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 2010

GROUP FINANCIAL HIGHLIGHTS

	2010	2009
	RMB'000	*RMB'000*
Revenue	**10,521,948**	13,852,708
Gross profit	**4,276,380**	5,290,075
Operating profits *(note 1)*	**3,477,133**	4,753,663
Listing expenses	**—**	36,558
Profit before taxation	**3,477,133**	4,717,105
Profit attributable to shareholders	**2,595,867**	3,528,815
Earnings per share		
Basic *(RMB) (note 2)*	**0.48**	0.72
Diluted *(RMB)*	**0.48**	0.71
Proposed final dividend per ordinary share *(RMB)*	**0.19**	0.17
Proposed special dividend per share *(RMB)*	**—**	0.06
Proposed total dividend per share *(RMB)*	**0.19**	0.23
Net cash *(note 3)*	**10,200,918**	6,056,240
Net assets	**15,573,606**	14,175,773
Total assets	**24,639,885**	24,423,450

Notes:

1. Operating profits represent profit before listing expenses and income tax.

2. For each of the years ended 31 December 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 years ended 31 December 2010 and 2009 and the weighted average number of shares during that year.

3. Bank balances and cash (excluding pledged bank deposits) less bank loans and debentures.

ANNUAL RESULTS

The board (the "**Board**) of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") announces the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2010, together with the comparative figures for the year ended 31 December 2009, as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	**2010**	2009
		RMB'000	*RMB'000*
Revenue	*3*	**10,521,948**	13,852,708
Cost of sales		**(6,245,568)**	(8,562,633)
Gross profit		**4,276,380**	5,290,075
Bank interest income		**64,807**	48,060
Other income, other gains and losses	*5*	**(13,457)**	44,414
Selling and distribution costs		**(137,020)**	(130,887)
Administrative and other operating expenses		**(181,043)**	(170,907)
Impairment loss on property, plant and equipment	*6*	**(170,000)**	—
Listing expenses		**—**	(36,558)
Finance costs		**(362,534)**	(327,092)
Profit before taxation		**3,477,133**	4,717,105
Income tax expense	*7*	**(881,266)**	(1,188,290)
Profit and total comprehensive income for the year attributable to owners of the Company		**2,595,867**	3,528,815
		RMB	*RMB*
Earnings per share			
Basic	*9*	**0.48**	0.72
Diluted	*9*	**0.48**	0.71

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	**2010** **RMB'000**	2009 *RMB'000*
Non-current assets			
Property, plant and equipment		**4,912,337**	4,671,072
Prepaid lease payments		**150,591**	63,718
Deposits for acquisition of property, plant and equipment		**174,066**	84,879
Deferred tax assets		**42,500**	—
		5,279,494	4,819,669
Current assets			
Inventories		**937,970**	862,365
Trade receivables	*10*	**738,805**	2,348,973
Other receivables, deposits and prepayments		**404,204**	307,642
Prepaid lease payments		**3,319**	1,472
Amount due from a related party		**—**	9,118
Held-for-trading investments		**—**	1,565
Loan receivables		**—**	2,300,000
Pledged bank deposits		**12,721**	63,082
Bank balances and cash		**17,263,372**	13,709,564
		19,360,391	19,603,781
Current liabilities			
Trade payables	*11*	**113,269**	367,379
Bills payable	*11*	**1,100,200**	608,200
Other payables and accrued charges		**601,015**	1,135,956
Tax liabilities		**139,341**	432,818
Debentures		**—**	2,000,000
Bank loans		**2,132,454**	2,626,000
		4,086,279	7,170,353
Net current assets		**15,274,112**	12,433,428
Total assets less current liabilities		**20,553,606**	17,253,097
Capital and reserves			
Share capital		**474,675**	474,675
Reserves		**15,098,931**	13,701,098
		15,573,606	14,175,773
Non-current liabilities			
Bank loans		**3,730,000**	3,027,324
Debentures		**1,200,000**	—
Deferred tax liabilities		**50,000**	50,000
		4,980,000	3,077,324
		20,553,606	17,253,097

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. General

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. 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 2010 financial year.

Except as described below, the application of the new and revised IFRSs in the current year has had no material effect on the consolidated financial statements of the Group.

Amendments to IAS 17 Leases

As part of Improvements to IFRSs issued in 2009, IAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to IAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. In the opinion of the directors of the Company, no reclassification is considered necessary because none of the leasehold land qualifies for finance lease classification. The application of the amendments to IAS 17 has had no impact on the consolidated financial statements of the Group.

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

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

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IFRS 1 (Amendments)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters[2]
IFRS 7 (Amendments)	Disclosures — Transfers of financial assets[3]
IFRS 9	Financial instruments[4]
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
IAS 24 (Revised)	Related party disclosures[6]
IAS 32 (Amendments)	Classification of rights issues[7]
IFRIC 14 (Amendments)	Prepayments of a minimum funding requirement[6]
IFRIC 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

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

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

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

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

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

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2013 and that the application of the new standard will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the financial instruments held by the Group as at 31 December 2010.

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

	2010	2009
	RMB'000	*RMB'000*
Sales of aluminium products		
— for industrial use	**9,997,194**	11,502,286
— for construction use	**524,754**	2,350,422
	10,521,948	13,852,708

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 therefore as follows:

(a) sales of aluminium products for construction markets ("**Construction**"); and

(b) sales of aluminium products for industrial markets ("**Industrial**").

4. Segment Information (Continued)

Segment revenues and results

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

	Segment revenue		Segment result	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Industrial	**9,997,194**	11,502,286	**4,259,623**	5,019,862
Construction	**524,754**	2,350,422	**(153,243)**	270,213
Total	**10,521,948**	13,852,708	**4,106,380**	5,290,075
Bank interest and other income, other gains and losses			**51,350**	92,474
Selling and distribution costs			**(137,020)**	(130,887)
Central corporate expenses			**(181,043)**	(207,465)
Finance costs			**(362,534)**	(327,092)
Profit before taxation			**3,477,133**	4,717,105
Income tax expense			**(881,266)**	(1,188,290)
Profit for the year			**2,595,867**	3,528,815

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

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

4. Segment Information (Continued)

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:

	2010 *RMB'000*	2009 *RMB'000*
Industrial	**3,735,365**	4,823,358
Construction	**677,343**	829,373
Unallocated assets		
— Property, plant and equipment	**1,458,719**	1,493,455
— Prepaid lease payments	**63,289**	65,190
— Deposits for acquisition of property, plant and equipment	**174,066**	84,879
— Deferred tax assets	**42,500**	—
— Inventories	**808,306**	736,224
— Other receivables, deposits and prepayments	**404,204**	307,642
— Amount due from a related party	**—**	9,118
— Held-for-trading investments	**—**	1,565
— Loan receivables	**—**	2,300,000
— Pledged bank deposits	**12,721**	63,082
— Bank balances and cash	**17,263,372**	13,709,564
Total assets	**24,639,885**	24,423,450

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, deferred tax assets, raw materials and work in progress included in inventories, other receivables, deposits and prepayments, amount due from a related party, held-for-trading investments, loan receivables, pledged bank 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 and 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, tax liabilities, debentures and bank loans cannot be allocated either. As a result, no segment liability is presented.

4. Segment Information (Continued)

Other segment information

For the year ended 31 December 2010

Amounts included in the measure of segment profit or loss or segment assets.

	Industrial *RMB'000*	**Construction** *RMB'000*	**Unallocated** *RMB'000*	**Consolidated** *RMB'000*
Additions to property, plant and equipment	**612,163**	**—**	**195,277**	**807,440**
Depreciation of property, plant and equipment	**115,764**	**117,194**	**156,097**	**389,055**
Impairment loss on property, plant and equipment	**—**	**170,000**	**—**	**170,000**
Release of prepaid lease payments	**1,118**	**—**	**1,882**	**3,000**
Allowances for bad and doubtful debts in respect of trade receivables	**900**	**8,712**	**—**	**9,612**
Allowances for bad and doubtful debts in respect of other receivables	**—**	**—**	**200**	**200**
Loss of disposal of property, plant and equipment	**—**	**—**	**629**	**629**

For the year ended 31 December 2009

	Industrial *RMB'000*	Construction *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Additions to property, plant and equipment	1,455,573	—	253,648	1,709,221
Depreciation of property, plant and equipment	74,721	113,115	141,868	329,704
Release of prepaid lease payments	—	—	1,472	1,472
Allowances for bad and doubtful debts in respect of trade receivables	97	1,192	—	1,289
Allowances for bad and doubtful debts in respect of other receivables	—	—	4,143	4,143
Loss of disposal of property, plant and equipment	—	6,855	867	7,722

4. Segment Information (Continued)

Geographical information

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

	2010	2009
	RMB'000	*RMB'000*
The People's Republic of China (the "**PRC**")	**5,845,966**	7,753,131
United States of America (the "**U.S.**")	**3,066,528**	5,657,877
Australia	**1,572,467**	440,274
Others	**36,987**	1,426
	10,521,948	13,852,708

Including in the sales above, approximately RMB3,022,686,000 (2009: RMB5,181,576,000) and RMB1,568,712,000 (2009: RMB384,986,000) which are categorised under sales to the U.S. and Australia respectively for the year ended 31 December 2010 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.

Information about major customer

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Customer A*	**3,022,686**	5,181,576
Customer B* *(Note)*	**1,416,022**	N/A

Note: The corresponding revenue in 2009 did not contribute over 10% of the total revenue of the Group.

* Revenue from Industrial segment.

5. Other Income, Other Gains and Losses

	2010	2009
	RMB'000	*RMB'000*
Other income		
Government subsidies *(Note)*	**46,490**	32,063
Gain on sales of scrap materials, consumables and dies	**1,844**	1,044
Others	**1,252**	—
Trademark income	**—**	9,118
	49,586	42,225
Other gain and losses		
Exchange (losses) gain	**(63,001)**	2,055
(Loss) gain on change in fair value of investments held-for-trading	**(42)**	134
	(63,043)	2,189
Total	**(13,457)**	44,414

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.

6. Impairment Loss on Property, Plant and Equipment

During the year ended 31 December 2010, the directors conducted a review of the Group's 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 losses of approximately RMB170,000,000 have been recognised in respect of machines, which are used in the Group's Construction segment. The recoverable amounts of the relevant assets have been determined on the basis of their values in use. The discount rate in measuring the amounts of values in use in relation to those machines was 8%.

7. Income Tax Expense

	2010	2009
	RMB'000	*RMB'000*
The charge comprises PRC Enterprise Income Tax		
Current taxation	**914,599**	1,188,290
Withholding tax on intergroup interest income	**9,167**	—
Deferred tax credit	**(42,500)**	—
	881,266	1,188,290

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

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

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	**3,477,133**	4,717,105
Taxation at the PRC income tax rate of 25%	**869,283**	1,179,276
Tax effect of expenses not deductible for tax purpose	**35,555**	10,934
Tax effect of intergroup interest income	**(23,572)**	—
Tax effect of income not taxable for tax purpose	**—**	(1,920)
Taxation for the year	**881,266**	1,188,290

8. Dividend

The final dividend for the year ended 31 December 2010 of HK$0.23 per share, equivalent to RMB0.19 per share, with an aggregate of RMB1,038,347,000, has been proposed by the directors and is subject to approval by the shareholders in general meeting. Such dividend will be distributed from the share premium of the Company.

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 for the year ended 31 December 2009 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.

8. Dividend (Continued)

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.

During the year ended 31 December 2009, the Company declared and paid dividend for the year ended 31 December 2008 of RMB0.25 per share with an aggregate amount of RMB1,000,000,000. The Company also paid dividend with an aggregate amount of RMB2,000,000,000 to the immediate holding company which was declared in October 2008.

9. Earnings per Share

The calculation of the basic and diluted earnings per share for each of the year ended 31 December 2010 and 2009 is based on the consolidated profit attributable to owners of the Company for each of the years ended 31 December 2010 and 2009 and on the number of shares as follows:

	2010	2009
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**5,406,306**	4,916,540
Effect of dilutive potential ordinary shares:		
Share options	**26,091**	28,195
Weighed average number of shares for the purpose of diluted earnings per share	**5,432,397**	4,944,735

10. Trade Receivables

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**749,753**	2,350,309
Less: Allowance for bad and doubtful debts	**(10,948)**	(1,336)
	738,805	2,348,973

10. Trade Receivables (Continued)

For the year ended 31 December 2010, the Group allows an average credit period of 90 days (2009: 90 days) for domestic sales and an average credit period of 180 days (2009: 180 days) for overseas sales. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting date.

	2010	2009
	RMB'000	*RMB'000*
0–90 days	**395,558**	2,300,656
91–180 days	**332,323**	40,176
Over 180 days	**10,924**	8,141
	738,805	2,348,973

11. Trade and Bills Payables

Trade payables

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

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**108,937**	363,896
91 to 180 days	**3,053**	1,925
181 days to 1 year	**352**	689
Over 1 year	**927**	869
	113,269	367,379

Bills Payable

As at 31 December 2010, all the bills payables are repayable within 180 days (2009: 180 days). Bills payable amounted to RMB1,100,000,000 were arranged with banks under unsecured credit facilities.

As at 31 December 2009, bills payable amounted to RMB258,000,000 were secured by certain leasehold land, building and machinery of the Group, details are set out in note 13.

12. Capital Commitments

	2010	2009
	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	**586,795**	598,705

13. Pledge of Assets

Apart from the pledged bank deposits, the Group had pledged certain leasehold land, buildings and machinery to secure the bills payables at the end of the reporting period. The pledge of assets other than pledged bank deposits were released in 2010. The carrying values of the assets pledged as at 31 December 2009 were as follows:

	2010	2009
	RMB'000	*RMB'000*
Pledged for banking facilities granted to the Group:		
Leasehold land	**—**	6,939
Buildings	**—**	98,655
Machinery	**—**	429,291
	—	534,885

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group is headquartered in Liaoyang City, Liaoning Province, China. Our manufacturing facilities are strategically located in Liaoning Province, in close proximity to major production areas of aluminium ingots, coal and electricity, which are principal raw materials and energy sources used in our production. 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, as well as in machinery equipment and electric power engineering. Our industrial aluminium extrusion products are manufactured on a customised basis in accordance with customers' specifications and quality standards.

For the year ended 31 December 2010, the Group operated 73 aluminium extrusion presses, including the 125MN oil-driven dual action extrusion press commissioned in early 2009 as one of the largest and most advanced extrusion presses in China and the world. These advanced equipment has enhanced the Group's production capability in industrial aluminium extrusion products, especially large-section products.

To address market challenges, the Group adjusted its strategy under the leadership of the board of directors. Internally, we strengthened corporate management and product research and development capabilities while seeking to optimise our capital cost structures. Market-wise, we sought to reinforce long-term customer relationships and step up marketing efforts. As a result of these initiatives, we are well-positioned for future business development.

For the year ended 31 December 2010, the Group's revenue and profit attributable to shareholders of the Company were approximately RMB10,521,948,000 and RMB2,595,867,000, respectively, representing declines of 24.0% and 26.4%, respectively, as compared to the same period of 2009. Earnings per share for the year ended 31 December 2010 was RMB0.48, representing a decrease of 33.3% as compared to the same period of 2009.

Future Prospects

After years of market-oriented competition and development, the aluminium extrusion sector in China now commands an overall competitive edge in the global market in terms of technological standards, research and development capabilities and product quality. Aiming at lower energy consumption and carbon emissions, light-weight development is the major theme of the transportation, machinery equipment and electric power engineering sectors and more extensive application of industrial aluminium extrusion is set to become a dominant trend in future. These hold out enormous market potential for the Group.

Building from strength to strength, while continuing to enhance our competitive advantage and market leadership in the aluminium extrusion sector, we will seek to develop new growth engines for the Group by further exploring new business venture in aluminium flat rolled products, which is expected to generate synergies with our existing operations, striving to become the world's leading developer and manufacturer of high-end processed aluminium products. The Group intends to drive ongoing business growth via four development strategies as follows:

I. Optimising production capacity: Capacity expansion for high value-added industrial aluminium extrusion products will be ongoing, and new, large-scale extrusion presses will be installed and put into operation to provide additional capacity for large-section industrial aluminium extrusion products.

II. Strengthening research and development: The Group will continue to enhance its aluminium alloy smelting and casting capabilities with a view to improving its high-end product development capabilities. Meanwhile, the Group will also develop deep-processing technologies for industrial aluminium extrusion products, so as to expand its product offerings to include different types of processed aluminium products in finished or semi-finished form.

III. Intensifying market development efforts: As the largest consumer of industrial aluminium extrusion and aluminium alloy products, China has rising demand for high-end products in this category. The Group plans to redeploy its resources to increase its market shares in the domestic sectors of transportation, machinery equipment and electric power engineering. In addition, the Group will also step up its market development efforts in other countries and regions in order to build a diversified income base.

IV. Developing high value-added aluminium flat rolled products: Capitalising on its existing technological edge and customer resources in the industrial aluminium extrusion segment, the Group plans to develop the synergistic high value-added aluminium flat rolled product business. High value-added aluminium flat rolled products, mainly consisting of medium-to-high thickness plates, high-end foils and sheets, etc., are principally applied in sectors such as aviation and aerospace, vessel, railway transportation, automobile, machinery equipment, packaging and electronics, etc. Diversification to this flat rolled product business will not only enable the Group to further leverage its leading edge in aluminium alloy smelting and product research, but will also help create synergies with the existing business by taking full advantage of its customer base and market resources in downstream application sectors.

The Group will continue to focus its resources on the Chinese market as a base for development and growth. While industrial aluminium extrusion and other processed aluminium products are the core products of the Group, it will grow new revenue streams through the development of new markets and products. Facilitated by these strategies, the Group has begun a new chapter in its committed efforts to create favourable returns for the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview

We are the largest industrial aluminium extrusion product developer and manufacturer in Asia and China. The principal activities of the Group are the research, development, production and sale of a wide range of 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.

For the year ended 31 December 2010, the Group's revenue and profit attributable to shareholders of the Company were approximately RMB10,521,948,000 and RMB2,595,867,000 respectively, representing declines of 24.0% and 26.4%, respectively, as compared to the same period of 2009. Earnings per share for the year ended 31 December 2010 were RMB0.48, representing a decrease of 33.3% as compared to the same period of 2009.

The Group will focus its resources on the Chinese market as a base for development and growth. While industrial aluminium extrusion and other processed aluminium products will be taken as the core of our business, we will build diversified revenue streams through active development of new markets.

II. Analysis of Market Environment

Macro Economic Review for 2010

During 2010, the global economy continued to walk out of the shadow of the international financial crisis. Economies worldwide kept on improving and the United States launched quantitative easing monetary policy to accelerate the pace of recovery from the crisis. China continued to consolidate and expand its progress in overcoming the impact of the international financial crisis in 2010. In spite of the gradual withdrawal of unconventional stimulus policies against the international financial crisis, the Chinese economy retained its good momentum of development. Adjustment and transformation of industrial structure was under way, while the pressure of inflation continued to accumulate. At the same time, the government kept on introducing initiatives to curb high property prices and inflation. The economy was in a situation complicated by multi-factors.

According to the preliminary estimates of the National Bureau of Statistics, China's GDP amounted to RMB39,798.3 billion in 2010, representing a 10.3% growth calculated at comparable prices or 1.1 percentage point rise in growth rate over the previous year. During 2010, the total value added output of industrial enterprises above designated size increased by 15.7% as compared to the previous year, or 4.7 percentage point rise in growth rate over the previous year. In particular, heavy industries recorded a growth of 16.5% while light industries increased by 13.6%. From January to November 2010, industrial enterprises above designated size in China realized profits of RMB3,882.8 billion, representing a growth of 49.4% as compared to corresponding period of the previous year.

Processed Aluminium Industry

Overview of the Chinese Aluminium Extrusion Product Industry 2010

In response to the complicated international economic and financial situations, the Chinese government stepped up its macro economic control measures in 2010. Bolstering domestic demand, transforming the pattern of economic growth and upgrading the industrial structure became the fundamental ways to deal with the economic crisis. Against this backdrop, the scale of infrastructure investments was enlarged and the pace of urbanization was accelerated. Specifically, further efforts to enhance the development in transportation, new energy and other industries promoted applications of aluminium extrusion products in construction and industrial fields. Thus, the aluminium extrusion industry in China recorded significant growth in 2010 in terms of both production capacity and production volume.

In 2010, the competition within the construction aluminium extrusion product sector further intensified. Because of the low barriers of entry, new entrants into the business grew rapidly and the problem of product homogeneity worsened, reducing the profit margin in manufacturing general construction aluminium extrusion products. At the same time, the production of energy-saving aluminium doors and windows has gradually become the major trend. The energy conservation and emission reduction policy of China will give rise to new business opportunities for the production of energy-saving windows and doors.

In 2010, the development of the industrial aluminium extrusion product sector was on the right track. The trend of aluminium extrusion products replacing steel and other industrial materials continued. The scale of the sector continued to expand. On the one hand, the usage of high-end industrial aluminium extrusion products was broadened further. Besides expanding in fields such as rail transportation and automobile manufacturing, the use of such products also extended to electronics, electrical appliance and new energy industries and other market segments. On the other hand, the trend of the aluminium extrusion industry extending to downstream deep processing products began to emerge. Manufacturers of aluminium extrusion products started to provide finished or semi-finished products for transportation, electrical and mechanical, machinery, consumer electronics and other various downstream areas. This could increase added value while realizing the sustainable development of aluminium extrusion industry.

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 2010, the overall price fluctuation of aluminium ingots was relatively stable compared to 2008 and 2009. The average annual price of domestic aluminium ingots increased from RMB13,620 per ton in 2009 to RMB15,791 per ton in 2010, representing a growth of 15.9%. As to the monthly price movement trend, aluminium ingots recorded a drop in the first half of 2010 followed by a rebound in the second half of 2010. Monthly aluminium price on the Shanghai Futures Exchange declined from RMB16,791 per ton in January 2010 to RMB14,592 per ton in June 2010. After the bottoming out in the middle of the year, the price increased month by month to RMB16,006 per ton in December 2010.

On the London Metal Exchange, the average annual price of aluminium ingots increased from US$1,674 per ton in 2009 to US$2,173 per ton in 2010, representing a growth of 29.8%.

Anti-dumping and Countervailing Measures

The Group's revenue from export sales may be adversely affected by amendments to or changes in the relevant policies, laws and regulations of the countries and regions to which our products are distributed. During April 2010, the Commerce Department and the International Trade Commission of the United States commenced investigations of Chinese exports of certain aluminium extrusion products to the U.S. pursuant to their anti-dumping and countervailing regulations. The U.S. Department of Commerce announced its preliminary countervailing duty determination and preliminary anti-dumping duty determination on 31 August and 28 October 2010 respectively. According to the preliminary determination, our Group, together with the majority of aluminium extrusion product manufacturers in China, will be subject to a countervailing duty and an anti-dumping duty of 137.65% and 33.18%, respectively. In accordance with the relevant procedures, the final determinations have to be confirmed by the U.S. International Trade Commission before being released by the U.S. Department of Commerce. The final determinations are expected to be published by the end of March 2011.

The revenue from the sales to the U.S., the Group's major export market of aluminium extrusion products, accounted for 40.8% and 29.1% of our total sales revenue for the year ended 31 December 2009 and 2010, respectively. If the U.S. Department of Commerce decides in its final determination to impose high anti-dumping and countervailing duties on certain Chinese aluminium extrusion exports, the Group's exports to the U.S. will be adversely affected and our policies and strategies of export sales to the U.S. will be adjusted accordingly. The Group will continue to closely monitor the progress of the investigations.

Australia is another major country to which we export our products. For the years ended 31 December 2009 and 2010, the Group's export sales to Australia amounted to RMB440,274,000 and RMB1,572,467,000, respectively, representing 3.1% and 14.9% of our respective total sales revenue during the same periods. Australia also launched its countervailing and anti-dumping investigations of aluminium extrusions originated from China in June 2009. The country released its final countervailing and antidumping determination on October 28, 2010. Apart from certain companies which have been imposed separately determined duties, our Group, together with other Chinese aluminium extrusion product manufacturers, is subject to a countervailing duty of 18.4% and an anti-dumping duty of 25.7%. The Group's sales to Australia have been adversely affected by the rulings to a certain extent.

The Group has stepped up its efforts to develop markets in other countries and regions and enlarge its market share in the Chinese domestic market and other overseas markets, so as to offset the adverse impact from the relevant anti-dumping and countervailing measures adopted by some target countries or regions of the Group's exports.

III. Business Directions

Expansion of Production Capacity

As at 31 December 2010, our production capacity was 640,000 tons, representing a 6.7% growth compared to 600,000 tons as at 31 December 2009. The Group will continue to expand its production capacity in 2011 according to its plan.

As at 31 December 2010, the Group had 73 aluminium extrusion presses. Among which, the 125MN oil-driven dual action aluminium extrusion press commissioned in early 2009 is one of the largest and most advanced extrusion presses in China or even in the world. The sophisticated equipment enhances our production capacity for industrial aluminium extrusion products, especially for large cross-section products.

Progress in Acquisitions

On 9 February 2010, Liaoning Zhongwang Group Co., Ltd. ("**Liaoning Zhongwang**"), a wholly-owned subsidiary of the Company, entered into a framework agreement with certain independent third parties (the "**Sellers**") to acquire Qinghai Guoxin Aluminium Industry Incorporated Company (the "**Target Company**"). However, further negotiations with both the Target Company and the Sellers were terminated by the Company because the Company was unable to reach consensus with the Sellers and on the proposed acquisition. Looking ahead, the Company will continue to consider potential future investment opportunities, striving to enhance our overall competitive advantage.

Market and Business Overview

Our total export sales of industrial aluminium extrusion products amounted to 122,368 tons in 2010, a drop of 29.6% as compared to 173,832 tons sold within the year of 2009. The Group's revenue from export sales was adversely affected by amendments to or changes in the relevant policies, laws and regulations of the countries and regions to which our products were distributed.

Domestically, the Group strengthened its long term cooperative relationship with its customers and continued to develop its business with existing customers.

During the year ended 31 December 2010, the Group had 452 research and development and quality control personnel. Research and development and quality control personnel accounted for 15.2% 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 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. In 2010, our research and development expenditures accounted for approximately 0.3% of the Group's sales revenue.

In 2010, the Group received government subsidies of approximately RMB46,490,000, mainly from the Finance Bureau of Liaoyang City and the local government of the Liaoyang City, for the purpose of subsidising the technical research and marketing expenses of the Group.

IV. Financial Review

For the year ended 31 December 2010, the Group's revenue amounted to RMB10,521,948,000, representing a decrease of 24.0% from 2009. Profit attributable to the shareholders of the Company amounted to approximately RMB2,595,867,000, representing a decrease of 26.4% from 2009. Earnings per share for 2010 was RMB0.48, representing a decrease of 33.3% from 2009.

A comparison of the financial results for the years ended 31 December 2010 and 2009 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 year ended 31 December 2010 and 2009:

	For the year ended 31 December									
	2010					2009				
	Revenue *(RMB'000)*	**%**	**Sales Volume** *(tons)*	**%**	**Average selling price** *(RMB/ton)*	Revenue *(RMB'000)*	%	Sales Volume *(tons)*	%	Average selling price *(RMB/ton)*
Industrial aluminium extrusion products	**9,997,194**	**95.0%**	**318,970**	**91.8%**	**31,342**	11,502,286	83.0%	370,833	74.3%	31,017
Construction aluminium extrusion products	**524,754**	**5.0%**	**28,488**	**8.2%**	**18,420**	2,350,422	17.0%	128,386	25.7%	18,307
Total	**10,521,948**	**100.0%**	**347,458**	**100.0%**	**30,283**	13,852,708	100.0%	499,219	100.0%	27,749

The Group's revenue decreased by 24.0% from approximately RMB13,852,708,000 for the year ended 31 December 2009 to approximately RMB10,521,948,000 for the year ended 31 December 2010. In particular, revenue from industrial aluminium extrusion products decreased by 13.1% from approximately RMB11,502,286,000 for the year ended 31 December 2009 to approximately RMB9,997,194,000 for the year ended 31 December 2010 while revenue from construction aluminium extrusion products decreased by 77.7% from approximately RMB2,350,422,000 for the year ended 31 December 2009 to approximately RMB524,754,000 for the year ended 31 December 2010. Such decreases were mainly due to two reasons. On the one hand, we put more efforts in business transition from construction aluminium extrusion product segment to industrial aluminium extrusion product segment by strengthening the research and development, production and market development of industrial aluminium extrusion products with higher added value, leading to a substantial drop in the sales of construction aluminium extrusion products. On the other hand, our export sales of aluminium extrusion products for the second half of 2010 decreased as a result of the impact of the relevant anti-dumping and countervailing duties investigations by the US government.

In terms of product mix, we maintained our business focus on industrial aluminium extrusion products. Contribution of industrial aluminium extrusion products to the Group's sales volume substantially increased from 74.3% for 2009 to 91.8% for 2010, and the share of this segment in revenue even grew from 83.0% for 2009 to 95.0% for 2010. On the contrary, the contribution by construction aluminium extrusion products to the Group's sales volume and revenue decreased to 8.2% and 5.0% for 2010 from 25.7% and 17.0% for 2009, respectively.

Total sales volume of the Group decreased to 347,458 tons for the year ended 31 December 2010 from 499,219 tons for the year ended 31 December 2009. Sales volume of our industrial aluminium extrusion products decreased to 318,970 tons for the year ended 31 December 2010 from 370,833 tons for the year ended 31 December 2009. Sales volume of our construction aluminium extrusion products decreased to 28,488 tons for the year ended 31 December 2010 from 128,386 tons for the year ended 31 December 2009.

The average selling price of our products increased from RMB27,749 per ton for the year ended 31 December 2009 to RMB30,283 per ton for the year ended 31 December 2010. Specifically, average selling price of our industrial aluminium extrusion products increased from RMB31,017 per ton for the year ended 31 December 2009 to RMB31,342 per ton for the year ended 31 December 2010, while the average selling price of our construction aluminium extrusion products increased from RMB18,307 per ton for the year ended 31 December 2009 to RMB18,420 per ton for the year ended 31 December 2010. The average selling price of our products increased by 9.1% in the year ended 31 December 2010 compared to the same period of the previous year, primarily due to an increase of 16.5% in the average purchasing price of aluminium ingots coupled with an increase of 3.8% in the average processing fee in 2010. The increase in the average selling price of the Group's industrial aluminium extrusion products was mainly attributable to the increase of average purchasing price of aluminium ingots, partially offset by a 8.3% decrease in processing fees charged by us. In respect of the construction aluminium extrusion products, as the average processing fee charged by us decreased by 27.7%, while the average purchasing price of aluminium ingots increased year on year, the average selling price of the construction aluminium extrusion products basically remained stable.

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 2010, our revenue from overseas amounted to approximately RMB4,675,982,000 (2009: RMB6,099,577,000), representing 44.4% (corresponding period in 2009: 44.0%) of the Group's total revenue.

The following sets forth the breakdown of our revenue by geographical regions for the years ended 31 December 2009 and 2010:

	For the year ended 31 December			
	2010		2009	
	(RMB'000)	**%**	*(RMB'000)*	%
PRC	**5,845,966**	**55.6**	7,753,131	56.0
U.S.	**3,066,528**	**29.1**	5,657,877	40.8
Australia	**1,572,467**	**14.9**	440,274	3.1
Others	**36,987**	**0.4**	1,426	0.1
Total	**10,521,948**	**100.0**	13,852,708	100.0

As a result of the uncertainties arising from U.S. anti-dumping and countervailing investigations, the Group's export sales to the U.S. declined in the second half of 2010. For the year ended 31 December 2010, the Group's export sales to the U.S. decreased as compared to the previous year. Our sales revenue derived from the U.S. decreased by 45.8% from approximately RMB5,657,877,000 for the year ended 31 December of 2009 to approximately RMB3,066,528,000 for the year ended 31 December 2010. Meanwhile, the Group actively developed overseas markets in other regions in order to alleviate the adverse effects of amendments to legal policies of the countries and regions to which our products were distributed. On the other hand, the PRC domestic market has always been of paramount importance to our Group. We, therefore, plan to further strengthen our development in the domestic market by enriching product offering and broadening customer base.

Cost of Sales

Cost of sales decreased by 27.1% from approximately RMB8,562,633,000 for the year ended 31 December 2009 to approximately RMB6,245,568,000 for the year ended 31 December 2010. Cost of sales for our industrial aluminium extrusion products decreased by 11.5% from approximately RMB6,482,424,000 for the year ended 31 December 2009 to approximately RMB5,737,571,000 for the year ended 31 December 2010. Cost of sales for our construction aluminium extrusion products decreased by 75.6% from RMB2,080,209,000 for the year ended 31 December 2009 to RMB507,997,000 for the year ended 31 December 2010. The decrease in cost of sales of the Group was mainly due to the decline in total production volume during 2010 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 Margin

The Group's gross profit decreased by 19.2% from approximately RMB5,290,075,000 for the year ended 31 December 2009 to approximately RMB4,276,380,000 for the year ended 31 December 2010.

Our overall gross profit margin increased from 38.2% for the year ended 31 December 2009 to 40.6% for the year ended 31 December 2010 mainly because the Group benefited from the successful shifting of its business focus to industrial aluminium extrusion products. The share of sales volume of industrial aluminium extrusion products increased significantly from 74.3% for 2009 to 91.8% for 2010. Gross profit margin of our industrial aluminium extrusion products for the year ended 31 December 2010 was 42.6% compared to 43.6% for the year ended 31 December 2009. Decrease in gross profit margin of our industrial aluminium extrusion products was mainly due to increases in average purchasing prices of aluminium ingots and decreases in average processing fees of industrial aluminium extrusion products sold domestically.

Gross profit margin of our construction aluminium extrusion products decreased from 11.5% for the year ended 31 December 2009 to 3.2% for the year ended 31 December 2010, primarily due to the more ferocious competition in the construction aluminium extrusion product market that led to a decrease in average processing fees. In response, the Group began to shift its strategic business focus to industrial aluminium extrusion products a few years ago, focusing on the research and development, production and sales of these products. The importance of construction aluminium extrusion products of the Group faded gradually as a result.

The following sets forth the breakdowns of the Group's gross profit, share in gross profit and gross profit margin by product segments for the year ended 31 December 2009 and 2010:

	For the year ended 31 December					
	2010			2009		
	Gross profit ***(RMB'000)***	**%**	**Gross margin** **%**	Gross profit *(RMB'000)*	%	Gross margin %
Industrial aluminium extrusion products	**4,259,623**	**99.6%**	**42.6%**	5,019,862	94.9%	43.6%
Construction aluminium extrusion products	**16,757**	**0.4%**	**3.2%**	270,213	5.1%	11.5%
Total	**4,276,380**	**100.0%**	**40.6%**	5,290,075	100.0%	38.2%

Bank Interest Income

Interest income increased by 34.8% from approximately RMB48,060,000 for the year ended 31 December 2009 to approximately RMB64,807,000 for the year ended 31 December 2010 which was mainly due to an increase in the balance of our bank deposits.

Other Income, Other Gains and Losses

Net losses of other income, other gains and losses amounted to approximately RMB13,457,000 for the year ended 31 December 2010, whereas we had net revenue of approximately RMB44,414,000 for the same period of 2009. The change was mainly due to: (i) foreign exchange losses of RMB63,001,000 for the year ended 31 December 2010 compared to gains of RMB2,055,000 for the year ended 31 December 2009. The Group's foreign exchange losses in 2010 mainly reflected the impact of the continuous drop in USD exchange rate on the Group's sales settled in foreign currencies and foreign currency deposits; and (ii) no trademark fees recorded for the year ended 31 December 2010 compared to trademark fees of RMB9,118,000 for the year ended 31 December 2009. Pursuant to an agreement for the use of trademark between Liaoning Zhongwang and Liaoning Hong Cheng Vinyl Profile Co., Ltd. ("**Hong**

Cheng"), Liaoning Zhongwang agreed to grant Hong Cheng the right to use the Zhongwang trademark in the PRC. During the year ended 31 December 2010, no trademark income was recorded; and (iii) government subsidies of approximately RMB46,490,000 for the year end 31 December 2010 compared to approximately RMB32,063,000 for the year ended 31 December 2009. The aggregate amount of government subsidies for research and development received by us each year is determined and distributed by relevant PRC authorities at their sole discretion.

Selling and Distribution Costs

Selling and distribution costs primarily consist of advertising and promotional expenses, wages and salaries of sales staff and transportation costs. These costs increased slightly by 4.7% to approximately RMB137,020,000 for the year ended 31 December 2010 from approximately RMB130,887,000 for the year ended 31 December 2009. The increase was mainly due to higher advertising and promotion expenses in 2010 as compared to the previous year.

Administrative and Other Operating Expenses

Administrative and other operating expenses, mainly comprising wages, salaries and benefit expenses, intermediary fees, depreciation of office equipment, share option charges and other expenses, increased slightly by 5.9% to approximately RMB181,043,000 for the year ended 31 December 2010 from approximately RMB170,907,000 for the year ended 31 December 2009. The increase was primarily due to an increase of approximately RMB30,599,000 in operating expenses such as wages and salaries and office equipment depreciation from RMB120,632,000 for 2009 to RMB151,231,000 for 2010 as the Group's operating scale expanded, which was partially offset by a decrease of approximately RMB20,463,000 in the non-cash outflow charges arising from the pre-IPO share options measured at fair value from approximately RMB50,275,000 for 2009 to approximately RMB29,812,000 for 2010.

Impairment Losses on Property, Plant and Equipment

During the year ended 31 December 2010, the economic benefits derived from the coating processes of construction aluminium extrusion products further contracted, As a result, we performed impairment tests for the equipment related to the coating business. The impairment losses were determined by comparing the discounted present value of future net cash expected to be derived from continuous operation of the equipment related to the coating business with the net book value of the equipment. For the year ended 31 December 2010, the equipment related to the coating business, which had an original value of approximately RMB1,145,825,000, carried a net book value of approximately RMB583,991,000 and approximately RMB413,991,000 respectively before and after the provision of impairment losses of approximately RMB170,000,000.

Listing Expenses

For the year ended 31 December 2009, 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 were incurred. We did not have this kind of expenses during 2010.

Finance Costs

Our finance costs increased by 10.8% from RMB327,092,000 for the year ended 31 December 2009 to RMB362,534,000 for the year ended 31 December 2010, which was mainly due to increases in our bank borrowings and debentures for general operations and the average loan interest rate in 2010, as compared to the same period of the previous year. For the year ended 31 December 2009 and 2010, the bank loans carried average interest rates of 4.99% and 5.42 % per annum, respectively.

Profit before Taxation

Our profit before taxation decreased by 26.3% from approximately RMB4,717,105,000 for the year ended 31 December 2009 to approximately RMB3,477,133,000 for the year ended 31 December 2010, which was primarily due to the above factors described in this section headed "Financial Review".

Income Tax Expense

Our income tax expense decreased by 25.8% from approximately RMB1,188,290,000 for the year ended 31 December 2009 to approximately RMB881,266,000 for the year ended 31 December 2010, which was mainly due to a decrease in profit before taxation. Our effective tax rates for the year ended 31 December 2009 and 2010 were 25.2% and 25.3%, respectively.

Profit Attributable to Shareholders

Our profit attributable to shareholders decreased by 26.4% from RMB3,528,815,000 for the year ended 31 December 2009 to RMB2,595,867,000 for the year ended 31 December 2010. Our net profit margin decreased from 25.5% for the year ended 31 December 2009 to 24.7% for the year ended 31 December 2010, which was mainly due to the above factors described in this section headed "Financial Review".

Cash Flows

The following sets forth the cash flows of the Group for the year ended 31 December 2009 and 2010:

	For the year ended 31 December	
	2010	2009
	(RMB'000)	*(RMB'000)*
Net cash from operating activities	**4,955,451**	3,355,257
Net cash from/(used in) investing activities	**777,218**	(1,885,729)
Net cash (used in)/from financing activities	**(2,178,861)**	7,978,219

Net Current Assets

As our capital structure and cash flow improved, we had net current assets of approximately RMB15,274,112,000 as at 31 December 2010 (31 December 2009: approximately RMB12,433,428,000).

Liquidity

As a result of our sound business development, our financial position was stronger than before. As at 31 December 2010 and 2009, we had bank balances and cash of approximately RMB17,263,372,000 and approximately RMB13,709,564,000, respectively, and balances of pledged bank deposits of approximately RMB12,721,000 and approximately RMB63,082,000, respectively.

Borrowings

As at 31 December 2010, our debentures and bank loans amounted to approximately RMB7,062,454,000, a decrease of approximately RMB590,870,000 as compared with approximately RMB7,653,324,000 as at 31 December 2009. The decrease was primarily due to the fact that our Group repaid two tranches of short-term debentures of RMB1,000,000,000 each in September and November 2010, respectively, whereas we issued, on the inter-bank bond market and with the Agricultural Bank of China as the lead underwriter, debentures of RMB1,200,000,000 with a maturity period of three years in November 2010.

For the year ended 31 December 2010, our borrowings shown under current liabilities amounted to approximately RMB2,132,454,000 (2009: RMB2,626,000,000) and borrowings shown under non-current liabilities amounted to approximately RMB3,730,000,000 (2009: RMB3,027,324,000).

We repay the majority of our indebtedness with cash flow generated from operation. Our gearing ratio decreased by approximately 5.2 percentage points to approximately 36.8% as at 31 December 2010 compared to approximately 42.0% as at 31 December 2009. Our asset and liability structure was further optimized. The ratio was calculated by dividing total liabilities over total assets.

Pledged Assets

As at 31 December 2009, save for the pledged bank deposits, the Group's leasehold land, buildings and machineries with carrying value of approximately RMB534,885,000 had been pledged as security for bank facilities acquired by us. As at 31 December 2010, apart from pledged bank deposits, the Group had not pledged any assets for bank facilities or debentures.

Contingent Liabilities

For the year ended 31 December 2009 and 2010, the Group had no material contingent liabilities.

Employees

As at 31 December 2010, the Group had approximately 2,979 full-time employees for, inter alia, production, research and development, sales and management. During the period, relevant employee costs (including Directors' remuneration) were approximately RMB196,866,000 (including share option charges of RMB29,812,000) as compared with approximately RMB185,885,000 as at 31 December 2009 (including share option charges of RMB50,275,000), representing an increase of 5.9%. Employee costs (excluding share option charges) of the Group increased mainly because the number of employees increased. The Group ensured the attractiveness of its employee remuneration packages and granted performance-based bonuses in accordance with general standards set out in the Group's remuneration policy.

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 RMB2.56 billion in aggregate was 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 RMB1.30 billion in aggregate was used for the repayment of loans, while the balance of un-utilised proceeds was deposited in banks.

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 are settled in foreign currencies. As at 31 December 2010, approximately 55.6% of the revenue of the Group was denominated in Renminbi and approximately 44.4% was denominated in USD, and approximately 97.7% of the borrowings of the Group were denominated in Renminbi and the balances 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 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. We did not hedge against foreign exchange risk by using any financial instruments. However, the management of the Group has been monitoring our exchange rate risk, and will consider hedging our major foreign currency risk when required.

Interest Rate Risk

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

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 2010, whereas we had had fixed-rate borrowings of RMB0.47 billion as at 31 December 2009. During the year ended 31 December 2010, the Group issued debentures of RMB1,200,000,000 with a maturity period of three years at an effective interest rate of 4.07% per annum. Whereas during the year ended 31 December 2009, the Group issued two tranches of debentures of RMB1,000,000,000 each with a maturity period of one year at an effective interest rate of 3.49% per annum, which matured in the year 2010.

Risk relating to Price Fluctuations of Aluminium Ingots

Aluminium ingots, aluminium rods, magnesium ingots and silicone ingots are our principal raw materials which accounted for 84.4% and 85.3% of the cost of sales of the Group in 2010 and 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 aluminium ingot forward contracts to hedge against aluminium ingot price change risk.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to maintaining and strengthening 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code. In respect of the year ended 31 December 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 (**Mr. Liu**) performs both the roles of chairman of the Board and the president (i.e. the chief executive officer) of the Company. Mr. Liu is the founder of the Group and has extensive experience in the enterprise operation and management in general. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best 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 fulfilment of the Company's corporate development strategy:

(i) effectiveness and efficiency of operations;

(ii) reliability of financial reporting; and

(iii) compliance with applicable laws and regulation.

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 for the period up to 30 June 2010 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 below:

(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 internal control measures (excluding the Bill Issuance Control) for the First Quarter and the Second Quarter and did not identify any material operating ineffectiveness.

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

Compliance with the Model Code by Directors

The Company has adopted the Model Code for Directors' Securities Transactions (the "**Model Code**") contained in Appendix 10 to 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.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. As at the date of this announcement, 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. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2009, the unaudited interim results for the six months ended 30 June 2010, the annual results for the year ended 31 December 2010 and the Moores Rowland's Review Report for each quarter ended 31 March 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. The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration packages of the Directors and senior management, and evaluate and make recommendations on the retirement scheme and performance assessment system and bonus and commission policies.

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's Review Report and also reviewed the Group's corporate governance matters and its internal control matters related 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 (chairman), Mr. Lu Changqing and Mr. Wen Xianjun.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 5 May 2011 to Thursday, 12 May 2011 (both days inclusive), during which period no transfer of shares will be effected. In order for our shareholders to qualify for the entitlement to the final dividends for the year ended 31 December 2010 and to attend and vote at the annual general meeting to be held on 12 May 2011 (the "**Annual General Meeting**"), all instruments of transfers (including relevant share certificates and transfer forms) must be lodged at the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 4 May 2011.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Final Dividend

The Board recommended to declare a final dividend of HK$0.23 per share (equivalent to RMB0.19 per share), with an aggregate amount of RMB1,038,347,000.

Annual General Meeting

The Annual General Meeting of the Company will be held in Conference Room, 1st Floor, Financial Tower, Liaoning Zhongwang Group Co., Ltd., No. 299, Wensheng Road, Hongwei District, Liaoning City, Liaoning Province, PRC on Thursday, 12 May 2011. Notice of the Annual General Meeting will be issued and disseminated to shareholders in due course.

Publication of Final Results on the Websites of the Stock Exchange and the Company

This announcement will be published on the website of the Stock Exchange and the Company's website (www.zhongwang.com). The annual report for the year ended 31 December 2010 containing all the information required by 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, distributors, 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, 10 March 2011

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

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

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

* *For identification purpose only*