中国忠旺控股有限公司*

China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01333)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

GROUP FINANCIAL HIGHLIGHTS

	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(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**	N/A
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

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 Company 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.

* *For identification purposes only*

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 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 is subject to approval by our shareholders at the Annual General Meeting.

5. Bank balances and cash (excluding pledged bank deposits) less bank loans and short term debentures.

GROUP OPERATIONAL HIGHLIGHTS

Stable & Healthy Financial Performance

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 (before the effect of the one-off listing expenses) increased by 23.0% and 86.6% from 2008. Earnings per share for 2009 was RMB0.72, increasing by 50.0% from 2008.

Enhancement in Gross Profit

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.

Research and Development Team

The Group has 258 research and development and quality control personnel as well as a number of aluminium industry experts. 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 metal alloys. We also have a strong die design and production centre which can provide suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision.

Effective Working Capital Management

In 2009, the Group's inventory, trade receivable and trade payable turnovers in days were 41, 38 and 71 days, respectively.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008, as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTES	**2009** *RMB'000*	2008 *RMB'000*
Revenue	*3*	**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		**48,060**	74,107
Other income, other gains and losses	*5*	**44,414**	1,228
Selling and distribution costs		**(130,887)**	(169,921)
Administrative and other operating expenses		**(170,907)**	(77,175)
Listing expenses	*6*	**(36,558)**	—
Finance costs		**(327,092)**	(286,573)
Profit before taxation		**4,717,105**	2,643,961
Income tax expense	*7*	**(1,188,290)**	(733,523)
Profit and total comprehensive income for the year attributable to owners of the Company		**3,528,815**	1,910,438
Earnings per share			
Basic (RMB)	*9*	**0.72**	0.48
Diluted (RMB)	*9*	**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		**4,671,072**	3,304,694
Prepaid lease payments		**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		**862,365**	1,058,768
Trade receivables	*10*	**2,348,973**	523,905
Other receivables, deposits and prepayments		**307,642**	2,386,851
Prepaid lease payments		**1,472**	1,472
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
		19,603,781	9,487,164
Current liabilities			
Trade payables	*11*	**367,379**	24,820
Bills payable		**608,200**	2,351,200
Other payables and accrued charges		**1,135,956**	258,574
Amount due to a related party		**—**	320
Tax liabilities		**432,818**	200,447
Short term debenture		**2,000,000**	2,000,000
Bank loans		**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		**474,675**	350,877
Reserves		**13,701,098**	2,854,199
		14,175,773	3,205,076
Non-current liabilities			
Bank loans		**3,027,324**	130,000
Deferred tax liabilities		**50,000**	50,000
		3,077,324	180,000
		17,253,097	3,385,076

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 Liaoning Zhongwang Group Co., Ltd. ("Liaoning Zhongwang") 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 subsidiaries of the Company are principally engaged in manufacturing of aluminium products in the People's Republic of China ("PRC").

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.

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

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

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.

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]

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. **REVENUE**

	2009	2008
	RMB'000	*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

4. **SEGMENT INFORMATION**

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

4. 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 2. 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.

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	2008
	RMB'000	*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

4. SEGMENT INFORMATION (Continued)

Segment Assets (Continued)

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.

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

4. 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	2008
	RMB'000	*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 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.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2009	2008
	RMB'000	*RMB'000*
Other income		
Government subsidies (Note)	**32,063**	12,660
Trademark income	**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.

6. LISTING EXPENSES

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

7. INCOME TAX EXPENSE

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

8. 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 is 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.

9. 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

10. TRADE RECEIVABLES

	2009	2008
	RMB'000	*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.

	2009	2008
	RMB'000	*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. 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. These customers were reputable enterprises in certain cities of the PRC and no counterparty default was noted in the past.

10. TRADE RECEIVABLES (Continued)

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	2008
	RMB'000	*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

Movement in the Allowance for Bad and Doubtful Debts

	2009	2008
	RMB'000	*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

11. 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	2008
	RMB'000	*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.

12. CAPITAL COMMITMENTS

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

13. PLEDGE OF ASSETS

Apart from the pledged bank deposits, 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	2008
	RMB'000	*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

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 transmitter 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.

Increased demand from the industrial aluminium extrusion market 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, 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 that of 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. Coupled 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 promulgated by 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.

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 ongoing 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 in all aspects.

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

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, 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. Boston Consulting Group is one of the leading consulting companies in the world. The Group commissioned Boston Consulting Group to prepare a report regarding the aluminium extrusion industry. In addition, the Company was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 May 2009 (the "**Listing**" or the "**IPO**"), 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.

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.

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.

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.

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.

Business Directions

Expansion of Production Capacity

As at 31 December 2009, our annual 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 Group Co., Ltd ("**Liaoning Zhongwang**") entered into a framework agreement with the shareholders of Qinghai Guoxin Aluminium Industry Incorporated Company ("**Qinghai Guoxin**") to acquire 100% equity interest in Qinghai Guoxin (the "**Framework Agreement**"). Pursuant to the Framework Agreement, the total investment amount of the proposed acquisition was expected to be approximately RMB1.2 billion which is composed of: (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 Qinghai Guoxin; (ii) total debt liabilities of approximately RMB880 million of Qinghai Guoxin; and (iii) no more than RMB250 million in cash to be injected by Liaoning Zhongwang into Qinghai Guoxin as working capital after the completion of the share transfer registration in accordance with relevant PRC laws and regulations.

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 Qinghai Guoxin 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 Guoxin 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 overseas customers. 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 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 metal alloys. We also have a strong die design and production centre which can provide suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision. As at 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.

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 our 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 47.7% 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.

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 of policies, laws and regulations of the countries or regions where our products are distributed.

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.

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%

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.

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 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)	*(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).

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.

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: 19 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 this announcement, Hongwei has repaid principal amount of loans under the Loan Agreements in the aggregate of RMB150,000,000.

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 state-owned corporation with limited liability located at Liaoyang City, Liaoning Province, PRC. As at the date of this announcement, 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.

In July 2005, the PRC government introduced the managed floating exchange rate system which allowed Renminbi to float within regulated ranges 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 currencies, hence may have adverse effect on the Group.

Our financial and capital policies seek to control the foreign currency fluctuation risk and interest rate fluctuation risk of individual transactions. We did not hedge against foreign exchange risk by using any 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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to maintaining and strengthening guidelines and procedures for stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to increase the transparency and accountability of the Board to all shareholders. As at the date of this announcement, the Board is comprised of nine members, including five executive Directors and four independent non-executive Directors. The Board will review its guidelines from time to time to ensure that they are in line with the internationally-recognized best practices.

Corporate Governance Practice

The Company has adopted the principles set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code. In respect of the year ended 31 December 2009, save as disclosed below, all the provisions set out in the Code were met by the Company.

Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same person. The Company deviates from this provision because Mr. Liu Zhongtian ("**Mr. Liu**") performs both the roles of chairman of the Board and the president (i.e. the chief executive officer) of the Company. Mr. Liu is the founder of the Group and has extensive experience in the enterprise operation and management in general. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interest of the Company. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

Internal Control

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

(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 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.

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.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. As at the date of this announcement, the Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Wong Chun Wa (chairman), Mr. Wen Xianjun and Mr. Shi Ketong. The Audit Committee has reviewed and discussed the audited 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.

Remuneration Committee

We have established a remuneration committee (the "**Remuneration Committee**") in accordance with the requirements of Appendix 14 of the Listing Rules. Members of the Remuneration Committee comprise Mr. Wen Xianjun (chairman), Mr. Liu and Mr. Shi Ketong. The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration packages of the Directors and senior management, and evaluate and make recommendations on the retirement scheme and performance assessment system and bonus and commission policies.

Corporate Governance Committee

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

Strategy and Development Committee

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

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 26 May 2010 to Thursday, 3 June 2010 (both days inclusive), during which period no transfer of shares will be effected. In order for our shareholders to qualify for the entitlement to the final dividends for the year ended 31 December 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.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Final Dividend

The Board recommended to declare a final dividend of HK$0.19 (equivalent to RMB0.17) per share and a final 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.

Annual General Meeting

The Annual General Meeting of the Company will be held in Conference Room, 1st Floor, Financial Tower, Liaoning Zhongwang Group Co, Ltd., No. 299, Wensheng Road, Hongwei District, Liaoyang City, Liaoning Province, PRC on Thursday, 3 June 2010. Notice of the Annual General Meeting will be issued and disseminated to shareholders in due course.

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

This announcement will be published on the website of the Stock Exchange and the Company's website (www.zhongwang.com). The annual report for the year ended 31 December 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 20 April 2010

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

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

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