid a final dividend for the year ended 31 December 2010 of HK$0.23 per share, equivalent to RMB0.19 per share, with an aggregate amount of RMB1,036,665,000. Such dividends were distributed from the share premium of the Company upon approval by the shareholders at the annual general meeting held on 12 May 2011.

During the year ended 31 December 2010, the Company declared and paid a final dividend for the year ended 31 December 2009 of HK$0.19 per share, equivalent to RMB0.17 per share, and a special dividend of HK$0.07 per share, equivalent to RMB0.06 per share, with an aggregate amount of RMB897,273,000 and RMB330,573,000 respectively. Such dividends were distributed from the share premium of the Company upon approval by the shareholders at the annual general meeting held on 3 June 2010.

In the opinion of the directors, such distributions are in compliance with the Articles of Association adopted by the Company on 15 April 2009, which states that dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law of the Cayman Islands; subject to the provisions of its Memorandum of Association or Articles of Association and provided that immediately following the distribution or paying dividend the Company will be able to pay its debts as they fall due in the ordinary course of business.

11. Earnings per share

The calculation of the basic and diluted earnings per share for each of the years ended 31 December 2011 and 2010 is based on the consolidated profit attributable to owners of the Company for each of the years ended 31 December 2011 and 2010 and on the number of shares as follows:

	2011	2010
	'000	*'000*
Number of shares		
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	**16,947**	26,091
Weighted average number of shares for the purpose of diluted earnings per share	**5,423,253**	5,432,397

The computation of diluted earnings per share does not assume the exercise of certain share options because the exercise price of those options was higher than the average market price for shares for the years ended 31 December 2011 and 2010.

12. Trade receivables

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**511,381**	749,753
Less: Allowance for bad and doubtful debts	**(11,405)**	(10,948)
	499,976	738,805

For the year ended 31 December 2011, the Group allows an average credit period of 90 days (2010: 90 days) for domestic sales and an average credit period of 180 days (2010: 180 days) for overseas sales. The following is an aged analysis of trade receivables (net of allowance for doubtful debts presented based on the invoice date) at the end of the reporting date.

	2011	2010
	RMB'000	*RMB'000*
0–90 days	**352,623**	395,558
91–180 days	**85,646**	332,323
Over 180 days	**61,707**	10,924
	499,976	738,805

13. Trade and bills payables

Trade payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
0 to 90 days	**2,145,825**	108,937
91 to 180 days	**560,336**	3,053
181 days to 1 year	**12**	352
Over 1 year	**—**	927
	2,706,173	113,269

Bills payable

As at 31 December 2011, all the bills payable are repayable within 180 days (2010: 180 days). Bills payable amounted to RMB826,000,000 (2010: RMB1,100,000,000) were unsecured and granted by the banks in form of credit facilities.

14. Capital commitments

	2011	2010
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**20,058,215**	586,795

15. Events after the reporting period

(a) On 10 February 2012, a wholly owned subsidiary of the Company, Daqing Zhongwang Aluminium Industry Incorporated Company Limited, acquired land use right of two pieces of land in Daqing City, Heilongjiang Province, the PRC at a total consideration of approximately RMB363,080,000 through auction. The land will be used for the construction of a new facility for the manufacturing of processed aluminium products.

(b) On 9 March 2012, a wholly owned subsidiary of the Company, Tianjin Zhongwang Aluminium Industry Incorporated Company Limited, acquired land use right of several pieces of land in Tianjin City, the PRC at a total consideration of approximately RMB1,398,200,000 through auction. The land will be used for the construction of a new facility for the manufacturing of aluminium flat rolled products.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

The Group is headquartered in Liaoyang City, Liaoning Province, China. The Group is principally engaged in the research and development, production and sales of a variety of premium-grade industrial aluminium extrusion products that meet customers' stringent quality requirements and specification standards for product materials and processing technologies. The Group's products are mainly focused on applications in the transportation, machinery and equipment and electric power engineering sectors.

For the year ended 31 December 2011, the Group owned 79 extrusion presses, including 8 large extrusion presses of 55MN or above. Among them, the 125MN oil-driven dual action extrusion press commissioned in early 2009 is one of the largest and most advanced aluminium extrusion presses in China and the world. In addition, a number of other large extrusion presses of 75MN or above (including 3 extrusion presses of 125MN) are being manufactured and installed for the Group. The commissioning of these large extrusion presses upon completion by the end of 2012 will bring the Group's total annual production capacity for industrial aluminium extrusion products to 1 million tonnes. Meanwhile, the Group also owned world-class aluminium alloy tilt smelting and casting equipment and Asia's largest design and manufacturing centre for specialised industrial aluminium extrusion dies, both of which are closely associated with aluminium processing. These state-of-the-art equipment, combined with the Group's solid strengths in technology and research and development talents, have fostered the Group's significant technological advantage in the aluminium processing industry, especially in the area of industrial aluminium extrusion production. This advantage also provides strong assurance for the Group to maintain its leading edge in the industry.

Confronted with a complex and challenging marketplace in 2011, the Group conducted in-depth survey and research of industry development trends and actively adjusted its short-term operating objectives and medium-/long-term development strategies. Internal management was strengthened and rigorous cost control was exercised. Increased efforts were made in product research and development to enhance the Company's core competitiveness. While reinforcing our existing customer base, intensive efforts were also made to develop new customers and markets as we shifted our focus back to China, and notable results have been achieved.

The Group's export sales declined substantially and the volume of high-margin export products decreased drastically as a percentage of overall sales due to the adverse impact of the outcome of the anti-dumping and countervailing duty investigations (the "Double Investigations) by the US Government. Coupled with lower gross profit for domestic aluminium extrusion products, this has resulted in the decrease of the Group's revenue and profit attributable to shareholders of the Company to approximately RMB10,305,694,000 (2010: RMB10,521,948,000) and RMB1,105,027,000 (2010: RMB2,595,867,000), declines of 2.1% and 57.4%, respectively, as compared to the same period of the previous year. Earnings per share for the year ended 31 December 2011 were RMB0.20 (2010: RMB0.48). Driven by ongoing market development efforts, capacity expansion and technological advances, however, the Group has gradually emerged from the doldrums caused by the Double Investigations since the first quarter of 2011 and its net profit has seen a notable trend of quarter-on-quarter growth. In particular, the Group completed sales of 442,506 tonnes for the year ended 31 December 2011, representing a 27.4% growth comparing to the same period of 2010. Sales volume and revenue generated from the China market amounted to 431,021 tonnes and approximately RMB9,838,586,000, representing a growth of 91.5% and 68.3% as compared to the same period of the previous year and accounting for 97.4% and 95.5% of sales volume and revenue, respectively. The China market has become the main source of revenue for the Group.

In addition, to address changes in the external market environment on the basis of its research and judgment on the future development trends of the aluminium processing industry, the Group fully leverage, on the one hand, its existing technologies and market and customer resources in the upstream and downstream of the industry chain to develop high-margin deep-processed industrial aluminium extrusion products, in connection with which a new deep-processing center had been built and will commence operation in the second half of 2012 to further increase the Group's production capacity for deep-processed products so that it will form an important profit growth point for the Group. On the other hand, we firmly resolved to launch the project for high value-added aluminium flat rolled products, which would offer strong synergies with our existing business. The Group announced in October 2011 that substantial investments were made to import world-class production equipment for the production of aluminium flat rolled products. The Group also acquired through auction several industrial land sites in Daqing City of Heilongjiang Province, Panjin City of Liaoning Province, Liaoyang City of Liaoning Province and Tianjin City for the construction of aluminium processing bases. Industrial aluminium extrusion products, deep-processed products and high value-added aluminium flat rolled products will form three core businesses of the Group that complement and support each other.

II. Industry Analysis

Macro Economic Review for 2011

Global economic growth slowed down significantly in 2011 amidst uncertainties in the prospect of economic recovery in developed nations: earthquake-devastated Japan reported its first full-year trade deficit in 31 years; the United States was downgraded in its long-term sovereign credit rating for the first time; and the Eurozone sovereign debt crisis was escalating. Such volatilities set in when investors were just starting to regain confidence in the global financial market and had the effect of slowing down growth in international trade. While the growth rate of emerging economies slowed down as a result of events happening in the developed nations, a sound growth trend was sustained with Asian economies, notably China, excelling in economic performance. In 2011, the PRC Government persisted in its macro-economic policy with continuity and stability in response to the complications and volatilities in the international situation as well as new issues arising in the domestic economy. A proactive fiscal policy coupled with a prudent monetary policy was implemented, while ongoing efforts were being made to adjust industrial structures and transform the pattern of development, assuring stable development of the national economy in a direction anticipated by the macro-control measures.

According to the economic data published by the National Bureau of Statistics of China, China's GDP amounted to RMB47,156.4 billion in 2011, representing a 9.2% growth calculated at comparable prices. While this was a decline from the growth rate of 10.4% reported for 2010, it also indicated effective curbing of price inflation. China sustained moderately fast, stable growth in industrial output during 2011, with the total value added output of industrial enterprises above designated size increasing by 13.9%, year-on-year, at comparable prices. In particular, heavy industries recorded a growth of 14.3% while light industries increased by 13.0%. In 2011, industrial enterprises above designated size in China realized profits of RMB5,454.4 billion, representing a growth of 25.4% as compared to corresponding period of the previous year.

Overview of China's Aluminium Extrusion Product Industry 2011

China started to produce aluminium extrusion products in the 1950s. After more than 50 years of development, the nation has now become the world's largest producer, exporter and consumer of aluminium extrusion products.

Statistics indicate that global production capacity for aluminium extrusion products was expected to reach 26.38 million tonnes in 2011, growing almost 10% from 23.99 million tonnes in 2010. China's production capacity for aluminium extrusion products was expected to grow 13.9% from 11.84 million tonnes in 2010 to 13.48 million tonnes in 2011, or from 49.4% to 51.1% as a percentage of the world's total production capacity. In terms of actual production volume, the world's production of aluminium extrusion products in 2011 is estimated at over 20.16 million tonnes, representing a 7.6% growth from 18.74 million tonnes in 2010. China was expected to have produced 11.63 million tonnes of aluminium extrusion products in 2011, up 12.9% from 10.30 million tonnes in 2010 and accounted for approximately 57.7% of the world's output (2010: 55.0%).

In terms of actual consumption, global consumption of aluminium extrusion products in 2011 is initially estimated at 19.49 million tonnes, which is 6.5% higher compared to 18.30 million tonnes in 2010. China's consumption of aluminium extrusion products in 2011 amounted to approximately 10.80 million tonnes, an 11.3% increase compared to 9.70 million tonnes in 2010 and accounting for approximately 55.4% of global consumption (2010: 53.0%). A breakdown of China's consumption of aluminium extrusion products indicates that the consumption of construction aluminium extrusion products in 2011 amounted to 7.18 million tonnes, accounting for 66.5% of the nation's total consumption and representing a year-on-year growth of 9.7% (2010: 6.55 million tonnes). Consumption of industrial aluminium extrusion products in 2011 amounted to 3.62 million tonnes, accounting for 33.5% of the nation's total consumption and representing a year-on-year growth of 14.9% (2010: 3.15 million tonnes)[1]. The growth rate for the consumption of industrial aluminium extrusion products was notably higher than that of construction aluminium extrusion products.

China has generally reached the medium to top level by world standards in terms of aluminium extrusion equipment, die manufacturing equipment, relevant fundamental technologies and processes and quality inspection and testing, but has yet to claim advanced standards in smelting and casting, product research and development, high-end precision extrusion

1 Cited from a research report prepared by Sunlight Metal Consulting (Beijing) Co. Ltd in February 2012.

and deep-processing. Moreover, the nation's aluminium extrusion industry is unfavorably characterized by excessive number of enterprises in operation, low concentration of production capacities and volumes, as well as a significant level of homogeneity in output. As much as presenting challenges to China's aluminium extrusion industry, these issues and gaps also mean that there are opportunities in the industry for further growth.

Price Trends of Aluminium Ingots

Aluminium ingots are the Group's major production raw materials and a major component in our cost of sales. During 2011, international prices of aluminium ingots generally followed a trend of downward movement from higher levels, with the average price hitting a high of US$2,662 per tonne in April before trending downwards to a low of US$2,021 per tonne in December, under the impact of negative factors such as the Eurozone debt crisis, earthquake in Japan and lackluster economic recovery in the United States. Nevertheless, the 2011 annual average price of US$2,398 per tonne for aluminium ingots in the international market still represented an approximately 10.4% growth versus US$2,173 per tonne for 2010.

Largely in line with the international price trend, prices of aluminium ingots in China's domestic market rose in the earlier months before reversing to the opposite direction, although it lagged slightly behind the international market. The monthly average price of aluminium ingots, as quoted on Shanghai Futures Exchange, increased from RMB16,491 per tonne in January 2011 to RMB17,959 per tonne in August 2011, representing a growth of 8.9%. Thereafter, the domestic price of aluminium ingots turned weaker and reached a low of RMB15,996 per tonne in December, representing a decrease of 12.3%. The 2011 annual average price of RMB16,833 per tonne for aluminium ingots in the domestic market represented an approximately 6.6% growth versus RMB15,791 per tonne for 2010.

III. Future Prospects

The 11th Five-Year Plan period (2006–2010) of China was the peak growth period for China's non-ferrous metal industry, with notable achievements in technologies and equipment, product varieties and quality as well as energy conservation and discharge reduction. As China undergoes the crucial period of building a society of general affluence with further strides in industrialisation, urbanisation and informatisation, increasing domestic consumption and ongoing construction works in transportation, energy, government subsidized housing, urban infrastructure construction and the development of the new countryside, the demand for non-ferrous metal products including aluminium products will continue to grow. This will give rise to broader market opportunities for the development of the non-ferrous metal industry. Meanwhile, given increasingly stringent and demanding requirements for the specifications and quality of products, the transformation and upgrade of China's non-ferrous metal industry has become an imperative task.

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

With optimistic view on the development prospects of China's aluminium processing market, the Group believes that even though China' industrial aluminium extrusion market, affected by the macro-economic environment, will see lower growth in 2012 than the 14.9% growth for the year 2011, it will still achieve a growth of above 12% with full-year demand in the excess of 4 million tonnes. Meanwhile, enormous development opportunities are present for another important segment of the aluminium industry — the aluminium flat rolled product segment.

Aluminium flat rolled products include aluminium plates, sheets and foils, which are extensively applied in the aviation and aerospace, vessel, railway transportation, automobile, machinery and equipment and packaging sectors. According to a report by The Boston Consulting Group, the world's total consumption of aluminium flat rolled products will increase from approximately 15.6 million tonnes in 2009 to 28 million tonnes in 2020. The China market is expected to grow at a faster pace than the world average, increasing from approximately 5.9 million tonnes in 2009 to 14 million tonnes in 2020, accounting for half of the world's total consumption. The room for growth is even greater for high-end products. Currently, high-end products account for 35% of the world's total consumption but the comparable percentage for China is only 12%, which is significantly lower than the world level. At present, China's market for high-end aluminium flat rolled products is still at a starting stage where demands are mainly met by imports, leaving much room for market development.

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

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

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

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

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

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

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

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

IV. Financial Review

For the year ended 31 December 2011, the Group's revenue amounted to RMB10,305,694,000, representing a decrease of 2.1% from 2010. Profit attributable to the shareholders of the Company amounted to approximately RMB1,105,027,000, representing a decrease of 57.4% from 2010. Earnings per share for 2011 was RMB0.20.

A comparison of the financial results for the years ended 31 December 2011 and 2010 is set out as follows.

Revenue

The following sets forth the breakdowns of our Group's revenue, sales volume and average selling price by product segments for the years ended 31 December 2011 and 2010:

	For the year ended 31 December									
	2011					2010				
	Revenue		**Sales volume**		**Average selling price**	Revenue		Sales volume		Average selling price
	(RMB'000)	**%**	***(tonnes)***	**%**	***(RMB/ tonne)***	*(RMB'000)*	%	*(tonnes)*	%	*(RMB/ tonne)*
Industrial aluminium extrusion products	**9,648,341**	**93.6%**	**409,304**	**92.5%**	**23,573**	9,997,194	95.0%	318,970	91.8%	31,342
Construction aluminium extrusion products	**657,353**	**6.4%**	**33,202**	**7.5%**	**19,799**	524,754	5.0%	28,488	8.2%	18,420
Total	**10,305,694**	**100.0%**	**442,506**	**100.0%**	**23,289**	10,521,948	100.0%	347,458	100.0%	30,283

The Group's revenue decreased by 2.1% from approximately RMB10,521,948,000 for the year ended 31 December 2010 to approximately RMB10,305,694,000 for the year ended 31 December 2011. The decrease in revenue was primarily attributable to substantial decline in our export sales of aluminium extrusion products destined for the US for the year ended 31 December 2011 as compared to 2010 as a result of the adverse impact of the Double Investigations by the US. Decrease in revenue was also attributable to a decline in the average selling price of industrial aluminium extrusion products for domestic sales.

Total sales volume of the Group increased to 442,506 tonnes for the year ended 31 December 2011 from 347,458 tonnes for the year ended 31 December 2010. The average selling price of our products decreased from RMB30,283 per tonne for the year ended 31 December 2010 to RMB23,289 per tonne for the year ended 31 December 2011, representing a decline of 23.1%. For the year ended 31 December 2011, our Group's average processing fee for its products decreased by 49.3%, while the average purchasing price of aluminium ingots increased by 8.8% over the same period of last year.

Revenue from industrial aluminium extrusion products decreased by 3.5% from approximately RMB9,997,194,000 for the year ended 31 December 2010 to approximately RMB9,648,341,000 for the year ended 31 December 2011. Sales volume of our industrial aluminium extrusion products increased to 409,304 tonnes for the year ended 31 December 2011 from 318,970 tonnes for the year ended 31 December 2010. The increase was primarily because the Group's focus on developing the domestic market had led to an increase in domestic sales volume of industrial aluminium extrusion products which offset the adverse impact of the decline in export sales to the US as a result of the Double Investigations by the US. The average selling price of our industrial aluminium extrusion products decreased from RMB31,342 per tonne for the year ended 31 December 2010 to RMB23,573 per tonne for the year ended 31 December 2011. Decline in the average selling price of our industrial aluminium extrusion products was attributable to a drop in contribution from export sales, which commanded 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.

Revenue from construction aluminium extrusion products increased by 25.3% from approximately RMB524,754,000 for the year ended 31 December 2010 to approximately RMB657,353,000 for the year ended 31 December 2011. Sales volume of our construction aluminium extrusion products for the year ended 31 December 2011 increased to 33,202 tonnes from 28,488 tonnes for the year ended 31 December 2010. The average selling price of our construction aluminium extrusion products increased from RMB18,420 per tonne for the year ended 31 December 2010 to RMB19,799 per tonne for the year ended 31 December 2011. 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 United States and Australia. For the year ended 31 December 2011, our revenue from overseas sales amounted to approximately RMB467,108,000 (corresponding period in 2010: RMB4,675,982,000), representing 4.5% (2010: 44.4%) of the Group's total revenue.

The following sets forth the breakdowns of our revenue by geographical regions for the years ended 31 December 2011 and 2010:

	For the year ended 31 December			
	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
PRC	**9,838,586**	**95.5%**	5,845,966	55.6%
US	**404,545**	**3.9%**	3,066,528	29.1%
Australia	**54,013**	**0.5%**	1,572,467	14.9%
Others	**8,550**	**0.1%**	36,987	0.4%
Total	**10,305,694**	**100.0%**	10,521,948	100.0%

For the year ended 31 December 2011, our revenue generated from domestic sales increased substantially to approximately RMB9,838,586,000 from RMB5,845,966,000 for the same period in 2010, which was primarily attributable to the Group's active expansion of its share in the Chinese domestic market. Our new customers included large state-owned enterprises from such sectors as transportation, electric power engineering and machinery and equipment.

Cost of Sales

Cost of sales increased by 29.4% from approximately RMB6,245,568,000 for the year ended 31 December 2010 to approximately RMB8,083,397,000 for the year ended 31 December 2011. Cost of sales for our industrial aluminium extrusion products increased by 30.5% from approximately RMB5,737,571,000 for the year ended 31 December 2010 to approximately RMB7,488,373,000 for the year ended 31 December 2011. Cost of sales for our construction aluminium extrusion products increased by 17.1% from approximately RMB507,997,000 for the year ended 31 December 2010 to approximately RMB595,024,000 for the year ended 31 December 2011. The increase in cost of sales of the Group was mainly due to the increase in both sales volume and aluminium ingot prices during 2011 as compared to the previous year. Cost of aluminium ingots is a primary component of the Group's cost of sales.

Gross Profit and Gross Profit Margin

The following sets forth the breakdowns of our gross profit, share in gross profit and gross profit margin by product segments for the years ended 31 December 2011 and 2010:

	For the year ended 31 December					
	2011			2010		
	Gross profit *RMB'000*	**%**	**Gross profit margin**	Gross profit *RMB'000*	%	Gross profit margin
Industrial aluminium extrusion products	**2,159,968**	**97.2%**	**22.4%**	4,259,623	99.6%	42.6%
Construction aluminium extrusion products	**62,329**	**2.8%**	**9.5%**	16,757	0.4%	3.2%
Total	**2,222,297**	**100.0%**	**21.6%**	4,276,380	100.0%	40.6%

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

Our gross profit decreased by 48.0% to approximately RMB2,222,297,000 for the year ended 31 December 2011 from approximately RMB4,276,380,000 for the same period in 2010. Our overall gross profit margin decreased to 21.6% for the year ended 31 December 2011 from 40.6% for the same period in 2010. Gross profit margin of our industrial aluminium extrusion products decreased to 22.4% for the year ended 31 December 2011 from 42.6% for the same period in 2010. The decrease was primarily attributable to a drop in contribution from export sales, which commanded higher gross profit margins, as a percentage of our total sales as well as decreases in average processing fees for industrial aluminium extrusion products sold domestically.

Gross profit margin of our construction aluminium extrusion products increased to 9.5% for the year ended 31 December 2011 from 3.2% for the same period in 2010, which was not only due to an increase in gross profit margin as a result of lower depreciation charges for the year ended 31 December 2011 following the provision of impairment loss for the equipment used in the production of construction aluminium extrusion products at the end of 2010, but also to a rise of the average selling price of construction aluminium extrusion products.

Investment Income

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

Bank interest income increased by 85.0% from approximately RMB64,807,000 for the year ended 31 December 2010 to approximately RMB119,887,000 for the year ended 31 December

2011, which was primarily attributable to an increase in average bank deposit interest rate and an increase in the contribution of fixed deposits with higher interest rates as a percentage of our total deposits. As at 31 December 2011, the fixed deposits and short-term bank deposits carried average interest rates of 3.3% (2010: nil) and 0.5% (2010: 0.36%) per annum respectively.

For the year ended 31 December 2011, the Group gained approximately RMB25,825,000 of income from bank investment products. The Group had no such income from short-term investments for the year ended 31 December 2010.

Other Income, Other Gains and Losses

Other income, other gains and losses recorded a net gain of approximately RMB18,394,000 for the year ended 31 December 2011 against a net loss of approximately RMB13,457,000 for the same period in 2010. The change was primarily attributable to: (i) a substantial decrease in export sales for the year ended 31 December 2011, leading to a decrease of our foreign exchange losses to approximately RMB26,409,000 for the year ended 31 December 2011 from approximately RMB63,001,000 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; (ii) a decrease in government subsidies to approximately RMB24,925,000 for the year ended 31 December 2011 from approximately RMB46,490,000 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 (iii) the net gain from disposal of scrap materials, consumables and moulds increased to approximately RMB17,836,000 for the year ended 31 December 2011 from approximately RMB1,844,000 for the same period in 2010.

Selling and Distribution Costs

Selling and distribution costs primarily consist of advertising and promotional expenses, wages and salaries of sales staff, transportation costs, etc. These costs decreased by 14.7% to approximately RMB116,851,000 for the year ended 31 December 2011 from approximately RMB137,020,000 for the year ended 31 December 2010, which was primarily attributable to (i) a decrease of 53.6% in product transportation costs to approximately RMB9,387,000 for the year ended 31 December 2011 from approximately RMB20,220,000 for the same period in 2010, resulting from a decline in the Group's export sales; and (ii) a decrease of 9.7% in advertising expense to approximately RMB87,897,000 for the year ended 31 December 2011 from approximately RMB97,369,000 for the same period in 2010.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise wages, salaries and benefits, intermediary fees, depreciation charges of office equipment, share option expense, bank fees, amortization of land use right and other related administrative and operating charges. Administrative and other operating expenses increased by 53.6% to approximately RMB278,015,000 for the year ended 31 December 2011 from approximately RMB181,043,000 for the year ended 31 December 2010. The increase was primarily attributable to the fact that (i) the non-cash charges arising from share options calculated at fair value increased to approximately RMB33,764,000 for the year ended 31 December 2011 from approximately RMB29,812,000 for the same period in 2010; (ii) references are made to the announcement dated 8 November 2011 and the announcement dated 10 February 2012 released by the Company in relation to the purchase of land in Panjin City, Liaoning Province and Daqing City, Heilongjiang Province, respectively. During the year ended December 31, 2011, the land use tax arisen from the acquisitions of the land use right mentioned in the above announcements amounted to approximately RMB65,138,000. There was no such expenditure for the year ended 31 December 2010; and; (iii) the amortization expense of land use right amounted to approximately RMB13,298,000 for the year ended 31 December 2011, while there was no such expense in administrative and other operating expense of the Group for the year ended 31 December 2010. Besides, other administrative and operating expenses, including wages and salaries, increased to approximately RMB165,815,000 for the year ended 31 December 2011 from approximately RMB151,231,000 for the same period in 2010, which was primarily the result of the Group's initiatives in employing additional staff to expand its operational scale.

Share of Profit of an Associate

Share of profit of an associate of the Group for the year ended 31 December 2011 was RMB208,000, which is the income recognized using equity-method accounting for the investment in Zhongwang Aluminium Company Limited. A wholly-owned subsidiary of the Company, Liaoning Zhongwang Group Co., Ltd ("Liaoning Zhongwang") and China Railway Materials Shenyang Company Limited established a joint venture, CR Zhongwang Aluminium Company Limited, on 18 November 2011. Liaoning Zhongwang holds 49.0% of the equity of the joint venture.

Impairment loss of Property, Plant and Equipment

During the year ended 31 December 2010, the Group conducted a review of its manufacturing assets and determined that some machines principally used for the production of construction aluminium extrusion products were impaired, resulted from the reduced production and sales of related products in the year. Accordingly, impairment loss of approximately RMB170,000,000 was recognized. For the year ended 31 December 2011, there was no impairment loss recognized in respect of property, plant and equipment.

Finance Costs

Our finance costs increased by 27.9% from approximately RMB362,534,000 for the year ended 31 December 2010 to approximately RMB463,720,000 for the year ended 31 December 2011, which was primarily attributable to increases in our bank borrowings and debentures for general operations and in the average loan interest rate in 2011 over the same period of the previous year. As at 31 December 2010 and 2011, bank loans carried average interest rates of 5.42% and 6.19% per annum, respectively.

Profit Before Taxation

Our profit before taxation decreased by 56.1% from approximately RMB3,477,133,000 for the year ended 31 December 2010 to approximately RMB1,528,025,000 for the year ended 31 December 2011, which was primarily attributable to the above factors described in this section.

Income Tax Expense

Our income tax expense decreased by 52.0% from approximately RMB881,266,000 for the year ended 31 December 2010 to approximately RMB422,998,000 for the year ended 31 December 2011, which was mainly due to a decrease in profit before taxation. Our effective tax rates for the years ended 31 December 2010 and 2011 were 25.3% and 27.7%, respectively. The effective income tax rate for the year ended 31 December 2011 was slightly higher than that for the year ended 31 December 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 year was slightly higher than the same period last year.

Profit Attributable to Shareholders

Our profit attributable to shareholders decreased by 57.4% from RMB2,595,867,000 for the year ended 31 December 2010 to RMB1,105,027,000 for the year ended 31 December 2011. Our net profit margin decreased from 24.7% for the year ended 31 December 2010 to 10.7% for the year ended 31 December 2011, which was mainly due to the above factors described in this section headed.

Cash Flows

The following sets forth the cash flows of the Group for the years ended 31 December 2011 and 2010:

	For the year ended 31 December	
	2011	2010
	(RMB'000)	*(RMB'000)*
Net cash from operating activities	**3,446,487**	4,955,451
Net cash (used in)/from investing activities	**(9,579,649)**	777,218
Net cash used in financing activities	**(1,007,984)**	(2,178,861)

Net Current Assets

We had net current assets of approximately RMB7,092,413,000 as at 31 December 2011 (31 December 2010: approximately RMB15,274,112,000).

Liquidity

As at 31 December 2011 and 2010, we had bank balances and cash of approximately RMB10,122,226,000 and approximately RMB17,263,372,000, respectively, and balances of pledged bank deposits of approximately RMB728,916,000 and approximately RMB12,721,000, respectively. As at 31 December 2011, the Group had short-term deposits of RMB1,731,285,000 (2010: nil).

Borrowings

As at 31 December 2011, our debentures and bank loans amounted to approximately RMB7,530,000,000, an increase of approximately RMB467,546,000 as compared with approximately RMB7,062,454,000 as at 31 December 2010.

During the year ended 31 December 2011, the Group's debentures and bank borrowings shown under current liabilities amounted to RMB4,020,000,000 (2010: RMB2,132,454,000) and debentures and bank borrowings shown under non-current liabilities amounted to RMB3,510,000,000 (2010: RMB4,930,000,000).

The Group's gearing ratio was approximately 43.6% as at 31 December 2011, while it was 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 31 December 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

As at 31 December 2011 and 2010, the Group had no material contingent liabilities.

Employees

As at 31 December 2011, the Group had 4,375 full-time employees for, inter alia, production, research and development, sales and management, representing an increase of 46.9% as compared to 2,979 employees as at 31 December 2010. During the year, relevant employee costs (including Directors' remuneration) were approximately RMB238,103,000 (including share option charges of RMB33,764,000), an increase of 20.9% as compared to approximately RMB196,866,000 (including share option charges of RMB29,812,000) as at 31 December 2010. Employee costs (excluding share option charges) of the Group increased mainly because the Group increased its number of employees for the expansion of its production capacity and the development of deep-processed products and the flat rolled aluminium product project. 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.

During the year ended 31 December 2011, the Group had 502 research and development and quality control personnel. Research and development and quality control personnel accounted for 11.5% of the Group's total number of employees. The Group entered into cooperation with a number of leading research and academic institutions to upgrade its technology level. We have strong research and development capabilities in new materials with a focus on research and development of alloy composition. We also have strong die design and production capacity and are capable of providing suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision. In 2011, our research and development expenditures accounted for approximately 0.5% of the Group's sales revenue.

Substantial Investments and Capital Commitments

On 18 November 2011, Liaoning Zhongwang entered into a joint venture with China Railway Materials Shenyang Company Limited for the establishment of CR Zhongwang Aluminium Company. The joint venture had registered capital of RMB100 million of which Liaoning Zhongwang contributed 49.0%.

As at 31 December 2011, capital expenditure of the Group in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to RMB20,058,215,000. It was primarily because the Group stated that it would purchase equipment for production of aluminium flat rolled products at a consideration of US$3.8 billion (equivalent to approximately RMB24.0 billion) as disclosed in the major transaction announcement dated 17 October 2011. We intend to apply cash generated from operating activities of the Company, commercial bank loans and other available means for the Company to finance the purchase. As at 31 December 2011, capital expenditure which had not been provided in consolidated financial statements amounted to approximately RMB19.76 billion.

Market Risk

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 31 December 2011, approximately 95.5% of the revenue of the Group was denominated in Renminbi and approximately 4.5% was denominated in USD, and all of the borrowings of the Group were denominated in Renminbi.

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

In July 2005, the PRC government introduced the managed floating exchange rate system which allowed Renminbi to float in accordance with market demand and supply and within the regulated range determined by Currency Basket. 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. The Group 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.

Interest rate change 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 31 December 2011 and 2010. During the year ended 31 December 2011, the Group issued unsecured debentures of RMB1,200,000,000 with a maturity period of three years at a fixed interest rate of 5.68% per annum. During the year ended 31 December 2010, the Group issued unsecured debentures of RMB1,200,000,000 with a maturity period of three years at a fixed interest rate of 4.07% per annum.

Aluminium Ingot Price Fluctuation Risk

Aluminium ingots, aluminium billets, magnesium ingots, silicone ingots, etc., are our principal raw materials which accounted for 88.8% and 84.4% of the cost of sales of the Group for 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.

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 year ended 31 December 2011 was substantially lower than that for the same period in 2010 as a result of the outcome of the US anti-dumping and countervailing duty investigations.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Code of Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining a high standard of corporate governance practices. In respect of the year ended 31 December 2011, save as disclosed below, all the code provisions set out in the Corporate Governance Code were complied by the Company.

Code Provision A.2.1 of the Corporate Governance Code provides 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 is the founder of the Group and has extensive experience in the enterprise operation and management in general. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has discussed with the Company's management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2011.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2011.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company's website (www.zhongwang.com). The annual report for the year ended 31 December 2011 containing all the information required under Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 22 March 2012

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

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

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

* *For identification purpose only*