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

Annual Report 2009

* *For identification purposes only*

Our philosophy: To become the global leading industrial aluminium extrusion products manufacturer with strong capabilities in research and development by focusing our services on transportation, machinery equipment and power transmitter sectors, and continually consolidating our industry leadership position through leading edge research, development and manufacturing capabilities in the world.

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

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. Lu Changqing
Mr. Cheung Lap Kei

Authorised Representatives

Mr. Lu Changqing
Mr. Cheung Lap Kei

Principal Bankers

Bank of Communications Co., Ltd., Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Liaoyang City Commercial Bank, Wensheng Branch
Liaoyang City Hongwei District Agricultural Credit Cooperatives
Credit Agricole Indosuez

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
China

Place of Business in Hong Kong

20th Floor, Alexandra House
Central, Hong Kong

Company Website

www.zhongwang.com

Investor Relations

Email: ir@zhongwang.com

Corporate Information

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

Freshfields Bruckhaus Deringer
11/F, Two Exchange Square
8 Connaught Place
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 & Media Relations Advisor

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

Closure of Register of Members

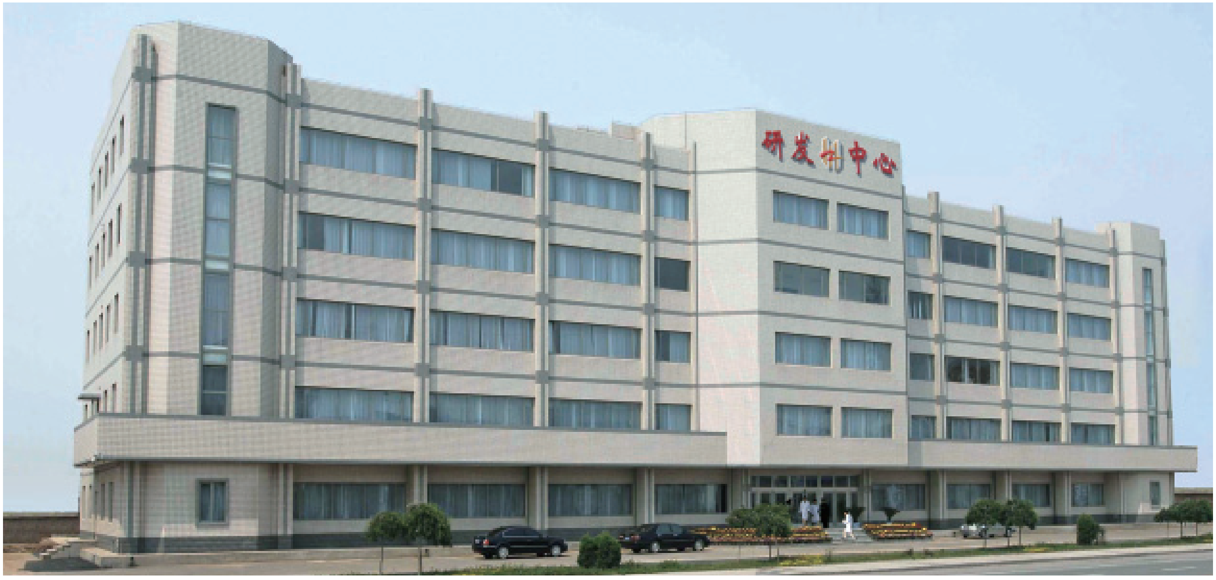
The register of members of the Company will be closed from Wednesday, 26 May 2010 to Thursday, 3 June 2010 (both days inclusive), during which period no transfer of shares will be effected. The Board recommended to declare a final dividend of HK$0.19 (equivalent to RMB0.17) per share and a special dividend of HK$0.07 (equivalent to RMB0.06) per share, making a total dividend of HK$0.26 (equivalent to RMB0.23) per share.

In order for our shareholders to qualify for the entitlement to the final dividends for the year ended 31 December 2009 and to attend and vote at the annual general meeting to be held on 3 June 2010 (the "Annual General Meeting"), all instruments of transfers (including relevant share certificates and transfer forms) must be lodged at the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 25 May 2010.

Annual General Meeting

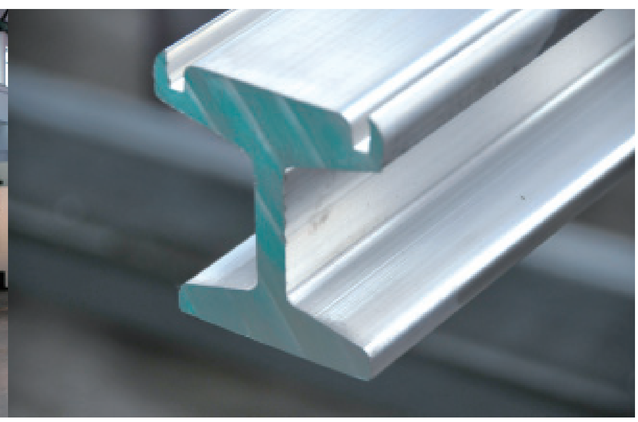
Notice of the 2009 Annual General Meeting of the Company to be held on 3 June 2010 is set out in the circular to be despatched to the shareholders together with this annual report (the "Annual Report").

Corporate Profile



China Zhongwang Holdings Limited (the "Company") and its subsidiaries (the "Group"), is the third largest manufacturer in the world and the largest manufacturer in Asia and China with strong capabilities of research and development of high value-added aluminium extrusion products for the transportation, machinery equipment and power transmitter sectors in terms of production capacity for the year ended 31 December 2009. In terms of sales volume of industrial aluminium extrusion, the Group is the second largest product manufacturer[1] in the world and the largest in Asia and China. Headquartered in the Liaoning Province, China, the Group is primarily focused on the provision of quality industrial aluminium extrusion products which meet stringent specifications and quality standards.

With sixteen years of commitments and contributions since its establishment in 1993, the Group operated 66 world's advancing production lines as at 31 December 2009, of which the 125MN oil-driven dual action aluminium extrusion



1. Information relating to major aluminium extrusion products and industrial aluminium manufacturers in the world is extracted from the report of Boston Consulting Group. Please refer to the section headed "Management Discussion and Analysis" for details.

Corporate Profile

press is one of the largest and most advanced compressors in China and even in the world[1]. We have also operated the largest quenching, smelting and casting equipments[1], as well as a customised industrial aluminium extrusion product die design and manufacturing centre, and had externally accredited product development and inspection capability. Our annual production capacity as at the end of 2009 was approximately 600 kilotons. The close coordination among product development, smelting and casting, die and extrusion is an important source of the Group's competitive advantages and an outstanding feature of the Group.

The Group is principally engaged in the production of high precision, large-section and high value-added industrial aluminium extrusion products which are widely used in the transportation, machinery equipment and power transmitter sectors. We are one of the qualified suppliers designated by the Ministry of Railways since 2004 and have a large number of worldwide aluminium industry accreditations and competency certifications. The Group has a diverse and stable base of domestic and overseas customers, spanning in China, Australia and the United States. The Group has established long-term cooperation relationship with a number of end customers in different industries. We produce a wide range of aluminium extrusion products for various applications, which can be broadly classified into two principal product categories, namely, industrial aluminium extrusion products and construction aluminium extrusion products. However, in order to preserve higher gross profit for our products, we are in the process of shifting our business towards high value-added industrial aluminium extrusion products and reducing our production of construction aluminium extrusion products.

On 8 May 2009, the Company was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with HK$9.8 billion of funds raised (the "Listing"). The initial public offering of the Company's shares (the "IPO") has not only consolidated the Group's capital base, but also established a fund-raising platform for the Group, which is beneficial to the Group in advancing its sustainable development opportunities in the industrial aluminium extrusion market of the transportation sector to a higher level.

We will continue to focus our attention on the transportation, machinery equipment and power transmitter sectors, in particular on the light-weight development in the direction of reducing energy consumption and achieving low-carbon and emission-reducing and to further enhance our existing competitive advantages in our vibrant efforts to become the world's leading edge industrial aluminium extrusion products manufacturer in terms of research and development.

1. Descriptions relating to equipment information are extracted from the report of the Boston Consulting Group.

Financial Highlights

	2009 RMB'000 (Audited)	2008 RMB'000 (Audited)
Revenue	**13,852,708**	11,264,429
Gross profit	**5,290,075**	3,102,295
Operating profits (note 1)	**4,753,663**	2,643,961
Listing expenses	**36,558**	—
Profit before income tax	**4,717,105**	2,643,961
Profit attributable to shareholders (note 2)	**3,528,815**	1,910,438
Earnings per share		
Basic (RMB) (note 3)	**0.72**	0.48
Diluted (RMB)	**0.71**	—
Proposed final dividend per ordinary share (RMB) (note 4)	**0.17**	0.75
Proposed special dividend per share (RMB) (note 4)	**0.06**	—
Proposed total dividend per share (RMB) (note 4)	**0.23**	0.75
Net cash (note 5)	**6,056,240**	(508,821)
Net assets	**14,175,773**	3,205,076
Total assets	**24,423,450**	12,861,075

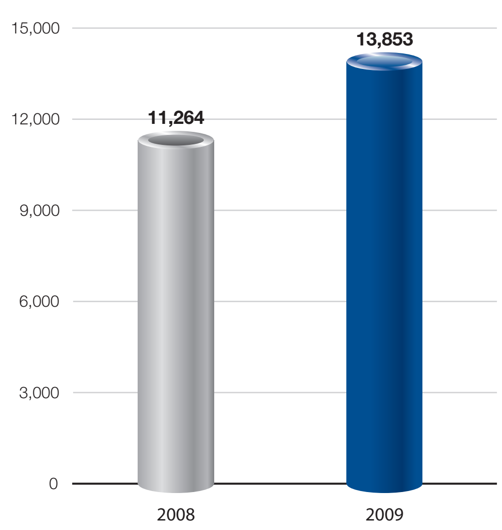
	2009 (Audited)	2008 (Audited)
Current ratio (note 6)	**2.73**	1.00
Inventory turnover in days (note 7)	**41**	54
Trade receivable turnover in days (note 8)	**38**	20
Trade payable turnover in day (note 9)	**71**	102
Gross margin	**38.2%**	27.5%
Gearing ratio (note 10)	**42.0%**	75.1%
Product composition – by revenue		
Industrial aluminium extrusion	**83.0%**	55.3%
Construction aluminium extrusion	**17.0%**	44.7%
Product composition – by gross profit		
Industrial aluminium extrusion	**94.9%**	79.9%
Construction aluminium extrusion	**5.1%**	20.1%

Notes:

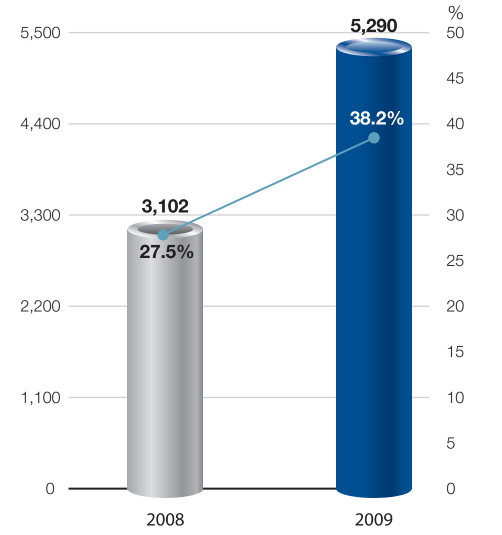
1. Operating profits represent profit before listing expenses and income tax.
2. For the purposes of illustration only, profit attributable to shareholders of the Group for the year, before the effect of the one-off listing expenses related to the Listing excluded from the consolidated statement of comprehensive income, increased by approximately 86.6% to approximately RMB3,565,373,000 (2008: approximately RMB1,910,438,000).
3. For each of the years ended 31 December 2009 and 2008, the calculation of basic earnings per share was based on the profit attributable to shareholders of the Company for each of the years ended 31 December 2009 and 2008 and the weighted average number of shares during that year.
4. Pursuant to the Board Meeting held on 18 October 2008, a dividend of RMB0.5 per share, aggregating RMB2,000,000,000, was declared by the Company and distributed to our immediate holding company, Zhongwang International Group Limited ("ZIGL"). In April 2009, a final dividend of RMB0.25 per share, aggregating RMB1,000,000,000, which was declared by the Company and distributed to ZIGL. The final dividend for the year of 2009 of HK$0.19 (equivalent to RMB0.17) per share, and the special dividend of HK$0.07 (equivalent to RMB0.06) per share, with an aggregate amount of RMB903,420,831 and RMB332,839,254, respectively, have been proposed by the Directors and is subject to approval by the shareholders at the Annual General Meeting. The above dividends shall be paid out of the share premium of the Company.
5. Bank balances and cash (excluding pledged bank deposits) less bank loans and short term debentures.
6. Current ratio = current assets/current liabilities
7. 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
8. 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
9. 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
10. Gearing ratio = total liabilities / total assets * 100

Financial Highlights

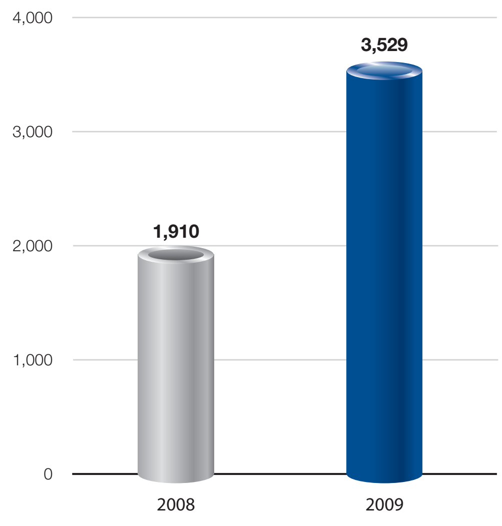
Revenue
(RMB millions)



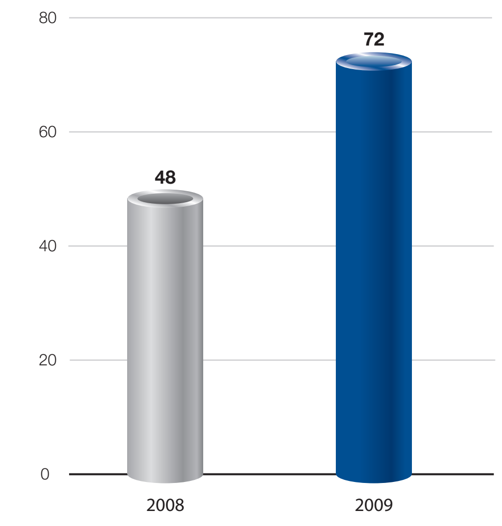
Gross Profit/Gross Margin
(RMB millions)



Profit attributable to Shareholders
(RMB millions)



Earnings Per Share (Basic)
(RMB cents)



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Zhongwang Holdings Limited, I am pleased to present the first Annual Report of the Group for the year ended 31 December 2009.

2009 was an important year that heralded a new milestone of the Company. The Company was successfully listed on the main board of the Stock Exchange on 8 May 2009 with proceeds raised amounted to approximately HK$9.8 billion, as a result of the efforts of all parties involved. Investors have acknowledged the leading market position and the positive development outlooks of the Group. The successful Listing has not only promoted the upgrade of the Group's business and operation quality and the enhancement of corporate governance, but also enabled the Group to share its business results with all investors.

During the year under review, revenue of the Group was approximately RMB13,852,708,000, an increase of 23.0% from RMB11,264,429,000 for the year of 2008. Profit attributable to shareholders of the Group was approximately RMB3,528,815,000, an increase of 84.7% from RMB1,910,438,000 for the year of 2008. Basic earnings was RMB0.72 (2008: RMB0.48) per share. In light of the satisfactory results, the Board proposed to declare a final dividend of HK$0.19 (equivalent to RMB0.17) per share to fulfil its commitments to shareholders at the time of the Company's Listing that the dividend payout ratio would be not less than 25%. In addition, as a token of appreciation for shareholders' consistent support to the Company, the Board proposed to declare a special dividend of HK$0.07 (equivalent to RMB0.06) per share. Total dividend for the year therefore amounted to HK$0.26 (equivalent to RMB0.23) per share and represent an aggregate payout of 35% of the Group's profit attributable to the shareholders for the year ended 31 December 2009.

Supported by the buoyant economic growth of China, the consumption of aluminium extrusion products in China, which has been rising at a CAGR of about 25% since 2001. Hence, China has become a key factor propelling the growth of the global market. It is expected that demands for industrial aluminium extrusion products by the transportation, machinery equipment and power transmitter sectors in 2015 will increase to approximately 5,433 kilotons, at a CAGR of approximately 13% from approximately 2,637 kilotons in 2009.

In 2009, being one of the first economies to step out of the global recession, the PRC economy achieved substantial growth, which further enlightened the ferocious market demand for industrial aluminium extrusion and the development potential of such market could be not easily overlooked. Capitalising on the huge market potential, the Group strived to expand its production capacity by focusing on the development of high value-added products in the transportation, machinery equipment and power transmitter sectors, and allocating more resources on our research and development efforts. As a result, the Group recorded significant growth in its sales volume and net profit while demonstrating a strong growth momentum.

Chairman's Statement

The Group is the third largest manufacturer in the world and the largest manufacturer in Asia and China in terms of production capacity with strong capabilities of research and development of high value-added aluminium extrusion products for the transportation, machinery equipment and power transmitter sectors. We particularly focus on research and development with continual innovation, hence our overall technical capability is advanced of our domestic peers. Leveraging on our strong production capacity, leading technology and advanced equipment, the Group is well-equipped to secure high value-added products, thereby advancing our penetration in the industrial aluminium extrusion market.

To enhance corporate governance, the Company has set up an audit committee, a remuneration committee, a governance committee and a strategy and development committee, prior to its Listing to consolidate and standardise corporate internal control and upgrade its risk prevention capability. In addition, as the industrial aluminium extrusion industry in which the Group is operating is a new emerging industry in China, the Company has announced its interim results, took initiatives in announcing the unaudited quarterly results, held investors' meetings and organised on-site visits for investors and media from time to time in a fair, honest and responsible manner. We strived for swift and efficient communications with investors to distribute the Group's latest information to them in a timely manner in order to increase the Group's transparency and furnish effective safeguards over investors' interests.

In addition to the purchase of new production facilities, we are also identifying suitable opportunities for mergers and acquisitions in order to expand production capacity. As disclosed in our prospectus dated 24 April 2009 (the "Prospectus"), the Group has targeted to expand its production capacity to 800 kilotons by the end of 2011. As at 31 December 2009, our production capacity was approximately 600 kilotons. On 9 February 2010, Liaoning Zhongwang Group Co., Ltd. ("Liaoning Zhongwang"), a wholly-owned subsidiary of the Company, entered into a framework agreement (the "Framework Agreement") with independent third parties to acquire 100% equity interest in Qinghai Guoxin Aluminium Industry Incorporated Company ("Qinghai Guoxin" or the "Target Company"), one of the largest professional manufacturers of high-precision hard industrial aluminium extrusion in the PRC (the "Proposed Acquisition"). Pursuant to the Framework Agreement, the Company and its professional advisors have commenced the due diligence of financial, legal and business conditions of the Target Company subsequent to the entering of the Framework Agreement. Announcements in respect of the progress of the Proposed Acquisition will be made at the appropriate time by the Company. If the Proposed Acquisition could be completed in 2010, it is expected that the production capacity of the Group will increase by approximately 120 kilotons. At the same time, by installing additional production lines, the Group's production capacity could be expected to increase by an extra 80 kilotons. As such, the Group will be able to accelerate its plan to reach a production capacity of 800 kilotons per year by the end of 2010, which is one year ahead of our target. Accordingly, we believe that the Proposed Acquisition will drive the sustainable growth of our business, enhance our sustained competitiveness and further strengthen our global leading position in the industrial aluminium extrusion market.

Chairman's Statement

The Group will continue to invest in manufacturing equipment and facilities required for producing downstream high value-added industrial aluminium extrusion products and fortify research and development efforts, in expanding its penetration into the industrial aluminium extrusion market. With the commencement of operating the advanced large-scaled facilities, such as the 125MN oil-driven dual action extrusion compressor and the advanced smelting and casting equipment in 2009, the Group will further expand its overseas high-end industrial aluminium extrusion market. During the year under review, sales generated from export as a percentage of total sales of the Group, increased significantly from approximately 3.3% in 2008 to 44.0% in 2009.

The Company's outstanding performance in 2009 is attributable to the consistent efforts of our entire staff. I would like to express my gratitude to my fellow colleagues for their dedication, as well as our shareholders and business partners for their long-term support to our Company. We are committed in maximisation of our shareholders' interests.

Liu Zhongtian
Chairman

Hong Kong, 20 April 2010

Business Review and Prospects

Business Review

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

The Group typically sets prices for our products on a "cost-plus" basis, pursuant to which we add our processing charges to the prevailing market prices of aluminium ingots, taking into account the complexity of product design, level of precision of the product, size of the contract, course of dealings and relationship with the customers, and the overall market condition and demand. The Group strives to maintain minimum level inventory of aluminium ingots, the principal raw materials for the production of aluminium extrusion products. Finished industrial aluminium extrusion products are customised products and the Group generally will not keep stock in excess of the amount ordered. As a result, generally the risk of price fluctuations of aluminium ingots is passed on to our customers.

Business Review and Prospects

Increased demand from the industrial aluminium extrusion markets during the year has increased the Group's penetration into the industrial aluminium extrusion market. Meanwhile, by responding to further increasing overseas demand, our industrial aluminium extrusion export business achieved a robust growth which contributed to the significant growth of the Group's results. For the year ended 31 December 2009, the Group's revenue and profit attributable to shareholders of the Company were approximately RMB13.85 billion and RMB3.53 billion, respectively, representing a growth rate of 23.0% and 84.7% from 2008. Earnings per share for 2009 was RMB0.72, increasing by 50.0% from 2008.

Future Prospects

The Company endeavors to consolidate its leading position in the PRC industrial aluminium extrusion industry and become the leading aluminium extrusion products manufacturer with strong research and development capabilities in the world. In terms of production capacity, the PRC accounts for approximately 57% of the global aluminium extrusion production capacity, thus becoming the processing centre of the world's aluminium extrusion products; in terms of volume of consumption, the global demand for industrial aluminium extrusion products grows stably in the past few years. With a strong growth in demand, the PRC has become the major driving force for the growth in the global market. Following with the enhanced technology level of Chinese enterprises, the shifting of the global industry together with the increase in demand of the PRC market, China has become the major producer and consumer for aluminium extrusion products in the world. We expect that industrial aluminium extrusion will sustain its robust development in various major downstream application sectors in the next five years.

In the transportation sector, China and other major automobile manufacturing countries have introduced various energy-saving and emission-reducing targets in promoting the development of light-weight transportation. Driven by incentive policies of governments of various major automobile manufacturing countries, the growth of the global automobile industry is expected to resume by the end of 2010, thereby driving further applications and development of industrial aluminium extrusion in the automobile manufacturing sector. The massive injection of investments in high-speed railway and metropolitan railroad transportation as well as the investment boom in railroad transportation led by economic incentive measures of various countries will bring forth high demands for aluminium extrusion products in the next few years.

In the machinery equipment and power transmitter sectors, following the shift of the global machinery manufacturing industry to the PRC and the technology upgrades of domestic mechanical and electrical industries, there will be larger proportion of demands for aluminium extrusion products from the machinery manufacturing and electricity sectors.

Business Review and Prospects

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

1. The Company will continue to increase the market shares of our products in the PRC and the world by focusing on transportation, machinery equipment and power transmitter sectors as our core business directions through on-going expansion of our production capacity. In respect of the two core elements of industrial aluminium extrusion production-alloy casting technology and die development and manufacturing, we will fully capitalize on our leading edges (such as cost control and production efficiency) coupled with the advantages of our great production capacity as well as production lines mix to generally increase the core competitiveness of our products.

2. The Company will actively expand the deep-processing and sub-processing of industrial aluminium extrusion products to acquire value-added gain by providing customers with increasingly convenient end-products.

3. The Company will continue to emphasize on investment in research and development, and fully integrate the inherent advantages of industrial aluminium extrusion materials in the areas of light-weight development and the promotion of low-carbon and emission-reducing in the transportation sector. Meanwhile, we endeavor to increase our research and development efforts in new products and to develop new applications in the market, thus expanding our leading edges in the product innovation and market applications aspects.

Management Discussion and Analysis

I. Overview

We are a leading industrial aluminium extrusion products manufacturer in Asia and China, with strong research and development capabilities. The principal activities of the Group are the research, development, production and sale of a wide range of quality industrial aluminium extrusion products. Primarily focused on the transportation, machinery equipment and power transmitter sectors, our products are able to meet customers' stringent quality and specification standards as well as material quality requirements. According to Boston Consulting Group[1], we were the world's third largest and Asia's and China's largest aluminium extrusion manufacturer in terms of production capacity for the year ended 31 December 2009. We were also the world's second largest and Asia's and China's largest product manufacturer in terms of sales volume of industrial aluminium extrusion. In addition, the Company was successfully listed on the main board of sales volume of the Stock Exchange on 8 May 2009, heralding another important milestone in the development history of the Company.

In 2009, the Group continued to strive in research and development, production and sale of industrial aluminium extrusion products of high value-added and high gross margin. We achieved satisfactory operating results through continual upgrade in product research and development, expansion of production capacity of aluminium extrusion products and active exploration of China and overseas markets. For the year ended 31 December 2009, revenue and gross profit of the Group were approximately RMB13.85 billion and RMB5.29 billion, respectively, representing a growth rate of approximately 23.0% and 70.5%, respectively, from 2008. Overall gross margin improved further from 27.5% in 2008 to approximately 38.2% in 2009. Net profit for the year ended 31 December 2009 amounted to approximately RMB3.53 billion, representing an increase of approximately 84.7% from 2008.

II. Analysis of Market Environment

General Macroeconomic Trends

In 2009, the global economy gradually shifted away from the eclipse of financial crisis. Recovery was led by new emerging markets countries such as China, followed by the United States, Japan and the European Union. Strong stimulus policies promulgated by governments of various countries not only facilitated economic recovery but also acted as a driving force within a short period. Despite suffering certain setbacks during the financial crisis in 2009, China achieved an outstanding economic performance and experienced a notable recovery from the beginning of 2009.

Pursuant to the PRC National Economy and Social Development Statistics Report for the year of 2009, the 2009 annual GDP of the PRC amounted to RMB33.5 trillion, representing an increase of 8.7% from that of 2008. China's annual fixed asset investments in 2009 amounted to approximately RMB22.5 trillion, with a growth rate of 30.1% or 4.6 percentage points higher than the growth rate of last year. Investments in transportation, warehousing and postal sectors went up by RMB2.3 trillion, representing an increase of 48.3% from that of last year. Investments in the transportation and machinery equipment manufacturing sectors were approximately RMB500 billion, increasing by 31.3% from that of last year. Fixed asset investments in the electrical machinery and equipment manufacturing sector were RMB354.5 billion, increasing by 51.2% from that of 2008.

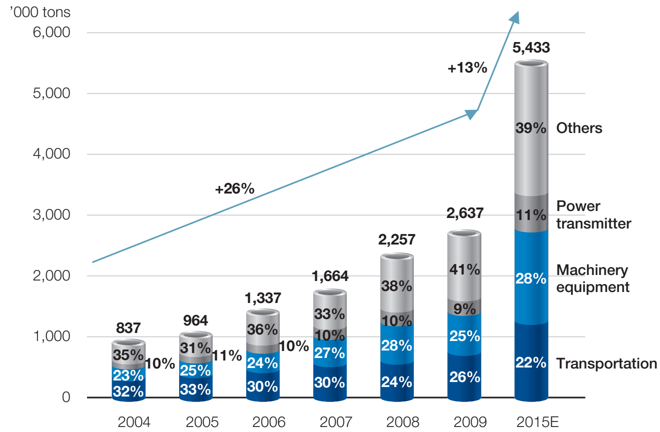
Note 1 Boston Consulting Group is one of the leading consulting companies in the world and is independent of our Group. The Group commissioned Boston Consulting Group to prepare a report regarding the aluminium extrusion industry.

Management Discussion and Analysis

Industry Development, Demand and Competition

In view of aluminium's characteristics of being lightweight, corrosion resistant and electrical conductive, aluminium extrusion is widely used in various industries. China is the country with the largest volume of consumption and fastest growth of aluminium extrusion in the world. In the past five years, the market in the PRC became the dominant driver of the development in global market with a robust annual growth rate of approximately 24%. Industrial aluminium extrusion is expected to sustain a buoyant development in each of the major downstream application areas of the PRC domestic market.

According to the report prepared by Boston Consulting Group, the usage volume and forecast of industrial aluminium extrusion of China in major downstream sectors are set out as follows:



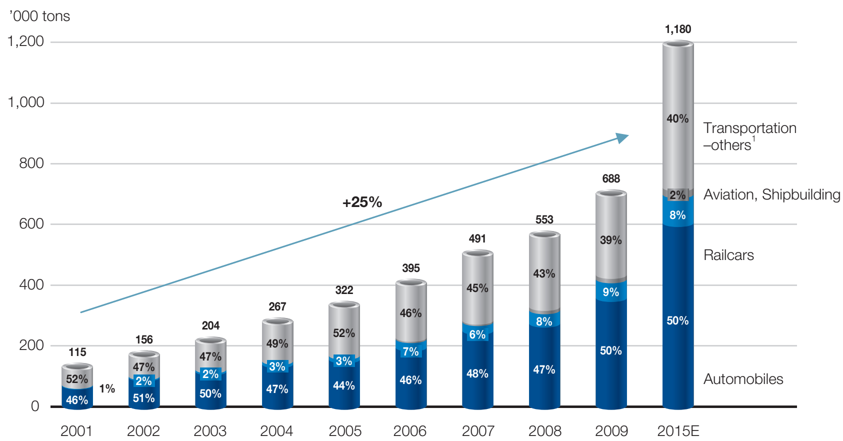
Management Discussion and Analysis

Transportation Sector

According to the forecast provided by Boston Consulting Group, demand for industrial aluminium extrusion products from the transportation sector will grow rapidly at a CAGR of 9% from 2009 to 2015, of which the automobile sector will be the principal driver of such growth. In the automobile application sector, aluminium alloys are primarily used in high-end vehicles. In developed countries or regions such as the Europe Union, the United States and Japan, usage of aluminium alloys in a passenger vehicle accounts for around 10% of its weight. Aluminium alloys are also widely used on the body of medium to large sized passenger vehicles and the upper parts and drivers' cabins of heavy trucks. Coupled with the PRC government's attention on energy-saving and emission-reducing, the promulgation of a series of environmental protection measures, and the maturing and expanding demands for high-end passenger vehicles and luxury coaches, aluminium extrusion is expected to be further applied in the transportation sector.

In addition, the manufacturing sectors of railroad carriages, commercial planes and vessels are also expected to develop. Significant investments in high-speed trains and metropolitan railroads in China will continue to drive the growth of industrial aluminium extrusion in the railroad transportation sector in the next few years. It is expected that the future development of aluminium extrusion in the aviation sector would achieve a breakthrough in the future, with the continual advances in and delivery of the domestic "large plane" project in 2016.

According to the report prepared by Boston Consulting Group, the usage volume and forecast of industrial aluminium extrusion of China in the transportation sectors are set out as follows:



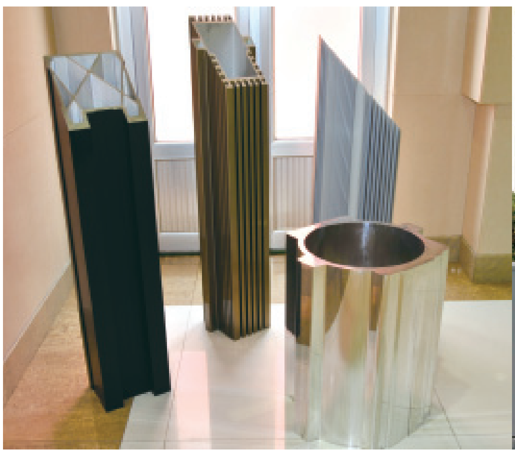
[1] Other transportation sectors comprise bicycles, motorcycles, containers and transportation infrastructures, etc.

Management Discussion and Analysis

Machinery Equipment and Power Transmitter Sectors

According to the statistics collated by Boston Consulting Group, demands for aluminium extrusion in machinery equipment and power transmitter sectors are consistent with the overall development of the industry. From 2005 to 2009, production value of China's major machinery equipment and power transmitter sectors maintained at CAGR of 24% and 22%, respectively, while the CAGR of the usage volumes of aluminium extrusion in these two sectors were 28% and 23%, respectively.

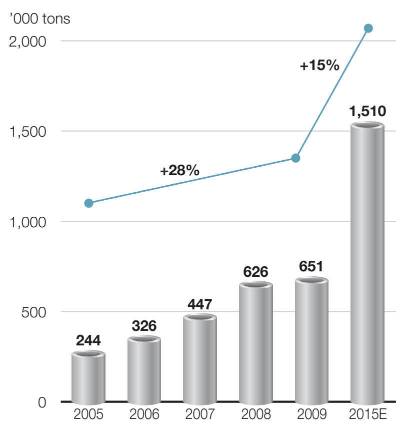
Robust development of economy in the PRC is expected to bring significant investments and industry upgrades to the machinery equipment and power transmitter sectors and, at the same time, production facilities for machinery equipments and power transmitters may also gradually shift to China. The Company believes that aluminium extrusion shall sustain its steady growth trends in the machinery equipment and power transmitter sectors by taking up a larger proportion of the demand for aluminium extrusion.



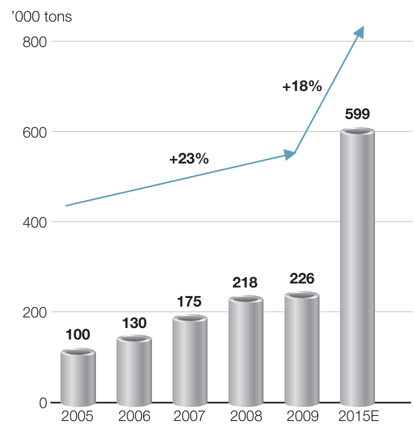
Management Discussion and Analysis

As set out in the report provided by Boston Consulting Group, the usage volume and forecast of industrial aluminium extrusion of China in the machinery equipment and power transmitter sectors are as follows:

Usage volume of PRC aluminium extrusion in the machinery equipment sector of PRC
2005–2009–2015E ('000 tons)



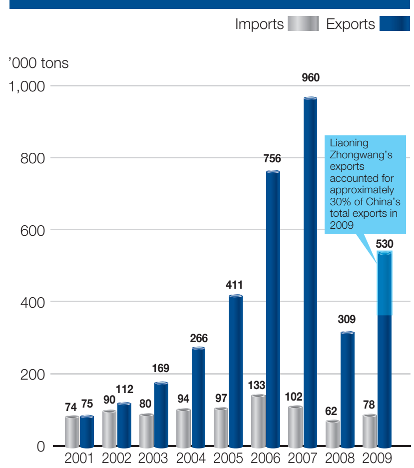
Usage volume of aluminium extrusion in the power transmitter sector of PRC
2005–2009–2015E ('000 tons)



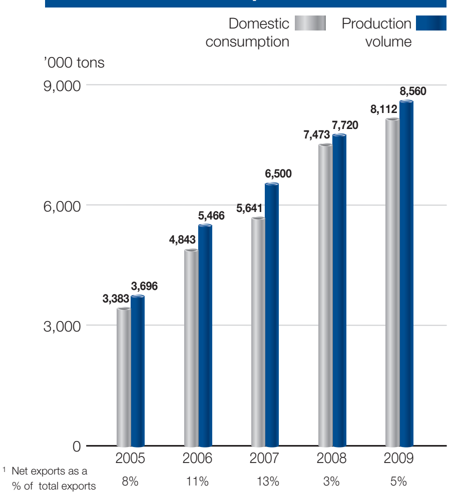
Imports and Exports

At present, production of aluminium extrusion in China is primarily used in satisfying domestic market demands. Pursuant to the report prepared by Boston Consulting Group, in 2001, China has become a net exporter of aluminium extrusion with a low net export ratio, leaving more room for development, while the United States, the European Union and Australia are principal destinations of aluminium extrusion export from China.

China's export of aluminium extrusion, 2001–2009



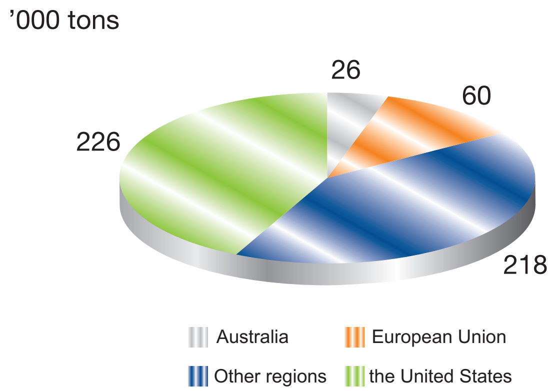
2005–09 PRC aluminium extrusion production volume and domestic consumption



[1] Net exports represent the difference between total production volume and domestic consumption volume.

Management Discussion and Analysis

The volume of exported aluminium extrusion products from China by destination of export is shown below:



In 2009, the volume of exported aluminium extrusion products from China amounted to 530 kilotons, increasing by 72% as compared with that of 2008.

In 2009, imports of aluminium extrusion by major economies in the world, such as the United States, resumed gradually with significant growth in market demands following the recovery of the global economy. On the other hand, export tax refunds of aluminium alloy hollow extrusion and other aluminium alloy extrusion, which were restored from 0% back to 13% on 1 April 2009, has further enhanced the price advantages of China's aluminium extrusion products. In 2009, total exports of aluminium extrusion products to the United States rose significantly, primarily attributed to the significant growth in exports of aluminium alloy hollow extrusion to the United States.

The Group's industrial aluminium extrusion exporting business achieved better growth in 2009 with an aggregate export volume amounted to 173,832 tons. Revenue generated from export sales accounted for 44.0% of the Group's sales revenue, increasing from 3.3% for the year of 2008. The Group's revenue generated from export sales may be adversely affected by amendments of policies, laws and regulations of the countries or regions where our products are distributed.

Industry Competition

The Group's strong production capacity and research and development capability render us unique advantages in the industrial aluminium extrusion market. Our particular focus on research and development and production of aluminium extrusion products with a sophisticated production process of product research and development, craftsmanship design, die production, smelting and casting, extrusion, monitoring and testing of properties, and strong production capacity and unique experience at each element of the process place us at the forefront of the industry. During recent years, the Group places its focus on developing industrial aluminium extrusion products, with a consensus to upgrade the production capacity of the Group's medium to large extrusion compressors and research and development, production and market expansion of large-section, high value-added industrial aluminium extrusion products. We believe that the Group has established its unique advantages and achieved industry leading position, with the ability to sustain and extend new business, consolidate and expand our levels of market share and profit margin in the industrial aluminium extrusion market.

Management Discussion and Analysis

According to the report prepared by Boston Consulting Group, the Group was the world's third largest and Asia and China's largest aluminium extrusion manufacturer with strong capabilities of research and development in terms of production capacity for 2009. In terms of aluminium extrusion sales in 2009, the Group accounted for 3.5% and 6.2%, respectively, of the market share of the world and PRC aluminium extrusion markets. In terms of sales volume of industrial aluminium extrusion, the Company is the second largest in the world and the largest product manufacturer in Asia and China. In terms of industrial aluminium extrusion sales in 2009, the Group accounted for 6.2% and 14.1%, respectively, of the market share in the world and China aluminium extrusion markets. In 2009, the Group's sales volume of industrial aluminium extrusion was approximately 371 kilotons, ranking the second worldwide.

Rank (in terms of production capacity)	Company name in the aluminium extrusion industry	Country or region where headquarters are located	Production capacity ('000 tons)	Number of plants	Number of extrusion presses
1	Company ranked 1st[1]	Europe	1,064	45	141
2	Company ranked 2nd	Europe	624	38	80
3	Liaoning Zhongwang	PRC	594	1	66
4	Company ranked 4th	North America	476	24	94
5	Company ranked 5th[2]	Asia	350	1	42

1 In July 2009, the Company ranked 1st in the aluminium extrusion industry entered into an acquisition agreement with another aluminium extrusion plant. Accordingly, the figure set out above was the sum of the production capacity and plant and equipment of both parties before such acquisition.

2 The number of plants of the company ranked 5th in the aluminium extrusion industry does not include the die plant and the sub-processing plant.

Note: The production capacity and the numbers of plants and extrusion presses were as at the end of 2009.

Source: Official and industry statistics of different countries/territories, journals, BCG interviews & BCG analysis. Zhongwang figures were supplied by the project group of Liaoning Zhongwang.

Management Discussion and Analysis

Price Trends of Aluminium Ingots

Aluminium ingot is the major item of production raw materials and cost of sales of the Group.

Recent global financial downturn has adversely affected the world economies which, in turn, led to continual decreases in both the global and domestic primary aluminium prices since September 2008. Average monthly primary aluminium prices in the global market decreased from approximately US$2,500 per ton in September 2008 to approximately US$1,500 per ton in December 2008, while the average monthly primary aluminium price in the domestic market also decreased from approximately RMB17,000 per ton in September 2008 to approximately RMB12,000 per ton in December 2008. Relieved by the gradual stability of the world economies, primary aluminium prices basically maintained its slight monthly upward trend since February 2009. Average monthly primary aluminium prices on the London Metal Exchange increased from approximately US$1,426 per ton in January 2009 to approximately US$2,194 per ton in December 2009. Average monthly domestic primary aluminium price on the Shanghai Futures Exchange also increased from approximately RMB11,464 per ton in January 2009 to approximately RMB15,486 per ton in December 2009. In terms of average annual prices, the average annual prices for the year of 2009 were lower than those of 2008, due to primary aluminium prices were higher in the first half of 2008.

Prices of Primary Aluminium on the London Metal Exchange and Shanghai Futures Exchange

2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
London Metal Exchange (US$/ton) Average(note 1)	1,426	1,338	1,349	1,454	1,463	1,605	1,691	1,927	1,824	1,865	1,951	2,194
Shanghai Futures Exchange (RMB/ton) Average(note 2)	11,464	11,970	12,095	13,433	12,946	13,100	13,558	14,552	14,985	14,884	14,969	15,486

2008	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
London Metal Exchange (US$/ton) Average(note 1)	2,443	2,801	3,002	2,980	2,912	2,996	3,072	2,764	2,536	2,101	1,803	1,472
Shanghai Futures Exchange (RMB/ton) Average(note 2)	17,992	18,802	19,728	19,050	18,614	18,691	19,018	18,621	17,168	14,676	13,739	12,045

Notes:

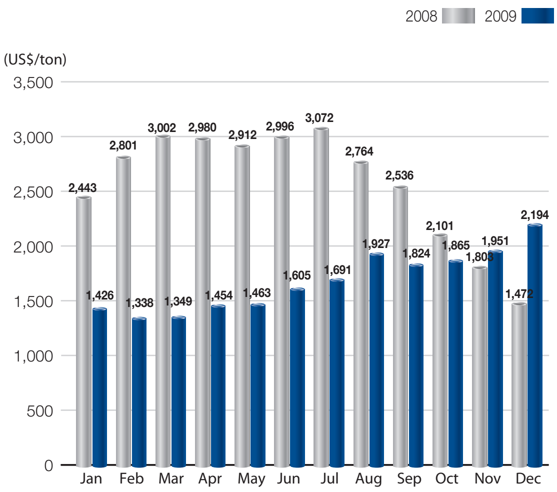
1 This average represents the arithmetic average of weekly prices for the months indicated.

2 This average represents the arithmetic average of monthly weighted average prices (including VAT) for the months indicated.

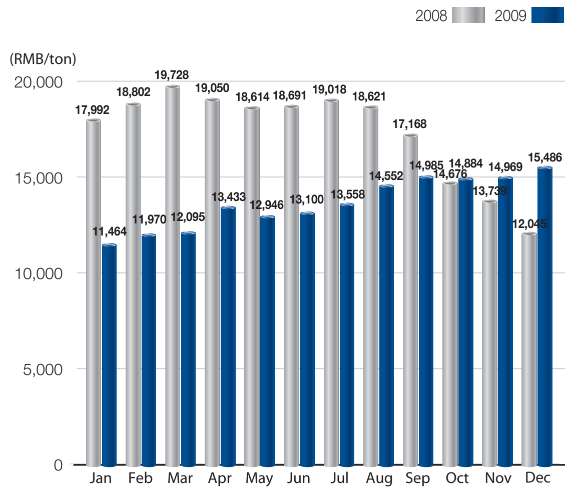
Source: Boston Consulting Group; Shanghai Futures Exchange

Management Discussion and Analysis

London Metal Exchange



Shanghai Futures Exchange



III. Business Directions

Expansion of Production Capacity

As at 31 December 2009, our production capacity was approximately 600 kilotons representing a growth rate of 12.1% from approximately 535 kilotons for the year of 2008. In response to the increasing growth in market demand for industrial aluminium extrusion and the continual expansion of our customers and business volumes, we continue to expand our production capacity. As of 31 December 2009, among our 66 aluminium extrusion presses, the 125MN oil-driven dual action extrusion compressors, which went into operation since early 2009, is one of the largest and most advanced extrusion compressors in China or even in the world. The advanced equipments have enhanced production capability in respect of the Group's industrial aluminium extrusion, in particular, large-section industrial extrusion products.

In addition, selective acquisition of aluminium extrusion manufacturers is one of our development strategies. We will actively identify opportunities to acquire industrial aluminium extrusion products manufacturers with potential to increase the Group's production capacity and enhance our competitiveness. On 9 February 2010, Liaoning Zhongwang entered into a framework agreement with the shareholders of Qinghai Guoxin to acquire 100% equity interest in Qinghai Guoxin. Pursuant to the Framework Agreement, the total investment amount of the Proposed Acquisition was expected to be approximately RMB1.2 billion in which: (i) approximately RMB100 million to be paid by way of cash to the existing shareholders of Qinghai Guoxin in proportion to their equity interests in the Target Company; (ii) total debt liabilities of approximately RMB880 million of the Target Company; and (iii) no more than RMB250 million in cash to be injected by Liaoning Zhongwang into the Target Company as working capital after the completion of the share transfer registration in accordance with relevant PRC laws and regulations.

Management Discussion and Analysis

Qinghai Guoxin is based in Qinghai Province, the PRC and is one of the largest professional manufacturers of high-precision hard aluminium alloys in the PRC. Its key products include high-precision hard aluminium alloy materials, such as special-shaped pipes, porous dissimilar materials and special purpose aluminium alloys, which can be broadly used in aviation, aerospace, transportation, new energy and petroleum industries. It has 10 large aluminium extrusion machines, including, among others, a double action 100MN direct extrusion press, a double action 55MN indirect extrusion press, a single action 36MN direct extrusion press and a double action 28MN indirect extrusion press. The Group and its professional advisors have commenced due diligence on the financial, legal and business aspects of the Target Company subsequent to the entering of the Framework Agreement. Announcements in respect of the progress of the proposed acquisition will be made at the appropriate time by the Company. If the proposed acquisition could be completed in 2010, it is expected that Qinghai Quoxin will increase our production capacity by approximately 120 kilotons, which would further consolidate the global leading position of the Group in the industrial aluminium extrusion products market. Through the installation of additional production lines, the Group should be able to increase our production capacity by another 80 kilotons in 2010 and therefore, expand our production capacity to 800 kilotons one year earlier at the end of 2010.

Market and Business Expansion

Having responded to further expansion in overseas demands, the industrial aluminium extrusion export business of the Group achieved a better growth rate in 2009, with exports amounted to 173,832 tons. The Group believes that gradual economic recovery subsequent to the financial crisis and the restoration of preferential export tax refund policy on certain aluminium extrusion products in China would continue to create business opportunities for the Group's exports of industrial aluminium extrusion products. According to the report prepared by Boston Consulting Group, price advantage of the PRC aluminium extrusion is the major reason in attracting distributors and customers in the United States. By satisfying the stringent quality requirements of overseas users, warranting adequate supply of products, together with our competitive price advantages, the attractiveness of our industrial aluminium extrusion products to overseas customers are further enhanced, the Group's export business achieved outstanding results.

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

The Group has 258 research and development and quality control personnel as well as a number of international aluminium industry experts. Research and development and quality control personnel accounted for 11% 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 production technologies. We have strong research and development capabilities over new materials with a focus on research and development of alloy composition. We also have a strong die design and production centre which can provide suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision. As at 31 December 2009, the Group had 214 layout design patents. In 2009, our research and development expenditures accounted for approximately 0.1% of the Group's sales revenue.

In 2009, the Group received government subsidies of approximately RMB32,063,000, which was primarily received from the Liaoyang City Finance Bureau, for the purposes of subsidising the technical research and marketing expenses of the Group.

Management Discussion and Analysis

IV. Financial Review

For the year ended 31 December 2009, the Group's revenue and profit attributable to shareholders of the Company amounted to approximately RMB13.85 billion and RMB3.53 billion, respectively, representing growth rates of 23.0% and 84.7% from those of 2008, respectively. Earnings per share for 2009 was RMB0.72, representing an increase of 50% from that of 2008.

A comparison of the financial results for the years ended 31 December 2008 and 2009 is set out as follows.

Turnover

For the year ended 31 December 2009, the Group's turnover amounted to approximately RMB13,852,708,000, representing an increase of approximately 23.0% from approximately RMB11,264,429,000 for 2008.

The following sets forth the breakdowns of our revenue, sales volume and average selling price by products segments for the years ended 31 December 2008 and 2009:

	For the year ended 31 December					
	2009			2008		
	Revenue (RMB'000)	Sales Volume (tons)	Average selling price (RMB/ton)	Revenue (RMB'000)	Sales Volume (tons)	Average selling price (RMB/ton)
Industrial aluminium extrusion	**11,502,286**	**370,833**	**31,017**	6,224,855	201,484	30,895
Construction aluminium extrusion	**2,350,422**	**128,386**	**18,307**	5,039,574	229,373	21,971
Total	**13,852,708**	**499,219**	**27,749**	11,264,429	430,857	26,144

Revenue increased by 23.0% from RMB11,264,429,000 for the year ended 31 December 2008 to RMB13,852,708,000 for the year ended 31 December 2009, which was mainly attributed to the rise in sales volume and increase in average selling price of industrial aluminium extrusion products of the Group. Such an increase in sales volumes resulted primarily from growing domestic and overseas market demands for industrial aluminium extrusion products used in the transportation, machinery equipment and power transmitter sectors. In terms of prices, in 2009, we continued to develop processing of industrial aluminium extrusion products for higher fees, and upgraded product quality and technical standards to satisfy the quality requirements of domestic and international customers. The Group typically sets prices for our products on a "cost-plus" basis, pursuant to which we add our processing charges to the prevailing market prices of aluminium ingots. For the year ended 31 December 2009, the average processing fees of the Group's products went up by 47.4% from that of 2008 and the average purchase price of aluminium ingots went down by 23.2% from that of last year. The average selling prices of our products continued to increase as the increase in processing fees collected from customers rose faster than the decrease in average prices of aluminium ingots.

Management Discussion and Analysis

In 2009, we continued to focus our products on industrial aluminium extrusion areas. Revenue generated from our industrial aluminium extrusion products increased significantly by 84.8% from RMB6,224,855,000 for the year ended 31 December 2008 to RMB11,502,286,000 for the year ended 31 December 2009. Revenue generated from our construction aluminium extrusion products decreased by 53.4% from RMB5,039,574,000 for the year ended 31 December 2008 to RMB2,350,442,000 for the year ended 31 December 2009. Our total sales volume increased by 15.9% from 430,857 tons for the year ended 31 December 2008 to 499,219 tons for the year ended 31 December 2009, while our average selling price increased from RMB26,144 per ton for the year ended 31 December 2008 to RMB27,749 per ton for the year ended 31 December 2009, representing an increase of 6.1%.

Sales volume of our industrial aluminium extrusion products increased from 201,484 tons for the year ended 31 December 2008 to 370,833 tons for the year ended 31 December 2009. Sales volume of our construction aluminium extrusion products decreased from 229,373 tons for the year ended 31 December 2008 to 128,386 tons for the year ended 31 December 2009. Average selling price of our industrial aluminium extrusion products increased from RMB30,895 per ton for the year ended 31 December 2008 to RMB31,017 per ton for the year ended 31 December 2009, while the average selling price of our construction aluminium extrusion products decreased from RMB21,971 per ton for the year ended 31 December 2008 to RMB18,307 per ton for the year ended 31 December 2009. Prices of industrial aluminium extrusion products of the Group increased mainly because the growth of processing charges on our products was more than the decrease in aluminium ingot price. Prices of the construction aluminium extrusion products decreased mainly because the decreases of processing charges on products and aluminium ingot prices.

As a result of one of our strategic targets to increase our market share of the industrial aluminium extrusion market, which provides higher margin with healthy development prospects, our sales of industrial aluminium extrusion products in 2009 increased significantly and accounted for 83.0% of our revenue. Revenue generated from sales of industrial aluminium extrusion products accounted for 55.3% of our revenue for the year of 2008.

Following our expanding efforts in the industrial aluminium extrusion sector and our researches and marketing efforts towards domestic and international high-end industrial aluminium markets and customers during recent years, in particular, after our 125MN oil-driven dual action extrusion press becoming operational in early 2009 and with increasing demands from overseas customers, the Group's overseas sales increased from 3.3% for the year ended 31 December 2008 to 44.0% for the year ended 31 December 2009 of the Group's total sales. Overseas customers of the Group are mainly located in regions such as the United States and Australia. The Group's revenue generated from export sales may be adversely affected by amendments to policies, laws and regulations of the countries or regions where our products are distributed.

Management Discussion and Analysis

The following sets forth the breakdowns of our revenue by geographical regions for the years ended 31 December 2008 and 2009:

	For the year ended 31 December			
	2009		2008	
	(RMB'000)	%	(RMB'000)	%
PRC	**7,753,131**	**56.0**	10,892,560	96.7
United States	**5,657,877**	**40.8**	214,705	1.9
Australia	**440,274**	**3.1**	89,381	0.8
Others	**1,426**	**0.1**	67,783	0.6
Total	**13,852,708**	**100.0**	11,264,429	100.0

Cost of Sales

Cost of sales increased slightly by 4.9% from RMB8,162,134,000 for the year ended 31 December 2008 to RMB8,562,633,000 for the year ended 31 December 2009. Cost of sales for our industrial aluminium extrusion products increased by 73.0% from RMB3,746,209,000 for the year ended 31 December 2008 to RMB6,482,424,000 for the year ended 31 December 2009 as a result of the increase in sales volume by 84.1%, which led to significant increases in the cost of sales, despite the decrease of 23.2% in the average purchase prices of aluminium ingots from that of last year. Cost of sales for our construction aluminium extrusion products decreased by 52.9% from RMB4,415,925,000 for the year ended 31 December 2008 to RMB2,080,209,000 for the year ended 31 December 2009, which was mainly due to the fact that its sales volume decreased and the average purchasing price for aluminium ingots for the year decreased from that of last year. Cost of aluminium ingots was the primary cost of sales component for the Group.

Gross Profit and Gross Margin

Our gross profit increased by 70.5% from RMB3,102,295,000 for the year ended 31 December 2008 to RMB5,290,075,000 for the year ended 31 December 2009. Our overall gross margin increased from 27.5% for the year ended 31 December 2008 to 38.2% for the year ended 31 December 2009. Gross margin of our industrial aluminium extrusion products increased from 39.8% for the year ended 31 December 2008 to 43.6% for the year ended 31 December 2009, mainly because some of our large aluminium extrusion presses gradually commenced operation in 2008, which allowed us to produce large-section high-precision aluminium extrusion products, thereby enhanced our competitiveness in the market and increased market demand for our industrial aluminium extrusion products. At the same time, the Group also increased its research and development efforts and upgraded its die, smelting and casting production levels to satisfy the quality demands and specialised large-section requirements of customers in order to secure higher processing fees, which in turn raised the average selling prices of our industrial aluminium extrusion products.

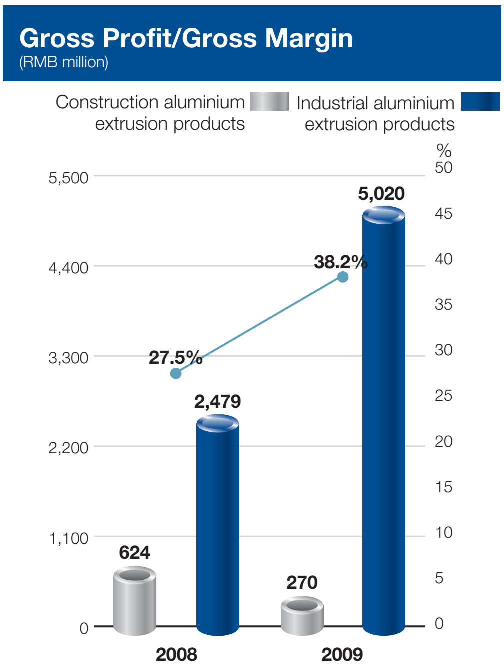
Management Discussion and Analysis

Gross margin of our construction aluminium extrusion products decreased from 12.4% for the year ended 31 December 2008 to 11.5% for the year ended 31 December 2009, primarily due to the more ferocious competition in this market, which led to a decrease in average processing fees. In this regard, we have been shifting our strategic focus to research and development, production and sale of industrial aluminium extrusion products in the last few years and the proportion of construction aluminium extrusion products in the Group continues to decrease.

The following sets forth the breakdowns of our gross profit, gross profit proportions and gross margin by product segments for the years ended 31 December 2008 and 2009:

	For the year ended 31 December					
	2009			2008		
	Gross profit (RMB'000)	%	Gross margin	Gross profit (RMB'000)	%	Gross margin
Industrial aluminium extrusion products	**5,019,862**	**94.9**	**43.6%**	2,478,646	79.9	39.8%
Construction aluminium extrusion products	**270,213**	**5.1**	**11.5%**	623,649	20.1	12.4%
Total	**5,290,075**	**100.0**	**38.2%**	3,102,295	100.0	27.5%

Breakdowns of gross margin of our products were as follows:



Management Discussion and Analysis

Interest Income

Interest income decreased by 35.1% from RMB74,107,000 for the year ended 31 December 2008 to RMB48,060,000 for the year ended 31 December 2009 which was mainly due to a decrease in the average interest rates for bank deposits during the year.

Other Income

Other income increased from RMB1,228,000 for the year ended 31 December 2008 to RMB44,414,000 for the year ended 31 December 2009, mainly due to (i) an increase in government subsidies from RMB12,660,000 for the year ended 31 December 2008 to RMB32,063,000 for the year ended 31 December 2009, (ii) trademark licensing fees in the amount of RMB19,806,000 received for the year ended 31 December 2008 decreased to RMB9,118,000 for the year ended 31 December 2009, and (iii) our foreign exchange gains of RMB2,055,000 for the year ended 31 December 2009 versus foreign exchange losses of RMB30,478,000 for the year ended 31 December 2008. Aggregate amount of government subsidies for research and development received by us in each year is determined and distributed solely by the relevant PRC authorities on a discretionary basis. The increase in foreign exchange gains of the Group was mainly due to our loans being denominated in foreign currencies which were affected by the weakening US dollar exchange rates.

Selling and Distribution Costs

Selling and distribution costs, primarily comprising advertising and promotional expenses, wages and salaries of sales staff and transportation costs, decreased by 23.0% from RMB169,921,000 for the year ended 31 December 2008 to RMB130,887,000 for the year ended 31 December 2009, which was mainly due to the decrease in advertising and promotional expenses during the year of 2009 by approximately RMB52,157,000 from that of last year.

Administrative and Other Operating Expenses

Administrative and other operating expenses, mainly comprising wages, salaries and benefit expenses, depreciation expenses of office equipment, share option charges, syndication loan handling fees and other expenses, increased by 121.5% from RMB77,175,000 for the year ended 31 December 2008 to RMB170,907,000 for the year ended 31 December 2009. The increase was primarily due to (i) the non-cash outflow charges of RMB50,275,000 arising from the pre-IPO share options measured at fair value (for the year ended 31 December 2008: nil) recognised for the year ended 31 December 2009 as the Group did not recognise such share option charges during the year ended 31 December 2008 because the management was uncertain as to whether the listing of shares would be successful; and (ii) syndication loan handling fees recognised for the year ended 31 December 2009 of RMB27,900,000 (for the year ended 31 December 2008: nil). In addition, due to the expansion of its operating scale, the Group's operating expenses, such as depreciation expenses of office equipment also increased.

Listing Expense

Listing expense represents professional fees and other expenses related to the listing, of which trading fees of the equity transaction of approximately RMB274,229,000 directly related to the issue of new shares were deducted from equity. The balance of the expenses of approximately RMB36,558,000 were recognised as an expense when incurred.

Management Discussion and Analysis

Finance Costs

Our finance costs increased by 14.1% from RMB286,573,000 for the year ended 31 December 2008 to RMB327,092,000 for the year ended 31 December 2009, which was mainly due to an increase in short-term borrowings during the year.

Profit before Taxation

Our profit before taxation increased significantly by 78.4% from RMB2,643,961,000 for the year ended 31 December 2008 to RMB4,717,105,000 for the year ended 31 December 2009, which was primarily due to the factors described above.

Taxation

Our income tax expense increased significantly by 62.0% from RMB733,523,000 for the year ended 31 December 2008 to RMB1,188,290,000 for the year ended 31 December 2009, which was mainly due to an increase in profit before taxation. Our effective tax rates for the years ended 31 December 2008 and 2009 were 27.7% and 25.2%, respectively.

Profit Attributable to Shareholders

Our profit attributable to shareholders of the Company for the year increased significantly by 84.7% from RMB1,910,438,000 for the year ended 31 December 2008 to RMB3,528,815,000 for the year ended 31 December 2009. Our net margin increased from 17.0% for the year ended 31 December 2008 to 25.5% for the year ended 31 December 2009, which was mainly due to the factors described above.

Cash Flows

The following sets forth the cash flows of the Group for the years ended 31 December 2008 and 2009:

	For the year ended 31 December	
	2009	2008
	(RMB'000)	
Net cash generated from operating activities	**4,316,286**	3,158,865
Net cash (used in)/generated from investing activities	**(2,846,758)**	37,374
Net cash generated from/(used in) financing activities	**7,978,219**	(1,767,965)

Cash flow generated from operations of the Group grew steady as the business developed and our capital expenditure and working capital were financed through bank borrowings and the net proceeds from the IPO in May 2009.

Net Current Assets

As our capital structure and operating cash flow improved, we had net current assets of RMB12,433,428,000 on 31 December 2009 (31 December 2008: approximately RMB11,165,000).

Management Discussion and Analysis

Liquidity

By strengthening our financial resources with the proceeds of approximately HK$9.8 billion from the successful Listing on the Stock Exchange on 8 May 2009, we had bank balances and cash of approximately RMB13,709,564,000 and approximately RMB4,261,817,000 on 31 December 2009 and 2008, respectively, and balances of pledged bank deposits of approximately RMB63,082,000 and approximately RMB1,230,750,000, respectively.

Borrowings

As of 31 December 2009, our short-term debenture and bank loans, in aggregate, amounted to approximately RMB7,653,324,000, an increase of approximately RMB2,882,686,000 over approximately RMB4,770,638,000 as of 31 December 2008. In 2008, most of our bank loans were due within one year whereas, in 2009, most of them were due within two to five years, which was due to the optimisation of our borrowing portfolio in 2009 by adding a syndication loan of 3-year term of RMB1,950,000,000.

The following sets forth the maturity dates of our bank loans as at 31 December 2008 and 2009:

	31 December 2009 RMB'000	31 December 2008 RMB'000
Within one year	**2,626,000**	2,640,638
In the second to fifth year	**3,027,324**	130,000
Total bank loans	**5,653,324**	2,770,638

We repay the majority of our indebtedness with cash flow generated from operation. With proceeds from the Listing, our gearing ratio, which was calculated by dividing total liabilities over total assets decreased to approximately 42.0% as of 31 December 2009, while that as of 31 December 2008 was approximately 75.1%.

Pledged Assets

As at 31 December 2009, property, plant and equipment of the Group with carrying values of RMB534,885,000 (31 December 2008: approximately RMB2,100,243,000) have been pledged as security for bank loans acquired by the Group.

Contingent Liabilities

For each of the years ended 31 December 2008 and 2009, the Group had no material contingent liabilities.

Management Discussion and Analysis

Employees

As at 31 December 2009, the Group had approximately 2,363 (as at 31 December 2008: 2,516) full-time employees responsible for management, administration and production. During the year, relevant employee costs (including Directors' remuneration) increased by approximately 113.1% to approximately RMB185,885,000 (including share option charges of RMB50,275,000) for the year ended 31 December 2009 (year ended 31 December 2008: approximately RMB87,245,000 (share option charges: nil)). Employee costs (excluding share option charges) of the Group increased mainly due to increases in average salaries of employees, benefit expenses and social security payments as required under the laws of the PRC. The Group recruited senior research and development and technical talents in line with our development strategy and ensured the attractiveness of our remuneration packages for employees within the industry and granted incentives and bonuses with reference to employees' performance in accordance with the Group's remuneration policy.

Loan Transaction

Liaoning Zhongwang, our wholly-owned subsidiary, entered into supplemental agreements with local branches of two commercial banks located in the Liaoning Province (the "Local Banks"), respectively, pursuant to which the previous loan arrangements between Liaoning Zhongwang and the Local Banks were further clarified (the "Supplemental Agreements").

The Supplemental Agreements

Date: 19th April 2010

Parties: (1) Liaoning Zhongwang

(2) Local Banks

(3) local government of Hongwei District, Liaoyang City ("Local Government")

(4) Liaoyang Hongwei Construction Investment Co., Ltd. ("Hongwei")

Background of the Supplemental Agreements

For the purpose of raising funds to support the local development plan promulgated by the Local Government and as authorized by Hongwei, during the period of November and December 2009, Liaoning Zhongwang entered into a series of loan agreements with the Local Banks pursuant to which Liaoning Zhongwang borrowed an aggregate of approximately RMB2.3 billion from the Local Banks as of 31 December 2009, with an annual interest of 4.86% and a repayment period of three years from the relevant date of execution (the "Loan Agreements"). No guarantees were provided by Liaoning Zhongwang under the Loan Agreements. All funds were transferred to Hongwei by Liaoning Zhongwang immediately upon receipt from the Local Banks and Hongwei has undertaken to repay the principal amount of loans as well as the respective interests under the Loan Agreements. As at the date of publishing the Company's annual results announcement dated 20 April 2010. Hongwei has repaid RMB150,000,000. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Local Banks, the Local Government and Hongwei is a third party independent of the Group and Connected Persons of the Group.

Management Discussion and Analysis

Principal Terms of the Supplemental Agreements

Understandings among the parties when entering into the Loan Agreements were set out in writing and further clarified in the Supplemental Agreements:

1. Liaoning Zhongwang, one behalf of Hongwei, entered into the Loan Agreements with the Local Banks. Hongwei is the actual debtor who has the obligations to repay the loans plus interests from the date of executing the Loan Agreements, while Liaoning Zhongwang does not bear any obligation of repayment or warranties;

2. It was agreed that Liaoning Zhongwang has transferred all funds received pursuant to the Loan Agreement to Hongwei and Hongwei further undertakes that it will repay both the principal amount of the loans and interests in compliance with the Loan Agreements;

3. The Local Government will monitor and oversee Hongwei's repayment of the loans as well as the interests; and

4. The Local Banks agreed to discharge Liaoning Zhongwang's liabilities under the Loan Agreements even if Hongwei fails to repay the principal amount of the loans or interests.

Reasons for the Transaction

Liaoning Zhongwang is one of the largest companies located at Liaoyang City, Liaoning Province, PRC. In November 2009, the Local Government approached Liaoning Zhongwang requesting for its assistance to raise funds for the local development plan. Liaoning Zhongwang agreed to borrow funds from the Local Banks on behalf of the Local Government for local development purpose as long as the Local Government bears the entire obligation to repay both the principal amount of the loans as well as interests.

Information about Hongwei

Hongwei is a corporation with limited liability located at Liaoyang City, Liaoning Province, PRC. As at the date of this Annual Report, Hongwei is a wholly-owned subsidiary of the Local Government. The principal business activity of Hongwei is investment on constructions in the urban areas.

Market Risk

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

Foreign Exchange Risk

Most of our businesses are settled in Renminbi. However, receivables from the sales to overseas distributors and customers and certain expenses are settled in foreign currencies. As at 31 December 2009, approximately 56.0% of the revenue of the Group was denominated in Renminbi and approximately 44.0% was denominated in USD, and approximately 95.9% of the borrowings of the Group were denominated in Renminbi and the balance in USD.

Management Discussion and Analysis

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 decrease sales revenue of any contract denominated in foreign currencies and increase borrowings denominated in foreign currencie, hence may have adverse effect on the Group.

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

Interest Rate Risk

As we do not have any major interest-bearing assets, most of our revenue and operating cash flows are not affected by interest rate changes. Interest rate change risk borne by the Group is primarily derived from borrowings. The Group has to face the cash-flow interest rate risk on floating-rate borrowings and fair value interest rate risk on fixed-rate borrowings. As at 31 December 2009, approximately RMB0.47 billion of our borrowings are fixed-rate borrowings, whereas in 2008, it was RMB2.77 billion.

Aluminium Ingot Price Change Risk

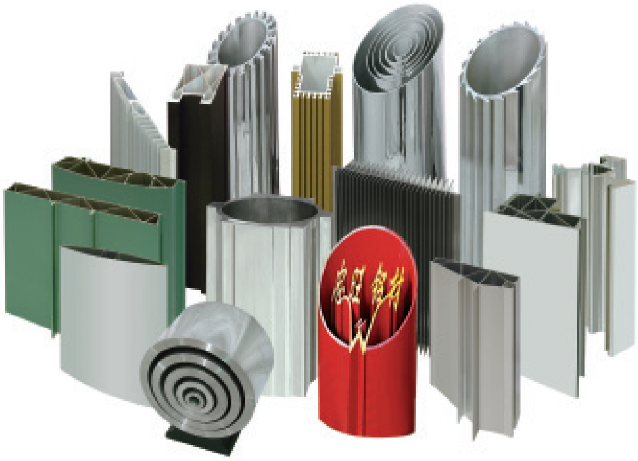
Aluminium ingots, aluminium rods, magnesium ingots and silicone ingots are our principal raw materials which accounted for 85.3% and 86.5% of the cost of sales of the Group in 2009 and 2008, respectively. Generally, our pricing of products are on a "cost-plus" basis, pursuant to which the selling price for our products is determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. Our pricing policy is to pass on most of the risk of price fluctuations to our customers. However, we may not be able to pass the entire cost of price fluctuations to the customers or completely offset the effect of increases in raw material prices, which could affect the profitability of the Group. The Group did not enter into any aluminium ingot forward contracts to hedge against aluminium ingot price change risk.

Details of other risks are set in note 4 to the financial statements on pages 84 to 89.

Use of Net Proceeds Received from the IPO

In May 2009, net proceeds received from the IPO including the exercise of the over-allotment option, after deducting related expenses, were approximately HK$9.5 billion (equivalent to approximately RMB8.36 billion). We have utilised such net proceeds in the manner consistent with that mentioned in the Company's prospectus dated 24 April 2009 (the "Prospectus") under the section headed "Use of Proceeds", of which approximately RMB1.66 billion were used for the expansion of the Group's production capacity and the strengthening of the Group's competitiveness, by installing additional production lines and acquiring manufacturing equipments and facilities for the industrial aluminium extrusion products of the Group and approximately RMB1.20 billion were used for the repayment of loans, while the balance of un-utilised proceeds were deposited in banks.

China Zhongwang's quality industrial aluminium extrusion products are widely applied in railway cargo and passenger carriages, metropolitan rails (subway and light rails), automobiles and vessels of the transportation, machinery equipment and power transmitter sectors.



中国忠旺
China Zhongwang

committed to the light weight development of
the transportation sector




Profiles of Directors and Senior Management

Directors

As at the date of this Annual Report, the Board consists of nine directors (the "Directors"), including five executive Directors and 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)	46	chairman and president
Lu Changqing (路長青)	33	vice president (capital operation and management)
Chen Yan (陳岩)	30	vice president (internal auditing)
Zhong Hong (鍾宏)	45	vice president (production)
Gou Xihui (勾喜輝)	42	vice president (die design and production)
Independent Non-executive Directors		
Wong Chun Wa (王振華)	35	independent non-executive director
Wen Xianjun (文獻軍)	47	independent non-executive director
Shi Ketong (史克通)	41	independent non-executive director
Lo Wa Kei, Roy (盧華基)	38	independent non-executive director

Executive Directors

Mr. LIU Zhongtian ("Mr. Liu") (劉忠田), aged 46, 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 17 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., Liaoning Chengcheng Plastics Co., Ltd. and Liaoning Hong Cheng Vinyl Profile 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 & Commerce 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 (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 Committee 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

Profiles of Directors and Senior Management

國人事部), State Administration for Industry and Commerce and the All China Federation of Industry and Commerce (中華全國工商業聯合會) 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 33, is an executive Director, a vice president and one of the joint company secretaries of our Group. He is primarily responsible for the Group's strategic planning and capital operation and management. He has 13 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, 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 30, is an executive Director and a vice president of our Group. He is primarily responsible for the Group's internal auditing. He has 9 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院), 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 45, is an executive Director and a vice president of our Group. She is primarily responsible for the Group's production management. She has 14 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 42, is an executive Director and a vice president of our Group. He is primarily responsible for die design and production. He has 20 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嶼鋁材廠) 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.

Profiles of Directors and Senior Management

Independent Non-executive Directors

Mr. WONG Chun Wa (王振華), aged 35, 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 the financial controller, qualified accountant and company secretary of Sau San Tong Holdings Limited, a Hong Kong listed company, from 2004 to 2005 and 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 since 2005. 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 47, 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 the 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, the China Nonferrous Metals Industry Association from 2006 to 2008. He was the vice-chief of the Industry Administrative 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 vice-chief 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 the vice-chief 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 the China Nonferrous Metals Industry Association in 2007. He was appointed as a Director on 1 August 2008.

Mr. SHI Ketong (史克通), aged 41, 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 9 years of experience in practicing PRC corporate and securities law, and advising clients in matters related to mergers 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 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.

Profiles of Directors and Senior Management

Mr. LO Wa Kei, Roy (盧華基), aged 38, is an independent non-executive Director. Mr. Lo has over 17 years of experience in auditing, accounting and finance. Since June 2006, Mr. Lo has been a partner of SHINEWING CPA (HK) Limited. He has been serving as an independent non-executive director of Sun Hing Vision Group Holdings Limited, Time Infrastructure 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, 2004 and 2004, respectively. 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 the Hong Kong Polytechnic University in 2000. He is a certified public accountant, a fellow member of both the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and CPA Australia, a member of the Institute of Chartered Accountants in England and Wales and a member of Hong Kong Securities Institute. He was appointed as a Director on 11 February 2009.

Senior Management

Name	Age	Group Position
Cheung Lap Kei (張立基)	38	chief financial officer
Zhou Mi (周密)	60	chief engineer
Yang Gang (楊剛)	43	vice president (sales and marketing of construction aluminium extrusion products)

Mr. CHEUNG Lap Kei (張立基), aged 38, is the chief financial officer and a joint company secretary of our Company. He has approximately 16 years of experience in auditing and accounting fields. Mr. Cheung served as the chief financial officer, qualified accountant, authorized representative and company secretary of 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 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

Profiles of Directors and Senior Management

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 60, 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, 12 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.

Mr. YANG Gang (楊剛), aged 43, is a vice president of our Group. He is primarily responsible for sales and marketing of aluminium extrusion products. He has 20 years of experience in overseas sales and marketing in the aluminium extrusion industry. Mr. Yang received a master's degree in business administration from the Commercial College of Wuhan University (武漢大學), China in 2003. He joined our Group in October 2006.

Joint Company Secretaries

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.

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.

Report of the Directors

The Board is pleased to present this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2009 (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 and sale of quality aluminium extrusion products which meet the stringent specifications and quality standards of our customers, including two principal product categories, namely, industrial aluminium extrusion products and construction aluminium extrusion products. Analysis of the principal activities of the Group during the financial year ended 31 December 2009 is set out in the consolidated income statement on page 64 to the Financial Statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2009 are set out in the Financial Statements on pages 64 to 70 of this Annual Report.

The Board proposed to declare a final dividend of HK$0.19 (equivalent to RMB0.17) and a special dividend of HK$0.07 (equivalent to RMB0.06) per ordinary share in respect of the year ended 31 December 2009, totalling approximately HK$0.26 (equivalent to RMB0.23), which is 35% of the profit attributable to shareholders of the Company for the year of 2009.

Use of Net Proceeds Received from the IPO

In May 2009, net proceeds received from the IPO including the exercise of the over-allotment option, after deducting related expenses, were approximately HK$9.5 billion (equivalent to approximately RMB8.36 billion). We have utilised such net proceeds in the manner consistent with that mentioned in the Company's Prospectus under the section headed "Use of Proceeds", of which approximately RMB1.66 billion were used for the expansion of the Group's production capacity and the strengthening of the Group's competitiveness, by installing additional production lines and acquiring manufacturing equipments and facilities for the industrial aluminium extrusion products of the Group and approximately RMB1.20 billion were used for repayment of loans, while the balance of un-utilised proceeds were deposited in banks.

Four-year Financial Summary

A summary of our results and of the assets and liabilities of the Group for the last four financial years, as extracted from the Group's audited consolidated financial statements, is set out on page 120 of this Annual Report.

Report of the Directors

Property, Plant and Equipment

Details of movements in the Group's property, plant and equipment during the year are set out in Note 17 to the Consolidated Financial Statements on pages 101 to 102 of this Annual Report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in Note 31 to the Consolidated Financial Statements on pages 109 to 110 of this Annual Report.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2009 are set out in Note 32 to the Consolidated Financial Statements on pages 111 to 112 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 pages 67 to 68 of this Annual Report.

Sufficiency of Public Float

Based on information that is publicly available to our Company and within 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 2009 are:

Executive Directors

Mr. Liu Zhongtian (*Chairman*)	appointed on 29 January 2008
Mr. Lu Changqing	appointed on 3 April 2008
Mr. Chen Yan	appointed on 3 April 2008
Ms. Zhong Hong	appointed on 3 April 2008
Mr. Gou Xihui	appointed on 1 August 2008

Report of the Directors

Non-executive Director

Mr. Ma Xiaowei	appointed on 1 August 2008 and resigned on 1 April 2010

Independent Non-executive Directors

Mr. Wong Chun Wa	appointed on 1 August 2008
Mr. Wen Xianjun	appointed on 1 August 2008
Mr. Shi Ketong	appointed on 1 August 2008
Mr. Lo Wa Kei, Roy	appointed on 11 February 2009

Directors' Profiles

Details of the Directors' profiles are set out in the "Profiles of Directors and Senior Management" of this Annual Report.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with our Company for an initial term of three years with effect from their respective date of appointment unless 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 with effect from their respective date of appointment. The appointments are subject to the provisions of retirement and rotation of Directors under the articles of association.

In accordance with the Company's articles of association, Mr. Liu Zhongtian, Mr. Lu Changqing and Mr. Chen Yan will retire from the Board by rotation, and being eligible and 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 Wong Chun Wa, Wen Xianjun, Shi Ketong and 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 2009 and remain independent of the date of this Annual Report.

Report of the Directors

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

As of 31 December 2009, 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 set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(a) Long Positions in Shares

Name of Director	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Liu[(1)]	Interests in controlled corporation/Long position	4,000,000,000	73.99%
Lu Changqing[(2)]	Beneficial owner/long position	2,200,000	0.04%
Chen Yan[(2)]	Beneficial owner/Long position	2,200,000	0.04%
Zhong Hong[(2)]	Beneficial owner/Long position	2,200,000	0.04%
Gou Xihui[(2)]	Beneficial owner/Long position	1,700,000	0.03%

(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. In connection with the exchangeable notes of a principal amount of US$100 million issued by ZIGL to Olympus Alloy Holdings, L.P. ("Olympus Alloy") (the "Olympus Exchangeable Notes"), pursuant to a deed of share charge executed by ZIGL for the benefit of Olympus Alloy and based on the offer price of HK$7.0 for the Listing of the Company (as amended or otherwise modified from time to time the "Deed"), ZIGL has charged 138,794,642 existing shares to Olympus Alloy, who holds such number of shares as agent for the holders of the Olympus Exchangeable Notes.

(2) Interest in pre-IPO share options, the details of which are set out below in the paragraph headed "Pre-IPO Share Option Scheme" and the Prospectus of the Company.

Report of the Directors

(b) Short Position in Shares

Name of Director	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Liu[1]	Interests in controlled corporation/Short position	138,794,642	2.57%

(1) 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. Pursuant to the terms of the Olympus Exchangeable Notes issued by ZIGL, Olympus Alloy is entitled to exchange such notes for the existing shares held by ZIGL. Based on the offer price of HK$7.0 for the Listing of the Company, 138,794,642 existing shares were charged by ZIGL to Olympus Alloy. Olympus Alloy holds such number of shares as agent for the holders of the Olympus Exchangeable Notes.

Save as disclosed above, as at 31 December 2009, 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 2009, 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 was 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 Shares

During the year ended 31 December 2009, 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 2009, 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.

Report of the Directors

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 2009, 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 and our Group

Cheng Cheng is indirectly wholly-owned by Mr. Liu and therefore is a Connected Person of the Company. The Group has entered into a supply agreement dated 15 April 2009 with Liaoning Cheng Cheng Plastic Co., Ltd. ("Cheng Cheng"), a company principally engaged in the manufacture and sale of plastic woven bags for packaging use, pursuant to which Cheng Cheng would supply plastic film to our Group 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 for the year ended 31 December 2009 and the two years ending 31 December, 2010 and 2011 are RMB12.8 million, RMB15.2 million and RMB15.3 million, respectively.

For the year ended 31 December 2009, the actual amount paid by the Group to Cheng Cheng for purchase of plastic film was RMB5,816,000.

Report of the Directors

Trademark Use Agreement between Hong Cheng and our Group

Liaoning Hong Cheng Vinyl Profile Co., Ltd. ("Hong Cheng") is indirectly owned by Mr. Liu as to 40% of its equity and by Ms. Wang Zhijie, Mr. Liu's wife ("Mrs. Liu"), as to 60% of its equity and is therefore a Connected Person of the Company. Pursuant to the agreement for use of trademark dated 15 April 2009 between Hong Cheng and Liaoning Zhongwang, Liaoning Zhongwang has agreed to grant Hong Cheng 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 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 for that year relative to the consolidated revenue of the Group and Hong Cheng for the same year.

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

The actual amount of use of trademark fees paid by Hong Cheng to Liaoning Zhongwang for the year ended 31 December 2009 was RMB9,118,000.

Coating Powder Supply Agreement between Futian Chemical and our Group

Futian Chemical is owned by Mr. Liu as to 40% of its equity and Mrs. Liu as to 60% of its equity and is therefore a Connected Person of the Company. On 15 April 2009, Liaoning Zhongwang entered into a supply agreement with Liaoyang Futian Chemical Co., Ltd. ("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 power 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 and the two years ending 31 December, 2010 and 2011 are RMB114.8 million, RMB120.8 million and RMB122.2 million, respectively.

The actual amount to purchase coating powder from Futian Chemical paid by our Group for the year ended 31 December 2009 was RMB24,960,000.

Report of the Directors

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.

In accordance with rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain agreed-upon procedures in respect of Continuing Connected Transactions. The auditor has reported its factual findings on these procedures in respect of the Continuing Connected Transactions to the Board.

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 Remuneration Committee with reference to the Directors' duties, responsibilities and our performance and results.

Retirement Schemes

The employees of the Group 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 Group's contributions to the retirement benefit schemes for the year ended 31 December 2009 were RMB6,953,000. Particulars of these retirement plans are set out in Note 37 to the Consolidated Financial Statement on page 114 of this Annual Report.

Report of the Directors

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 of 31 December 2009, the following persons, other than the Directors or chief executives of our Company, 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 shares	Approximate percentage of shareholding (%)
ZIGL	Beneficial owner/long position	4,000,000,000	73.99%
ZIGL	Beneficial owner/short position	138,794,642	2.57%
Mr. Liu	Interests in controlled corporation/Long position	4,000,000,000	73.99%
Mr. Liu	Interests in controlled corporation/Short position	138,794,642	2.57%
Mrs. Liu	Interests of spouse/Long position	4,000,000,000	73.99%
Mrs. Liu	Interests of spouse/Short position	138,794,642	2.57%

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

(2) Pursuant to the terms of the Olympus Exchangeable Notes issued by ZIGL, Olympus Alloy is entitled to exchange such notes for the existing shares held by ZIGL. Based on the offer price of HK$7.0 for the Listing of the Company, Olympus Alloy is entitled to acquire 138,794,642 existing shares from ZIGL.

Save as disclosed above, as at 31 December 2009, the Directors and the chief executives 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.

Report of the Directors

Share-based Incentive Schemes

(a) Pre-IPO Share Option Scheme

Our Company has conditionally approved and adopted a pre-IPO share option scheme pursuant to a resolution of the Board passed on 17 April 2008 (the "Pre-IPO Share Option Scheme"). According to the Pre-IPO Share Option Scheme, four Directors, five senior management members and sixty-five other employees 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 2009. 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 granting the pre-IPO share options is 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 tranche of the options that were granted to the relevant grantee on 30 December 2008, all the options were granted to the respective grantees on 17 April 2008. The pre-IPO share options granted are valid for a period ending on the date before the fifth anniversary of 8 May 2009, being the Listing date (the "Listing Date"). Each option granted has a vesting period as set out under the Pre-IPO Share Option Scheme and a grantee shall be entitled to exercise his option to subscribe for up to 20% of the total number of our shares under option during such period. Options granted under the Pre-IPO Share Option Scheme shall lapse (to the extent not already exercised) if the grantee ceases to be a participant of the Pre-IPO Share Option Scheme by reason of the termination of his or her employment.

Details of the share options outstanding as at 31 December 2009 under the Pre-IPO Share Option Scheme are as follows:

Name of Grantee	Date of Grant	Number of Shares subject to Options	Approximate percentage of shareholding (%)
Directors			
Lu Changqing	17 April 2008	2,200,000	0.04%
Chen Yan	17 April 2008	2,200,000	0.04%
Zhong Hong	17 April 2008	2,200,000	0.04%
Gou Xihui	17 April 2008	1,700,000	0.03%
Senior Management of Our Group			
Cheung Lap Kei	30 December 2008	500,000	0.01%
Zhou Mi	17 April 2008	900,000	0.02%
Yang Gang	17 April 2008	2,200,000	0.04%
65 Other Employees of Our Group	17 April 2008	28,500,000	0.53%
Total		40,400,000	0.75%

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

(b) Share Option Scheme

We also adopted a share option scheme at the Board meeting 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 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. All outstanding options shall lapse when the employment of the holder ceases or where the holder is no longer a member of the Group.

Report of the Directors

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.

For the year ended 31 December 2009, no option has been granted under the Share Option Scheme.

Further particulars of the Pre-IPO Share Option Scheme and the Share Option Scheme mentioned above are set out in Note 39 to the Consolidated Financial Statements on pages 116 to 118 of this Annual Report and the section headed "Statutory and General Information" of the Prospectus.

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 2009 is set out as follows:

	Percentage of the Group's total sales
The largest customer	37.4 %
Five largest customers in aggregate	51.4 %

	Percentage of the Group's total purchases
The largest supplier	27.5 %
Five largest suppliers in aggregate	79.3 %

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.

Report of the Directors

Compliance with the Code on Corporate Governance Practices

In respect of the year ended 31 December 2009, save as disclosed in the Corporate Governance Report on pages 54 to 61 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 54 to 61 of this Annual Report.

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, 20 April 2010

Corporate Governance Report

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 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 to 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 2009, 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 a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiries, all Directors have confirmed that they have complied with the standards set out in the Model Code.

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 2009, 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 interim results for the period ended 30 June 2009 and the final results for the year ended 31 December 2009, 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.

Non-executive Director and Independent Non-executive Directors

During the year ended 31 December 2009, 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 with effect from their respective date of appointment. 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.

Mr. Ma Xiaowei, our non-executive Director appointed on 1 August 2008, has resigned from the position of non-executive Director of the Company effective from 1 April 2010 due to his other business commitments. Mr. Ma Xiaowei has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that will need to be brought to the attention of the Company's shareholders.

Appointment, Re-election and Removal 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. Liu Zhongtian, Mr. Lu Changqing and Mr. Chen Yan 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, 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.

Corporate Governance Report

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. Three meetings were held by the Audit Committee in 2009. The Audit Committee has reviewed and discussed the audited interim results for the six months ended 30 June 2009, the unaudited financial results and operational statistics for the nine months ended 30 September 2009, the audited annual results for the year ended 31 December 2009 and the Moores Rowland's Review Report for each quarter ended 30 June, 30 September and 31 December 2009, respectively, 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 2009 was as follows:

Audit Committee Members	Attendance
Mr. Wong Chun Wa	3/3
Mr. Shi Ketong	3/3
Mr. Wen Xianjun	2/3

Remuneration Committee

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

The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration packages of the Directors and senior management, and evaluate and make recommendations on the retirement scheme and performance assessment system and bonus and commission policies.

The Remuneration Committee should meet at least once a year. One meeting was held by the Remuneration Committee in 2009. The attendance of Directors at the Remuneration Committee meetings held in 2009 was as follows:

Remuneration Committee Members	Attendance
Mr. Wen Xianjun	1/1
Mr. Liu	1/1
Mr. Shi Ketong	1/1

Corporate Governance Report

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 Moores Rowland Review Report and also 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 2009. The attendance of Directors at the Corporate Governance Committee meetings held in 2009 was as follows:

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

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 Zhongtian (chairman), Mr. Lu Changqing and Mr. Wen Xianjun.

The Strategy and Development Committee should meet at least once a year. One meeting was held by the Strategy and Development Committee in 2009. The attendance of Directors at the Strategy and Development Committee meetings held in 2009 was as follows:

Strategy and Development Committee Members	Attendance
Mr. Liu	1/1
Mr. Lu Changqing	1/1
Mr. Wen Xianjun	1/1

Corporate Governance Report

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 2009, the Board held 12 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 2009 was as follows:

Members of the Board	Attendance: Prior to Listing (1 January 2009 to 8 May 2009)	Attendance: Subsequent to Listing (9 May 2009 to 31 December 2009)
Executive Directors		
Mr. Liu	5/10	2/2
Mr. Lu Changqing	9/10	2/2
Mr. Chen Yan	10/10	2/2
Ms. Zhong Hong	4/10	2/2
Mr. Gou Xihui	4/10	2/2
Independent Non-executive Directors		
Mr. Wong Chun Wa	2/10	2/2
Mr. Wen Xianjun	2/10	2/2
Mr. Shi Ketong	3/10	2/2
Mr. Lo Wa Kei, Roy	2/10	2/2

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 2009, 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.

Corporate Governance Report

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 2009 is set out in the section headed "Independent Auditor's Report" on pages 62 to 63 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 meets together 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 is carrying out the directions and strategies set by the Board properly.

Internal Control

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

(i) Effectiveness and efficiency of operations;

(ii) Reliability of financial reporting; and

(iii) Compliance with applicable laws and regulations.

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

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

(i) conduct comprehensive reviews of our bank acceptance notes activities on a quarterly basis for at least 12 months after the Listing, until our independent non-executive Directors determine otherwise;

(ii) review and test the effectiveness of our material internal control measures, including newly implemented internal control mechanisms and measures, on a quarterly basis for at least 12 months after the Listing, until our independent non-executive Directors determine otherwise. Based on Moores Rowland's review on our internal control mechanisms and measures for the year ended 31 December 2009 (the "Moores Rowland's Review Report"), the findings were as follows:

    (a) Moores Rowland has reviewed the effectiveness of our internal control measures relating to the overstated bill financing activities that occurred during the period from 1 April 2009 to 31 December 2009 (the "Bill

Corporate Governance Report

Monitoring Control Measures") and did not identify any existing ineffective Billing Monitoring Control or overstated bill financing activity; and

(b) Moores Rowland has reviewed the effectiveness of our material internal control measures (excluding the "Bill Monitoring Control Measures") for the period from 1 April 2009 to 31 December 2009 and did not identify any material ineffectiveness of our internal control measures.

During the course of the year ended 31 December 2009, the Group engaged an independent professional service firm to carry out the Relevant Scope of Review (as defined in the announcement of the Company dated 8 February 2010 (the "Announcement")). Further details in this regard are contained in the Announcement.

Independent Auditor

The Company's independent auditor is Deloitte. For the year ended 31 December 2009, the remuneration payable by the Group to Deloitte for statutory audit services and non-auditing services is set out below:

Services provided by the auditor	Remuneration (RMB' million)
Initial public offerings	8.6
Audit of interim results	1.4
Audit of final report	2.2
Total	12.2

Communications with Shareholders and Investor Relations

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 of the Company in May 2009, 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 emphasis on corporate responsibilities in order to ensure that our operating strategies, financial performance and development prospects are fully known to and understood by global investors.

Corporate Governance Report

A summary of the major investor relation activities of the Company in the year ended 31 December 2009 is set forth as follows:

Global Offering and Global Roadshows

The Company was successfully listed on the main board of the Stock Exchange on 8 May 2010. During the process of Listing and subsequent to the announcement of our interim results, worldwide roadshows and promotional activities were held in major international financial markets, such as Hong Kong, Singapore, London and Boston. Detailed presentation of the competitive advantages and development strategies of the Company were made during individual, group and luncheon meetings with various local investors, fund managers and analysts. Subsequent to the Listing, we have actively participated in investment seminars and exhibitions organised by large investment banks and provided the latest information regarding our future development prospects to investors in order to enlighten their understanding of our Company.

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. Up to now, 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' enquires through telephone, electronic mails and facsimiles.

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 promote 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 bases for investors, research analysts and media to enable them to have more lucid understanding of the production of our products.

Looking ahead, 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 shareholder's wealth.

By order of the Board
Liu Zhongtian
Chairman

Hong Kong, 20 April 2010

INDEPENDENT AUDITOR'S REPORT

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 64 to 119, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

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 and true and fair presentation of the consolidated financial statements 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 2009 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

20 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Revenue	6	**13,852,708**	11,264,429
Cost of sales		**(8,562,633)**	(8,162,134)
Gross profit		**5,290,075**	3,102,295
Interest income	8	**48,060**	74,107
Other income, other gains and losses	9	**44,414**	1,228
Selling and distribution costs		**(130,887)**	(169,921)
Administrative and other operating expenses		**(170,907)**	(77,175)
Listing expenses	10	**(36,558)**	—
Finance costs	11	**(327,092)**	(286,573)
Profit before taxation		**4,717,105**	2,643,961
Income tax expense	12	**(1,188,290)**	(733,523)
Profit and total comprehensive income for the year attributable to owners of the Company	13	**3,528,815**	1,910,438
Earnings per share			
Basic (RMB)	16	**0.72**	0.48
Diluted (RMB)	16	**0.71**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	17	**4,671,072**	3,304,694
Prepaid lease payments	19	**63,718**	65,190
Deposits for acquisition of property, plant and equipment		**84,879**	4,027
		4,819,669	3,373,911
Current assets			
Inventories	20	**862,365**	1,058,768
Trade receivables	21	**2,348,973**	523,905
Other receivables, deposits and prepayments	22	**307,642**	2,386,851
Prepaid lease payments	19	**1,472**	1,472
Amounts due from related parties	23	**9,118**	22,170
Held-for-trading investments	24	**1,565**	1,431
Loan receivables	25	**2,300,000**	—
Pledged bank deposits	26	**63,082**	1,230,750
Bank balances and cash	27	**13,709,564**	4,261,817
		19,603,781	9,487,164
Current liabilities			
Trade payables	28	**367,379**	24,820
Bills payable	29	**608,200**	2,351,200
Other payables and accrued charges	28	**1,135,956**	258,574
Amount due to a related party	23	**—**	320
Tax liabilities		**432,818**	200,447
Short term debenture	30	**2,000,000**	2,000,000
Bank loans	31	**2,626,000**	2,640,638
Dividend payable		**—**	2,000,000
		7,170,353	9,475,999
Net current assets		**12,433,428**	11,165
Total assets less current liabilities		**17,253,097**	3,385,076

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	**2009**	2008
		RMB'000	RMB'000
Capital and reserves			
Share capital	32	**474,675**	350,877
Reserves		**13,701,098**	2,854,199
		14,175,773	3,205,076
Non-current liabilities			
Bank loans	31	**3,027,324**	130,000
Deferred tax liabilities	33	**50,000**	50,000
		3,077,324	180,000
		17,253,097	3,385,076

The consolidated financial statements on pages 64 to 119 were approved and authorised for issue by the board of directors on 20 April 2010 and are signed on its behalf by:

Mr. Liu Zhongtian
DIRECTOR

Mr. Lu Changqing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company								
	Paid-in capital/ share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Surplus reserve RMB'000 (Note a)	Enterprise development fund RMB'000 (Note b)	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2008	394,299	—	—	1,762	212,813	212,813	—	2,472,951	3,294,638
Total comprehensive income for the year	—	—	—	—	—	—	—	1,910,438	1,910,438
Capitalisation of accumulated profits of a subsidiary (Note c)	—	—	—	127,287	—	—	—	(127,287)	—
Capitalisation of share premium (Note 32)	350,877	(350,877)	—	—	—	—	—	—	—
Issue of shares on 31 January 2008 (Note 32)	—	22	(22)	—	—	—	—	—	—
Issue of shares on 13 June 2008 (Note 32)	—	1,360,328	(1,360,328)	—	—	—	—	—	—
Issue of shares on 8 August 2008 (Note 32)	—	2,026,927	—	—	—	—	—	—	2,026,927
Reserve arising from corporate reorganisation (Note d)	(394,299)	—	394,299	—	—	—	—	—	—
Deemed distributions (Note e)	—	—	(2,026,927)	—	—	—	—	—	(2,026,927)
Dividend (Note 15)	—	—	—	—	—	—	—	(2,000,000)	(2,000,000)
Appropriations	—	—	—	—	207,856	207,856	—	(415,712)	—
At 31 December 2008	**350,877**	**3,036,400**	**(2,992,978)**	**129,049**	**420,669**	**420,669**	**—**	**1,840,390**	**3,205,076**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,528,815**	**3,528,815**
Capitalisation of accumulated profits of a subsidiary (Note c)	**—**	**—**	**—**	**506,849**	**—**	**—**	**—**	**(506,849)**	**—**
Recognition of share-based payment	**—**	**—**	**—**	**—**	**—**	**—**	**50,275**	**—**	**50,275**
Issue of shares on 8 May 2009 (Note 32)	**123,242**	**8,503,698**	**—**	**—**	**—**	**—**	**—**	**—**	**8,626,940**
Issue of shares on 3 June 2009 (Note 32)	**556**	**38,340**	**—**	**—**	**—**	**—**	**—**	**—**	**38,896**
Transaction costs attributable to issue of new shares	**—**	**(274,229)**	**—**	**—**	**—**	**—**	**—**	**—**	**(274,229)**
Dividend (Note 15)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,000,000)**	**(1,000,000)**
Appropriations	**—**	**—**	**—**	**—**	**356,981**	**356,981**	**—**	**(713,962)**	**—**
At 31 December 2009	**474,675**	**11,304,209**	**(2,992,978)**	**635,898**	**777,650**	**777,650**	**50,275**	**3,148,394**	**14,175,773**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

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, Zhongwang 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) Pursuant to a resolution passed at the shareholders' meeting dated 18 February 2009 and 6 August 2008, accumulated profits of approximately RMB506,849,000 and RMB127,287,000 were 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) Pursuant to the corporate reorganisation completed on 8 August 2008, the Zhongwang China Investment (HK) Limited ("ZCIL (HK)") acquired the remaining 60% of the registered capital of Zhongwang PRC which became a wholly-owned subsidiary of the Company. Special reserve arises from the corporate reorganisation amounted to approximately RMB394,299,000.

(e) The amount represents the consideration paid by ZCIL (HK) to Liaoyang City Aluminium Profile Product Co. Ltd ("Liaoyang Factory") for acquiring the remaining 60% equity interest in Zhongwang PRC which is already included in the consolidated financial statements since 1 January 2008. Liaoyang Factory is a PRC established enterprise wholly-owned by Mr. Liu Zhong Tian ("Mr. Liu"), the controlling shareholder of the Group. Accordingly, the consideration paid is deemed as a distribution to Mr. Liu.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**4,717,105**	2,643,961
Adjustments for:		
Interest expense	**327,092**	286,573
Depreciation of property, plant and equipment	**329,704**	316,213
Depreciation of investment properties	**—**	350
Loss on disposal of property, plant and equipment	**7,722**	995
Write down of inventories	**—**	50,588
Interest income	**(48,060)**	(74,107)
Release of prepaid lease payments	**1,472**	1,526
Change in fair value of held-for-trading investments	**(134)**	1,293
Allowances for bad and doubtful debtors in respect of trade receivables	**1,289**	47
Allowances for bad and doubtful debtors in respect of other receivables	**4,143**	8,814
Share-based payment expenses	**50,275**	—
Operating cash flows before movements in working capital	**5,390,608**	3,236,253
Decrease in inventories	**196,403**	250,239
(Increase) decrease in trade receivables	**(1,826,357)**	162,742
Decrease (increase) in other receivables, deposits and prepayments	**2,075,066**	(1,176,117)
Increase in amounts due from related parties	**(9,118)**	—
Increase in trade payables	**342,559**	1,039
(Decrease) increase in bills payable	**(1,743,000)**	1,455,000
Increase in other payables and accrued charges	**846,044**	33,977
Cash generated from operations	**5,272,205**	3,963,133
Income tax paid	**(955,919)**	(804,268)
NET CASH FROM OPERATING ACTIVITIES	**4,316,286**	3,158,865
INVESTING ACTIVITIES		
Increase in loan receivables	**(2,300,000)**	—
Purchases of property, plant and equipment	**(1,705,194)**	(142,179)
Deposits paid for acquisition of property, plant and equipment	**(84,879)**	(5,425)
Payments for prepaid lease	**—**	(8,584)
Decrease (increase) in amounts due from related parties	**22,170**	(1,634)
Proceeds from disposal of property, plant and equipment	**5,417**	150,351
Proceeds from disposal of leasehold land	**—**	50,238
Proceeds from disposal of investment properties	**—**	25,120
Interest received	**48,060**	74,107
Decrease (increase) in pledged bank deposits	**1,167,668**	(104,620)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(2,846,758)**	37,374

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
FINANCING ACTIVITIES		
Decrease in amounts due to related parties	**(320)**	(1,561,152)
New bank borrowings raised	**11,631,610**	3,354,131
Repayment of bank borrowings	**(8,748,924)**	(4,730,043)
Short-term debenture raised	**2,000,000**	2,000,000
Repayment of short-term debenture	**(2,000,000)**	(600,000)
Interest paid	**(295,754)**	(230,901)
Payment for transfer in of equity interest in Zhongwang PRC from Liaoyang Factory	**—**	(2,026,927)
Issue of new shares	**—**	2,026,927
Net proceeds from issue of new shares	**8,391,607**	—
Dividend paid	**(3,000,000)**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**7,978,219**	(1,767,965)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**9,447,747**	1,428,274
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,261,817**	2,833,543
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**13,709,564**	4,261,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Pursuant to group reorganisation (the "Corporate Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), the Company became the holding company of the Group on 8 August 2008. The Corporate Reorganisation was completed by interspersing the Company, Zhongwang China Investments Limited ("ZCIL (BVI)") and ZCIL(HK) between Zhongwang PRC and certain companies under the control of Mr. Liu. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Liu prior to and after the Corporate Reorganisation. Details of the Corporate Reorganisation were set out in the section headed "Our History and Corporate Structure" of the prospectus dated 24 April 2009 issued by the Company (the "Prospectus").

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

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2008 included the results, changes in equity and cash flows of the companies comprising the Group upon the Corporate Reorganisation as if the group structure upon the Corporate Reorganisation had been in existence throughout the year ended 31 December 2008, or since the respective dates of incorporation of the relevant entity, where this is a shorter period.

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 41.

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 ("IFRS")

In the current year, the Group has applied the following 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

IFRSs (Amendments)	Improvements to IFRSs issued in May 2008, except for the amendment to IFRS 5 that is effective for accounting periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in April 2009
IAS 1 (Revised)	Presentation of financial statements
IAS 23 (Revised)	Borrowing costs
IAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
IFRS 2 (Amendment)	Vesting conditions and cancellations
IFRS 7 (Amendment)	Improving disclosures about financial instruments
IFRS 8	Operating segments
IFRIC — Int 9 & IAS 39 (Amendments)	Embedded derivatives
IFRIC — Int 13	Customer loyalty programmes
IFRIC — Int 15	Agreements for the construction of real estate
IFRIC — Int 16	Hedges of a net investment in a foreign operation
IFRIC — INT 18	Transfers of assets from customers

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the financial statements. However, IAS 1 (Revised 2007) has had no impact on the reported results or financial position of the Group.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosure)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments (see Note 7) and has had no impact on the reported results or financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

IAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. IAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of IAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in IAS 23 (Revised 2007). The revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

In the opinion of the directors of the Company, the adoption of the IAS 23 (Revised 2007) has had no material effect on the consolidated financial statements of the Group for the year ended 31 December 2009.

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

IFRSs (Amendments)	Amendment to IFRS 5 as part of improvements to IFRSs issued in 2008[1]
IFRSs (Amendments)	Improvements to IFRSs issued in 2009[2]
IAS 24 (Revised)	Related party disclosures[3]
IAS 27 (Revised)	Consolidated and separate financial statements[1]
IAS 32 (Amendment)	Classification of rights issues[4]
IAS 39 (Amendment)	Eligible hedged items[1]
IFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
IFRS 1 (Amendment)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters[6]
IFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
IFRS 3 (Revised)	Business combinations[1]
IFRS 9	Financial instruments[7]
IFRIC — Int 14 (Amendment)	Prepayments of a minimum funding requirement[3]
IFRIC — Int 17	Distributions of non-cash assets to owners[1]
IFRIC — Int 19	Extinguishing financial liabilities with equity instruments[6]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

1 Effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2011.

4 Effective for annual periods beginning on or after 1 February 2010.

5 Effective for annual periods beginning on or after 1 January 2010.

6 Effective for annual periods beginning on or after 1 July 2010.

7 Effective for annual periods beginning on or after 1 January 2013.

The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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 under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform to IFRS. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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 on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from the sales of goods is recognised when the goods are delivered and title has passed.

Rental income from leasing of premises is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset excluding financial assets at fair value through profit or loss 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 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 at the end of the reporting period.

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 goodwill or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 interests 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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses 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.

Government Grants

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 reported separately as ″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 Lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold Land and Building

The land and building elements of a lease of land and building or investment properties are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment or investment properties. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 for which the commencement date for capitalisation is on or after 1 January 2009, 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 defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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 at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

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 (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).

Investment Properties

Investment properties are property held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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. 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 as an expense immediately.

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 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.

Financial Instruments

Financial assets and financial liabilities are recognised on 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's financial assets are classified into either financial assets at fair value through profit or loss ("FVTPL") or loans receivables. 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. The accounting policies adopted are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Assets (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 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 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 other than those financial assets classified as at FVTPL, of which interest income is excluded in net gains or losses.

Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or has a recent actual pattern of short-term profit-taking.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 and refundable deposits, amounts due from related parties, loan receivables, pledged bank 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, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are 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 impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- the receivables become past due for a long period of time;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment of Financial Assets (Continued)

For trade receivables, other receivables and loan receivables that are assessed not to be impaired individually are subsequently 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, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. 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 at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account (if any). 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.

Financial Liabilities and Equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Liabilities

Financial liabilities (including trade payables, bills payable, other payables and accrued charges, amount due to a related party, short term debenture and bank loans) are subsequently measured at amortised cost, using the effective interest method.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is 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 options 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 estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the 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 vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

Categories of financial instruments	2009 RMB'000	2008 RMB'000
Financial assets		
Held-for-trading investments	**1,565**	1,431
Loans and receivables (including bank balances and cash)	**18,430,737**	6,038,642
	18,432,302	6,040,073
Financial liabilities		
Amortised cost	**9,731,298**	9,327,293

Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade receivables, other receivables and refundable deposits, amounts due from related companies, loan receivables, pledged bank deposits, bank balances, trade payables, bills payables, other payables, amount due to a related party, short-term debenture 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 debenture and bank loans (see note 26 for details of the pledged bank deposits and notes 30 and 31 for details of these borrowings). 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 27 for details of the bank balances and note 31 for details of these borrowings). 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.

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Market Risk (Continued)

Cash flow interest rate risk (Continued)

The sensitivity analysis below has been determined based on the exposure to interest rate at the end of the reporting period and the stipulated change taking place at the beginning of the respective financial year and held constant throughout the year. A 10 basis point represents management's assessment of possible change in interest rates.

At 31 December 2009, if interest rate had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately RMB7,350,000 (2008: post-tax profit for the year of RMB4,119,000).

Currency Risk

The Group have certain trade receivables, bank balances, other payables and bank loans denominated in foreign currencies, hence 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Currency Risk (Continued)

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

	2009 RMB'000	2008 RMB'000
Trade receivables		
United States Dollars ("USD")	**2,244,085**	74,878
Australian Dollars ("AUD")	**—**	29,194
EURO	**—**	6,125
Great British Pound ("GBP")	**—**	745
Pledged bank deposits		
USD	**3,967**	—
Bank balances and cash		
USD	**85,460**	12,581
HKD	**40,689**	—
AUD	**13,699**	5,585
GBP	**2**	3,873
EURO	**86**	11,314
Other payables		
USD	**5,907**	—
Bank loans		
USD	**136,564**	33,148

Foreign Currency Sensitivity

The Group is mainly exposed to USD, HKD, AUD, GBP and EURO against RMB. The following table details the Group's sensitivity to a 5% strengthening of RMB against the respective foreign currencies. 5% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. For a 5% weakening of RMB against the respective foreign currencies, there would be an equal and opposite impact on the profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Currency Risk (Continued)

Foreign Currency Sensitivity (Continued)

	USD Impact		HKD Impact		AUD Impact		GBP Impact		EURO Impact	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Decrease in post-tax profit for the year	**82,386**	2,037	**1,304**	—	**514**	1,304	**—**	173	**3**	654

In the opinion of the directors of the Company, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the exposure at the end of the respective reporting period 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 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 each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Other than concentration of credit risks on deposits paid to three suppliers included in other receivables, deposits and prepayments of approximately RMB78,352,000 (2008: RMB2,194,130,000), loan receivables of RMB2,300,000,000 (2008: nil) due from Liaoyang Hongwei Construction Investment Co., Ltd. ("Hongwei"), bank balances (including pledged bank deposits) of approximately RMB10,654,524,000 (2008: RMB3,842,319,000) which are deposited with two local banks in Liaoyang City and trade receivables of approximately RMB1,748,144,000 (2008: nil) due from a single customer located in the PRC, the Group does not have any other significant concentration of credit risk. The trade receivables due from a single customer of RMB1,748,144,000 have been subsequently settled in full.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (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. 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 curve at the end of the reporting period.

	Weighted average interest rate %	0 to 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 2009								
Non-interest bearing	—	1,605,890	459,577	12,507	—	—	2,077,974	2,077,974
Variable interest rate instruments	4.91	27,945	27,945	2,346,575	915,304	2,292,612	5,610,381	5,186,564
Fixed interest rate instruments	3.84	4,328	4,328	2,401,570	—	148,361	2,558,587	2,466,760
		1,638,163	491,850	4,760,652	915,304	2,440,973	10,246,942	9,731,298
As at 31 December 2008								
Non-interest bearing	—	380,182	4,150,000	26,273	—	—	4,556,455	4,556,455
Fixed interest rate instruments	6.78	343,457	635,669	3,937,782	19,656	139,828	5,076,392	4,770,638
		723,639	4,785,669	3,964,055	19,656	139,828	9,632,847	9,327,093

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.

Price Risk

The Group is exposed to equity price risk through its investments in mutual funds. In the opinion of the directors, any change in equity price of the mutual funds would not be significant to the consolidated financial statements. As a result, the relevant risk exposure has not been hedged.

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 or using prices from observable current market transactions. The fair value of held-for-trading investments is based on the relevant price quoted from the brokers.

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 the short-term debenture and bank loans as disclosed in notes 30 and 31 respectively and equity attributable to owners of the Company, comprising issued 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 throughout the years.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. REVENUE

	2009 RMB'000	2008 RMB'000
Sales of aluminium products		
— for industrial use	**11,502,286**	6,224,855
— for construction use	**2,350,422**	5,039,574
	13,852,708	11,264,429

7. SEGMENT INFORMATION

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and assessing its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach.

In the past, the Group's primary reporting format was business segments by the type of products. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. Nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. SEGMENT INFORMATION (Continued)

Segment Revenues and Results

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

	Revenue		Segment Profit	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Industrial	**11,502,286**	6,224,855	**5,019,862**	2,478,646
Construction	**2,350,422**	5,039,574	**270,213**	623,649
Total	**13,852,708**	11,264,429	**5,290,075**	3,102,295
Interest and other income			**92,474**	107,106
Selling and distribution costs			**(130,887)**	(169,921)
Central corporate expenses			**(207,465)**	(108,946)
Finance costs			**(327,092)**	(286,573)
Profit before taxation			**4,717,105**	2,643,961
Income tax expense			**(1,188,290)**	(733,523)
Profit for the year			**3,528,815**	1,910,438

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 represents the gross profit earned by each segment. This is the measure reported to the Group's management for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 maker:

	2009 RMB'000	2008 RMB'000
Industrial	**4,823,358**	1,202,593
Construction	**829,373**	2,116,695
Unallocated assets		
— Property, plant and equipment	**1,493,455**	1,388,601
— Prepaid lease payments	**65,190**	66,662
— Deposits for acquisition of property, plant and equipment	**84,879**	4,027
— Inventories	**736,224**	179,478
— Other receivables, deposits and prepayments	**307,642**	2,386,851
— Amounts due from related parties	**9,118**	22,170
— Held-for-trading investments	**1,565**	1,431
— Loan receivables	**2,300,000**	—
— Pledged bank deposits	**63,082**	1,230,750
— Bank balances and cash	**13,709,564**	4,261,817
Total assets	**24,423,450**	12,861,075

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

All assets are allocated to reportable segments other than certain property, plant and equipment, prepaid lease payments, deposits for acquisition of property, plant and equipment, raw materials and work in progress included in inventories, other receivables, deposits and prepayments, amounts due from related parties, held-for-trading investments, loan receivables, pledged bank deposits and bank balances and cash which are commonly used by both segments or used for corporate operation.

Segment assets mainly comprise of certain equipment, trade receivables and certain inventories that can be identified to a particular reportable 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 reportable segment. Other payables and accrued charges, tax liabilities, short term debenture and bank loans cannot be allocated either. As a result, no segment liability is presented.

All non-current assets of the Group are located in the respective group entity's country of domicile.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. SEGMENT INFORMATION (Continued)

Other Information

For the year ended 31 December 2009

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	1,455,573	—	253,648	1,709,221
Depreciation of property, plant and equipment	74,721	113,115	141,868	329,704
Allowances for bad and doubtful debts in respect of trade receivables	97	1,192	—	1,289
Allowances for bad and doubtful debts in respect of other receivables	—	—	4,143	4,143
Loss of disposal of property, plant and equipment	—	6,855	867	7,722

For the year ended 31 December 2008

	Industrial RMB'000	Construction RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	368,849	—	131,578	500,427
Depreciation of property, plant and equipment	62,816	113,869	139,528	316,213
Depreciation of investment properties	—	—	350	350
Allowances for bad and doubtful debts in respect of trade receivables	—	47	—	47
Allowances for bad and doubtful debts in respect of other receivables	—	—	8,814	8,814
Loss of disposal of property, plant and equipment	—	995	—	995
Write-down of inventories	—	50,588	—	50,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. SEGMENT INFORMATION (Continued)

Geographical Information

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

	2009 RMB'000	2008 RMB'000
PRC	**7,753,131**	10,892,560
United States of America	**5,657,877**	214,705
Australia	**440,274**	89,381
Others	**1,426**	67,783
	13,852,708	11,264,429

Including in the sales above, approximately RMB5,181,576,000 and RMB384,986,000 which are categorised under sales to United States of America and Australia respectively for the year ended 31 December 2009 are sold to certain customers in the PRC who shipped the goods to the ultimate customers in respective countries.

Information about Major Customer

During the year ended 31 December 2009, revenue of approximately RMB5,181,576,000 was contributed by a single customer and was categorised under Industrial segment.

There was no single customer accounted for over 10% of total revenue for the year ended 31 December 2008.

8. INTEREST INCOME

The amounts represent interests income received from bank deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

9. OTHER INCOME, OTHER GAINS AND LOSSES

	2009 RMB'000	2008 RMB'000
Other income		
Government subsidies (Note)	**32,063**	12,660
Trademark income (Note 38)	**9,118**	19,806
Gain on sales of scrap materials, consumables and moulds	**1,044**	391
Rental income	**—**	142
	42,225	32,999
Other gain and losses		
Exchange gain (losses)	**2,055**	(30,478)
Gain (loss) on change in fair value of investments held for trading	**134**	(1,293)
	2,189	(31,771)
Total	**44,414**	1,228

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

10. LISTING EXPENSES

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

11. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interests on borrowings wholly repayable within five years:		
— Bank loans	**243,807**	208,189
— Short term debenture	**83,285**	55,672
— Bills payable	**—**	22,712
	327,092	286,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

12. INCOME TAX EXPENSE

	2009 RMB'000	2008 RMB'000
The charge comprises PRC Enterprise Income Tax		
Current taxation	**1,188,290**	683,523
Deferred tax charge (Note 33)	**—**	50,000
	1,188,290	733,523

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's income neither arises in, nor is derived from, Hong Kong.

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

	2009 RMB'000	2008 RMB'000
Profit before taxation	**4,717,105**	2,643,961
Taxation at the PRC income tax rate	**1,179,276**	660,990
Tax effect of expenses not deductible for tax purpose	**10,934**	22,533
Tax effect of withholding tax on dividends	**—**	50,000
Tax effect of income not taxable for tax purpose	**(1,920)**	—
Taxation for the year	**1,188,290**	733,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. PROFIT FOR THE YEAR

	2009 RMB'000	2008 RMB'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**3,642**	270
Allowance for bad and doubtful debts in respect of trade receivables	**1,289**	47
Allowance for bad and doubtful debts in respect of other receivables	**4,143**	8,814
Cost of inventories recognised as expense	**8,562,633**	8,111,546
Write down of inventories included in cost of sales	**—**	50,588
Depreciation of property, plant and equipment	**329,704**	316,213
Depreciation of investment properties	**—**	350
Release of prepaid lease payments	**1,472**	1,526
Research and development costs	**10,325**	16,994
Loss on disposal of property, plant and equipment	**7,722**	995
Operating lease rentals in respect of rented premises	**3,788**	741
Gross rental income from investment properties	**—**	(142)
Less: Direct operating expenses from investment properties that generated rental income during the year	**—**	350
	—	208
Staff costs (including directors' emoluments):		
Salaries and other benefits	**128,657**	80,569
Retirement benefits scheme contributions	**6,953**	6,676
Employee share option benefits	**50,275**	—
	185,885	87,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2009 RMB'000	2008 RMB'000
Directors' emoluments		
Salaries and other benefits	5,209	4,652
Retirement benefit scheme contributions	15	14
Employee share option benefits	10,329	—
	15,553	4,666

The emoluments of directors during each of the year ended 31 December 2009 and 2008 are analysed as follows:

	2009				2008		
	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	Total RMB'000
Name of directors							
Executive directors:							
Mr. Liu	1,202	3	—	1,205	1,202	3	1,205
Mr. Liu Zhongsuo (Note a)	—	—	—	—	44	2	46
Ms. Zhong Hong	802	3	2,738	3,543	802	3	805
Mr. Chen Yan	802	3	2,738	3,543	802	2	804
Mr. Lu Changqing	818	3	2,738	3,559	802	2	804
Mr. Gou Xihui	802	3	2,115	2,920	802	2	804
Non-executive directors:							
Ma Xiaowei	—	—	—	—	—	—	—
Independent non-executive directors:							
Wong Chun Wa	200	—	—	200	66	—	66
Wen Xianjun	200	—	—	200	66	—	66
Shi Ketong	200	—	—	200	66	—	66
Lo Wa Kei, Roy (Note b)	183	—	—	183	—	—	—
Total	5,209	15	10,329	15,553	4,652	14	4,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Notes:

(a) Mr. Liu Zhongsuo resigned as an executive director on 1 August 2008.

(b) Mr. Lo Wa Kei, Roy was appointed as an independent non-executive director on 11 February 2009.

For each of the year ended 31 December 2009 and 2008, 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 2009 and 2008, 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 2009 and 2008.

15. DIVIDEND

Pursuant to the directors' meeting on 18 October 2008, the Company declared dividend of RMB0.5 per share with an aggregate amount of RMB2,000,000,000 which was distributed to the immediate holding company, ZIGL, in April 2009. The Company declared and paid a dividend of RMB0.25 per share with an aggregate amount of RMB1,000,000,000 in April 2009.

The final dividend of HK$0.19 per share, equivalent to RMB0.17 per share, and the special dividend of HK$0.07 per share, equivalent to RMB0.06 per share, with an aggregate amount of RMB903,420,831 and RMB332,839,254 respectively, have been proposed by the directors and are subject to approval by the shareholders in general meeting. Such dividends will be distributed from the share premium of the Company. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the year ended 31 December 2009 and 2008 is based on the consolidated profit attributable to owners of the Company for each of the year ended 31 December 2009 and 2008 and on the number of shares as follows:

	2009	2008
	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share	**3,528,815**	1,910,438

	2009	2008
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**4,916,540**	4,000,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**28,195**	N/A
Weighed average number of shares for the purpose of diluted earnings per share	**4,944,735**	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. 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 2008	631,828	3,174,909	75,018	16,487	161,524	4,059,766
Transfer	6,436	206,257	2,982	6,010	(221,685)	—
Additions	4,825	29,724	2,163	3,335	460,380	500,427
Disposals	(178,130)	(35,266)	(12,899)	(104)	—	(226,399)
At 31 December 2008	464,959	3,375,624	67,264	25,728	400,219	4,333,794
Transfer	34,673	376,196	5,009	1,797	(417,675)	—
Additions	607	26,867	10,741	4,089	1,666,917	1,709,221
Disposals	—	(46,840)	(6,358)	—	—	(53,198)
At 31 December 2009	**500,239**	**3,731,847**	**76,656**	**31,614**	**1,649,461**	**5,989,817**
DEPRECIATION						
At 1 January 2008	144,363	587,974	47,919	7,684	—	787,940
Charge for the year	23,013	283,033	7,296	2,871	—	316,213
Eliminated on disposals	(38,960)	(27,459)	(8,634)	—	—	(75,053)
At 31 December 2008	128,416	843,548	46,581	10,555	—	1,029,100
Charge for the year	21,465	298,716	5,745	3,778	—	329,704
Eliminated on disposals	—	(36,574)	(3,485)	—	—	(40,059)
At 31 December 2009	**149,881**	**1,105,690**	**48,841**	**14,333**	**—**	**1,318,745**
CARRYING VALUES						
At 31 December 2009	**350,358**	**2,626,157**	**27,815**	**17,281**	**1,649,461**	**4,671,072**
At 31 December 2008	336,543	2,532,076	20,683	15,173	400,219	3,304,694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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%

As at 31 December 2009, certain buildings and machinery were pledged to secure bills payable of the Group. Details are set as note 36.

18. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2008	31,346
Disposals	(31,346)
At 31 December 2008 and 31 December 2009	—
DEPRECIATION	
At 1 January 2008	5,876
Charge for the year	350
Eliminated on disposals	(6,226)
At 31 December 2008 and 31 December 2009	—
CARRYING VALUE	
At 31 December 2009 and 31 December 2008	—

The above investment properties were rented out under operating leases during the year ended 31 December 2008.

The above investment properties were held under medium-term leases in the PRC and were depreciated on a straight-line basis over the term of 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2009 RMB'000	2008 RMB'000
Leasehold land in the PRC under medium-term leases	**65,190**	66,662
Analysed for reporting purpose:		
Current assets	**1,472**	1,472
Non-current assets	**63,718**	65,190
	65,190	66,662

As at 31 December 2009, the Group pledged certain leasehold land to secure bills payable of the Group. Details are set as note 36.

20. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	**506,383**	30,385
Work-in-progress	**251,698**	219,320
Finished goods	**104,284**	809,063
	862,365	1,058,768

21. TRADE RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables	**2,350,309**	523,952
Less: Allowance for bad and doubtful debts	**(1,336)**	(47)
	2,348,973	523,905

The Group allows an average credit period of 90 days. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

21. TRADE RECEIVABLES (Continued)

	2009 RMB'000	2008 RMB'000
1–90 days	**2,300,656**	425,391
Over 90 days	**48,317**	98,514
	2,348,973	523,905

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. Except for the concentration risk on a single customer as disclosed in note 4, 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 2009, the trade receivables of approximately RMB2,300,656,000 (2008: RMB425,391,000) were neither past due nor impaired.

As at 31 December 2009, trade receivables of approximately RMB48,317,000 (2008: RMB98,514,000) 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

	2009 RMB'000	2008 RMB'000
91–180 days	**40,176**	92,818
181–365 days	**8,141**	3,525
Over 365 days	**—**	2,171
Total	**48,317**	98,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

21. TRADE RECEIVABLES (Continued)

Movement in the Allowance for Bad and Doubtful Debts

	2009 RMB'000	2008 RMB'000
Balance at beginning of the year	**47**	219
Allowances for bad and doubtful debtors	**1,289**	47
Amounts written off as uncollectible	—	(219)
Balance at end of the year	**1,336**	47

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 RMB'000	2008 RMB'000
Other receivables, deposits and prepayments	**307,642**	2,386,851

Included in the other receivables, deposits and prepayments are deposits paid to suppliers amounting to RMB86,607,000 (2008: RMB2,363,826,000) as at 31 December 2009.

Movement in the Allowance for Bad and Doubtful Debts

	2009 RMB'000	2008 RMB'000
Balance at beginning of the year	—	—
Allowances for bad and doubtful debtors	**4,143**	8,814
Amounts written off as uncollectible	**(4,143)**	(8,814)
Balance at end of the year	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. AMOUNTS DUE FROM/TO RELATED PARTIES

	2009 RMB'000	2008 RMB'000
Amounts due from related parties		
Non-trading in nature		
Mr. Liu	—	16,631
Liaoning Hong Cheng Vinyl Profile Co., Ltd. ("Hong Cheng") (Note 1)	—	5,539
	—	22,170
Trading in nature		
Hong Cheng (Note 2)	**9,118**	—
Total amounts due from related parties	**9,118**	22,170
Amount due to a related party		
Non-trading in nature		
Zhongwang Zhongtian Garment Co., Ltd. ("Zhongtian Garment") (Note 1)	—	320
Total amount due a to related company	—	320

The amounts were unsecured, non-interest bearing and were repayable on demand.

Notes:

1. These are related companies of the Group which are beneficially owned by Mr. Liu. The maximum outstanding balance of the related companies beneficially owned by Mr. Liu disclosed pursuant to section 161B of Companies Ordinance during the periods are stated as follows:

	2009 RMB'000	2008 RMB'000
Cheng Cheng Plastics Inc. ("CC Plastics")	—	425
Mr. Liu	**16,631**	22,650
Hong Cheng	**272,459**	527,323
Zhongtian Garment	—	68
Liaoyang Futian Chemical Co., Ltd. ("Futian Chemical")	**20,200**	200,805
Liaoning Cheng Cheng Co., Ltd. ("Cheng Cheng")	**186,440**	917,061

2. The amount is aged within 30 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

24. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments represented mutual funds stated at fair value based on the quoted price at the end of the reporting period and was categorised as level one under the fair value hierarchy where fair value measurement are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

25. LOAN RECEIVABLES

For the purpose of raising funds to support the local development plan promulgated by the local government of Hongwei District, Liaoyang City ("Local Government") and as authorized by Hongwei, a wholly-owned subsidiary of Local Government, during the period of November and December 2009, Zhongwang PRC entered into a series of loan agreements with the two commercial banks ("Local Banks") pursuant to which Zhongwang PRC borrowed an aggregate of RMB2,300,000,000 from the Local Banks as of 31 December 2009, with an annual interest of 4.86% and a repayment period of three years from the relevant date of execution (the "Loan Agreements"). No guarantees were provided by Zhongwang PRC under the Loan Agreements. All funds were transferred to Hongwei by Zhongwang PRC immediately upon receipt from the Local Banks and Hongwei has undertaken to repay the principal amount of loans as well as the respective interests under the Loan Agreements.

On 19 April 2010, Zhongwang PRC entered into supplemental agreements ("Supplemental Agreements") with the Local Banks, Local Government and Hongwei. Agreements among the parties when entering into the Loan Agreements were set out in writing and further clarified in the Supplemental Agreements:

1. Zhongwang PRC, on behalf of Hongwei, entered into the Loan Agreements with the Local Banks. Hongwei is the actual debtor who has the obligations to repay the loans plus interests from the date of executing the Loan Agreements, while Zhongwang PRC does not bear any obligation of repayment or warranties;

2. It was agreed that Zhongwang PRC has transferred all funds received pursuant to the Loan Agreements to Hongwei and Hongwei further undertakes that it will repay both the principal amount of the loans and interests in accordance with the terms of the Loan Agreements;

3. The Local Government will monitor and oversee and procure Hongwei's repayment of the loans as well as the interests; and

4. The Local Banks agreed to release Zhongwang PRC's liabilities under the Loan Agreements even if Hongwei fails to repay the principal amount of the loans or interests.

In spite of the terms set out in the Supplemental Agreements, the directors consider the liabilities arising from the bank borrowings should rest with Zhongwang PRC, taken into account of the terms set out in the Loan Agreements are effective as at 31 December 2009. The directors of the Company plan to demand full repayment from Hongwei within twelve months from end of the reporting period. Accordingly, the corresponding loan receivables from Hongwei and bank borrowings are recognised by Zhongwang PRC as current assets and current liabilities respectively. Subsequent to the end of the reporting period, Hongwei has repaid RMB150,000,000 to Local Banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

26. PLEDGED BANK DEPOSITS

For the year ended 31 December 2009, the deposits carry average effective interest rates of 1.98% (2008: 3.78%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills payable.

27. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. For the year ended 31 December 2009, the deposits carry average interest rates of 0.36% (2008: 0.66%) per annum.

28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

Trade Payables

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

	2009 RMB'000	2008 RMB'000
1 to 90 days	**363,896**	20,731
91 to 180 days	**1,925**	2,385
181 days to 1 year	**689**	1,380
Over 1 year	**869**	324
	367,379	24,820

Other Payables and Accrued Charges

Included in other payables and accrued charges is an amount of approximately RMB989,000,000 owed to certain suppliers who have supplied production machineries to the Group.

29. BILLS PAYABLE

As at 31 December 2009, all the bills payable are repayable within 180 days (2008: 180 days) and are denominated in Renminbi. As at 31 December 2009, bills payable amounted to RMB258,000,000 were secured by certain leasehold land, building and machinery of the Group, details are set out in note 36.

30. SHORT TERM DEBENTURE

During the year ended 31 December 2009, the Group has issued two (2008: two) debentures of RMB1,000,000,000 (2008: RMB1,000,000,000) each with maturity of one year. The debentures issued in year 2008 was matured and fully redeemed in year 2009. The average effective interest rate is 3.49% (2008: 6%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

31. BANK LOANS

	2009 RMB'000	2008 RMB'000
Carrying amounts repayable		
Within one year	**2,626,000**	2,640,638
In more than one year but not more than two years	**636,564**	—
In more than two years but not more than five years	**2,390,760**	130,000
Total bank loans	**5,653,324**	2,770,638
Less: Amounts due within one year shown under current liabilities	**(2,626,000)**	(2,640,638)
	3,027,324	130,000
Secured by machinery, inventories and trade receivables of the Group	**—**	1,274,990
Guaranteed by independent third parties	**386,564**	1,330,000
	386,564	2,604,990

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

	2009 RMB'000	2008 RMB'000
USD	**136,564**	33,148

	2009 RMB'000	2008 RMB'000
Fixed rate borrowings	**466,760**	2,770,638
Variable rate borrowings	**5,186,564**	—
	5,653,324	2,770,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

31. BANK LOANS (Continued)

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2009 RMB'000	2008 RMB'000
Fixed-rate borrowings:		
Carrying amounts repayable		
Within one year	326,000	2,640,638
In more than one year but not more than two years	—	—
In more than two years but not more than five years	140,760	130,000
	466,760	2,770,638

For the year ended 31 December 2009, variable-rate and fixed-rate borrowings carry average interest at 4.91% (2008: Nil) and 5.31% (2008: 7.30%) per annum respectively.

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

	2009 RMB'000	2008 RMB'000
Benchmark interest rate fixed by PBOC plus or minus a premium/discount		
Carrying amounts repayable		
Within one year	2,300,000	—
In more than one year but not more than two years	500,000	—
In more than two years but not more than five years	2,250,000	—
	5,050,000	—
LIBOR plus a premium		
Carrying amounts repayable		
In more than one year but not more than two years	136,564	—
	5,186,564	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

32. SHARE CAPITAL

The Company

	Number of shares	Share capital HK$'000	RMB'000
Ordinary share of HK$0.1 each:			
Authorized			
On incorporation, at 31 December 2008 and at 31 December 2009	8,000,000,000	800,000	N/A
Issued			
On incorporation (Note a)	1	—	—
Issued on 31 January 2008 (Note b)	1	—	—
Issued on 13 June 2008 (Note c)	1	—	—
Capitalisation on 22 July 2008 (Note d)	3,999,999,994	400,000	350,877
Issued on 8 August 2008 (Note e)	3	—	—
At 31 December 2008	4,000,000,000	400,000	350,877
Issued on 8 May 2009 (Note f)	1,400,000,000	140,000	123,242
Issued on 3 June 2009 (Note g)	6,306,400	631	556
At 31 December 2009	5,406,306,400	540,631	474,675

Pursuant to the Corporate Reorganisation completed on 8 August 2008, the Company became the holding company of the companies comprising the Group.

Notes:

(a) On 29 January 2008, one subscriber share was issued to the Company's subscriber at par, and the said subscriber share was subsequently transferred to ZIGL, the ultimate holding company of the Group, on the same date.

(b) In connection with the Corporate Reorganisation, on 31 January 2008, the Company acquired the entire issued share capital of ZCIL (BVI) from ZIGL, and in consideration therefore, the Company issued one share at a consideration of HK$23,311.2 (equivalent to RMB22,000) to ZIGL.

(c) In connection with the Corporation Reorganisation, ZCIL (HK) (an indirect wholly-owned subsidiary of the Company) accepted the transfer of 40% of the registered capital of Zhongwang PRC from Kong Lung Industrial Company Limited, the then shareholder of Zhongwang PRC, and, in connection therewith, the Company issued one share at a consideration of US$197,023,300 (equivalent to RMB1,360,328,000) to ZIGL on 13 June 2008.

32. SHARE CAPITAL (Continued)

Notes: (Continued)

(d) On 22 July 2008, the Company capitalised an amount of HK$399,999,999 (equivalent to RMB350,877,000) standing to the credit of its share premium account in paying-up in full 3,999,999,994 shares, each of which was subsequently allotted and issued to ZIGL.

(e) On 8 August 2008, the Company has issued 3 shares to ZIGL for an aggregate consideration of approximately US$295,500,000, equivalent to RMB2,026,927,000, which was credited to share premium account.

(f) On 8 May 2009, the Company issued 1,400,000,000 new shares pursuant to the Listing and the Company's shares were listed on the Stock Exchange on the same date.

(g) On 3 June 2009, overallotment option was partially exercised by the joint global co-ordinators and 6,306,400 shares were issued.

(h) All the shares issued during the years ended 31 December 2008 and 2009 rank pari passu with the then existing shares in all respects.

33. DEFERRED TAXATION

The following is the major deferred tax liability recognised and movement thereon during the current and prior year:

	Temporary difference arising from the withholding tax RMB'000
Charged to profit or loss for the year ended 31 December 2008, at 31 December 2008 and 2009 (Note 12)	50,000

Under the New 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 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 RMB4,064,534,000 (31 December 2008: RMB494,726,000) 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. As at the end of the reporting period date, the Group had no other significant unprovided deferred taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

34. 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:

	2009 RMB'000	2008 RMB'000
Within one year	**4,387**	292
In the second to fifth year inclusive	**4,753**	253
	9,140	545

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.

35. CAPITAL COMMITMENTS

	2009 RMB'000	2008 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**598,705**	197,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

36. PLEDGE OF ASSETS

Apart from the pledged bank deposits as disclosed in note 26, the Group had pledged certain leasehold land, buildings, machinery and inventories to secure the bank facilities, including bank loans and bills payables, granted to the Group at the end of the reporting period. The carrying values of the assets pledged were as follows:

	2009 RMB'000	2008 RMB'000
Pledged for banking facilities granted to the Group:		
Leasehold land	6,939	—
Buildings	98,655	—
Machinery	429,291	1,628,511
Inventories	—	471,732
	534,885	2,100,243

37. RETIREMENT BENEFIT PLAN

The employees of the Group 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 scheme during each of the year ended 31 December 2009 and 2008 are disclosed in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

38. RELATED PARTY TRANSACTIONS

Apart from amounts from/to related parties as set out in note 23, during each of the years ended 31 December 2009 and 2008, the Group had entered into the following significant transactions with related companies in which Mr. Liu has beneficial interests:

	2009 RMB'000	2008 RMB'000
Sales to related company		
CC Plastics	—	409
Purchases from related companies		
Futian Chemical	**24,960**	77,896
Cheng Cheng	**5,816**	6,394
Liaoyang Pengli Dies Co., Ltd. ("Pengli Dies") (Note 1)	—	33,233
	30,776	117,523
Purchase of property, plant and equipment from a related company (Note 2):		
Pengli Dies	—	18,932
Disposal of property, plant and equipment to related companies (Note 2):		
Zhongtain Garment	—	14,142
Futian Chemical	—	35,201
Cheng Cheng	—	33,791
Hong Cheng	**1,180**	55,199
	1,180	138,333
Disposal of leasehold land to related companies (Note 2):		
Hong Cheng	—	32,378
Futian Chemical	—	3,462
Cheng Cheng	—	14,398
	—	50,238
Disposal of investment properties to a related company (Note 2):		
Hong Cheng	—	25,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

38. RELATED PARTY TRANSACTIONS (Continued)

Pursuant to an agreement for the use of trademark dated 20 May 2008 between Zhongwang PRC and Hong Cheng, Zhongwang PRC has agreed to grant Hong Cheng the right to use the Zhongwang trademark in the PRC. During the year ended 31 December 2009, trademark income earned from Hong Cheng is RMB9,118,000 (2008: RMB19,806,000).

The directors of the Company considered that the directors are the key management of the Group, whose emoluments have been disclosed in note 14.

Notes:

1. The company is beneficially owned by Mr. Liu.

2. The consideration of purchase or disposal of property, plant and equipment, leasehold land and investment properties is equivalent to the net book values on the relevant date of purchase or disposal.

39. 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.

39. PRE-IPO SHARE OPTION SCHEME (Continued)

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 four consecutive anniversary of the listing date, a grantee shall be entitled to exercise his 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.

A summary of the grantees who have been granted pre-ipo share options is set out below:

	Number of share options granted on 17 April 2008, outstanding at 31 December 2008 and at 31 December 2009
Category	
Directors	8,300,000
Employees	32,100,000
Total	40,400,000
Exercisable as at 31 December 2009	8,080,000

In the opinion of the directors of the Company, the successful listing of the Company's shares on the Stock Exchange cannot be assumed with certainty as at 31 December 2008. Accordingly, no share-based payment expense is recognised during that period. During the year ended 31 December 2009, share-based payment expense of approximately RMB50,275,000 is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

39. PRE-IPO SHARE OPTION SCHEME (Continued)

The fair value of pre-IPO share option being granted is approximately RMB105,226,000 and was calculated using the binominal option pricing model by an independent valuer, Savills Valuation and Professional Services Limited at the grant date. The inputs into the model are as follows:

Estimated share price at 17 April 2008	HK$4.7
Exercise price	HK$2
Expected volatility	58 %
Expected life	5.6 years
Risk-free interest rate	2.2 %
Expected dividend yield	2.5 %

Expected volatility was determined by using the historical volatility of the price return of the ordinary shares of comparable companies.

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.

40. EVENT AFTER THE REPORTING PERIOD

On 9 February 2010, Zhongwang PRC, a wholly-owned subsidiary of the Company, entered into a framework agreement ("Framework Agreement") with Xining Municipal Investment Management Limited ("Xining Investment"), Qinghai Northwest Aluminium Alloy Material (Group) Limited ("Qinghai Northwest") and Xining Development of Economic Technology Zone Group Co. ("Xining ETZ") for the acquisition the entire equity interest in Qinghai Guoxin Aluminium Industry Incorporated Company ("Qinghai Guoxin") which is owned as to 53.93%, 34.12% and 11.95% by Xining Investment, Qinghai Northwest and Xining ETZ respectively. Qinghai GuoXin is principally engaged in manufacturing high-precision hard aluminium alloys in the PRC. Pursuant to the Framework Agreement, the total investment amount of the proposed acquisition is expected to be approximately RMB1,200,000,000. Details are set out in the Company's announcement dated 9 February 2010. The transaction has not been completed at the date of issue of these financial statments.

In January 2010, the Group has further raised unsecured bank borrowings of RMB1,700,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2009 and 31 December 2008 are as follows:

Name of the company	Place and date of incorporation/ establishment	Form of business structure	Place of operation	Equity interest attributable to the Group as at 31 December 2009	31 December 2008	Issued and fully paid share capital/ registered capital	Principal activities
Zhongwang PRC	PRC	Wholly foreign owned enterprise	The PRC	**100%**	100%	US$900,000,000	Manufacturing of aluminium products
ZCIL(BVI)	British Virgin Islands 19 December 2007	Incorporated	The PRC	**100%**	100%	US$1.00	Investment holding
ZCIL (HK)	Hong Kong 23 January 2008	Incorporated	The PRC	**100%**	100%	HK$1.00	Investment holding

None of the subsidiaries had issued any debt securities at the end of the year.

FOUR-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December			
	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	6,075,225	7,521,266	11,264,429	**13,852,708**
Profit for the year attributable to owners of the Company	551,426	852,158	1,910,438	**3,528,815**

ASSETS AND LIABILITIES

	As at 31 December			
	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	10,229,755	11,012,758	12,861,075	**24,423,450**
Total liabilities	7,787,275	7,718,120	9,655,999	**10,247,677**
Total equity attributable to owners of the Company	2,442,480	3,294,638	3,205,076	**14,175,773**

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 three years ended 31 December 2008 and the assets and liabilities of the Group as at 31 December 2006, 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.