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

* For identification purposes only

COMMITTED TO LIGHT-WEIGHT DEVELOPMENT FOR A GREENER WORLD

ANNUAL REPORT 2011

COMMITTED TO LIGHT-WEIGHT DEVELOPMENT FOR A GREENER WORLD

Our Group's annual report takes as its theme dandelions, which are lighter than a feather but are full of life. They can fly high and afar but once touching the land, they take root in the ground and grow strong. Just like dandelions, our Group rides the global trend of light-weight development and rises to the challenges with courage and perseverance, sparing no efforts in leading and exploring the applications of industrial aluminium extrusion products in the transportation, machinery and equipment, and electric power engineering sectors.

Contents

Corporate Information

Place of Listing
The Stock Exchange of Hong Kong Limited

Stock Code
01333

Executive Directors
Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing
Mr. Chen Yan
Ms. Zhong Hong
Mr. Gou Xihui

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

Audit Committee
Mr. Wong Chun Wa *(Chairman)*
Mr. Wen Xianjun
Mr. Shi Ketong

Nomination and Remuneration Committee
Mr. Wen Xianjun *(Chairman)*
Mr. Liu Zhongtian
Mr. Shi Ketong

Corporate Governance Committee
Mr. Lo Wa Kei, Roy *(Chairman)*
Mr. Wen Xianjun
Mr. Shi Ketong

Strategy and Development Committee
Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing
Mr. Wen Xianjun

Joint Company Secretaries
Mr. Cheung Lap Kei
Mr. Lu Changqing

Authorised Representatives
Mr. Cheung Lap Kei
Mr. Lu Changqing

Principal Bankers
Bank of Communications Co., Ltd., Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Liaoyang City Hongwei District Agricultural Credit Cooperatives
Industrial and Commercial Bank of China Limited, Liaoyang Rongxing Sub-branch
Bank of China Limited, Liaoyang Branch
Agricultural Bank of China, Liaoyang Hongwei Sub-branch

Registered Office
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business in the PRC
No. 299, Wensheng Road
Liaoyang City
Liaoning 111003
PRC

Place of Business in Hong Kong
56/F, Bank of China Tower
1 Garden Road, Hong Kong

Company Website
www.zhongwang.com

Compliance Advisor

Shenyin Wanguo Capital (H.K.) Limited
28/F, Citibank Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

Legal Advisors

As to Hong Kong laws
Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws
Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022, PRC

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway, Hong Kong

Principal Share Registrar in the Cayman Islands

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman
KY1-1107
Cayman Islands

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

Investor Relations Consultant

Porda Havas International Finance Communications Group
Units 2009–2018
20th Floor, Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

Media Relations Consultant

PR ASIA Consultants Limited
5/F, Euro Trade Centre
13-14 Connaught Road Central
Hong Kong

Company Profile

Company Profile

China Zhongwang Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the biggest one in Asia and China[1]. For many years, the Group has been primarily focusing on the light-weight development of transportation, machinery and equipment and electric power engineering sectors through the provision of quality industrial aluminium extrusion products.

The Group was founded in 1993 with its headquarters in Liaoning Province, China. After 19 years of dedicated development, the Group currently owns 79 globally advanced production lines, having a production capacity of over 800,000 tonnes. Among which, the 125MN oil-driven dual action aluminium extrusion press is one of the largest and most advanced presses in China and the world. In addition, we have built world leading aluminium tilt smelting and casting equipment which is closely linked with the industry chain, as well as the largest customized industrial aluminium extrusion product die design and manufacturing centre in Asia.

The Group is principally engaged in the production of high precision, large-section and high value-added industrial aluminium extrusion products which are widely used in transportation (including railway passenger compartments and cargo carriages, metropolitan subway and light rail, automobiles, heavy trucks, vessels, aviation, aerospace, etc.), machinery and equipment and electric power engineering sectors. The Group's unique core competitiveness in the industry lies in our comprehensive strength of our four-in-one model, i.e. the integration of smelting and casting, die design, advanced equipment and research and development capability all under one roof. The Group has won numerous global certifications and accreditations from the railway, automobile, vessel and other industries. The Group now boasts of a solid base of over 1,000 customers in major markets all over the world.

Note:

1. Rankings and relevant information relating to aluminium extrusion product manufacturers in the world are cited from a report prepared by Sunlight Metal Consulting (Beijing) Co. Ltd. dated February 2012.

For further information on the Group, please visit our website at www.zhongwang.com.

On the back of its financial strengths and advantageous market position, the Group will further enhance its production capacity for industrial aluminium extrusion products. With the gradual commissioning of 18 large and advanced extrusion presses of 75MN or above (including 3 extrusion presses of 125MN), the Group's annual production capacity will increase to 1 million tonnes. At the same time, to further leverage our Group's existing advantage in the industry, we will develop in phases the high-end aluminium flat rolled product business with a production capacity of up to 3 million tonnes per year. The first phase of production will commence in 2014 and the overall capacity will be realized in 2018.

The Group will continue to focus on light-weight development in the transportation, machinery and equipment and electrical engineering sectors that aims at reducing energy consumption and facilitating low carbon emission. It will actively seek to sharpen its edge in the industrial aluminium extrusion sector, extend its reach to the high-end aluminium flat rolled product segment and develop aluminium deep-processing technologies, working relentlessly to become the world's top comprehensive manufacturer and developer of premium aluminium processed products.

For further information on the Group, please visit our website at www.zhongwang.com.

Financial Highlights

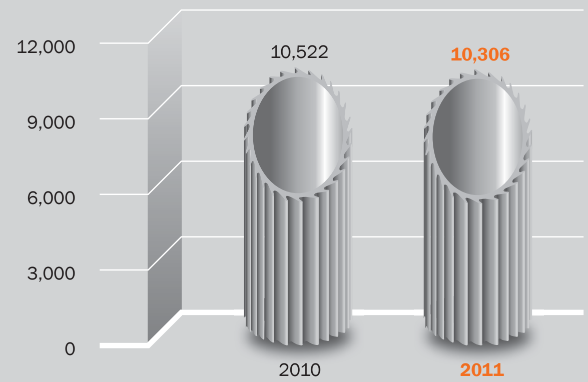
	2011 RMB'000 (Audited)	2010 RMB'000 (Audited)
Revenue	**10,305,694**	10,521,948
Gross profit	**2,222,297**	4,276,380
Profit before taxation	**1,528,025**	3,477,133
Profit attributable to shareholders	**1,105,027**	2,595,867
Earnings per share (note 1)		
Basic (RMB)	**0.20**	0.48
Diluted (RMB)	**0.20**	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

	2011 (Audited)	2010 (Audited)
Current ratio (note 3)	**1.83**	4.74
Inventory turnover in days (note 4)	**77**	53
Trade receivable turnover in days (note 5)	**22**	54
Trade payable turnover in days (note 6)	**107**	64
Gross margin	**21.6%**	40.6%
Gearing ratio (note 7)	**43.6%**	36.8%
Revenue composition — by product		
Industrial aluminium extrusion	**93.6%**	95.0%
Construction aluminium extrusion	**6.4%**	5.0%
Gross profit composition — by product		
Industrial aluminium extrusion	**97.2%**	99.6%
Construction aluminium extrusion	**2.8%**	0.4%

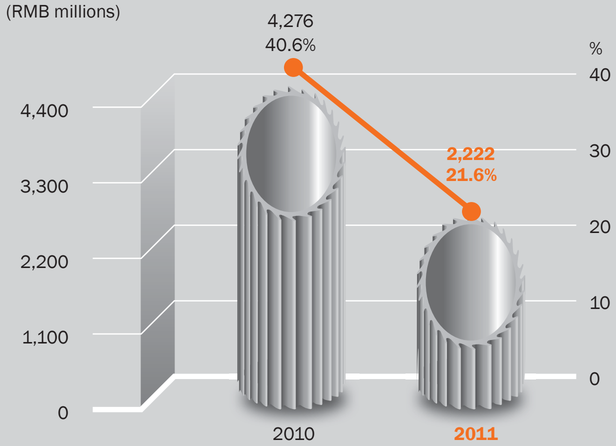
Notes:

1. The calculation of earnings per share was based on the profit attributable to shareholders of the Company for each of the year 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 bank deposits — bank loans — debentures
3. Current ratio = current assets/current liabilities
4. Inventory turnover in days = 365* ((inventory balance at the beginning of the year + inventory balance at the end of the year)/2)/cost of sales for the year
5. Trade receivable turnover in days = 365* ((trade receivables balance at the beginning of the year + trade receivables balance at the end of the year)/2)/sales for the year
6. Trade payable turnover in days = 365* ((trade and bills payables balance at the beginning of the year + trade and bills payables balance at the end of the year)/2)/cost of sales for the year
7. Gearing ratio = total liabilities/total assets* 100%

Revenue
(RMB millions)

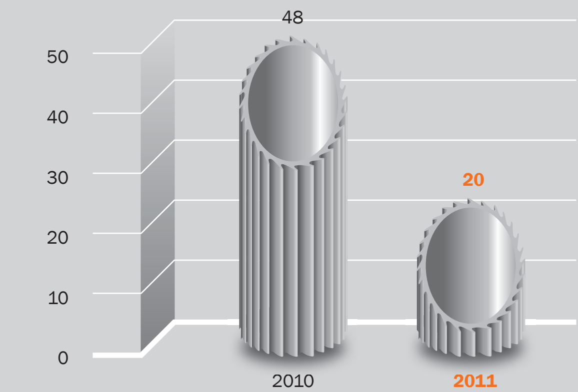


Gross Profit/Gross Margin
(RMB millions)

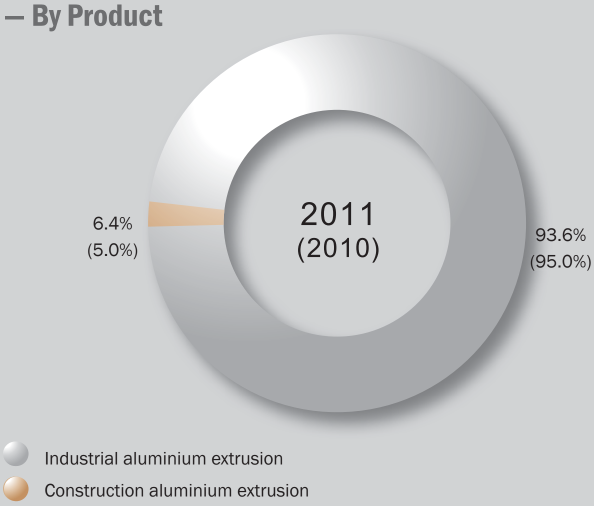


Profit Attributable To Shareholders
(RMB millions)

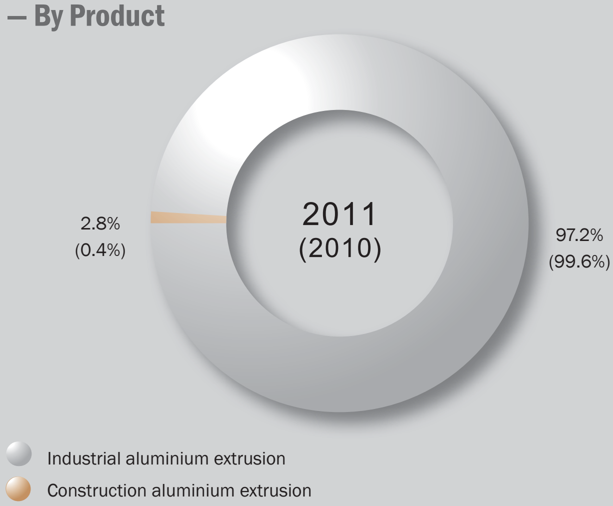
Earnings Per Share (Basic)
(RMB cents)



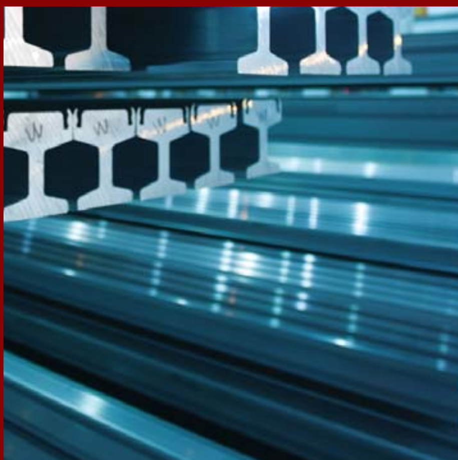
Revenue Composition
— By Product



Gross Profit Composition
— By Product



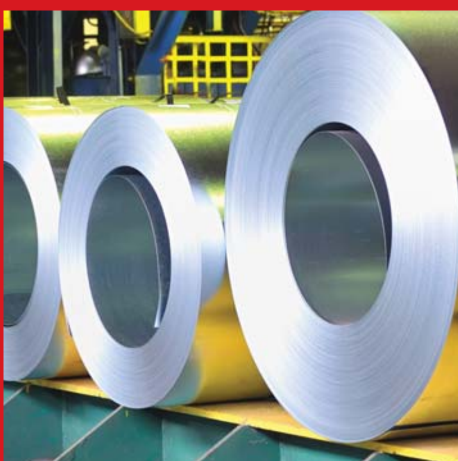
Core Businesses



INDUSTRIAL ALUMINIUM EXTRUSION PRODUCTS

Driving light-weight development as the top choice for lower energy consumption and carbon emissions

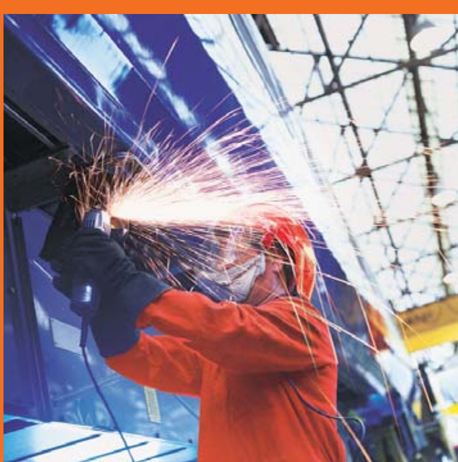
As the world's second largest and Asia's and China's largest industrial aluminium extrusion product developer and manufacturer, the Group continues to optimize its production capacity of high-end large-section industrial aluminium extrusion products. Our annual production capacity will increase to 1 million tonnes by the end of 2012 upon completion of installation in 2011 and 2012 of 18 large extrusion presses, each with a pressing power of 75MN or above.



ALUMINIUM FLAT ROLLED PRODUCTS

A potential growth engine with high entry barrier

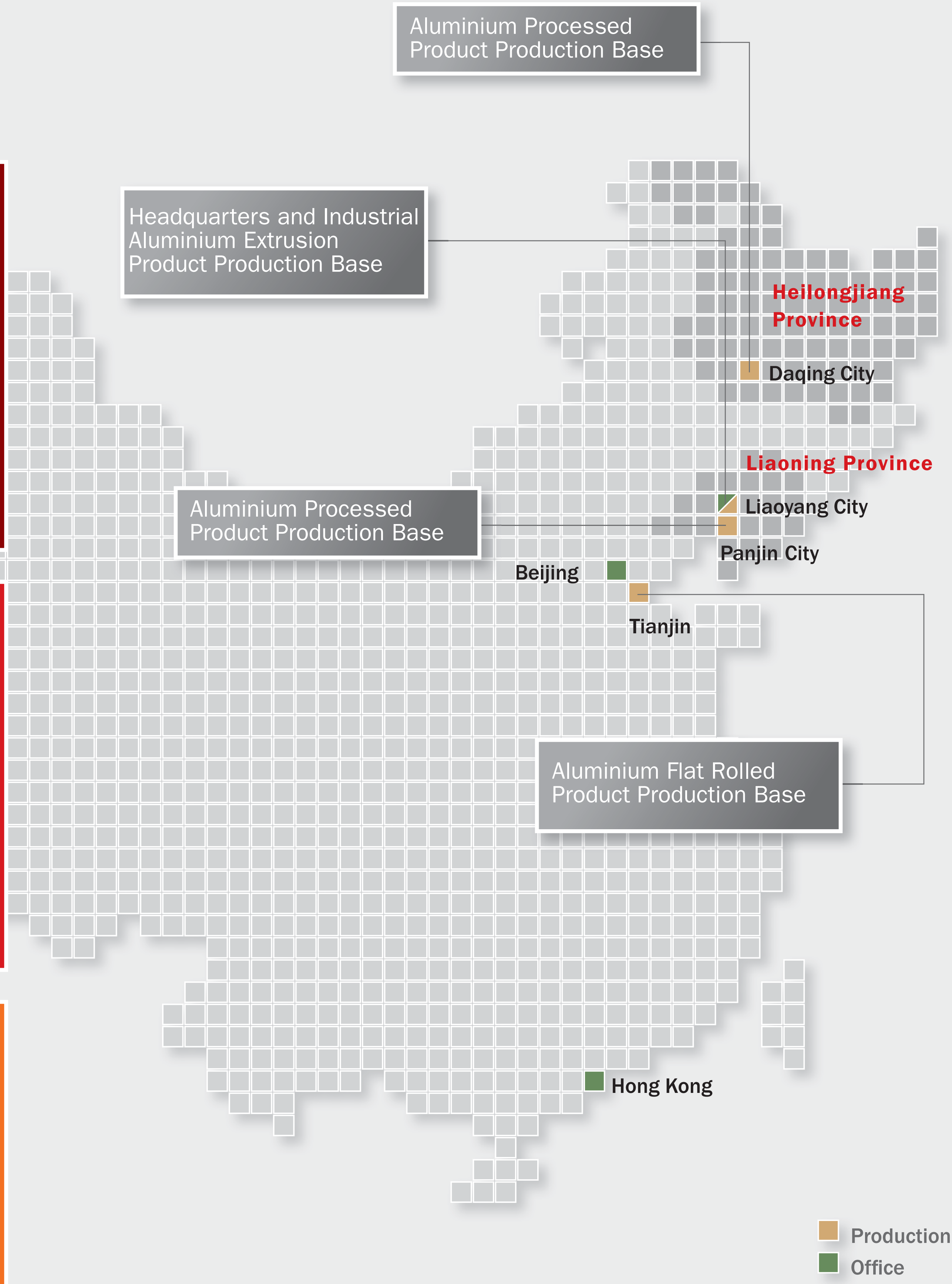
The Group is investing a total of HK$29.5 billion, payable in four installments from 2011 to 2014, to purchase production equipment for aluminium flat rolled products. The investment signifies an important step in extending our reach to the development of high-end and high value-added products. With a total planned production capacity of up to 3 million tonnes, the project is set to become the Group's new profit growth engine.



DEEP-PROCESSED INDUSTRIAL ALUMINIUM PRODUCTS

High value-added services and deep-processed aluminium finished products drive future profit growth

The construction of the industrial aluminium extrusion product deep-processing centre was completed in the first half of 2011 and equipment installation is currently underway. It is expected to drive the Group's earnings growth when it becomes fully operational in 2012.


Aluminium Processed Product Production Base
Headquarters and Industrial Aluminium Extrusion Product Production Base
Heilongjiang Province
Daqing City
Liaoning Province
Aluminium Processed Product Production Base
Liaoyang City
Panjin City
Beijing
Tianjin
Aluminium Flat Rolled Product Production Base
Hong Kong
Production
Office

Year in Review

MAR

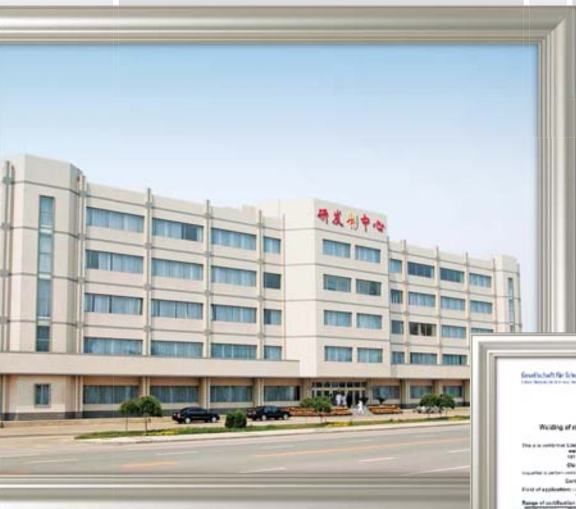
- Established the Post-Doctoral Research Center for enterprises in Liaoning, enhancing R & D capabilities

APR

- The Hong Kong office of China Zhongwang Holdings Limited officially opened
- Received the "Best Business Performance Award" in the "2010 Top 100 Hong Kong-listed Mainland Chinese Companies" Award organised by *Yazhou Zhoukan*

JUN

- Our quality management system verified and certified by China Quality Mark Certification Group in 2011



OCT

- Announced plans to purchase equipment for production of aluminium flat rolled products from Germany and the United States for HK$29.5 billion in a move to extend our reach to the market for high-end aluminium flat rolled products
- Awarded the authoritative EN15085 European Railway Vehicles Welding Certificate

NOV

- First 90MN extrusion press commissioned
- Two pieces of land in Panjin City, Liaoning Province, PRC with a total area of 4.4 million square meters were acquired through auction for an aggregate consideration of RMB643 million. The land will be used for the construction of an aluminium processed product production base

2011

JUL

- 2 additional 75MN extrusion presses commissioned
- Completed the construction of the industrial aluminium extrusion product deep-processing centre and began to install the equipment

AUG

- Awarded IRIS (International Railway Industry Standards) Quality Management System Certification for the second year in a row by the Association of European Railway Industry

SEP

- Accredited the ISO3834 International Welding Fabricator Certification
- Named one of the "Top 10 Influential Companies in Chinese Management Practices 2011" by *Manager Magazine*

- Entered into a joint venture with China Railway Materials Shenyang Company Limited for the establishment of CR Zhongwang Aluminium Company in order to expand our business platform

DEC

- Annual production capacity increased to over 800,000 tonnes
- The project "Commercialization of Aluminium Alloy Vehicle Bodies and Structural Components used in City Railway and High-speed Railway" undertaken by the Group officially recognized as part of the China Torch Program 2011 by the PRC Ministry of Science and Technology

Aluminium extrusion products are widely used in the transportation sector. The trend will promote the light-weight development in this sector towards the target of lower energy consumption and carbon emission, greater loading capacity as well as higher economic efficiency.

ALUMINIUM IS THE SOURCE OF LIGHT-WEIGHT DEVELOPMENT

Chairman's Statement

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited, I present the Annual Report on the Results of the Group for the year ended 31 December 2011 for your review.

Rising to challenges and resolutely forging ahead

Year 2011 saw the Group rising to challenges and resolutely forging ahead. China's exports of industrial aluminium extrusion products to the United States (the "US") fell sharply in 2011, as the nation's aluminium extrusion industry remained in the gloom of the anti-dumping and countervailing duty investigations by the United States. As China's largest manufacturer of industrial aluminium extrusion products, the Group's export business suffered inevitably. Nevertheless, we actively adjusted our market and product strategies to address such abrupt changes in the external business environment by quickly shifting our business focus back to China — the world's largest consumer of aluminium extrusion products. In China, we expanded our customer base comprising mainly state-owned enterprises and enterprises under the direct supervision of the Central Government, while extending our business scope to include the high value-added business of deep-processed industrial aluminium extrusion products as well as the synergistic business of aluminium flat rolled products, all with a view to fostering drivers for long-term growth.

"Light-weight development aimed at energy conservation, discharge reduction and low carbon emission has become a global trend. Because of its light-weight substance, strong performance in corrosion resistance, electric conduction and heat transfer and recyclability, aluminium alloy has become the unrivalled choice of materials for the purpose of reducing fuel consumption and lowering discharge. Market applications of and demand for these products are growing."

Liu Zhongtian
Chairman

Business performance — successive quarterly growth

As a result of the setback in our export business caused by the US Double Investigations, the Group's revenue and profit attributable to shareholders declined to RMB10.31 billion (2010: RMB10.52 billion) and RMB1.11 billion (2010: RMB2.60 billion) during the year under review respectively. On a brighter note, the Group reported quarter-on-quarter net profit growth, which was driven by ongoing market development efforts, capacity expansion and technological advances. Product sales for the full year surpassed the previous year's level on the back of strong sales growth in the China market and rose by 27.4% year-on-year to 442,506 tonnes (2010: 347,458 tonnes). The China market has become the major source of our Group's revenue, generating sales of RMB9.84 billion, representing a 68.3% growth year-on-year and accounting for 95.5% of our total revenue (2010: 55.6%).

First mover in the aluminium business well positioned for further growth

The Group was able to foster economies of scale and to establish market leadership in the aluminium processing sector as a first mover in the business which had consistently focused on the development of aluminium processing industry with special

emphasis on technologies and products. Over the years, the Group had built a very solid foundation in terms of aluminium alloy smelting and casting technologies, die development, product research and development as well as up/downstream network resources, providing an unshakeable cornerstone as the Group sought to tap the aluminium processing market segment. On top of its existing industrial aluminium extrusion business, the Group extended its scope of operations to the deep-processing business and implemented its development plans for the aluminium flat rolled business during the year under review, forming a preliminary business structure with three resource-sharing and complementary core businesses.

Industrial aluminium extrusion products — the source of stable cash flow

The industrial aluminium extrusion business is the fundamental activity of the Group that provides stable cash flow and profit. To increase our production capacity in high-end large-section industrial aluminium extrusion products, the Group adopted plans to acquire in two years eighteen extrusion presses each with a pressing power of 75MN or above. During the year under review, the Group acquired four large-tonnage extrusion presses to bring its annual production capacity as at 31 December 2011 to over 800,000 tonnes (2010: 640,000 tonnes). In addition, seven 75MN extrusion presses, four 90MN extrusion presses and three 125MN extrusion presses, all featuring world-advanced technologies, will be installed by the end of 2012, which will bring the Group's annual production capacity for industrial aluminium extrusion products to over 1 million tonnes.

Aluminium alloy smelting and casting technology underpins one of the core competitive advantages of the Group. The Group has built its own tilt smelting and casting line, one of the largest of its kind in China, which is capable of developing aluminium alloy billets with specified alloy compositions as requested by customers. The Group's aluminium alloy smelting and casting capacity has been further increased following the completion of capacity expansion and upgrade project for the aluminium alloy smelting and casting line in 2011 in support of its capacity expansion plan.

The deep-processing business — a high value-added business that enhances profitability

The Group believes that only a constant drive for the development of high value-added and high-end technologies will sustain the competitiveness of a business in the long run. During the year under review, the Group set up a dedicated team on deep-processing technologies, which was responsible for further processing industrial aluminium extrusion products manufactured by the Group, through procedures such as high-precision welding and surface processing, into finished or semi-finished products ready for use by customers. Small-scale production commenced during the year under review. As deep-processing technologies command higher added value, the gross profit margin of products manufactured through such technologies is generally at a premium to that of industrial aluminium extrusion products.

During the year under review, the Group completed the plant construction of its industrial aluminium extrusion product deep-processing centre, where equipment installation is currently underway. With the full commissioning of the industrial aluminium extrusion product deep-processing centre in the second half of 2012, the Group expects to see expanded production capacity for high margin deep-processed industrial aluminium extrusion products, which will become one of the growth engines in the Group's business performance.

Aluminium flat rolled products — a new project with high entry barrier and strong potential

The Group announced during the year under review details of its plan to launch the business of aluminium flat rolled products. Products proposed for development included high value-added aluminium plates, sheets and foils.

Aluminium flat rolled products 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 15.60 million tonnes in 2009 to 28.00 million tonnes in 2020. The China market will grow at a faster pace than the world average, increasing from approximately 5.90 million tonnes in 2009 to 14.00 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 accounted 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 in an embryonic stage where demands are mainly met by imports, leaving much room for development.

Preliminary work for the Group's aluminium flat rolled project has been underway for some time. Following prudent and meticulous planning and comprehensive market survey and research, the Group is now well prepared in terms of technology, people and capital. In October 2011, the Group announced that it would invest a total of HK$29.5 billion in stages in the next three years to purchase production equipment for aluminium flat rolled products from Germany and the United States. The Group acquired industrial land site in Tianjin through auction for the construction of a production base. Meanwhile, the Group is recruiting industry technical experts from overseas as planned to enhance the building of a technical talent team. The first phase of the project with an annual capacity of 1.8 million tonnes of aluminium flat rolled products is expected to commence production in the second half of 2014, while the total planned annual capacity of 3 million tonnes will be achieved by the end of 2018. Given our Group's technological edge, staff expertise, customer sources and financial strength in the aluminium processing industry, we have full confidence in the future development of this business.

Future Prospects

Light-weight development aimed at energy conservation, discharge reduction and low carbon emission has become a global trend. Because of its light-weight substance, strong performance in corrosion resistance, electric conduction and heat transfer and recyclability, aluminium alloy has become the unrivalled choice of materials for the purpose of reducing fuel consumption and lowering discharge. Market applications of and demand for this product are growing.

China is currently the world's largest producer of aluminium extrusion products accounting for more than 50% of global production capacity as well as volume in aluminium extrusion products. Since recent years, China's aluminium extrusion industry has made significant progress in terms of aluminium alloy smelting and casting, technological equipment, production technologies, and product development. While China is the largest consumer of aluminium extrusion products, however, its application of industrial aluminium extrusion products still lags behind developed nations such as European countries and the United States, especially in the application of high-end products. In view of this, the PRC Government issued a number of important policy documents in late 2011 and early 2012 which had strong relevance for the aluminium processing industry. These policy documents, which include the "12th Five-Year (2011-2015) Development Plan for the Non-ferrous Metal Industry," "Industrial Transformation and Upgrade Plan (2011-2015)" and "12th Five-Year Development Plan for New Materials Industries," have emphasized the importance of aluminium alloy as a high-performance metal material and called for the vigorous development of key projects in aluminium alloy plates for vehicles, large-scale aluminium extrusion products for high-speed trains, medium-to-high thickness aluminium plates for aviation and aerospace industries and aluminium alloy plate materials for cryogenic equipment, highlighting the priority and importance of the development of high-end aluminium products in national policies. Our Group is well-positioned for the future golden period of development for the aluminium processing industry, as it has already implemented a development strategy for high-end industrial extrusion products and aluminum flat rolled products in perfect tandem with the directions of the PRC Government set out in the aforesaid planning documents.

The Group's development planning is in line with the overall trend of China's industrial development. Driven by favourable market conditions and national policies, the Group will focus on developing China's domestic market and sales platform to further bolster its revenue sources for industrial aluminium extrusion products while vigorously developing fine-/deep-processed products to enhance the Group's profitability and provide a growth driver for the medium term. Meanwhile, the Group is advancing its aluminium flat rolled product project in full gear to foster a long-term growth driver and strengthen its leading position in the aluminium processing industry.

Last but not least, may I express, on behalf of the Board, sincere appreciation to our shareholders, customers and business partners for their long-standing support. I must also thank members of the Board and all our staff for their hard work and contribution. The Group will unswervingly implement its three core business development strategies and further improve its operating results, creating sustainable growth and returns for its shareholders.

Thank you.

Liu Zhongtian
Chairman

Hong Kong, 22 March 2012

The Group is committed to optimizing its product portfolio and improving profitability through product upgrades. The Group is equipped with advanced international equipment, including a 16.5 meter vertical quenching furnace, which can enhance the strength of aluminium alloys through a rapid heating and cooling quenching process, based on customer needs, greatly enhancing the application level and competitiveness of our products.

OPTIMIZE THE PRODUCT MIX

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.

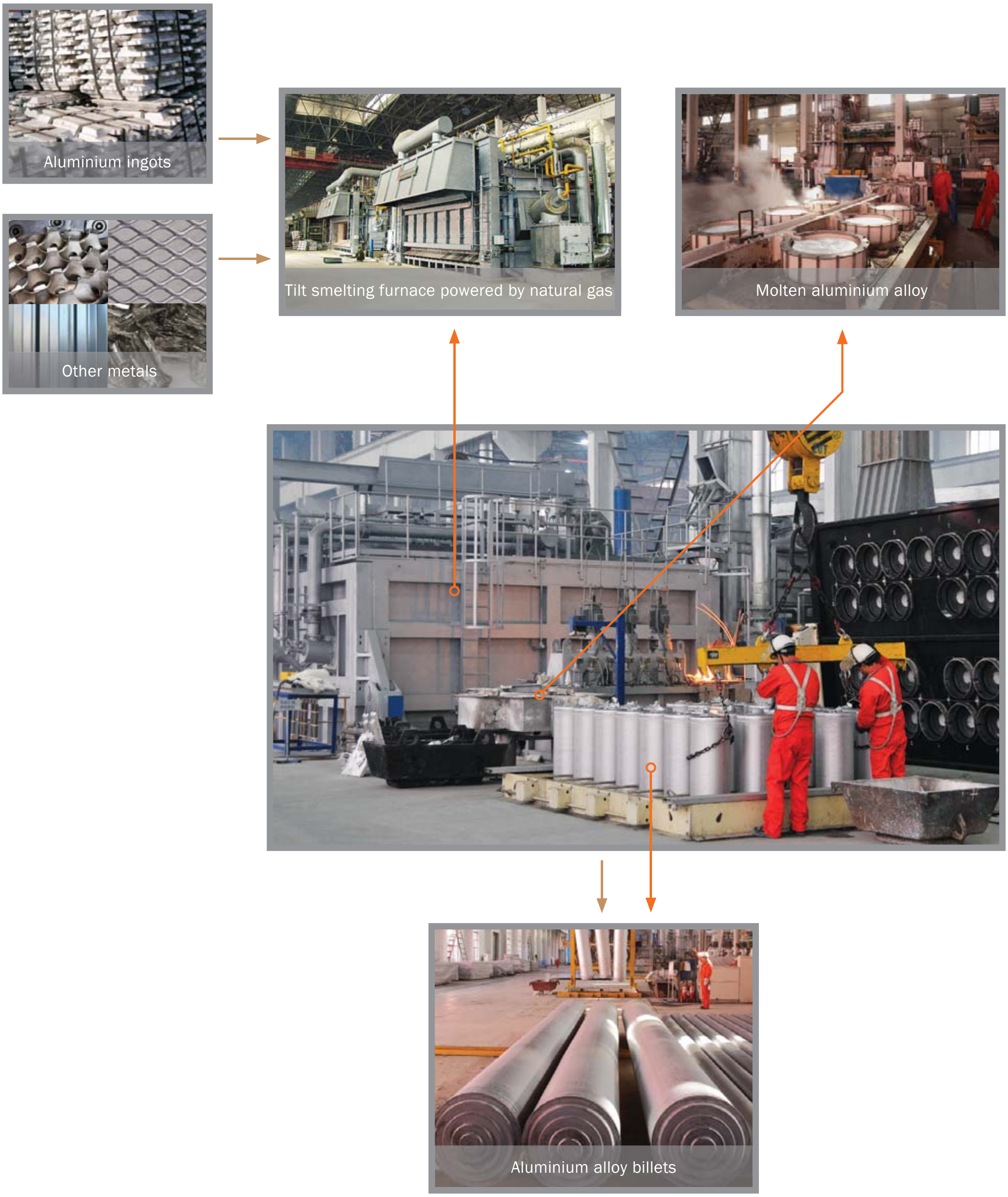
Confronted with a complex and challenging marketplace in 2011, the Group conducted in-depth survey and research of industry development trends and actively adjusted its short-term operating objectives and medium-/long-term development strategies. Internal management was strengthened and rigorous cost 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 in the Group's revenue and profit attributable to shareholders of the Company to approximately

The Group is actively developing new businesses, expanding sources of revenue.

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 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

Smelting and Die Casting of Aluminium Alloy Billets



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 over 2010. Sales volume and revenue generated from the China market amounted to 431,021 tonnes and RMB9,838,586,000, representing a growth of 91.5% and 68.3% over 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 in 2011 fully leveraged, 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% over the previous year.

ENHANCE PRODUCTION CAPACITY OF HIGH-END PRODUCTS

The Group continues to enhance its high value-added industrial aluminium extrusion production capacity with the installation of 18 sets of large-scale extrusion presses in 2011 and 2012. After completing the installation, the Group will have four 125MN extrusion presses in operation, providing additional capacity for large section industrial aluminium extrusion products.

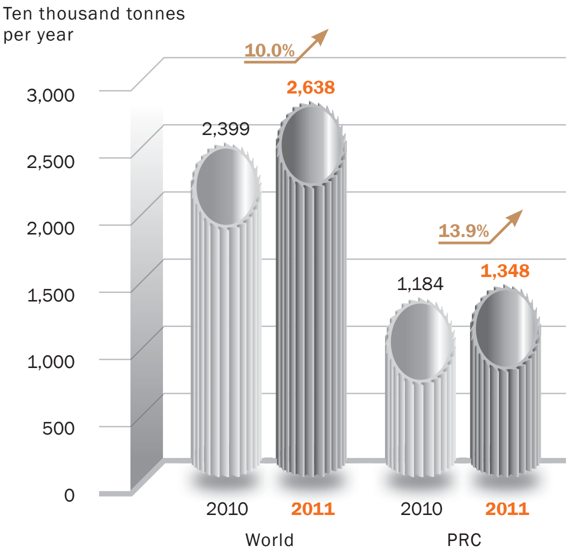

125MN
6063
6061

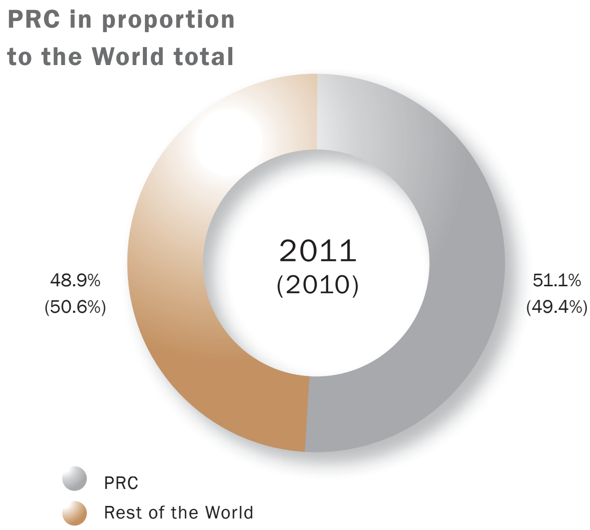
Overview of China's Aluminium Extrusion Product Industry 2011

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.

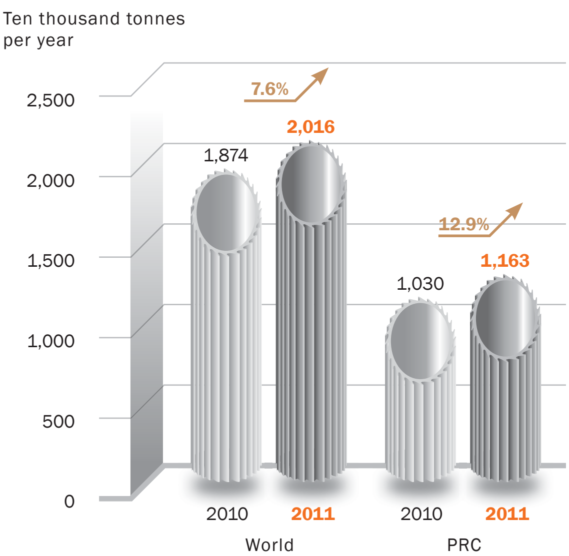
Statistics indicate that global production capacity for aluminium extrusion products was expected to reach 26.38 million tonnes in 2011, growing almost 10.0% from 23.99 million tonnes in 2010. China's production capacity for aluminium extrusion products was expected to grow 13.9% from 11.84 million tonnes 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%).

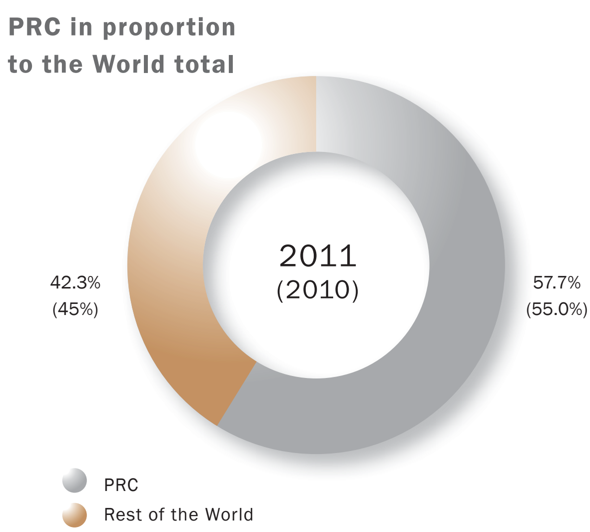
Aluminium extrusion production capacity in the World & PRC





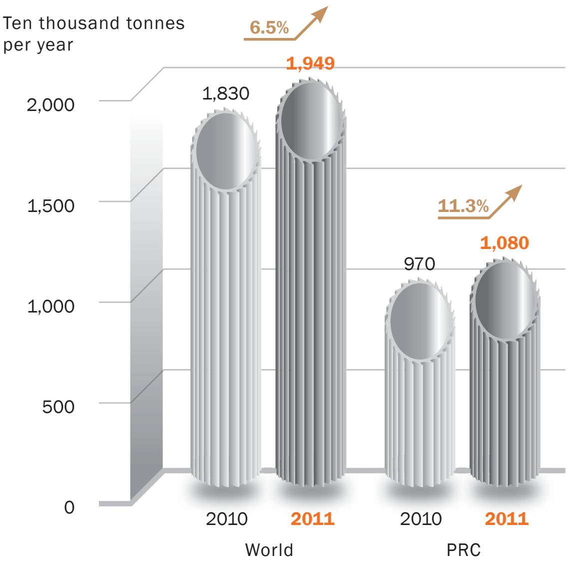
Aluminium extrusion production in the World & PRC



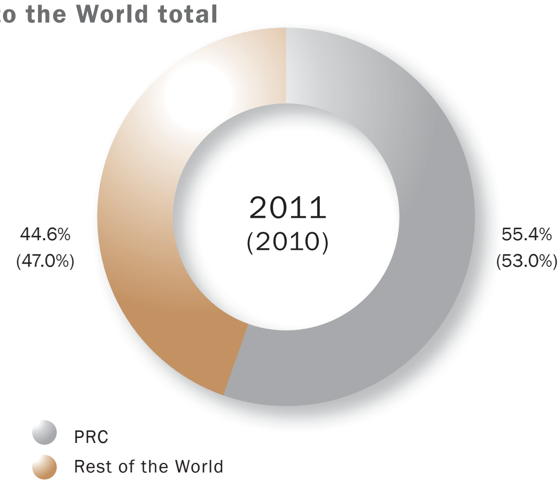


In terms of actual consumption, global consumption of aluminium extrusion products in 2011 is initially estimated at 19.49 million tonnes, which is 6.5% higher compared to 18.30 million tonnes in 2010. China's consumption of aluminium extrusion products in 2011 amounted to approximately 10.80 million 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 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)[2]. The growth rate for the consumption of industrial aluminium extrusion products was notably higher than that of construction aluminium extrusion products.

Aluminium extrusion consumption in the World & PRC



PRC in proportion to the World total

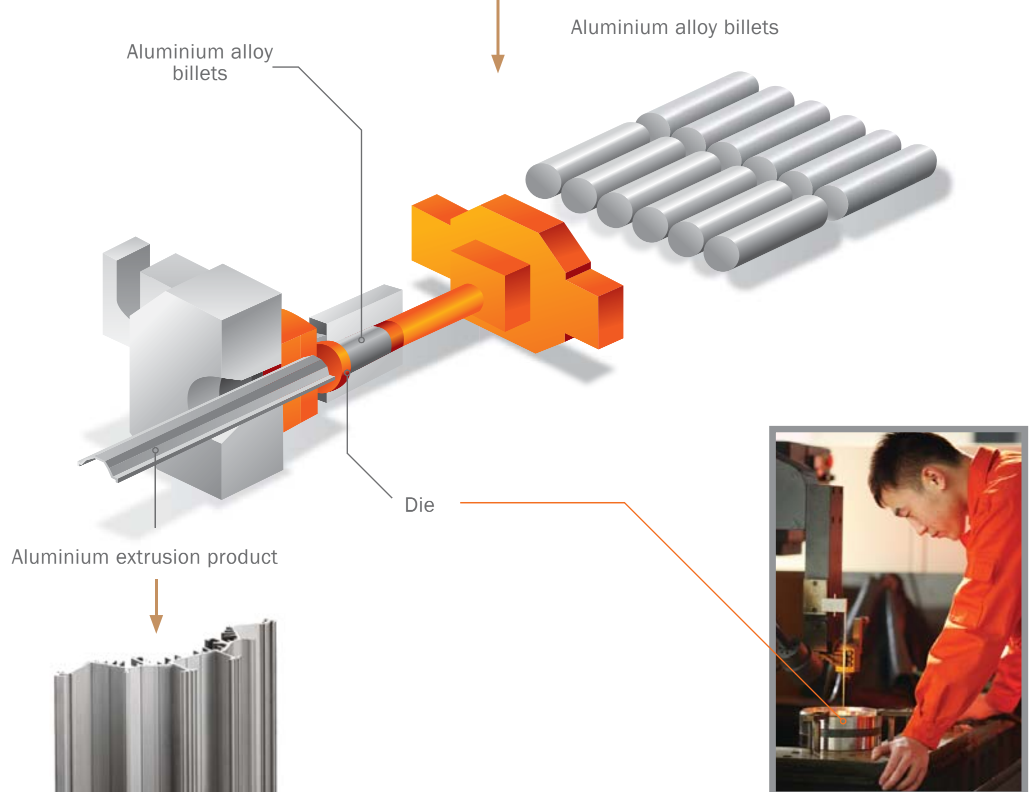


The consumption breakdown of extrusion products in the PRC

Proportion between construction and industrial extrusion products

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

Aluminium Extrusion Production Diagram



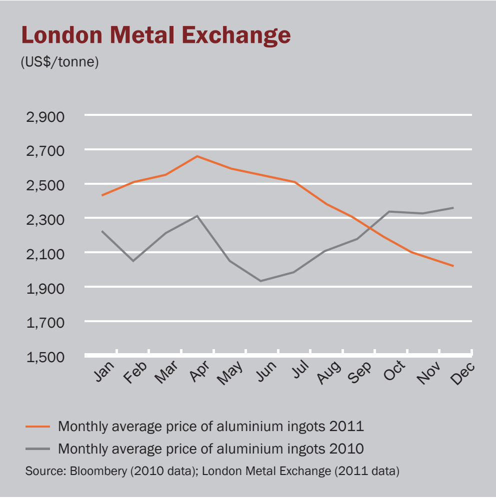
Pre-heated aluminium alloy billets are pressed through custom designed dies. After going through procedures including heating, pressing and straightening, they are formed into a wide array of aluminium extrusion products.

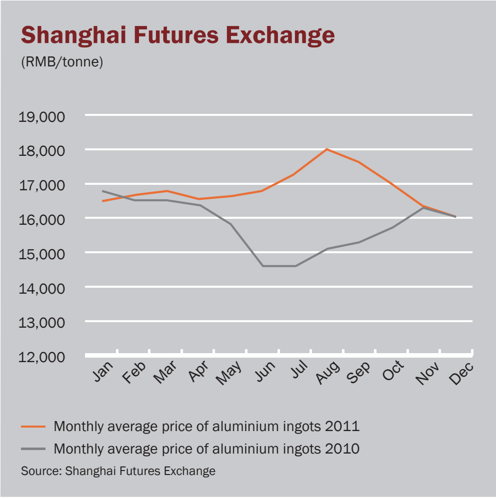
China has generally reached the medium to top level by world standards in terms of aluminium extrusion equipment, die manufacturing equipment, relevant fundamental technologies and processes and quality inspection and testing, but has yet to claim advanced standards in smelting and casting, product research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

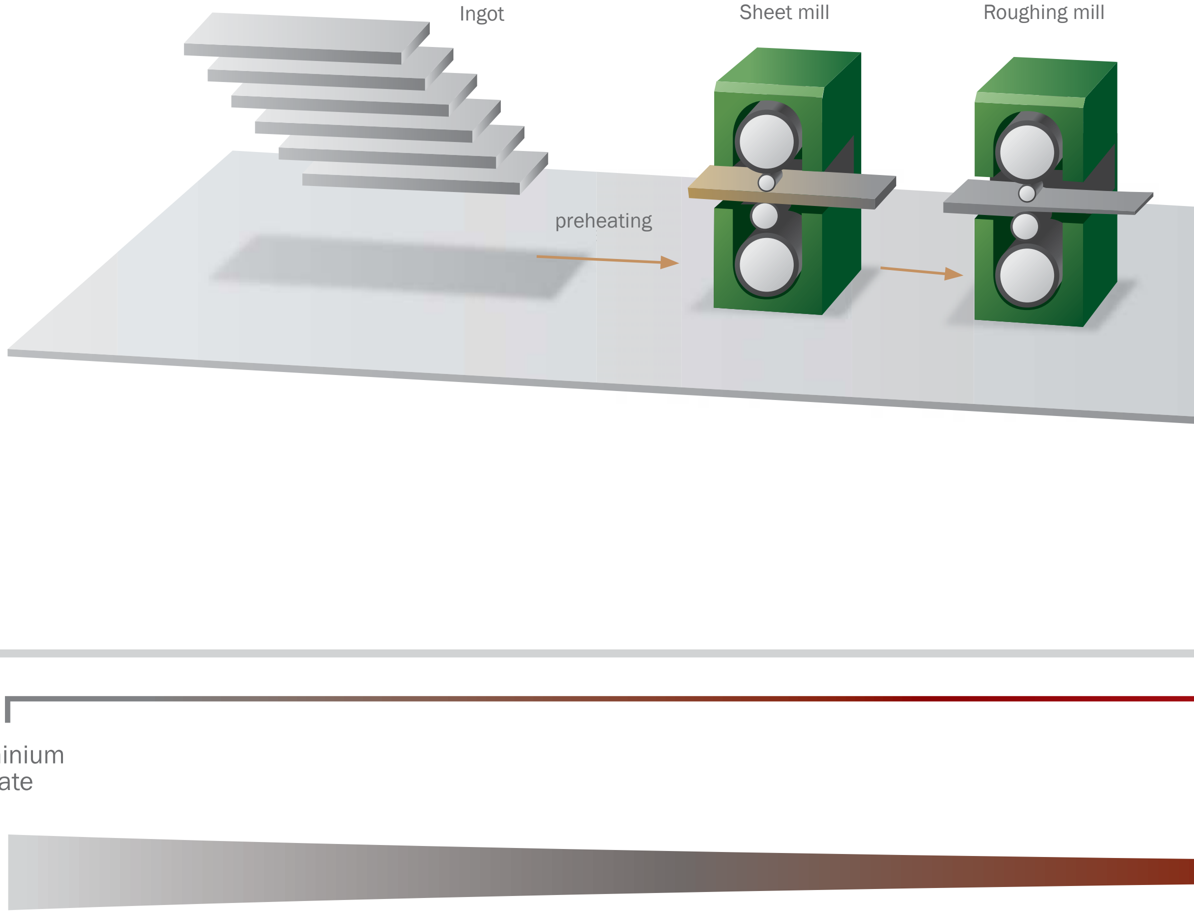




III. Future Prospects

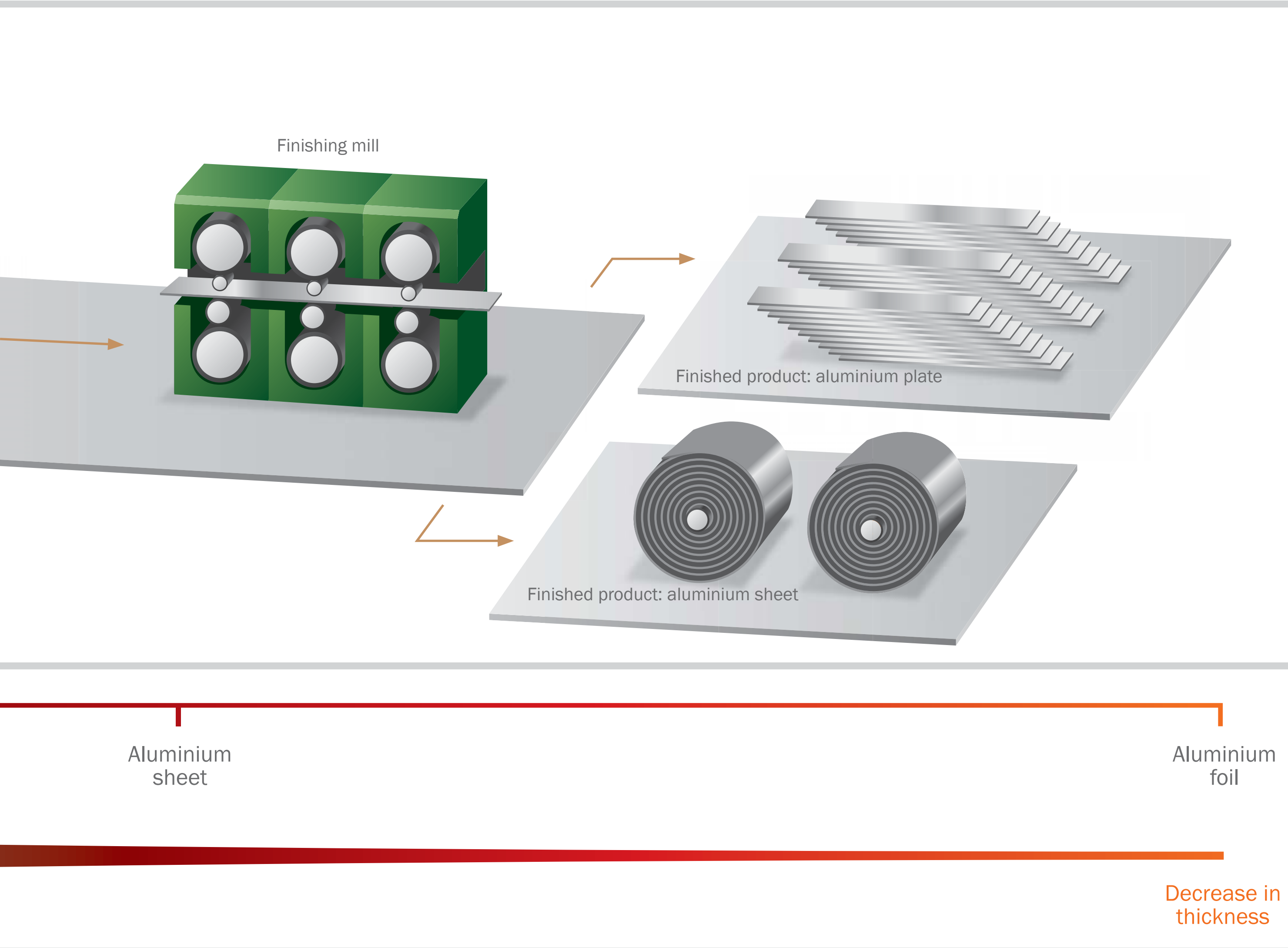
The 11th Five-Year Plan period (2006–2010) of China was the peak growth period for China's non-ferrous metal industry, with notable achievements in technologies and equipment, product varieties and quality as well as energy conservation and discharge reduction. As China undergoes the crucial period of 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.

Aluminium Flat-rolled Production Diagram



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's 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; and

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 annual production 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 focusing mainly on the domestic market supplemented by the overseas market will continue to be implemented. While cementing our relationships with existing customers, we will also step up our efforts to develop customers through flexible and diversified approaches, with a view to enlarging our market shares for industrial aluminium extrusion products and deep-processed products while paving the way for 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 (RMB'000)	**%**	**Sales volume (tonnes)**	**%**	**Average selling price (RMB/tonne)**	Revenue (RMB'000)	%	Sales volume (tonnes)	%	Average selling price (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%. 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 previous 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 previous 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 (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 year 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 year 2010. Our overall gross profit margin decreased to 21.6% for the year ended 31 December 2011 from 40.6% for the year 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 year 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 year 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 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 year 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 RMB26,409,000 for the year ended 31 December 2011 from approximately RMB63,001,000 for the year 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 year 2010. The aggregate amount of government subsidies for research and development received by us in each year 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 year 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 year 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 year ended 31 December 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 year ended 31 December 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 year 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 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 the previous year 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 previous 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 (RMB'000)	2010 (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). Details are disclosed in notes 28 and 29 to the consolidated financial statements in this annual report.

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 USD by several instalments.

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

Details of other risks are set in note 4 to the financial statements on pages 86 to 90.

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 year 2010 as a result of the outcome of the US anti-dumping and countervailing duty investigations.

APPLICATIONS IN TRANSPORT

Among many environmentally-friendly advantages of aluminium extrusion products are light weight, corrosion-resistance, high strength, superb electric and heat conductivity, high formability, and recyclability, thus becoming the material of choice in the field of transportation.

Profiles of Directors and Senior Management

Directors

The Board consists of nine directors (the "Directors"), including four independent non-executive Directors. The following table sets forth certain information relating to our Directors:

Name	Age	Group Position
Executive Directors		
Liu Zhongtian (劉忠田)	48	Chairman and president
Lu Changqing (路長青)	35	Vice president (capital operation and management)
Chen Yan (陳岩)	32	Vice president (internal auditing)
Zhong Hong (鍾宏)	47	Vice president (production)
Gou Xihui (勾喜輝)	44	Vice president (production and operational management)
Independent Non-executive Directors		
Wong Chun Wa (王振華)	37	Independent non-executive director
Wen Xianjun (文獻軍)	49	Independent non-executive director
Shi Ketong (史克通)	43	Independent non-executive director
Lo Wa Kei, Roy (盧華基)	40	Independent non-executive director

Executive Directors

Mr. LIU Zhongtian ("Mr. Liu") (劉忠田), aged 48, is the chairman of the Board and the founder and president of our Group. He is primarily responsible for our Group's overall strategic planning and business management. He has 19 years of experience in business management and development in the aluminium extrusion industry. Before founding our Group in 1993, he established Liaoyang City Aluminium Profile Manufacturing Factory, Liaoyang Futian Chemical Co., Ltd. and Liaoning Chengcheng Plastics Co., Ltd.. Mr. Liu received a diploma in administrative management from Liaoning Radio and TV University (遼寧廣播電視大學), China in 2002. He is an economist (經濟師) and is a member of the 10th and 11th National People's Congress, the executive committee member of All-China Federation of Industry and Commerce (中華全國工商業聯合會) and the vice chairman of Liaoning Federation of Industry & Commerce. He was awarded the "Top Model Worker of Liaoning Province (遼寧省特等勞動模範)" by the People's Government of Liaoning Province (遼寧省人民政府) and the "National May Day Medal (全國五・一勞動獎章)" by the All-China Federation of Trade Unions (中華全國總工會) in 1999, the "National Model Worker (全國勞動模範)" by the State Council of the People's Republic of China (the "PRC") (中華人民共和國國務院) in 2000 and the "Constructor of Socialism with Chinese Characteristics (中國特色社會主義事業建設者)" by the Central Committee of the Communist Party of China (中國共產黨中央委員會), the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會), the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部), State Administration for Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局) and the All-China Federation of Industry and Commerce in 2004. He was appointed as a Director on 29 January 2008 and chairman of our Board on 1 August 2008.

Mr. LU Changqing (路長青), aged 35, is an executive Director and a vice president of our Group. He is primarily responsible for the Group's strategic planning and capital operation and management. He has 15 years of experience in investment banking and corporate finance. Before joining our Group in November 2007, Mr. Lu was a senior manager of the investment banking department of Tiantong Securities Company Limited from 1997 to 1999, the general manager of the merger and acquisition department of China Technology Innovation Company Limited from 2000 to 2003 and an executive director and joint company secretary of China Huiyuan Juice Group Limited, a listed company on the Main Board of the Stock Exchange of Hong Kong, from 2003 to 2007. Mr. Lu has a bachelor's degree in economics. He was appointed as a Director on 3 April 2008.

Mr. CHEN Yan (陳岩), aged 32, is an executive Director and a vice president of our Group. He is primarily responsible for the Group's internal auditing. He has 11 years of experience in the aluminium extrusion industry. Mr. Chen has held various positions in financial and operation management since he joined our Group in August 2001. Mr. Chen received a diploma in accounting computerization from Liaoning Taxation College (遼寧稅務高等專科學校), China in 2001 and a certificate for intermediate-level accountant from the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in 2005. He was appointed as a Director on 3 April 2008.

Ms. ZHONG Hong (鍾宏), aged 47, is an executive Director and a vice president of our Group. She is primarily responsible for the Group's production management. She has 16 years of experience in the aluminium extrusion industry. Before joining us, she worked at Liaoning Fushun Feili Aluminium Products Co., Ltd. (遼寧撫順飛利鋁材有限公司) from 1996 to 2003. She joined our Group in September 2003. Ms. Zhong received a diploma in chemical engineering from Liaoning Radio and TV University (遼寧廣播電視大學), China in 1987. She was appointed as a Director on 3 April 2008.

Mr. GOU Xihui (勾喜輝), aged 44, is an executive Director and a vice president of our Group. He is primarily responsible for production and operational management. He has 22 years of experience in the aluminium extrusion industry. Before joining us in 1996, he worked at Changchun Crane Factory (長春起重機廠) and Liaoning Anshan Haicheng Hua Zi Yu Aluminium Product Factory (遼寧省鞍山市海城華子峪鋁材廠) from 1990 to 1996. Mr. Gou received a bachelor's degree in machinery and manufacture from Harbin Electrotechnics College (哈爾濱電工學院), China in 1990. He was appointed as a Director on 1 August 2008.

Independent Non-executive Directors

Mr. WONG Chun Wa (王振華), aged 37, is an independent non-executive Director. He established ACT Business Consultants Ltd. and RIW C.P.A. Limited in December 2006 and April 2008, respectively, and has been a director of these entities since then. He acted as an independent non-executive director and the chairman of the audit committee of Maanshan Iron & Steel Company Limited, a company listed in Hong Kong and Shanghai between August 2005 and August 2011. He has been a supervisor of Maanshan Iron & Steel Company Limited since August 2011. He worked at KPMG from 1999 to 2001 and Ernst & Young from 2001 to 2004. He received a bachelor's degree in accounting from the Hong Kong Polytechnic University, Hong Kong in 1996. Mr. Wong Chun Wa is a certified public accountant in Hong Kong and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He was appointed as a Director on 1 August 2008.

Mr. WEN Xianjun (文獻軍), aged 49, is an independent non-executive Director. Since April 2008, Mr. Wen has been a member of the party committee (常委) and the vice chairman (副會長) of China Nonferrous Metals Industry Association (中國有色金屬工業協會). He has over 20 years' experience in the nonferrous metals industry. Mr. Wen was the vice president and general secretary of the aluminium branch of, and the director of the aluminium department of, China Nonferrous Metals Industry Association from 2006 to 2008. He was the director of the Industry Administration Department of the State Nonferrous Metals Industry Administration of China (中國國家有色金屬工業局工業管理司) from 1998 to 2000. He served as an engineer in the technology bureau, and deputy director of the investment and operation department, of China Nonferrous Metals Industry Corporation (中國有色金屬工業總公司) from 1990 to 1992 and from 1996 to 1998, respectively. From 1992 to 1996, Mr. Wen was a deputy director of the Development and Exchange Centre of China Nonferrous Metals Industry Technology (中國有色金屬技術開發交流中心). He served as an assistant engineer in Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院) from 1984 to 1987. Mr. Wen received a bachelor's degree in metallic materials from Central South University (中南大學) (formerly known as Central South Institute of Mining and Metallurgy (中南礦冶學院)), China in 1984 and a master's degree in metallic materials from Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院), China in 1990. He received the title of professor-level senior engineer (教授級高級工程師) from China Nonferrous Metals Industry Association in 2007. He was appointed as a Director on 1 August 2008.

Mr. SHI Ketong (史克通), aged 43, is an independent non-executive Director. Since 2001, Mr. Shi has been a partner of the Beijing office of Jincheng & Tongda Law Offices (金誠同達律師事務所) where he has 11 years of experience in practicing PRC corporate and securities law, and in advising clients in matters related to merger and acquisition transactions and corporate restructuring. Prior to joining Jincheng & Tongda Law Offices, he practised law at King & Capital Law Firm (北京京都律師事務所) in Beijing from 2000 to 2001 and at Shandong Luzhong Law Offices (山東魯中律師事務所) from 1994 to 2000. Mr. Shi received a bachelor's degree in economic law from China University of Political Science and Law (中國政法大學), China in 1992. He was appointed as a Director on 12 August 2008.

Mr. LO Wa Kei, Roy (盧華基), aged 40, is an independent non-executive Director. Mr. Lo has over 19 years of experience in auditing, accounting and finance. Mr. Lo is a Deputy Managing Partner of SHINEWING CPA (HK) Limited and a Councillor of Greater China of CPA Australia. He has been serving as an independent non-executive director of Sun Hing Vision Group Holdings Limited, and North Mining Shares Company Limited (previously known as "Sun Man Tai Holdings Company Limited"), all of which are Hong Kong listed companies since 1999, and 2004, respectively. He also served as an independent non-executive director of Goldpoly New Energy Holdings Limited (previously known as Time Infrastructure Holdings Limited). Mr. Lo received a bachelor's degree in business administration from the University of Hong Kong in 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in 2000. He is a certified public accountant, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants (UK), a fellow member of CPA Australia, a fellow member of the Institute of Chartered Accountants in England and Wales and a member of Hong Kong Securities Institute. With his extensive professional knowledge, Mr. Lo was also appointed as a Specially-invited Member of Tianjin Youth Federation (Hong Kong and Macau Region) (天津市青聯港澳區特邀委員). He was appointed as a Director on 11 February 2009.

Senior Management

Name	Gender	Age	Group Position
Cheung Lap Kei (張立基)	Male	40	Chief financial officer and joint company secretary
Zhou Mi (周密)	Male	62	Chief engineer

Mr. CHEUNG Lap Kei (張立基), aged 40, is the chief financial officer and a joint company secretary of our Company. He has approximately 18 years of experience in auditing and accounting fields. Mr. Cheung served as the chief financial officer, qualified accountant, authorized representative and company secretary of Goldpoly New Energy Holdings Limited (previously known as Time Infrastructure Holdings Limited), a Hong Kong listed company, from June to December 2008. He also served as the financial controller, qualified accountant, authorized representative and company secretary of China Ruifeng Galaxy Renewable Energy Holdings Limited (previously known as Galaxy Semi-Conductor Holdings Limited), a Hong Kong listed company, from 2005 to 2008. Prior to 2005, he worked in several international accounting firms. Mr. Cheung received a bachelor's degree in commerce from Australian National University in 1994, and a master's degree in business administration from Deakin University, Australia in 2006. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia. Mr. Cheung was appointed as the chief financial officer and a joint company secretary of our Company on 30 December 2008.

Mr. ZHOU Mi (周密), aged 62, is the chief engineer of our Group. He is primarily responsible for production and research and development of industrial aluminium extrusion products. He has over 30 years of experience in technical development in the aluminium industry, 14 years of which were focused on technical development in aluminium extrusion. Before joining our Group, he worked at certain subsidiaries and plants of Reynolds Metals Company as a metallurgist and quality assurance manager from 1978 to 1996 and as a quality assurance manager from 1998 to 2000. From 1996 to 1997, Mr. Zhou worked at Bohai Aluminium Company as a quality assurance manager. He worked at certain subsidiaries and plants of Alcoa, Inc. as a cast house manager and director of casting plant from 2000 to 2005. Mr. Zhou received a master's degree in materials engineering from Virginia Polytechnic Institute and State University, the United States in 1978. He joined our Group in April 2005.

Joint Company Secretaries

Mr. CHEUNG Lap Kei (張立基) is a joint company secretary of our Company. He is also the chief financial officer of our Company. His profiles are set out under the paragraph headed "Senior Management" above.

Mr. LU Changqing (路長青) was appointed as a joint company secretary of our Company on 30 December 2008. He is also an executive director and a vice president of our Group. His profiles are set out under the paragraph headed "Executive Directors" above.

DEVELOPMENT OF DEEP-PROCESSED PRODUCTS

The Group has developed industrial aluminium deep-processing services, processing aluminium extrusion into finished and semi-finished products for customers through cutting, welding, polishing and surface treatment.

Report of the Directors

The Board hereby presents this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011 (the "Financial Statements").

Principal Activities

The Company was incorporated in the Cayman Islands on 29 January 2008 as an exempted company with limited liability. The Group's operations are substantially conducted through its subsidiaries in the PRC. The Group is principally engaged in the production of high precision, large-section and high value-added industrial aluminum extrusion products which are widely used in transportation (including railway passenger compartments and cargo carriages, metropolitan subway and light rail, automobiles, heavy trucks, vessels, aviation, aerospace, etc.), machinery and equipment and electric power engineering sectors. At the same time, to further leverage our Company's existing advantage in the industry, we will extend our reach to the high-end aluminum flat rolled product segment and develop deep-processing technologies for aluminum products.

Analysis of the principal activities of the Group during the year ended 31 December 2011 is set out in the Consolidated Statement of Comprehensive Income on page 71.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the Financial Statements on pages 71 to 76 of this Annual Report.

The Board proposed not to declare any final dividend for the year ended 31 December 2011 (2010: HK$0.23 per share (equivalent to approximately RMB0.19))

Five-year Financial Summary

A summary of our results and of the assets and liabilities of the Group for the last five financial years, as extracted from the Group's audited consolidated financial statements, is set out on page 116 of this Annual Report.

Property, Plant and Equipment

Details of movements in the Group's property, plant and equipment during the year are set out in Note 16 to the Consolidated Financial Statements on pages 100 to 101 of this Annual Report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in Note 28 to the Consolidated Financial Statements on pages 106 to 107 of this Annual Report.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2011 are set out in Note 30 to the Consolidated Financial Statements on pages 108 of this Annual Report.

Reserves

Details of movements in the reserves of our Group and our Company during the year are set out in the Consolidated Statement of Changes In Equity on page 74 of this Annual Report.

Distributable Reserves of the Company

Pursuant to the relevant rules of the Cayman Islands, the Company's reserves available for distribution to shareholders as at 31 December 2011 amounted to RMB8,261,409,000 (31 December 2010: RMB10,028,258,000).

Sufficiency of Public Float

Based on information that is publicly available to our Company and to the knowledge of our Directors, our Company has maintained the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as at the date of this Annual Report.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or applicable laws of the Cayman Islands where the Company is incorporated.

Directors

The Directors of the Company during the year ended 31 December 2011 were:

Executive Directors

Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing
Mr. Chen Yan
Ms. Zhong Hong
Mr. Gou Xihui

Independent Non-executive Directors

Mr. Wong Chun Wa
Mr. Wen Xianjun
Mr. Shi Ketong
Mr. Lo Wa Kei, Roy

Directors' Profiles

Details of the Directors' profiles are set out in the "Profiles of Directors and Senior Management" on pages 42 to 44 of this Annual Report.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with our Company for a term of three years, which shall be terminated by a not less than three months' notice in writing served by either the executive Director or our Company. Each of the independent non-executive Directors has signed an appointment letter with our Company for a term of three years. The appointments of each of our Directors are subject to the provisions of retirement and rotation of Directors under the articles of association of the Company.

In accordance with the Company's articles of association, Mr. Wong Chun Wa, Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy will retire from the Board by rotation and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence from the Independent Non-executive Directors

We have received from each of the independent non-executive Directors, namely Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. Our Corporate Governance Committee has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointment to 31 December 2011 and remain independent as at the date of this Annual Report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2011, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

(a) Long Positions in Shares

Name of Director	Capacity/Nature of Interests	Total number of ordinary shares	Approximate percentage of shareholding (%)
Mr. Liu	Interests in controlled corporation/Long position(1)	4,004,200,000	74.07
Gou Xihui	Beneficial owner/Long position(2)	5,000,000	0.09
Lu Changqing	Beneficial owner/long position(2)	4,200,000	0.08
Chen Yan	Beneficial owner/Long position(2)	4,200,000	0.08
Zhong Hong	Beneficial owner/Long position(2)	4,200,000	0.08
Lo Wai Kei, Roy	Beneficial owner/Long position(2)	600,000	0.01
Shi Ketong	Beneficial owner/Long position(2)	600,000	0.01
Wen Xianjun	Beneficial owner/Long position(2)	600,000	0.01
Wong Chun Wa	Beneficial owner/Long position(2)	600,000	0.01

(1) Zhongwang International Group Limited ("ZIGL") is the legal and beneficial owner of these shares. The entire issued share capital of ZIGL is legally and beneficially owned by Mr. Liu, who also serves as a director of ZIGL.

(2) Mr. Gou Xihui, Mr. Lu Changqing, Mr. Chen Yan, Ms. Zhong Hong, Mr. Lo Wai Kei, Roy, Mr. Shi Ketong, Mr. Wen Xianjun and Mr. Wong Chun Wan hold share options in respect of these shares.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" below, at no time during the year ended 31 December 2011 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Purchase, Sale or Redemption of the 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.

Directors' Interests in Competing Business

For the year ended 31 December 2011, none of the Directors or controlling shareholders (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

We have received an annual written confirmation from Mr. Liu in respect of the compliance by Mr. Liu and his associates with the provisions of the non-competition deed entered into between our Company and Mr. Liu on 17 April 2009 (the "Non-competition Deed").

Our independent non-executive Directors have reviewed the compliance with the Non-competition Deed based on information and confirmation provided by or obtained from Mr. Liu and his associates (as defined under the Listing Rules), and were satisfied that Mr. Liu and his associates have duly complied with the Non-competition Deed.

Continuing Connected Transactions

During the year ended 31 December 2011, save as disclosed below, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of rule 14A.45 of the Listing Rules.

The Group has entered into transactions with certain connected persons (as defined under chapter 14A of the Listing Rules) ("Connected Persons") which constituted non-exempt continuing connected transactions under the Listing Rules (the "Continuing Connected Transactions"). With respect to those Continuing Connected Transactions, the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under rule 14A.47 of the Listing Rules and the independent shareholders' approval requirement under rule 14A.48 of the Listing Rules (where applicable). Further details of these Continuing Connected Transactions are set out below and in the chapter headed "Relationship with Our Controlling Shareholder and Continuing Connected Transactions" of the Prospectus.

Plastic Film Supply Agreement between Cheng Cheng Plastic and our Group

Liaoning Cheng Cheng Plastic Co., Ltd. ("Cheng Cheng Plastic") is a Connected Person of the Company. Liaoning Zhongwang has entered into a supply agreement dated 15 April 2009 with Cheng Cheng Plastic, a company principally engaged in the manufacture and sale of plastic woven bags for packaging use, pursuant to which Cheng Cheng Plastic would supply plastic film to Liaoning Zhongwang for use as packaging material for a period of three years with effect from 1 January 2009.

The proposed annual caps of consideration payable by our Group for the purchase of plastic film from Cheng Cheng Plastic for the year ended 31 December 2009, 2010 and 2011 were RMB12.8 million, RMB15.2 million and RMB15.3 million, respectively. For the year ended 31 December 2011, the actual amount paid by the Liaoning Zhongwang to Cheng Cheng Plastic for purchase of plastic film was RMB6,039,000.

Liaoning Zhongwang and Cheng Cheng Plastic entered into a new supply agreement on 29 December 2011 (the "2011 Plastic Film Supply Agreement"). It is expected that the total consideration payable by our Group for the purchase of plastic film from Cheng Cheng Plastic for each of the three years ending 31 December 2012, 2013 and 2014 will not exceed RMB10 million, and such amount has accordingly been set as the cap for the transactions. The Directors (including the independent non-executive Directors) consider the transactions contemplated under the 2011 Plastic Film Supply Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms. The Directors (including the independent non-executive Directors) also believe the terms of the transactions and the proposed annual caps are fair and reasonable, and in the interest of the Company and the shareholders of Company as a whole. Mr. Liu has abstained from voting on the relevant board resolution approving the 2011 Plastic Film Supply Agreement. Save as disclosed above, none of the Directors has a material interest in the agreement. Based on the applicable percentage ratios, the transactions contemplated under the 2011 Plastic Film Supply Agreement are exempted from reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

Trademark Use Agreement between Hong Cheng Vinyl and our Group

Liaoning Hong Cheng Vinyl Profile Co., Ltd. ("Hong Cheng Vinyl") is a Connected Person of the Company. Pursuant to the agreement for use of trademark dated 15 April 2009 between Hong Cheng Vinyl and Liaoning Zhongwang, Liaoning Zhongwang has agreed to grant Hong Cheng Vinyl the right, on a non-exclusive basis, to use the Zhongwang trademark referred to therein (i) for a period of three years as from 1 January 2009, (ii) for use solely in respect of PVC profiles for building construction use, and (iii) for use in the PRC. All promotion and maintenance activities in relation to the Zhongwang trademark shall be carried out by the Group, and each year Hong Cheng Vinyl shall pay Liaoning Zhongwang an amount equal to its share of all the promotion and maintenance expenses, which will be determined by reference to the revenue of Hong Cheng Vinyl for that year relative to the consolidated revenue of the Group and Hong Cheng Vinyl for the same year.

The proposed annual caps of trademark fees payable by Hong Cheng Vinyl to Liaoning Zhongwang for the year ended 31 December 2009, 2010 and 2011 were RMB21.8 million, RMB24.4 million and RMB26.8 million, respectively.

Hong Cheng Vinyl did not pay any trademark fees to Liaoning Zhongwang for the year ended 31 December 2011.

Coating Powder Supply Agreement between Futian Chemical and our Group

Liaoyang Futian Chemical Co., Ltd. ("Futian Chemical") is a Connected Person of the Company. On 15 April 2009, Liaoning Zhongwang entered into a supply agreement with Futian Chemical, whereby Futian Chemical has agreed to supply coating powder to members of our Group at a consideration determined by reference to the then prevailing market price. The coating powder supply agreement is valid for a three-year term from 1 January 2009 to 31 December 2011.

The proposed annual caps of consideration payable by our Group for purchasing coating powder from Futian Chemical for the year ended 31 December 2009, 2010 and 2011 were RMB114.8 million, RMB120.8 million and RMB122.2 million, respectively.

Our Group did not purchase coating powder from Futian Chemical for the year ended 31 December 2011.

Pursuant to rule 14A.37 of the Listing Rules, the above Continuing Connected Transactions have been reviewed by the independent non-executive Directors of our Company, who confirmed that these Continuing Connected Transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to us than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of our Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his conclusion that the continuing connected transactions disclosed by the Group above have no non-compliance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Directors' Interests in Contracts of Significance

Save as disclosed above, no contract to which the Company, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Directors' Remuneration

Our Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by our Nomination and Remuneration Committee with reference to the Directors' duties, responsibilities and our performance and results.

Retirement Schemes

Retirement benefits are provided to eligible employees of the Group. Eligible employees of our Group members in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme. Eligible employees of our Group members in Hong Kong are members of the Mandatory Provident Fund Scheme ("MPF Scheme"), whereby the Group is required to contribute a specified percentage of each eligible employee's monthly salary to the MPF Scheme.

The Group's contributions to the retirement benefit scheme and the MPF Scheme for the year ended 31 December 2011 were RMB13,525,000 and RMB46,000. Particulars of these retirement plans are set out in Note 34 to the Consolidated Financial Statement on page 110 of this Annual Report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2011, to the best knowledge of the Directors and the senior management of the Company, the followings are the persons (other than the Directors or chief executives of our Company), who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Capacity/Nature of Interests	Total number of ordinary shares	Approximate percentage of shareholding (%)
ZIGL	Beneficial owner/Long position[1]	4,004,200,000	74.07
Mr. Liu	Interests in controlled corporation/Long position[1]	4,004,200,000	74.07

(1) The entire issued share capital of ZIGL is legally and beneficially owned by Mr. Liu Zhongtian.

Save as disclosed above, as at 31 December 2011, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share-based Incentive Schemes

(a) Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted a pre-IPO share option scheme on 17 April 2008 (the "Pre-IPO Share Option Scheme"). According to the Pre-IPO Share Option Scheme, four Directors and 70 other employees (including two senior management members) of our Group were given the rights to subscribe for shares of the Company at the subscription price of HK$2.00 per share. The total number of the shares subject to the Pre-IPO Share Option Scheme are 40,400,000 shares, equivalent to approximately 0.75% of the issued share capital of the Company as at 31 December 2011. Since no further options can be granted under the Pre-IPO Share Option Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Pre-IPO Share Option Scheme.

The purpose of the granting of the Pre-IPO Share Option Scheme was to recognize the contribution of certain members of the senior management and employees of our Group. Under the Pre-IPO Share Option Scheme, except for one of the options that was granted to the relevant grantee on 30 December 2008, all the options were granted to the respective grantees on 17 April 2008. The granted pre-IPO share options are valid for a period (the "Pre-IPO Share Option Term") ending on the date immediately before the fifth anniversary of 8 May 2009, being the date on which dealing in our Shares first commenced on the Main Board of the Stock Exchange (the "Listing Date"). Each option granted has a vesting period as set out under the Pre-IPO Share Option Scheme and the relevant granting documents. A grantee shall be entitled to exercise his/her options to subscribe for up to 20% of the total number of our shares under the options during each of the vesting period commencing on the Listing Date and ending on the date immediately before the first, second, third, fourth and fifth anniversary of the Listing Date, respectively. Where a grantee has not exercised his/her option in respect of the full amount of the vested shares during such vesting periods, the options shall continue to be exercisable in respect of the unexercised portion of the vested shares during the rest of the Pre-IPO Share Option Term. Options granted under the Pre-IPO Share Option Scheme shall lapse (to the extent not already exercised), among other circumstances, when the grantee ceases to be a participant of the Pre-IPO Share Option Scheme by reason of the termination of his/her employment.

Details of the share options outstanding as at 31 December 2011 under the Pre-IPO Share Option Scheme are as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2011	Number of underlying shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2011	Number of underlying shares comprised in the options exercised during the twelve months ended 31 December 2011	Number of underlying shares comprised in the options outstanding as at 31 December 2011
Directors							
Lu Changqing	17 April 2008	7 May 2014	2.0	2,200,000	–	–	2,200,000
Chen Yan	17 April 2008	7 May 2014	2.0	2,200,000	–	–	2,200,000
Zhong Hong	17 April 2008	7 May 2014	2.0	2,200,000	–	–	2,200,000
Gou Xihui	17 April 2008	7 May 2014	2.0	1,700,000	–	–	1,700,000
70 Other Employees (including two senior management members) of our Group (one of the senior management members' options were granted on 30 December 2008)	17 April 2008	7 May 2014	2.0	32,100,000	–	–	32,100,000
Total				**40,400,000**	**–**	**–**	**40,400,000**

As at the date of this Annual Report, no further options were granted under the Pre-IPO Share Option Scheme and none of the share options under Pre-IPO Share Option Scheme had been exercised, cancelled nor lapsed.

(b) Share Option Scheme

We also adopted a share option scheme on 17 April 2008 (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, invite directors, senior management and consultants of any member of the Group to participate in the Share Option Scheme to subscribe for the ordinary shares of the Company. The period (the "Option Term") within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date the offer has been made to the grantees. Each option granted has a vesting period as set out under the Share Option Scheme and the relevant granting documents. A grantee shall be entitled to exercise his/her options to subscribe for up to 20% of the total number of our shares under options during each of the one year period commencing on the first, second, third, fourth and fifth anniversary of the date of grant, respectively. Where a grantee has not exercised his/her option in respect of the full amount of the vested shares during such vesting periods, the options shall continue to be exercisable in respect of the unexercised portion of the vested shares during the rest of the Option Term. All outstanding options shall lapse, among other circumstances, when the grantee ceases to be a participant of the Share Option Scheme by reason of the termination of his/her employment.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10 percent of the shares in issue upon the Listing (the Company may refresh this 10 percent limit under certain conditions) or 30 percent of the shares in issue from time to time where there are options to be granted and yet to be exercised. The total number of shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed 1 percent of the shares in issue. Any further grant of options which would result in the number of shares exceeding 1 percent requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

Details of the share options outstanding as at 31 December 2011 under the Share Option Scheme are as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the options outstanding as at date of grant	Number of underlying shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2011	Number of underlying shares comprised in the options exercised during the twelve months ended 31 December 2011	Number of underlying shares comprised in the options outstanding as at 31 December 2011
Directors							
Lu Changqing	22 March 2011	21 March 2021	3.9	2,000,000	–	–	2,000,000
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	–	–	2,000,000
Zhong Hong	22 March 2011	21 March 2021	3.9	2,000,000	–	–	2,000,000
Gou Xihui	22 March 2011	21 March 2021	3.9	3,300,000	–	–	3,300,000
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	–	–	600,000
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	–	–	600,000
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	–	–	600,000
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	–	–	600,000
52 Other Employees (including two senior management members) of our Group	22 March 2011	21 March 2021	3.9	34,000,000	(200,000)	–	33,800,000
Total				**45,700,000**	**(200,000)**	**–**	**45,500,000**

Further particulars of the Pre-IPO Share Option Scheme and the Share Option Scheme mentioned above are set out in Note 36 to the Consolidated Financial Statements on pages 111 to 113 of this Annual Report and the section headed "Statutory and General Information — Pre-IPO Share Option Scheme" of the Prospectus.

Charitable donations

During the year, the Group made charitable donations amounting to approximately RMB1,300,000.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year ended 31 December 2011 is set out as follows:

	Percentage of the Group's total sales (%)
The largest customer	14.2
Five largest customers in aggregate	56.1

	Percentage of the Group's total purchases (%)
The largest supplier	35.1
Five largest suppliers in aggregate	97.2

None of our Directors or any of their associates or any shareholders (which to the best knowledge of our Directors owned more than 5% of our Company's issued share capital) had a material interest in our five largest customers.

Compliance with the Code on Corporate Governance Practices

In respect of the year ended 31 December 2011, save as disclosed in the Corporate Governance Report on pages 59 to 65 of this Annual Report, all the code provisions set out in the Code contained in Appendix 14 to the Listing Rules were met by the Company.

Model Code for Securities Transactions

Details of our Company's compliance with the Model Code for Securities Transactions are set out in the Corporate Governance Report on pages 59 to 65 of this Annual Report.

Subsequent Events

Please refer to note 37 to the financial statements on page 113 for the details.

Auditor

The Financial Statements have been audited by Deloitte Touche Tohmatsu ("Deloitte"), who will retire and, being eligible, offer themselves for re-appointment at our forthcoming Annual General Meeting.

A resolution to re-appoint Deloitte as our external auditor will be submitted for shareholders' approval at our forthcoming Annual General Meeting.

By order of the Board
Liu Zhongtian
Chairman

Hong Kong, 22 March 2012

Corporate Governance Practices

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

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the 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 2011, save as disclosed below, all the provisions set out in the Code were met by the Company.

Compliance with the Model Code by Directors

The Company has adopted the Model Code as 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 by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2011 and up to the date of this Annual Report.

The Board of Directors

Responsibilities of the Board

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organisational structure and monitoring the business activities and the performance of management so as to protect and maximise the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. During the year ended 31 December 2011, the Board, among others, considered and approved the annual budget, management results and performance update against annual budget, together with business reports from the management, reviewed and approved the quarterly results for the periods ended 31 March 2011 and 30 September 2011, respectively, interim results for the period ended 30 June 2011 and the final results for the year ended 31 December 2011, as well as certain transactions constituted a discloseable transaction or a major transaction under the Listing Rules, supervised the Group's critical business operations and assessed the internal control and the financial matters of the Group.

Board Composition

The Board currently consists of nine members, including five executive Directors and four independent non-executive Directors. Names and profiles of the Directors are set out in the section headed "Profiles of the Directors and Senior Management" of this Annual Report.

Chairman and Chief Executive Officer

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 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.

Independent Non-executive Directors

During the year ended 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision.

Each of the independent non-executive Directors has signed an appointment letter with our Company for a term of three years. The Company has received annual confirmations from each of our four independent non-executive Directors in respect of their independence pursuant to rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent parties in accordance with the independence guidelines set out in the Listing Rules and free of any relationship that could materially interfere with the exercise of their independent judgments.

Appointment, Re-election and Removal of Directors

On 28 December 2011, the Board expanded the duties of its remuneration committee to include nomination related duties and changed its name to nomination and remuneration committee (the "Nomination and Remuneration Committee"). The Nomination and Remuneration Committee is responsible for formulating the procedures for appointing Directors, nominating suitable candidates for approval at the annual general meeting so as to fill vacancies due to the resignation of directors or appoint additional Directors. When selecting candidates for appointment as Directors, the Nomination and Remuneration Committee will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors.

Pursuant to the articles of association of the Company, at each annual general meeting, at least one-third of the Directors for the time being will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board.

In compliance with the provisions of the articles of association of the Company, Mr. Wong Chun Wa, Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Board Committees

The Board has established Audit Committee, Nomination and Remuneration Committee, Corporate Governance Committee and Strategy and Development Committee (collectively, the "Board Committees"). The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The audit committee ("Audit Committee") comprises three members who are all independent non-executive Directors, namely, Mr. Wong Chun Wa (chairman), Mr. Wen Xianjun and Mr. Shi Ketong. None of them is a member of the former or existing auditors of the Company.

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. The Audit Committee meets regularly with the Company's external auditor to discuss the audit procedures and accounting issues.

The Audit Committee should meet at least twice a year. Four meetings were held by the Audit Committee in 2011. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2010, the unaudited quarterly results for the periods ended 31 March 2011 and 30 September 2011,the unaudited interim results for the six months ended 30 June 2011 with the senior management of the Company, and has also reviewed the internal control and financial reporting matters of the Group.

The attendance of Directors at the Audit Committee meetings held in 2011 was as follows:

Audit Committee Members	Attendance
Mr. Wong Chun Wa	4
Mr. Wen Xianjun	4
Mr. Shi Ketong	4

Nomination and Remuneration Committee

We established a remuneration committee in accordance with the requirements of Appendix 14 of the Listing Rules in 2009. Subsequent to the amendments to the Code in December 2011, on 28 December 2011, the Company expanded the committee's duties to include nomination-related authority and duties and changed its name to the Nomination and Remuneration committee. Members of the Nomination and Remuneration Committee comprise Mr. Wen Xianjun (chairman), Mr. Liu and Mr. Shi Ketong.

The primary duties of the Nomination and Remuneration Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board, nominating suitable candidates for approval at the annual general meeting so as to fill vacancies due to the resignation of directors or appoint additional Directors, 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.

The Nomination and Remuneration Committee should meet at least once a year. Two meetings were held by the Nomination and Remuneration Committee in 2011 to discuss the remuneration of directors and other employees and assess relevant policies. The attendance of Directors at the meetings held in 2011 was as follows:

Remuneration Committee Members	Attendance
Mr. Wen Xianjun	2
Mr. Liu	2
Mr. Shi Ketong	2

Note: The above meetings were conducted by Remuneration Committee members during the year 2011 before the establishment of the Nomination and Remuneration Committee on 28 December 2011. No meeting was conducted by the Nomination and Remuneration Committee since its establishment till the year ended 31 December 2011.

Corporate Governance Committee

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

The Corporate Governance Committee should meet at least four times a year. Four meetings were held by the Corporate Governance Committee in 2011. The attendance of Directors at the Corporate Governance Committee meetings held in 2011 was as follows:

Corporate Governance Committee Members	Attendance
Mr. Lo Wa Kei, Roy	4
Mr. Wen Xianjun	4
Mr. Shi Ketong	4

Strategy and Development Committee

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

The Strategy and Development Committee should meet at least once a year. Three meetings were held by the Strategy and Development Committee in 2011. The attendance of Directors at the Strategy and Development Committee meetings held in 2011 was as follows:

Strategy and Development Committee Members	Attendance
Mr. Liu	3
Mr. Lu Changqing	3
Mr. Wen Xianjun	3

Board Meetings

The Board conducts meetings on a regular basis to discuss the overall strategy as well as the operation and financial performance of the Group. During the year ended 31 December 2011, the Board held fourteen meetings based on the needs of the operation and business development of the Group. The attendance of each Director at the Board meetings convened during the year ended 31 December 2011 was as follows:

Members of the Board	Attendance
Executive Directors	
Mr. Liu	14
Mr. Lu Changqing	14
Mr. Chen Yan	14
Ms. Zhong Hong	14
Mr. Gou Xihui	14
Independent Non-executive Directors	
Mr. Wong Chun Wa	14
Mr. Wen Xianjun	14
Mr. Shi Ketong	14
Mr. Lo Wa Kei, Roy	14

Reasonable notices of Board meetings have been given to the Directors and the meeting procedures of the Board have complied with the articles of association of the Company as well as the relevant rules and regulations. The agendas and relevant materials were provided to all Directors in a timely manner. All Directors have full and timely access to all relevant information as well as advice and services of the joint company secretaries, with a view to ensuring that the meeting procedures of the Board and all applicable rules and regulations are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions.

Minutes of the Board meetings are kept by the joint company secretaries and are available for inspection by the Directors and the auditor of the Company.

Directors' and Auditor's Responsibility for the Financial Statements

The Directors of the Company acknowledge their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim results. In preparing the Financial Statements for the year ended 31 December 2011, the Directors have selected appropriate accounting policies and applied them consistently, adopted appropriate International Financial Reporting Standards, and made prudent and reasonable judgments and estimates, and have prepared the Financial Statements on an ongoing basis. The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Financial Statements for the year ended 31 December 2011 is set out in the section headed "Independent Auditor's Report" on pages 69 to 70 of this Annual Report.

Management Function

The Company's articles of association set out matters which are specifically reserved to the Board for its decision. The management team hold meetings regularly to review and discuss with executive Directors on daily operational issues, financial and operating performance as well as to monitor and ensure the management properly implement the directions and strategies set by the Board.

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.

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

Independent Auditor

The Company's independent auditor is Deloitte. For the year ended 31 December 2011, the remuneration payable by the Company to Deloitte for statutory audit services and non-auditing services is set out below:

Services provided by the auditor	Remuneration (RMB million)
Audit of the annual report	4
Professional services in connection with the purchase of equipment for production of aluminium flat rolled products	0.6
Total	**4.6**

Communications with Shareholders and Investor Relations Department

We adhere to the principle of good faith and strictly comply with and implement the Listing Rules to disclose discloseable information on a true, accurate, complete and timely basis and all other information that might have significant impact on the decisions of shareholders and other stakeholders in an active and timely manner. In addition, the Company takes efforts in ensuring all shareholders with equal access to information. As such, the Company has honestly performed its statutory obligation in respect of information disclosure.

Our senior management is dedicated to maintaining an open dialogue with the investment community to ensure thorough understanding of our Company and our business as well as strategies. Since the Listing, we have emphasized the importance of investor relations by establishing and developing a highly effective investor relations department (the "Investor Relations Department"). The main function of the Investor Relations Department is to make fair, consistent and transparent disclosures and maintain appropriate communications with global investors.

For future investor relations, the Company will actively organise activities relating to investor relations and strengthen corporate responsibilities in order to ensure that our operating strategies, financial performance and development prospects are fully known to and understood by global investors.

A summary of the major investor relations activities of the Company in the year ended 31 December 2011 is set forth as follows:

Continual Communications with Shareholders, Investors and Analysts

The Investor Relations Department has strictly followed our policies and relevant regulations in treating all shareholders, investors and research analysts in a fair and transparent manner. We have held a number of personal and telephone conferences with institutional investors and research analysts to promote and establish effective channels for dual communications between the Company and investors. In addition, we responded promptly to investors' enquiries through telephone or email.

Media Relations

We strive to establish more solid and closer relationship with the media through press releases, press meetings and management visits in order to explain our operating strategies and financial performance to the general public by much faster and effective means.

Site Visits

The Investor Relations Department has arranged a number of site visits to our production base for investors, research analysts and media to enable them to have more lucid understanding of the production of our products.

Looking forward, the Company will strive to develop and maintain closer relationships with investors, analysts and media, and enhance management of investor relations with the goal to maximize our shareholders' wealth.

By order of the Board
Liu Zhongtian
Chairman

Hong Kong, 22 March 2012

Corporate Social Responsibility Report

The Group has always been working relentlessly to become the world's top comprehensive high quality aluminium product developer and manufacturer. As a responsible corporate citizen, we strive for high returns for our shareholders, for contribution to society by continuous development of light-weight and energy saving products for clients, for provision of ideal employment, training and development opportunities for employees as well as for creation of a healthy and harmonious living environment for the community. We actively organize and participate in various charitable activities in order to promote the collaborative sustainable development of enterprises, society and environment.

Zhongwang has been dedicated to light-weight development for the transportation sector.

Power conservation, discharge reduction and the promotion of light-weight development

The Group has contributed to China's sustainable social development with incessant efforts in improving the application of industrial aluminium extrusions in downstream sectors such as transportation, machinery and equipment and electrical power engineering, especially in relation to light-weight development for the transportation industry, on the back of its leading technological edge and innovative product solutions.

The Group has reduced resource consumption and the discharge of harmful substance through the development of clean energy, in a bid to alleviate the pressure brought upon the natural environment by industrial development. In March 2011, our Liaoyang production base successfully completed the trial production of aluminium alloy billets using natural gas, unveiling the fuel renovation project for the industrial aluminium extrusion smelting and casting workshop. The production workshop environment has been significantly improved with the use of natural gas, a premium clean fuel.

The Group endeavors to foster harmony between production and the ecological environment. With green area accounting for about one-third of the total area, the production base in Liaoyang has developed into a garden-style, eco-friendly plant complex with over 50,000 trees, 100,000 flower branches, 150,000 square meters of grass lawn, 5,000 relocated plants and 7,000 horticulture units, and has received the honor of "National Exemplary Unit in Green Development."

Job creation and contributions to local economy

With a firm belief in mutual development based on business integrity, we have made active contributions to local financial well-being. The Company has been a high-worth taxpayer of Liaoning Province for years. The Group was named a "Leading Enterprise in Tax Payment" of Liaoyang, Liaoning Province in 2011.

The Company has been engaged in active efforts to create job opportunities for local citizens, so that they may benefit from the Company's development and share in the prosperity. In 2011, the Company created over 1,000 job positions and was granted the honorary titles of "Advanced Private Enterprise of China in Employment and Social Security" and "Advanced Entity in Procuring Employment for the Jobless."

Emphasis on safe production and promotion of safety education

In connection with production safety, the Group has persisted in the principles of "safety as priority, prevention rather than cure and comprehensive treatment," and has given equal emphasis to management, equipment and training. Safety management and supervision is always the most important task in production. Through the publication of documents such as "Staff Safety Knowledge Handbook" and "Collections of Safety Management Systems," a regime of production safety know-how has been formed. Through the conduct of activities such as production safety know-how training and fire prevention safety contest, a stronger sense for production safety and ability to respond to emergencies has been fostered among our employees.

Special activities such as "Production Safety Month" are organized on a regular basis to identify individual responsibilities for production safety and effectively mitigate risks associated with on-site operations. In the campaign entitled "60 Days of Incident-free Operation," stringent inspection was carried out in all zones and workshops in respect of equipment safety and ancillary facilities, production operation and the presentation of identifications while in work. The "Notification on Results of the Group's Equipment and Safety Inspection" was issued in a timely manner to bring to awareness safety hazards existing in on-site operations. All units and workshops were required to conduct comprehensive self-inspection and relevant rectifications on a regular basis so that hazards would be removed before they grow into potential threats.

Safety training sessions for shift and team leaders are held on a regular basis.

Help to colleagues in need　Support of their children's education

For years, the Group has been engaged in poverty aid activities with the aim of "helping the genuinely impoverished with genuine aid," and a long-term regime for poverty aid focused on daily-life aid, school aid and medical aid. Through the Group's trade union, dedicated funds have been set aside for allocations and home visits to seriously impoverished staff are being made to show our concern and care. Charity donations are being organized to provide financial aid to employees in illness. The "Golden Autumn Schooling Aid," on the other, is designed to provide school fees and expenses for the children of staff with financial difficulties.

"Poverty Aid" has become the long-term commitment and ongoing practice at Zhongwang.

Skill enhancement by on job training

The Company places equal emphasis on the recruitment of high-caliber people and the on-going training of in-service staff. Training programs are held on a regular basis to help employees chart their career development in a systematic manner. Through activities such as Star of Zhongwang Staff Skill Contest, R&D Center Staff Skill Contest and Crane Operators Contest, employees are motivated to learn new knowledge and hone their skills, and a strong sense of vocation underpinned work passion, responsibility, dedication, diligence and creativity, has been fostered on the part of the staff.

Staff training in action.

The Group has set up the "Zhongwang Education Aid Foundation" at Dalian Medical University to provide financial assistance for students from underprivileged families so that they could complete their studies.

Outreach to the community: concern for the common good

The Group has always been committed to actions in social welfare. We encourage and support all our staff to participate in charity activities, which among others, include:

- Paying regular visits to Xujiacun in Liaoyang and help impoverished households solve their practical problems in daily life;
- Setting up the "Zhongwang Education Aid Foundation" at Dalian Medical University to provide financial assistance for students from underprivileged families so that they could complete their studies;
- Launching a program known as "Striving to be First in the Promotion of Harmony," under which employees have been organized to visit the Liaoyang Children's Home.

Honors received by the Group in 2011 for its social commitments included: its first National May 1st Award; "Advanced Private Enterprise of China in Employment and Social Security;" "Advanced Entity in the Province for Creation of National Brands;" "Liaoyang's Advanced Entity in Safe Production 2011" and "Advanced Entity in Procuring Employment for the Jobless in Hongwei District, Liaoyang."

The Group will continue to contribute to society and promote social harmony and well being by upholding sustainable development principles.

Deloitte.
德勤

TO THE MEMBERS OF
CHINA ZHONGWANG HOLDINGS LIMITED
中國忠旺控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Zhongwang Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 115, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Revenue	6	**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	8	**145,712**	64,807
Other income, other gains and losses	9	**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	16	**–**	(170,000)
Finance costs	10	**(463,720)**	(362,534)
Profit before taxation		**1,528,025**	3,477,133
Income tax expense	11	**(422,998)**	(881,266)
Profit for the year attributable to owners of the Company	12	**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	15	**0.20**	0.48
Diluted	15	**0.20**	0.48

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	16	**5,729,631**	4,912,337
Prepaid lease payments	17	**1,685,257**	150,591
Interest in an associate	18	**49,208**	–
Deposits for acquisition of property, plant and equipment and prepaid lease	19	**4,645,603**	174,066
Deferred tax assets	31	**35,417**	42,500
		12,145,116	5,279,494
Current assets			
Inventories	20	**2,480,047**	937,970
Trade receivables	21	**499,976**	738,805
Other receivables, deposits and prepayments	22	**32,051**	404,204
Prepaid lease payments	17	**34,982**	3,319
Pledged bank deposits	23	**728,916**	12,721
Short-term deposits	24	**1,731,285**	–
Bank balances and cash	24	**10,122,226**	17,263,372
		15,629,483	19,360,391
Current liabilities			
Trade payables	25	**2,706,173**	113,269
Bills payable	26	**826,200**	1,100,200
Other payables and accrued charges	25	**733,768**	601,015
Amounts due to related parties	27	**209**	–
Tax liabilities		**250,720**	139,341
Bank loans	28	**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

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Capital and reserves			
Share capital	30	**474,675**	474,675
Reserves		**15,202,854**	15,098,931
		15,677,529	15,573,606
Non-current liabilities			
Bank loans	28	**1,110,000**	3,730,000
Debentures	29	**2,400,000**	1,200,000
Deferred tax liabilities	31	**50,000**	50,000
		3,560,000	4,980,000
		19,237,529	20,553,606

The consolidated financial statements on pages 71 to 115 were approved and authorised for issue by the board of directors on 22 March 2012 and are signed on its behalf by:

Lu Changqing
DIRECTOR

Chen Yan
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31 December 2011

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note d)	Other reserve RMB'000 (Note c)	Surplus reserve RMB'000 (Note a)	Enterprise development fund RMB'000 (Note b)	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2010	474,675	11,304,209	(2,992,978)	635,898	777,650	777,650	50,275	–	3,148,394	14,175,773
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	2,595,867	2,595,867
Recognition of share-based payment	–	–	–	–	–	–	29,812	–	–	29,812
Dividend (Note 14)	–	(1,227,846)	–	–	–	–	–	–	–	(1,227,846)
Appropriations	–	–	–	–	261,624	261,624	–	–	(523,248)	–
At 31 December 2010	**474,675**	**10,076,363**	**(2,992,978)**	**635,898**	**1,039,274**	**1,039,274**	**80,087**	**–**	**5,221,013**	**15,573,606**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,105,027**	**1,105,027**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,797**	**–**	**1,797**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,797**	**1,105,027**	**1,106,824**
Recognition of share-based payment	**–**	**–**	**–**	**–**	**–**	**–**	**33,764**	**–**	**–**	**33,764**
Dividend (Note 14)	**–**	**(1,036,665)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,036,665)**
Appropriations	**–**	**–**	**–**	**–**	**126,487**	**126,487**	**–**	**–**	**(252,974)**	**–**
At 31 December 2011	**474,675**	**9,039,698**	**(2,992,978)**	**635,898**	**1,165,761**	**1,165,761**	**113,851**	**1,797**	**6,073,066**	**15,677,529**

Notes:

(a) The Articles of Association of Liaoning Zhongwang Group Co. Ltd. ("Zhongwang PRC") state that it may make an appropriation of 10% of its profit for the year (prepared under the generally accepted accounting principles in the People's Republic of China ("PRC")) each year to the surplus reserve until the balance reaches 50% of its paid-in capital. The surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of its production and operation.

(b) Pursuant to the PRC Company Law, subsidiaries in the PRC may make an allocation to the enterprise development fund from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The enterprise development fund can be used for making good losses and capitalisation into paid-in-capital. Both the surplus reserve and the enterprise development fund form part of the shareholders' equity but are non-distributable other than in liquidation.

(c) Other reserve mainly represents the capitalisation of accumulated profits of Zhongwang PRC into its paid-in-capital. Pursuant to a resolution passed at the shareholders' meeting dated 18 February 2009, accumulated profits of approximately RMB506,849,000 and RMB127,287,000 was capitalised into the paid-in-capital of Zhongwang PRC for the year ended 31 December 2009 and the year ended 31 December 2008 respectively.

(d) Special reserve arising from a corporate reorganisation in 2008 represents (i) the difference between the 40% of the registered capital of Zhongwang PRC as well as the entire issued share capital of other subsidiaries and the nominal value of the shares of the Company issued for the acquisition and (ii) the consideration paid by a subsidiary of the Group for acquiring 60% equity interest in Zhongwang PRC.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**1,528,025**	3,477,133
Adjustments for:		
Interest expense	**463,720**	362,534
Depreciation of property, plant and equipment	**377,980**	389,055
Impairment loss on property, plant and equipment	**–**	170,000
Share-based payment expenses	**33,764**	29,812
(Gain) loss on disposal of property, plant and equipment	**(2,029)**	629
Bank interest income	**(119,887)**	(64,807)
Interest income from short-term investments	**(25,825)**	–
Release of prepaid lease payments	**16,834**	3,000
Share of profit of an associate	**(208)**	–
Allowances for bad and doubtful debtors in respect of trade receivables	**457**	9,612
Allowances for bad and doubtful debtors in respect of other receivables	**–**	200
Change in fair value of held-for-trading investments	**–**	42
Operating cash flows before movements in working capital	**2,272,831**	4,377,210
Increase in inventories	**(1,542,077)**	(75,605)
Decrease in trade receivables	**238,372**	1,600,556
Decrease (increase) in other receivables, deposits and prepayments	**374,780**	(96,762)
Increase in amounts due to related parties	**209**	–
Decrease in amount due from a related party	**–**	9,118
Decrease in held-for-trading investments	**–**	1,523
Increase (decrease) in trade payables	**2,592,904**	(254,110)
(Decrease) increase in bills payable	**(274,000)**	492,000
Increase in other payables and accrued charges	**88,004**	118,764
Cash generated from operations	**3,751,023**	6,172,694
Income tax paid	**(304,536)**	(1,217,243)
NET CASH FROM OPERATING ACTIVITIES	**3,446,487**	4,955,451

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
INVESTING ACTIVITIES		
Placement in short-term deposits	**(1,731,285)**	—
Contribution made upon establishment of an associate	**(49,000)**	—
Purchases of property, plant and equipment	**(1,000,972)**	(1,380,041)
Deposits paid for acquisition of property, plant and equipment and prepaid lease	**(4,645,603)**	(172,680)
Payments for prepaid lease	**(1,583,163)**	(91,720)
Proceeds from disposal of property, plant and equipment	**3,484**	6,491
Bank interest received	**117,260**	64,807
Purchases of short-term investments	**9,229,000**	—
Proceeds on disposal of short-term investments	**(9,229,000)**	—
Interest income from short-term investments received	**25,825**	—
Placement in pledged bank deposits	**(728,916)**	—
Withdrawal in pledged banks deposits	**12,721**	50,361
Increase in loan receivables	**—**	(200,000)
Repayment of loan receivables	**—**	2,500,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(9,579,649)**	777,218
FINANCING ACTIVITIES		
New bank borrowings raised	**2,301,000**	6,280,000
Repayment of bank borrowings	**(3,033,454)**	(6,070,870)
Debentures raised	**1,200,000**	1,200,000
Repayment of debenture	**—**	(2,000,000)
Interest paid	**(438,865)**	(360,145)
Dividend paid	**(1,036,665)**	(1,227,846)
NET CASH USED IN FINANCING ACTIVITIES	**(1,007,984)**	(2,178,861)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(7,141,146)**	3,553,808
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**17,263,372**	13,709,564
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**10,122,226**	17,263,372

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 principal activities of its subsidiaries are set out in note 38.

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. Significant accounting policies

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. Significant accounting policies (Continued)

Investment in an associate (Continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interest in the associate that is not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to meeting the criteria for revenue recognition are included in the consolidated statement of financial position under other payables and accrued charges.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

3. Significant accounting policies (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable, and are recognised in other income in the consolidated statement of comprehensive income.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3. Significant accounting policies (Continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way of purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, pledged bank deposits, short-term deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- the receivables become past due for a long period of time; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade receivables and other receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, bills payable, other payables and accrued charges, amounts due to related parties, debentures and bank loans) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

4 Financial instruments and capital disclosures

Categories of financial instruments	2011 RMB'000	2010 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**13,085,030**	18,014,898
Financial liabilities		
Amortised cost	**11,751,974**	8,843,778

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, pledged bank deposits, bank balances, short-term deposits, trade payables, bills payable, other payables, amounts due to related parties, debentures and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate pledged bank deposits, short-term deposits, bank balances, and debentures (see note 23 for details of the pledged bank deposits, note 24 for details of short-term deposits and bank balances and note 29 for details of debentures). The Group has not used any derivative contracts to hedge its exposure to interest rate risk.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances and bank loans (see note 24 for details of the bank balances and note 28 for details of bank loans). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark interest rate fixed by People's Bank of China ("PBOC") arising from the Group's RMB denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank balances and bank borrowings, the analysis is prepared assuming the bank balances and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year.

A 10 basis points (2010: 10 basis points) increase or decrease in variable-rate bank balances represents management's assessment of the reasonably possible change in interest rates. If interest rate increases or decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would increase or decrease by approximately RMB6,979,000 (2010: RMB12,922,000). A 50 basis points (2010: 10 basis points) increase or decrease in variable-rate bank borrowings represents management's assessment of the reasonably possible change in interest rates. If interest rate increases or decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would decrease or increase by approximately RMB19,238,000 (2010: RMB4,397,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

4 Financial instruments and capital disclosures (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk

The Group have certain trade receivables, bank balances, other payables and bank loans denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group has not entered into any forward contracts or derivatives to hedge against its foreign currency exposure. However, the management of the Group will consider to hedge these balances should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date is as follows:

	2011 RMB'000	2010 RMB'000
Trade receivables		
United States Dollars ("USD")	**325,850**	523,628
EURO	**1,019**	910
Bank balances and cash		
Hong Kong Dollars ("HKD")	**32,229**	55,229
USD	**351,209**	80,542
EURO	**319**	96
Australian Dollars ("AUD")	**219**	229
Other payables		
USD	**–**	17,571
AUD	**–**	1,705
Bank loans		
USD	**–**	132,454

Sensitivity analysis

The group entities are mainly exposed to USD, HKD, AUD and EURO against RMB. The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in RMB against relevant foreign currencies. RMB 5% (2010: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2010: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2010: 5%) against relevant foreign currencies. A negative number below represents a decrease in post-tax profit. For a 5% (2010: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit.

4 Financial instruments and capital disclosures (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

	RMB against USD Impact		RMB against HKD Impact		RMB against AUD Impact		RMB against EURO Impact	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
(Decrease) increase in post-tax profit for the year	**(25,390)**	(17,030)	**(1,209)**	(2,071)	**(8)**	55	**(50)**	(38)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year ended exposure does not reflect the exposure during the year.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at the end of reporting period, other than concentration of credit risks as set out below, the Group does not have any other significant concentration of credit risk.

	2011 RMB'000	2010 RMB'000
Bank balances (including pledged bank deposits) which are deposited with a local bank and a rural credit cooperative union in Liaoyang City	**1,310,147**	9,708,792
Trade receivables due from three (2010: two) customers located in the PRC	**422,315**	522,225

The Group's bank balances and cash are deposited with banks in Hong Kong and the PRC. The credit risk on liquid funds is limited because the counter parties are the banks with either good reputation or with strong financial backgrounds.

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and aging analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The management closely monitors the subsequent settlement of the counterparties. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

4 Financial instruments and capital disclosures (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Liquidity risk

The Group's liquidity position is monitored on a daily basis by the management and is reviewed monthly by the directors of the Company. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or less than 90 days RMB'000	91 to 180 days RMB'000	181 days to 1 year RMB'000	1 to 2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amounts RMB'000
As at 31 December 2011								
Non-interest bearing	**–**	**4,039,955**	**175,100**	**6,919**	**–**	**–**	**4,221,974**	**4,221,974**
Variable interest rate instruments	**6.19**	**2,235,004**	**1,561,428**	**343,555**	**874,726**	**278,324**	**5,293,037**	**5,130,000**
Fixed interest rate instruments	**4.88**	**–**	**25,560**	**41,921**	**1,312,930**	**1,268,160**	**2,648,571**	**2,400,000**
		6,274,959	**1,762,088**	**392,395**	**2,187,656**	**1,546,484**	**12,163,582**	**11,751,974**
As at 31 December 2010								
Non-interest bearing	–	1,474,405	300,000	6,919	–	–	1,781,324	1,781,324
Variable interest rate instruments	5.42	1,511,884	308,896	1,013,726	3,478,192	498,513	6,811,211	5,862,454
Fixed interest rate instruments	4.07	–	–	43,909	50,828	1,248,840	1,343,577	1,200,000
		2,986,289	608,896	1,064,554	3,529,020	1,747,353	9,936,112	8,843,778

Bank loans with a repayment on demand clause are included in the "on demand or less than 90 days" time band in the above maturity analysis. As at 31 December 2011, the aggregate undiscounted principal amounts of these bank loans amounted to RMB2,200,000,000 (2010: RMB1,300,000,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in two to three years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB2,419,848,000 (2010: RMB1,504,093,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

4 Financial instruments and capital disclosures (Continued)

Fair value

The fair value of financial assets and financial liabilities recorded at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes bank loans and debentures as disclosed in notes 28 and 29 respectively and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The Group's board of directors reviews the capital structure on a continuous basis. As a part of this review, the board of directors considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issuance of new shares, dividend payment, raising of new debts or repayment of existing debts. The Group's overall strategy remains unchanged from last year.

5. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the relevant assets, after taking into account their estimated residual value, if any. The Group reviews the estimated useful lives and residual value of the assets annually in order to determine the amount of depreciation expenses to be recorded during the periods. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

Impairment on property, plant and equipment

Determining whether its property, plant and equipment are impaired requires an estimation of their recoverable amounts. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from those assets and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of property, plant and equipment is RMB4,912,337,000 with impairment loss of RMB170,000,000 recognised. In the opinion of directors of the Company, no impairment loss on property, plant and equipment is necessary as at 31 December 2011.

6. Revenue

	2011 RMB'000	2010 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

7. 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").

Segment revenues 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 described in note 3. 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.

7. 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:

	2011 RMB'000	2010 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

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 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 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, amounts due to related parties, tax liabilities, debentures and bank loans cannot be allocated either. As a result, no segment liability is presented.

7. Segment information (Continued)

Other segment information

For the year ended 31 December 2011

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

	Industrial RMB'000	Construction RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	**877,980**	**—**	**318,749**	**1,196,729**
Additions to prepaid lease payments	**1,583,163**	**—**	**—**	**1,583,163**
Depreciation of property, plant and equipment	**134,885**	**75,747**	**167,348**	**377,980**
Release of prepaid lease payments	**15,374**	**—**	**1,460**	**16,834**
Allowances for bad and doubtful debts in respect of trade receivables	**—**	**475**	**—**	**475**
Gain on disposal of property, plant and equipment	**—**	**—**	**(2,029)**	**(2,029)**

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
Additions to prepaid lease payments	91,720	—	—	91,720
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

7. Segment information (Continued)

Geographical information

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

	2011 RMB'000	2010 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 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.

Information about major customer

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Customer A*	**1,460,967**	Note
Customer B*	**1,314,210**	Note
Customer C*	**1,057,232**	Note
Customer D*	**1,038,084**	Note
Customer E*	**Note**	3,022,686
Customer F*	**Note**	1,416,022

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

* Revenue from Industrial segment.

8. Investment income

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

9. Other income, other gains and losses

	2011 RMB'000	2010 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.

10. Finance costs

	2011 RMB'000	2010 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

11. Income tax expense

	2011 RMB'000	2010 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) (Note 31)	**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.

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	**1,528,025**	3,477,133
Taxation at the PRC income tax rate of 25%	**382,006**	869,283
Tax effect of expenses not deductible for tax purpose	**40,030**	39,379
Tax relief related to additional tax deduction approved by tax bureau on research and development costs incurred	**(6,684)**	(3,824)
Tax effect of tax losses not recognised	**20,581**	—
Tax effect of intergroup interest income	**(14,332)**	(23,572)
Underprovision in respect of prior year	**1,397**	—
Taxation for the year	**422,998**	881,266

12. Profit for the year

	2011 RMB'000	2010 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

13. Directors' emoluments and employees' emoluments

	2011 RMB'000	2010 RMB'000
Directors' emoluments		
Salaries and other benefits	**8,833**	5,228
Retirement benefit scheme contributions	**16**	16
Employee share option benefits	**7,845**	6,126
	16,694	11,370

13. Directors' emoluments and employees' emoluments (Continued)

The emoluments of directors during each of the year ended 31 December 2011 and 2010 are analysed as follows:

	2011				2010			
	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Employee share option benefits RMB'000	Total RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Employee share option benefits RMB'000	Total RMB'000
Name of directors								
Executive directors:								
Mr. Liu Zhongtian ("Mr. Liu")	**2,003**	**3**	**–**	**2,006**	1,202	3	–	1,205
Mr. Zhong Hong	**1,503**	**3**	**1,646**	**3,152**	802	3	1,624	2,429
Mr. Chen Yan	**1,503**	**3**	**1,646**	**3,152**	802	3	1,624	2,429
Mr. Lu Changqing	**1,521**	**4**	**1,646**	**3,171**	820	4	1,624	2,448
Mr. Gou Xihui	**1,503**	**3**	**1,963**	**3,469**	802	3	1,254	2,059
Non-executive director:								
Mr. Ma Xiaowei (Note)	**–**	**–**	**–**	**–**	–	–	–	–
Independent non-executive directors:								
Mr. Wong Chun Wa	**200**	**–**	**236**	**436**	200	–	–	200
Mr. Wen Xianjun	**200**	**–**	**236**	**436**	200	–	–	200
Mr. Shi Ketong	**200**	**–**	**236**	**436**	200	–	–	200
Mr. Lo Wa Kei, Roy	**200**	**–**	**236**	**436**	200	–	–	200
Total	**8,833**	**16**	**7,845**	**16,694**	5,228	16	6,126	11,370

Note: Mr. Ma Xiaowei resigned as an non-executive director on 1 April 2010.

For each of the year ended 31 December 2011 and 2010, all five highest paid individuals are the directors of the Group whose emoluments are included in the disclosure set out above.

During each of the year ended 31 December 2011 and 2010, no emolument was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during each of the year ended 31 December 2011 and 2010.

14. 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.

15. 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 **'000**	2010 '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.

16. Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2010	500,239	3,731,847	76,656	31,614	1,649,461	5,989,817
Transfer	3,996	383,395	–	–	(387,391)	–
Additions	–	28,977	18,494	12,703	747,266	807,440
Disposals	–	(731)	(33,718)	–	–	(34,449)
At 31 December 2010	504,235	4,143,488	61,432	44,317	2,009,336	6,762,808
Transfer	112,323	968,624	–	–	(1,080,947)	–
Additions	–	46,616	25,020	3,637	1,121,456	1,196,729
Disposals	–	(24)	(11,797)	–	–	(11,821)
At 31 December 2011	**616,558**	**5,158,704**	**74,655**	**47,954**	**2,049,845**	**7,947,716**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2010	149,881	1,105,690	48,841	14,333	–	1,318,745
Charge for the year	23,023	355,517	5,992	4,523	–	389,055
Impairment loss recognised in profit or loss	–	170,000	–	–	–	170,000
Eliminated on disposals	–	(551)	(26,778)	–	–	(27,329)
At 31 December 2010	172,904	1,630,656	28,055	18,856	–	1,850,471
Charge for the year	25,768	337,896	8,143	6,173	–	377,980
Eliminated on disposals	–	(2)	(10,364)	–	–	(10,366)
At 31 December 2011	**198,672**	**1,968,550**	**25,834**	**25,029**	**–**	**2,218,085**
CARRYING VALUES						
At 31 December 2011	**417,886**	**3,190,154**	**48,821**	**22,925**	**2,049,845**	**5,729,631**
At 31 December 2010	331,331	2,512,832	33,377	25,461	2,009,336	4,912,337

The above items of property, plant and equipment other than construction in progress are depreciated, after taking into account their estimated residual value, on a straight-line basis at the following rates per annum:

Buildings	4.5%
Machinery	9%
Motor vehicles	18%
Furniture, fixtures and equipment	18%

16. Property, plant and equipment (Continued)

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 machinery, 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 were 8%.

During the year ended 31 December 2011, the directors considered that no impairment loss on property, plant and equipment was recognised.

17. Prepaid lease payments

The Group's prepaid lease payments comprise:

	2011 RMB'000	2010 RMB'000
Leasehold land in the PRC under medium-term leases	**1,720,239**	153,910
Analysed for reporting purpose:		
Current assets	**34,982**	3,319
Non-current assets	**1,685,257**	150,591
	1,720,239	153,910

18. Interest in an associate

	2011 RMB'000	2010 RMB'000
Cost of investment in an unlisted associate	**49,000**	–
Share of profits and other comprehensive income	**208**	–
	49,208	–

18. Interest in an associate (Continued)

As at 31 December 2011, the Group had interest in the following associate:

Name of entity	Place of incorporation/ establishment	Form of business structure	Place of operation	Equity interest attributable to the Group as at 31 December 2011	Proportion of voting power held as at 31 December 2011	Fully paid registered capital	Principal activities
China Railway Zhongwang Aluminium Company Limited* ("CR Zhongwang") 中鐵忠旺鋁業有限公司	The PRC	Domestic Limited Liability Company ("DLLC")	The PRC	49%	49%	RMB 100,000,000	Trading of non-ferrous metals, non-ferrous metal products and metallic materials and import and export business

* English name is for identification purpose only.

Pursuant to Articles of Association of CR Zhongwang, the Group has the power to appoint two out of the five directors of CR Zhongwang, any decision of the board shall be made by a simple majority of votes at a duly constituted meeting and every director shall have one vote; hence the Group is able to exercise significant influence over CR Zhongwang.

The summarised financial information in respect of the Group's associate is set out below:

	2011 RMB'000
Total assets	100,693
Total liabilities	(268)
Net assets	100,425
Group's share of net assets of associate	49,208
Revenue	87,612
Profit for the year	425
Other comprehensive income	–
Group's share of profits and other comprehensive income of associate for the year	208

19. Deposits for acquisition of property, plant and equipment and prepaid lease

	2011 RMB'000	2010 RMB'000
Deposits for acquisition of property, plant and equipment (Note)	**4,346,623**	174,066
Deposits for acquisition of prepaid lease	**298,980**	—
	4,645,603	174,066

Note:

Included in deposits for acquisition of property, plant were equipment are deposits paid to three suppliers of equipment for production of aluminium flat rolled products amounting to RMB4,255,992,000 (2010: nil). As at 31 December 2011, there were concentration of credit risks on deposits paid to these suppliers.

20. Inventories

	2011 RMB'000	2010 RMB'000
Raw materials	**2,244,771**	715,291
Work in progress	**63,417**	104,001
Finished goods	**171,859**	118,678
	2,480,047	937,970

21. Trade receivables

	2011 RMB'000	2010 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 RMB'000	2010 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

21. Trade receivables (Continued)

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. As at 31 December 2011, there were concentration of credit risks on trade receivables due from three (2010: two) customers located in the PRC amounting to RMB422,315,000 (2010: RMB522,225,000). Except for this concentration risk on certain customers, the concentration of credit risk is limited due to the remaining customer base being large and unrelated. The directors also believe that there is no further credit provision required in excess of the allowance for doubtful debts.

As at 31 December 2011, trade receivables of approximately RMB95,482,000 (2010: RMB43,257,000) were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2011 RMB'000	2010 RMB'000
91–180 days	**33,775**	32,334
181–365 days	**58,333**	10,923
Over 365 days	**3,374**	—
Total	**95,482**	43,257

Movement in the allowance for bad and doubtful debts

	2011 RMB'000	2010 RMB'000
Balance at beginning of the year	**10,948**	1,336
Allowance for bad and doubtful debts	**457**	9,612
Balance at end of the year	**11,405**	10,948

22. Other receivables, deposits and prepayments

	2011 RMB'000	2010 RMB'000
Other receivables, deposits and prepayments	**32,051**	404,204

Included in the other receivables, deposits and prepayments are prepayments paid to suppliers amounting to RMB18,946,000 (2010: RMB388,797,000). As at 31 December 2010, there were concentration of credit risks on prepayments paid to two suppliers of approximately RMB374,128,000.

22. Other receivables, deposits and prepayments (Continued)

Movement in the allowance for bad and doubtful debts

	2011 RMB'000	2010 RMB'000
Balance at beginning of the year	**–**	–
Allowances for bad and doubtful debtors	**–**	200
Amounts written off as uncollectible	**–**	(200)
Balance at end of the year	**–**	–

23. Pledged bank deposits

For the year ended 31 December 2011, the deposits carry average effective interest rates of 2.18% (2010: 1.98%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills payable.

24. Short-term deposits and bank balances and cash

Short-term deposits are fixed deposits with banks held by the Group with an original maturity of more than three months but not more than one year.

Bank balances and cash comprise cash held by the Group and bank deposits with an original maturity of three months or less. As at 31 December 2011, included in bank balances and cash were fixed deposits of RMB800,000,000 (2010: nil) with an original maturity of three month or less.

As at 31 December 2011, the fixed deposits and short-term bank deposits carry average interest rates of 3.3% (2010: nil) and 0.5% (2010: 0.36%) per annum respectively.

As at 31 December 2011, there were concentration of credit risks on bank balances which are deposited with a local bank and a rural credit cooperative union in Liaoyang City amounting to RMB1,310,027,000 (2010: RMB9,708,672,000).

25. Trade payables, other payables and accrued charges

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 RMB'000	2010 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

Other payables and accrued charges

Included in other payables and accrued charges were RMB354,166,000 (2010: RMB332,475,000) owed to certain suppliers who have supplied production machineries to the Group.

26. Bills payable

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

27. Amounts due to related parties

	2011 RMB'000	2010 RMB'000
Amount due to an associate — CR Zhongwang (Note a)	**137**	—
Amount due to a related party — Liaoyang Gang Long Chemicals Co., Ltd. (“Gang Long”) (Note b)	**72**	—
	209	—

Notes:

(a) As at 31 December 2011, amount due to an associate is of non-trade nature. The amount is unsecured, interest free and repayable on demand.

(b) Mr. Liu has beneficial interest in, which gives him control over Gang Long. As at 31 December 2011, amount due to Gang Long is of trade nature and aged within 90 days. The amount is unsecured, interest free and repayable on demand.

28. Bank loans

	2011 RMB'000	2010 RMB'000
Carrying amounts repayable (based on contractual term):		
Within one year	**1,820,000**	832,454
In more than one year but not more than two years	**840,000**	3,270,000
In more than two years but not more than five years	**270,000**	460,000
	2,930,000	4,562,454
Carrying amount of bank loan that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**2,200,000**	1,300,000
Less: Amounts due within one year shown under current liabilities	**(4,020,000)**	(2,132,454)
Amounts shown under non-current liabilities	**1,110,000**	3,730,000
Guaranteed by an independent third party	**1,500,000**	1,382,454

All bank loans are unsecured borrowings.

The Group's borrowings that are denominated in a currency other than the functional currency of the relevant group entities are set out below.

	2011 RMB'000	2010 RMB'000
USD	**—**	132,454

28. Bank loans (Continued)

All the Group's borrowings carry variable interest rates which are based on benchmark rate fixed by PBOC or London InterBank Offered Rates ("LIBOR") plus or minus a premium/discount. Details are as follows:

	2011 RMB'000	2010 RMB'000
Benchmark interest rate fixed by PBOC plus or minus a premium/discount		
Carrying amounts repayable*:		
Within one year	**1,820,000**	700,000
In more than one year but not more than two years	**2,140,000**	3,270,000
In more than two years but not more than five years	**1,170,000**	1,760,000
	5,130,000	5,730,000
LIBOR plus a premium		
Carrying amounts repayable		
Within one year	**–**	132,454
	5,130,000	5,862,454

* The amounts presented in this table are based on scheduled repayment dates set out in the loan agreements. Included in this table is an amount of RMB2,200,000,000 (2010: RMB1,300,000,000) which contain a repayment on demand clause in the loan agreement.

As at 31 December 2011, variable-rate borrowings carry average interest at 6.19% (2010: 5.42%) per annum.

29. Debentures

	RMB'000
At 1 January 2010	2,000,000
Addition (Note a)	1,200,000
Repayment	(2,000,000)
At 31 December 2010	1,200,000
Addition (Note b)	1,200,000
At 31 December 2011	**2,400,000**

Notes:

(a) During the year ended 31 December 2010, the Group issued an unsecured debenture of RMB1,200,000,000 with maturity of three years with effective interest rate of 4.07% per annum. The debenture was guaranteed by an independent third party at a fee of RMB6,244,000 per annum.

(b) During the year ended 31 December 2011, the Group issued an unsecured debenture of RMB1,200,000,000 with maturity of three years with effective interest rate of 5.68% per annum.

30. Share capital

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

31. Deferred taxation

Deferred tax assets

As at 31 December 2011, the Group had deductible temporary differences of approximately RMB141,667,000 (2010: RMB170,000,000) in relation to impairment losses on property, plant and equipment recognised in the year ended 31 December 2010. During the year ended 31 December 2011, deferred tax asset and deferred tax charge of approximately RMB35,417,000 (2010: RMB42,500,000) and RMB7,083,000 (2010: tax credit of RMB42,500,000) respectively have been recognised in relation to such deductible temporary difference.

As at 31 December 2011, the Group had estimated unused tax losses of approximately RMB82,324,000 (2010: nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unused tax losses will expire in 2016.

Deferred tax liabilities

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation of RMB50,000,000 has been provided for in the consolidated financial statement in respect of temporary difference arising from the withholding tax on accumulated profits of a PRC subsidiary generated during the year ended 31 December 2008. No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences relating to the undistributed profits of a PRC subsidiary amounting to approximately RMB7,945,649,000 (31 December 2010: RMB6,680,774,000) as the Company controls the dividend policy of such subsidiary and it is probable that the profits will not be distributed in the foreseeable future. At the end of the reporting period, the Group had no other significant unprovided deferred taxation.

32. Operating lease commitments

The Group as lessee

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

	2011 RMB'000	2010 RMB'000
Within one year	**8,911**	9,367
In the second to fifth year inclusive	**1,745**	10,217
	10,656	19,584

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

33 Capital commitments

	2011 RMB'000	2010 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

34. Retirement benefit plan

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes each month at the lesser of HK$1,000 or 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the subsidiaries operated in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit schemes during each of the year ended 31 December 2011 and 2010 are disclosed in note 12.

35. Related party transactions

During the year, the Group had entered into the following significant transactions with related companies and an associate:

	2011 RMB'000	2010 RMB'000
Purchases from related companies (Note):		
Liaoning Cheng Cheng Co., Ltd	**6,039**	4,813
Gang Long	**61**	157
	6,100	4,970
Rental income from an associate:		
CR Zhongwang	**13**	—

Note: These companies in which Mr. Liu has beneficial interests that give him control.

The directors of the Company consider that the directors are the key management of the Group, whose emoluments have been disclosed in note 13.

36. Share Option Scheme

Pre-IPO share option scheme

Pursuant to an ordinary resolution of the board of directors passed on 17 April 2008, a pre-IPO share option scheme (the "Scheme") was conditionally approved and adopted to provide grantees with the opportunity to acquire proprietary interest in the Company and to recognise the contribution of certain members of the senior management and employees of the Group.

The exercise of the pre-IPO share options is conditional on:

(i) the listing committee granting approval for the listing of and permission to deal in the shares of the Company which may fall to be issued pursuant to the exercise of the options granted under the Scheme; and

(ii) the commencement of the dealings in the shares of the Company on the Stock Exchange, and is subject to the vesting conditions set out below.

The above pre-IPO share options have been granted on the condition that they are valid for a period ending on the date before the fifth anniversary of the listing date ("Pre-IPO Share Option Term"). With respect to the commencement of the dealings in shares of the Company on the Stock Exchange and each of the five consecutive anniversary of the listing date, a grantee shall be entitled to exercise his/her option to subscribe for up to 20% of the total number of the shares of the Company under his/her option ("Vested Shares") during such period.

In the event that an option holder shall not have exercised his option for the full amount of the Vested Shares (the unexercised portion of the Vested Shares shall be referred to as the "Unexercised Vested Shares"), the option shall continue to be exercisable in respect of such Unexercised Vested Shares during the rest of the Pre-IPO Share Option Term.

The subscription price per share under the Scheme is HK$2. Since no further options can be granted under the Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Scheme.

Details of the Scheme is as follows:

Grantees	Grant date	Exercisable period	Exercise price	Number of share options granted on grant date, outstanding at 31 December 2010 and 2011
Category:	17 April 2008	8 May 2009 to 7 May 2014	2.00	
Directors				8,300,000
Employees				32,100,000
				40,400,000

36. Share Option Scheme (Continued)

Share option scheme

Pursuant to an ordinary resolution of the board of directors passed on 17 April 2008, a share option scheme (the "Share Option Scheme") was conditionally approved and adopted to provide grantees, including directors, senior management and consultants of any member of the Group, with an opportunity to subscribe for the ordinary shares of the Company. The period within which the options must be exercised shall be determined by the directors at the time of grant and such period must expire no later than ten years from the date the offer has been made to the grantees. All outstanding options shall lapse when the employment of the holder ceases or where the holder is no longer a member of the Group. Each of the five consecutive anniversary of the grant date, a grantee shall be entitled to exercise to exercise his/her option to subscribe for up to 20% of the total number of shares of the companies under his/her option during such period.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed ten percent of the shares in issue upon the listing of the shares of the Company on the Stock Exchange (the Company may refresh this ten percent limit under certain conditions) or thirty percent of the shares in issue from time to time where there are options to be granted and yet to be exercised. The total number of shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any twelve month period must not exceed one percent of the shares in issue. Any further grant of options which would result in the number of shares exceeding one percent requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

Details of the Share Option Scheme is as follows:

Grantees	Grant date	Exercise period	Exercise price	Number of share options granted on grant date	Forfeited during the year	Outstanding as at 31 December 2011
Category:	22 March 2011	22 March 2012 to 21 March 2021	3.90			
Directors				**11,700,000**	**–**	**11,700,000**
Employees				**34,000,000**	**(200,000)**	**33,800,000**
				45,700,000	**(200,000)**	**45,500,000**

The fair value of options under the Scheme and Share Option Scheme was calculated using the binominal option pricing model by an independent valuer, Savills Valuation and Professional Services Limited. The inputs into the model are as follows:

	Scheme	Share option scheme
Estimated share price at grant date	HK$4.7	HK$3.83
Exercise price	HK$2	HK$3.9
Expected volatility	58%	53%
Expected life	5.6 years	10 years
Risk-free interest rate	2.2%	2.75%
Expected dividend yield	2.5%	5.9%

36. Share Option Scheme (Continued)

Expected volatility of the Scheme and Share Option Scheme were was determined by using the historical volatility of the price return of the ordinary shares of comparable companies and the Company respectively. Because the binominal option price model requires the input of highly subject assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

The fair values of options under the Scheme and Share Option Scheme on the grant date are approximately RMB105,226,000 and RMB52,496,000 respectively.

The following table discloses movement of the Company's share options held by grantees during the year:

Type of option	Outstanding at 1 January 2010, 31 December 2010 and 1 January 2011	Granted during the year	Forfeited during the year	Outstanding as at 31 December 2011	Exercisable as at 31 December 2011	Exercisable as at 31 December 2010
Scheme	40,400,000	–	–	**40,400,000**	**24,240,000**	**16,160,000**
Share Option Scheme	–	45,700,000	(200,000)	**45,500,000**	**–**	**–**
	40,400,000	45,700,000	(200,000)	**85,900,000**	**24,240,000**	**16,160,000**

During the year ended 31 December 2011, share based payment expenses of approximately RMB15,784,000 (2010: RMB29,812,000) and RMB17,980,000 (2010: nil) in relation to the Scheme and Share Option Scheme, respectively, are recognised in profit or loss.

37. 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 a land use right of a 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 rights 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.

38. Particulars of subsidiaries of the Company

Particulars of the Company's subsidiaries as at 31 December 2011 and 31 December 2010 are as follows:

Name of the company	Place of incorporation/ establishment	Form of business structure	Place of operation	Equity interest attributable to the Group as at 31 December 2011	Equity interest attributable to the Group as at 31 December 2010	Issued and fully paid share capital/ registered capital	Principal activities
Zhongwang PRC	The PRC	Wholly foreign owned enterprise	The PRC	**100%**	100%	US$900,000,000	Manufacturing of aluminium products
Zhongwang China Investment Limited	British Virgin Islands	Incorporated	Hong Kong	**100%**	100%	US$2.00	Investment holding
Zhongwang China Investment (HK) Limited	Hong Kong	Incorporated	Hong Kong	**100%**	100%	HK$2.00	Investment holding and trading of aluminium products
Beijing Zhongwang Guoxin Investment Company Limited* 北京忠旺國新投資有限公司	The PRC	DLLC	The PRC	**100%**	100%	RMB300,000,000	Investment holding
Beijing Zhongwang Huarong Investment Company Limited* 北京忠旺華融投資有限公司	The PRC	DLLC	The PRC	**100%**	100%	RMB100,000,000	Investment holding
Beijing Zhongwang Xinda Investment Company Limited* 北京忠旺信達投資有限公司	The PRC	DLLC	The PRC	**100%**	100%	RMB200,000,000	Investment holding
Liaoning Zhongwang Aluminium Industry Incorporated Company Limited* 遼寧忠旺鋁業股份有限公司	The PRC	DLLC	The PRC	**100%**	100%	RMB250,000,000	Investment holding and manufacturing of aluminium products
Daqing Zhongwang Aluminium Industry Incorporated Company Limited* 大慶忠旺鋁業有限公司	The PRC	DLLC	The PRC	**100%**	N/A	RMB230,000,000	Manufacturing of aluminium products
Yingkou Zhongwang Aluminium Industry Incorporated Company Limited* 營口忠旺鋁業有限公司	The PRC	DLLC	The PRC	**100%**	N/A	RMB200,000,000	Inactive
Panjin Zhongwang Aluminium Industry Incorporated Company Limited* 盤錦忠旺鋁業有限公司	The PRC	DLLC	The PRC	**100%**	N/A	RMB200,000,000	Inactive
Tianjin Zhongwang Aluminium Industry Incorporated Company Limited* 天津忠旺鋁業有限公司	The PRC	DLLC	The PRC	**100%**	N/A	RMB200,000,000	Manufacturing of aluminium products

* English name is for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the year except for Zhongwang PRC which has issued RMB2,400,000,000 (2010: RMB1,200,000,000) debentures, in which the Group has no interest.

39. Information about the statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2011 RMB'000	2010 RMB'000
Assets and liabilities		
Unlisted investment in a subsidiary	**1,360,328**	1,360,328
Amounts due from subsidiaries	**7,481,313**	9,229,468
Bank balances and cash	**18,960**	41,009
Other current assets	**388**	443
Amounts due to subsidiaries	**(111,669)**	(117,626)
Other current liabilities	**(13,236)**	(10,689)
	8,736,084	10,502,933
Capital and reserves		
Share capital (Note 30)	**474,675**	474,675
Reserves	**8,261,409**	10,028,258
	8,736,084	10,502,933

Five-year financial summary

RESULTS

	Year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
Revenue	7,521,266	11,264,429	13,852,708	10,521,948	**10,305,694**
Profit for the year attributable to owners of the Company	852,158	1,910,438	3,528,815	2,595,867	**1,105,027**

ASSETS AND LIABILITIES

	As at 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
Total assets	11,012,758	12,861,075	24,423,450	24,639,885	**27,774,599**
Total liabilities	7,718,120	9,655,999	10,247,677	9,066,279	**12,097,070**
Total equity attributable to owners of the Company	3,294,638	3,205,076	14,175,773	15,573,606	**15,677,529**

Note:

The Company was incorporated in the Cayman Islands on 29 January 2008 and became the holding company of the Group on 8 August 2008 as a result of a group reorganisation as set out in the prospectus dated 24 April 2009 ("Prospectus") issued by the Company.

The results of the Group for each of the two years ended 31 December 2008 and the assets and liabilities of the Group as at 31 December 2007 and 2008 have been prepared on a combined basis as if the Group structure, at the time when the Company's shares were listed on The Stock Exchange of Hong Kong Limited, had been in existence throughout the years concerned and have been extracted from the Prospectus.