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

2010 ANNUAL REPORT

* *For identification purposes only*

Committed to Light-weight Development For a Greener World

Our philosophy: To become the global top high-end processed aluminium product developer and manufacturer by focusing our services on transportation, machinery equipment and electric power engineering sectors and continually consolidating our industry leadership position through leading edge research, development and manufacturing capabilities in the world.

China Zhongwang Holdings Limited
Annual Report 2010

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. Cheung Lap Kei
Mr. Lu Changqing

Authorised Representatives

Mr. Cheung Lap Kei
Mr. Lu Changqing

Principal Bankers

Bank of Communications Co., Ltd., Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of Liaoyang, 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
PRC

Place of Business in Hong Kong

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

Company Website

www.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 Havas Finance Communications (Group) Co. Ltd.
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 Thursday, 5 May 2011 to Thursday, 12 May 2011 (both days inclusive), during which period no transfer of shares will be effected. The Board recommended to declare a final dividend of HK$0.23 (equivalent to RMB0.19) per share.

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

Annual General Meeting

Notice of the 2010 Annual General Meeting of the Company to be held on 12 May 2011 is set out in the circular to be despatched to the shareholders together with this annual report (the "Annual Report").

Corporate Profile

Company Profile

China Zhongwang Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is the third largest aluminium extrusion product developer and manufacturer in the world and the biggest one in Asia and China, primarily focusing on, among others, the light-weight development of transportation, machinery equipment and electric power engineering sectors[(1)]. Headquartered in Liaoning province, China, the Group is specialized in the provision of quality industrial aluminium extrusion products which meet stringent specifications and quality standards.

With seventeen years of commitments and contributions since its establishment in 1993, the Group owned 73 top aluminium extrusion production lines in the world as at 31 December 2010, of which the 125MN oil-driven dual action aluminium extrusion press is one of the largest and most advanced presses in China and even in the world. We have built world leading aluminium tilt smelting and casting equipment in the industry, as well as the largest customised industrial aluminium extrusion product die design and manufacturing centre in Asia. Our annual production capacity as at the end of 2010 was 640 kilotons. The close coordination among product development, smelting and casting, die and extrusion and the advanced technologies applied in those processes are the Group's important source of competitiveness and outstanding feature.

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 sector (including railway passenger and cargo carriages, metropolitan rails, automobiles, heavy trucks, vessels, aviation and aerospace) as well as machinery equipment and electric power engineering fields.

Note:

1. Rankings and relevant information relating to aluminium extrusion product manufacturers in the world are cited from a report prepared by the Boston Consulting Group dated March 2010.

Corporate Profile

We produce a wide range of aluminium extrusion products for various applications, which can be 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 have shifted our business towards high value-added industrial aluminium extrusion products and have gradually reduced our production of construction aluminium extrusion products.

In our vibrant efforts to become the world's top high quality aluminium processed product developer and manufacturer, we will continue to focus on sectors such as transportation, machinery equipment and electric power engineering, in particular on the light-weight development towards the target of reducing energy consumption and achieving low-carbon emission, aggressively sharpen our edge in the aluminium extrusion product industry, and extend our reach in the industrial chain of high value-added aluminium processing.

To sum up, we strive to become a driving force for light-weight development in China to help build a new and brighter future.

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

Financial Highlights

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

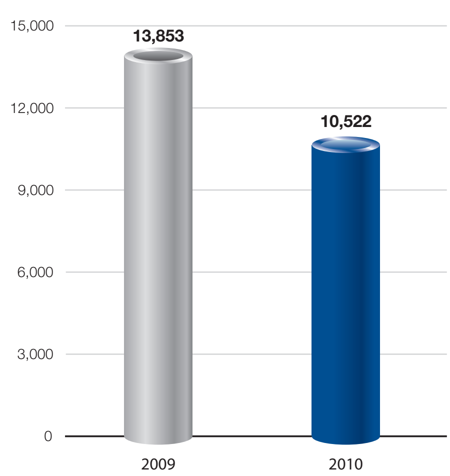
	2010 (Audited)	2009 (Audited)
Current ratio (note 4)	**4.74**	2.73
Inventory turnover in days (note 5)	**53**	41
Trade receivable turnover in days (note 6)	**54**	38
Trade payable turnover in days (note 7)	**64**	71
Gross margin	**40.6%**	38.2%
Gearing ratio (note 8)	**36.8%**	42.0%
Product composition — by revenue		
Industrial aluminium extrusion	**95.0%**	83.0%
Construction aluminium extrusion	**5.0%**	17.0%
Product composition — by gross profit		
Industrial aluminium extrusion	**99.6%**	94.9%
Construction aluminium extrusion	**0.4%**	5.1%

Notes:

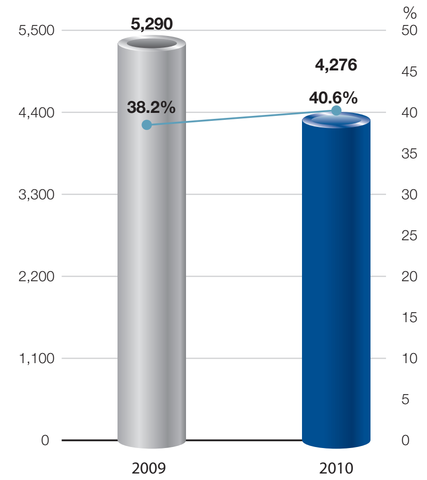
1. Operating profits represent profit before listing expenses and income tax.
2. For each of the year ended 31 December 2010 and 2009, the calculation of basic earnings per share was based on the profit attributable to shareholders of the Company for each of the year ended 31 December 2010 and 2009 and the weighted average number of shares during that year.
3. Bank balances and cash (excluding pledged bank deposits) less bank loans and debentures.
4. Current ratio = current assets/current liabilities
5. 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
6. 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
7. 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
8. Gearing ratio = total liabilities/total assets * 100%

Financial Highlights

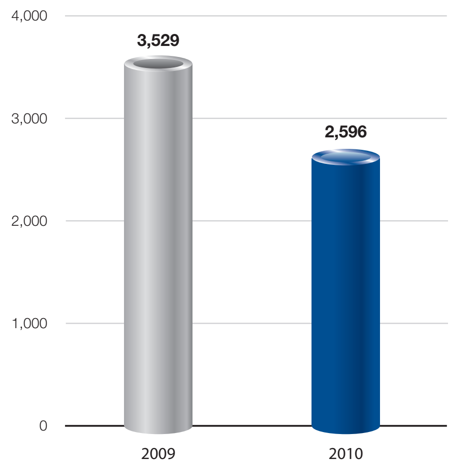
Revenue
(RMB millions)



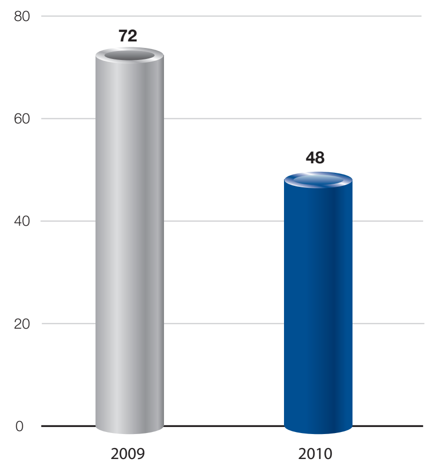
Gross Profit/Gross Margin
(RMB millions)



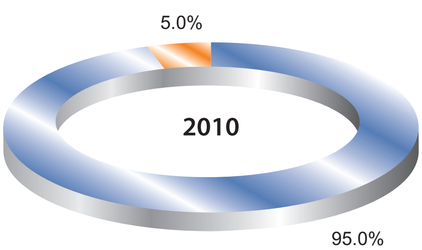
Profit Attributable To Shareholders
(RMB millions)



Earnings Per Share (Basic)
(RMB cents)

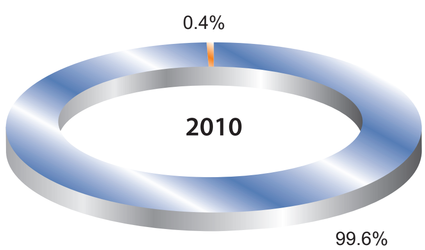


Product Composition — By Revenue



Industrial aluminium extrusion
Construction aluminium extrusion

Product Composition — By Gross Profit



Industrial aluminium extrusion
Construction aluminium extrusion

The global industry-leading

R&D and manufacturing centre

The Group has 73 globally advanced production lines, of which the 125MN oil-driven dual action extrusion press is one of the largest and most advanced presses in China and even in the world. We have built world leading aluminium tilt smelting and casting equipment in the industry, as well as the biggest customised industrial aluminium extrusion product die design and manufacturing centre in Asia.

Chairman's Statement

Liu Zhongtian
Chairman

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited, I present the Annual Report on the Results of the Group for the year ended 31 December 2010 for your review.

2010 was a year of development, accompanied by challenges, for the Group. During the year past, the Group continued to drive with vigorous efforts its strategic transformation to high value-added industrial aluminium extrusion products, which contributed as much as 99.6% of the Group's gross profit for the current period. On the other hand, the Group's export business was subject to the adverse impact of the anti-dumping and countervailing duties investigations by the United States during the year. In response, the Group stepped up its efforts to develop China's domestic market while launching, in an orderly fashion, its high value-added industrial aluminium extrusion finished products. A number of well-known domestic Chinese enterprises have become our key customers. At the same time, the Group further improved its industry development strategy for the market of high value-added processed aluminium products. While continuing to enhance our overall competitive strengths in industrial aluminium extrusion products, we are studying the feasibility of developing high value-added aluminium flat rolled products and drawing up the execution plans, with a view to laying a solid foundation for growth in the longer term.

Business Performance

For the year under review, revenue of the Group decreased by 24.0% to RMB10,521,948,000 (2009: RMB13,852,708,000) and profit attributable to shareholders decreased by 26.4% to RMB2,595,867,000 (2009:

RMB3,528,815,000). The decreases were due to the reduced proportion of the sales of construction aluminium extrusion products in the Group's total as a result of our strategic transformation towards industrial aluminium extrusion products and the decline of our export sales during the second half of the year. Basic earnings per share was RMB0.48 (2009: RMB0.72). To reward shareholders for their support, the Board proposed to declare a final dividend of RMB0.19 per share or RMB1,038,347,000 in aggregate, which represents a dividend payout ratio of 40%.

Strategic Transformation

In 2010, the Group continued to implement the strategy of shifting its focus to industrial aluminium extrusion products and was committed to light-weight development in the transportation, machinery equipment and electric power engineering sectors which is aimed at reducing energy consumption and achieving low carbon emission. As a result, contribution from construction aluminium extrusion products, which commanded lower margins, was significantly reduced as a percentage of our total revenue. Meanwhile, the Group carried out capacity optimization as planned to cater to the development of high-end large-section products. In this connection, capacity expansion principally made up of large-scale equipment is currently in progress. In addition to the largest and most advanced 125MN oil-driven dual action extrusion press currently operating in the world, we have also built a world-class aluminium smelting facility and Asia's largest die design and manufacturing centre for special industrial aluminium extrusion products, putting us in a world-leading position in terms of product research and die development. Comprehensive technological upgrades have enabled the Group to meet increasing global demand for various types of high-end industrial aluminium extrusion products.

Challenges and Opportunities in the Market

China is the largest and fastest-growing consumer of aluminium extrusion products in the world. The Chinese market, which has seen strong growth of approximately 24% per annum over the last five years, has become the dominant driving force for growth in global market. Demand for high-end industrial aluminium extrusion products has been growing steadily in the transportation, machinery equipment and electric power engineering sectors, presenting enormous opportunities for market development. The application of industrial aluminium extrusion products in the transportation, machinery equipment and electric powering engineering sectors was further broadened under the environmental policies of China and the rest of the world which called for reduction in energy consumption and carbon emission, with significant growth reported for certain market sub-segments. Exports of China's aluminium extrusion industry suffered a setback in 2010 when the United States, the world's second largest consumer of aluminium extrusion products, commenced anti-dumping and countervailing duties investigations in respect of certain aluminium extrusion products exported from China. Overall exports of aluminium extrusion products declined as a result. We took an objective approach towards the temporary policy changes in some of our export markets and pressed ahead, in an active yet sound manner, with the set strategy of the Group for industry development. We stepped up, on the one hand, our efforts to develop the domestic market in China while seeking to foster, on the other hand, new business growth engines by extending our industrial chain and making diligent efforts to launch high value-added processed aluminium finished products.

Chairman's Statement

High Value-added Aluminium Flat Rolled Product Business

Aluminium flat rolled products mainly consist of aluminium plate, sheet and foil. The markets for aluminium medium-to-high thickness plates, electronic and electrode foils and lithographic sheets, in particular, hold out broad prospects for development with rapid growth and high gross profit margins.

The Group's diversification into the aluminium flat rolled product segment is favourably supported by its solid customer base developed over the years on the back of its overall competitive edge in the production of high-end large-section industrial aluminium extrusion products, as most of the customers for industrial aluminium extrusion products tend to have substantial demands for aluminium flat rolled products as well. High value-added aluminium flat rolled products are principally applied in sectors such as aviation and aerospace, vessels, railway transportation, automobiles, machinery equipment, packaging and electronics. Entry into the business of aluminium flat rolled products, a new product segment of the Group's development plan, will not only enable the Group to further capitalize on its leading edge in aluminium alloy smelting and casting and product research, but will also help foster profit growth engines with synergies created through the matching of its customers and market resources in related downstream application sectors with its existing products and markets. Having inspected a number of locations in China in search of the most suitable site for plant construction for this project, the Group has tentatively decided to build the project for high value-added aluminium flat rolled products in Liaoyang City, Liaoning Province.

Future Prospects

With light-weight development underpinned by reduction in energy consumption and carbon emission and vigorously promoted in various industrial sectors in China and the rest of the world, we expect increasingly extensive application of processed aluminium products in various industries and sectors and look forward with full confidence to the enormous development potential in China's processed aluminium industry. It is true that after registering high growth for several years in a row, the Group experienced a decline in results for 2010 because of changes in the policies and laws of our export markets. We need time to mitigate the temporary impact we have suffered. But my colleagues and I are all the more confident about our Group's industry development strategy, and are convinced that the completion of these initiatives in business repositioning and the commencement of the new business will take our Group to new horizons for greater shareholders' value.

We owe our ongoing development to the supportive efforts of various parties. On behalf of the board of directors, I would like to hereby express sincere gratitude to our shareholders and investors for their concern and support. Profound gratitude is owed in particular to all our staff for their dedicated efforts throughout the year. My colleagues and I will forge ahead with determination towards building China Zhongwang into the world's top developer and manufacturer of high-end processed aluminium products.

Thank you.

Liu Zhongtian
Chairman

Hong Kong, 10 March 2011

High-end industrial aluminium

products with broad applications

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 sectors such as railway passenger and cargo carriages, metropolitan rails, automobiles, heavy trucks, vessels, aviation and aerospace as well as machinery equipment and electric power engineering fields.

Business Review and Prospects

Business Review

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

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

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

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

Future Prospects

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

Business Review and Prospects

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

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

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

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

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

While the Group will remain committed to the research and development and manufacturing of industrial aluminium extrusion products for the transportation, machinery equipment and electric power engineering sectors, it will foster new revenue growth engines through the development of new markets and products and the extension of its reach in the industrial chain of high value-added aluminium processing, so as to deliver favourable returns to the shareholders.

Management Discussion and Analysis

I. Overview

We are the largest industrial aluminium extrusion product developer and manufacturer in Asia and China. The principal activities of the Group are the research, development, production and sale of a wide range of quality industrial aluminium extrusion products. Primarily focused on the transportation, machinery equipment and electric power engineering sectors, our products are able to meet customers' stringent quality and specification standards as well as material quality requirements.

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

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

II. Analysis of Market Environment

Macro Economic Review for 2010

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

Management Discussion and Analysis

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

Aluminium Processing Industry

Overview of the Chinese Aluminium Extrusion Product Industry 2010

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

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

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

Price Trends of Aluminium Ingots

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

Management Discussion and Analysis

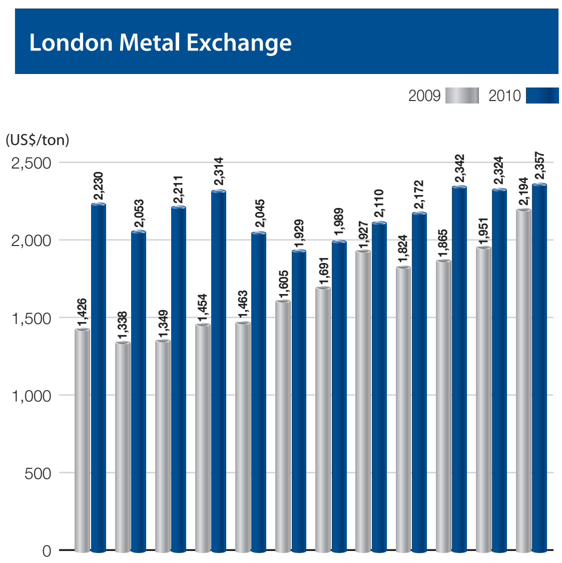
On the London Metal Exchange, the average annual price of aluminium ingots increased from US$1,674 per ton in 2009 to US$2,173 per ton in 2010, representing a growth of 29.8%.

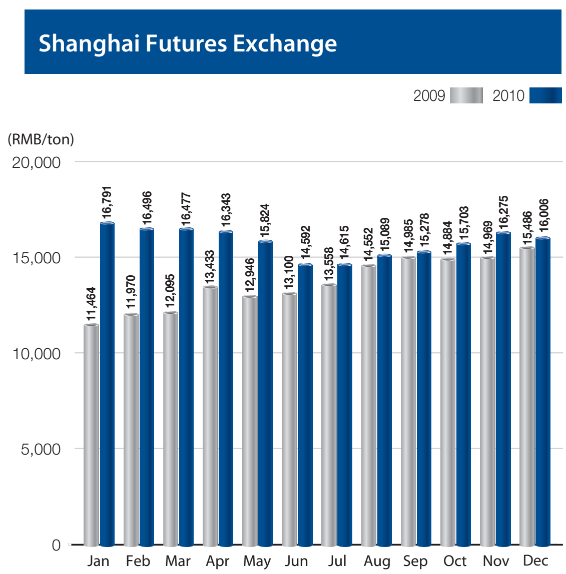
2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
London Metal Exchange (US$/ton) (note 1)	**2,230**	**2,053**	**2,211**	**2,314**	**2,045**	**1,929**	**1,989**	**2,110**	**2,172**	**2,342**	**2,324**	**2,357**
Shanghai Futures Exchange (RMB/ton) (note 2)	**16,791**	**16,496**	**16,477**	**16,343**	**15,824**	**14,592**	**14,615**	**15,089**	**15,278**	**15,703**	**16,275**	**16,006**

2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
London Metal Exchange (US$/ton) (note 3)	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) (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

Notes:

1. Source: Bloomberg.
2. Source: Shanghai Futures Exchange. These average figures represent the weighted average of the reference values (including VAT) of aluminium ingots quoted on Shanghai Futures Exchange for the months indicated.
3. Source: Boston Consulting Group report dated March 2010.





Anti-dumping and Countervailing Measures

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

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

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

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

III. Business Directions

Expansion of Production Capacity

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

Management Discussion and Analysis

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

Progress in Acquisitions

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

Market and Business Overview

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

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

During the year ended 31 December 2010, the Group had 452 research and development and quality control personnel. Research and development and quality control personnel accounted for 15.2% of the Group's total number of employees. The Group entered into cooperation with a number of leading research and academic institutions to upgrade its technology level. We have strong research and development capabilities in new materials with a focus on research and development of alloy composition. We also have a strong die design and production centre which can provide suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision. In 2010, our research and development expenditures accounted for approximately 0.3% of the Group's sales revenue.

Management Discussion and Analysis

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

IV. Financial Review

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

A comparison of the financial results for the year ended 31 December 2010 and 2009 is set out as follows.

Revenue

The following sets forth the breakdowns of our Group's revenue, sales volume and average selling price by product segments for the year ended 31 December 2010 and 2009:

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

Management Discussion and Analysis

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

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

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

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

Geographically, the Group's overseas clients mainly came from countries and regions such as the United States and Australia. For the year ended 31 December 2010, our revenue from overseas amounted to approximately RMB4,675,982,000 (2009: RMB6,099,577,000), representing 44.4% (corresponding period in 2009: 44.0%) of the Group's total revenue.

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

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

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

Cost of Sales

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

Gross Profit and Gross Margin

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

Management Discussion and Analysis

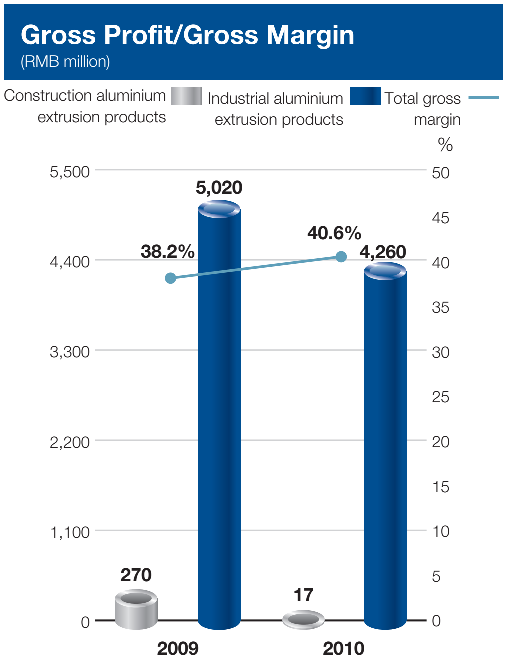
Our overall gross profit margin increased from 38.2% for the year ended 31 December 2009 to 40.6% for the year ended 31 December 2010 mainly because the Group benefited from the successful shifting of its business focus to industrial aluminium extrusion products. The share of sales volume of industrial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

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

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

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

Breakdown of gross profit of our products is as follows:



Bank Interest Income

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

Management Discussion and Analysis

Other Income, Other Gains and Losses

Net losses of other income, other gains and losses amounted to approximately RMB13,457,000 for the year ended 31 December 2010, whereas we had net revenue of approximately RMB44,414,000 for the same period of 2009. The change was mainly due to: (i) foreign exchange losses of RMB63,001,000 for the year ended 31 December 2010 compared to gains of RMB2,055,000 for the year ended 31 December 2009. The Group's foreign exchange losses in 2010 mainly reflected the impact of the continuous drop in USD exchange rate on the Group's sales settled in foreign currencies and foreign currency deposits; and (ii) no trademark fees recorded for the year ended 31 December 2010 compared to trademark fees of RMB9,118,000 for the year ended 31 December 2009. Pursuant to an agreement for the use of trademark between Liaoning Zhongwang and Liaoning Hong Cheng Vinyl Profile Co., Ltd. ("Hong Cheng"), Liaoning Zhongwang agreed to grant Hong Cheng the right to use the Zhongwang trademark in the PRC. During the year ended 31 December 2010, no trademark income was recorded; and (iii) government subsidies of approximately RMB46,490,000 for the year end 31 December 2010 compared to approximately RMB32,063,000 for the year ended 31 December 2009. The aggregate amount of government subsidies for research and development received by us each year is determined and distributed by relevant PRC authorities at their sole discretion.

Selling and Distribution Costs

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

Administrative and Other Operating Expenses

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

Impairment Losses on Property, Plant and Equipment

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

Listing Expenses

For the year ended 31 December 2009, listing expenses refer to the professional charges and related expenses relating to the Listing. Among which, transaction charges of equity transfer related to new share issue amounted to approximately RMB274,229,000 and were accounted as equity decrease. Other charges of approximately RMB36,558,000 were recognized as expenses when they were incurred. We did not have this kind of expenses during 2010.

Finance Costs

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

Profit before Taxation

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

Income Tax Expense

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

Profit Attributable to Shareholders

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

Management Discussion and Analysis

Cash Flows

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

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

Net Current Assets

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

Liquidity

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

Borrowings

As at 31 December 2010, our debentures and bank loans amounted to approximately RMB7,062,454,000, a decrease of approximately RMB590,870,000 as compared with approximately RMB7,653,324,000 as at 31 December 2009. The decrease was primarily due to the fact that our Group repaid two tranches of short-term debentures of RMB1,000,000,000 each in September and November 2010, respectively, whereas we issued, on the inter-bank bond market and with the Agricultural Bank of China as the lead underwriter, debentures of RMB1,200,000,000 with a maturity period of three years in November 2010. Further details are set out in note 28 to the consolidated financial statements.

For the year ended 31 December 2010, our borrowings shown under current liabilities amounted to RMB2,132,454,000 (2009: RMB2,626,000,000) and borrowings shown under non-current liabilities amounted to RMB 3,730,000,000 (2009: RMB3,027,324,000). Details are disclosed in note 29 to the consolidated financial statements.

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

Pledged Assets

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

Contingent Liabilities

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

Employees

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

Use of Net Proceeds Received from the IPO

On 8 May 2009, the Company was successfully listed on the Main Board of the Stock Exchange, with net proceeds received from the IPO (taking into account the exercise of the over-allotment option and after deducting related expenses) amounting to approximately HK$9.5 billion (equivalent to approximately RMB8.36 billion). We have utilised such net proceeds in the manner consistent with that mentioned in the prospectus of the Company dated 24 April 2009 (the "Prospectus") under the section headed "Use of Proceeds", of which approximately RMB2.56 billion in aggregate 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 RMB1.30 billion in aggregate was used for the repayment of loans, while the balance of un-utilised proceeds was deposited in banks.

Management Discussion and Analysis

Market Risk

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

Foreign Exchange Risk

Most of our businesses are settled in Renminbi. However, receivables from the sales of aluminium extrusion products to overseas distributors and customers are settled in foreign currencies. As at 31 December 2010, approximately 55.6% of the revenue of the Group was denominated in Renminbi and approximately 44.4% was denominated in USD, and approximately 97.7% of the borrowings of the Group were denominated in Renminbi and the balances in USD.

In July 2005, the PRC government introduced the managed floating exchange rate system which allowed Renminbi to float in accordance with market demand and supply and within the regulated range determined by Currency Basket. Exchange rate fluctuations will impact on the sales revenue of contracts denominated in foreign currencies and on borrowings denominated in foreign currencies, hence may have adverse effect on the Group.

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

Interest Rate Risk

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

Interest rate change risk borne by the Group is primarily derived from bank borrowings and debentures. The Group has to face the cash-flow interest rate risk on floating-rate borrowings and fair value interest rate risk on fixed-rate borrowings. Our borrowings did not contain any fixed-rate borrowings as at 31 December 2010, whereas we had had fixed-rate borrowings of RMB0.47 billion as at 31 December 2009. During the year ended 31 December 2010, the Group issued debentures of RMB1,200,000,000 with a maturity period of three years at an effective interest rate of 4.07% per annum. Whereas during the year ended 31 December 2009, the Group issued two tranches of debentures of RMB1,000,000,000 each with a maturity period of one year at an effective interest rate of 3.49% per annum, which matured in the year 2010.

Risk relating to Price Fluctuations of Aluminium Ingots

Aluminium ingots, aluminium rods, magnesium ingots and silicone ingots are our principal raw materials which accounted for 84.4% and 85.3% of the cost of sales of the Group in 2010 and 2009, respectively. Generally, our pricing of products are on a "cost-plus" basis, pursuant to which the selling price for our products is determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. Our pricing policy is to pass on most of the risk of price fluctuations to our customers. However, we may not be able to pass the entire cost of price fluctuations to the customers or completely offset the effect of increases in raw material prices, which could affect the profitability of the Group. The Group did not enter into any aluminium ingot forward contracts to hedge against aluminium ingot price change risk.

Details of other risks are set in note 4 to the financial statements on pages 79 to 85.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Advanced equipment

recognized certifications

Our 125MN press is the most advanced oil-driven dual action extrusion press in the world. We have been accredited by Det Norske Veritas, one of the world's leading classification societies, and awarded International Railway Industry Standard (IRIS) certification.

Profiles of Directors and Senior Management

Directors

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

Name	Age	Group Position
Executive Directors		
Liu Zhongtian (劉忠田)	47	Chairman and president
Lu Changqing (路長青)	34	Vice president (capital operation and management)
Chen Yan (陳岩)	31	Vice president (internal auditing)
Zhong Hong (鍾宏)	46	Vice president (production)
Gou Xihui (勾喜輝)	43	Vice president (production and operational management)
Independent Non-executive Directors		
Wong Chun Wa (王振華)	36	Independent non-executive director
Wen Xianjun (文獻軍)	48	Independent non-executive director
Shi Ketong (史克通)	42	Independent non-executive director
Lo Wa Kei, Roy (盧華基)	39	Independent non-executive director

Executive Directors

Mr. LIU Zhongtian ("Mr. Liu") (劉忠田), aged 47, 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 18 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 34, is an executive Director and a vice president of our Group. He is primarily responsible for the Group's strategic planning and capital operation and management. He has 14 years of experience in investment banking and corporate finance. Before joining our Group in November 2007, Mr. Lu was a senior manager of the investment banking department of Tiantong Securities Company Limited from 1997 to 1999, the general manager of the merger and acquisition department of China Technology Innovation Company Limited from 2000 to 2003 and an executive director and joint company secretary of China Huiyuan Juice Group Limited, a listed company on the Main Board of the Stock Exchange of Hong Kong, from 2003 to 2007. Mr. Lu has a bachelor's degree in economics. He was appointed as a Director on 3 April 2008.

Mr. CHEN Yan (陳岩), aged 31, is an executive Director and a vice president of our Group. He is primarily responsible for the Group's internal auditing. He has 10 years of experience in the aluminium extrusion industry. Mr. Chen has held various positions in financial and operation management since he joined our Group in August 2001. Mr. Chen received a diploma in accounting computerization from Liaoning Taxation College (遼寧稅務高等專科學校), China in 2001 and a certificate for intermediate-level accountant from the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in 2005. He was appointed as a Director on 3 April 2008.

Ms. ZHONG Hong (鍾宏), aged 46, is an executive Director and a vice president of our Group. She is primarily responsible for the Group's production management. She has 15 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 43, is an executive Director and a vice president of our Group. He is primarily responsible for production and operational management. He has 21 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.

Independent Non-executive Directors

Mr. WONG Chun Wa (王振華), aged 36, 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.

Profiles of Directors and Senior Management

Mr. WEN Xianjun (文獻軍), aged 48, 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 42, 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 10 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.

Mr. LO Wa Kei, Roy (盧華基), aged 39, is an independent non-executive Director. Mr. Lo has over 18 years of experience in auditing, accounting and finance. Mr. Lo is a partner of SHINEWING CPA (HK) Limited. He has been serving as an independent non-executive director of Sun Hing Vision Group Holdings Limited, and North Mining Shares Company Limited (previously known as "Sun Man Tai Holdings Company Limited"), all of which are Hong Kong listed companies since 1999, and 2004, respectively. He also served as an independent non-executive director of Goldpoly New Energy Holdings Limited (previously known as Time Infrastructure Holdings Limited). Mr. Lo received a bachelor's degree in business administration from the University of Hong Kong in 1993 and a master's degree in professional accounting from the Hong Kong Polytechnic University in 2000. He is a certified public accountant, a fellow member of 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	Gender	Age	Group Position
Cheung Lap Kei (張立基)	Male	38	Chief financial officer and joint company secretary
Zhou Mi (周密)	Male	61	Chief engineer

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

Mr. ZHOU Mi (周密), aged 61, 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, 13 years of which were focused on technical development in aluminium extrusion. Before joining our Group, he worked at certain subsidiaries and plants of Reynolds Metals Company as a metallurgist and quality assurance manager from 1978 to 1996 and as a quality assurance manager from 1998 to 2000. From 1996 to 1997, Mr. Zhou worked at Bohai Aluminium Company as a quality assurance manager. He worked at certain subsidiaries and plants of Alcoa, Inc. as a cast house manager and director of casting plant from 2000 to 2005. Mr. Zhou received a master's degree in materials engineering from Virginia Polytechnic Institute and State University, the United States in 1978. He joined our Group in April 2005.

Joint Company Secretaries

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

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

Report of the Directors

The Board hereby presents this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2010 (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 year ended 31 December 2010 is set out in the consolidated income statement on page 63 to the Financial Statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2010 are set out in the Financial Statements on pages 63 to 68 of this Annual Report.

The Board proposed to declare a final dividend of HK$0.23 (equivalent to RMB0.19) per ordinary share in respect of the year ended 31 December 2010 with an aggregate amount of RMB1,038,347,000, which is 40% of the profit attributable to shareholders of the Company for the year of 2010.

Use of Net Proceeds Received from the IPO

On 8 May 2009, the Company was successfully listed on the Main Board of the Stock Exchange, with net proceeds received from the IPO (taking into account the exercise of the over-allotment option and after deducting related expenses) amounting to approximately HK$9.5 billion (equivalent to approximately RMB8.36 billion). We have utilised such net proceeds in the manner consistent with that mentioned in the prospectus of the Company dated 24 April 2009 (the "Prospectus") under the section headed "Use of Proceeds", of which approximately RMB2.56 billion in aggregate was used for the expansion of the Group's production capacity and the strengthening of the Group's competitiveness by installing additional production lines and acquiring manufacturing equipments and facilities for the industrial aluminium extrusion products of the Group and approximately RMB1.30 billion in aggregate was used for the repayment of loans, while the balance of un-utilised proceeds was deposited in banks as at 31 December 2010.

Five-year Financial Summary

A summary of our results and of the assets and liabilities of the Group for the last five financial years, as extracted from the Group's audited consolidated financial statements, is set out on page 110 of this Annual Report.

Property, Plant and Equipment

Details of movements in the Group's property, plant and equipment during the year are set out in Note 16 to the Consolidated Financial Statements on pages 96 to 97 of this Annual Report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in Note 29 to the Consolidated Financial Statements on pages 103 to 104 of this Annual Report.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2010 are set out in Note 30 to the Consolidated Financial Statements on pages 104 to 105 of this Annual Report.

Reserves

Details of movements in the reserves of our Group and our Company during the year are set out in the Consolidated Statement of Changes In Equity on page 66 of this Annual Report.

Distributable Reserves of the Company

Pursuant to the relevant rules of the Cayman Islands, the Company's reserves available for distribution to shareholders as at 31 December 2010 amounted to RMB10,028,258,000 (31 December 2009: RMB11,277,918,000).

Sufficiency of Public Float

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

Pre-emptive Rights

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

Directors

The Directors of the Company during the year ended 31 December 2010 were:

Executive Directors

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

Non-executive Director

Mr. Ma Xiaowei (resigned on 1 April 2010)

Independent Non-executive Directors

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

Directors' Profiles

Details of the Directors' profiles are set out in the "Profiles of Directors and Senior Management" on pages 36 to 38 of this Annual Report.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with our Company for a term of three years 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, Ms. Zhong Hong, Mr. Gou Xihui and Mr. Shi Ketong will retire from the Board by rotation and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

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

Confirmation of Independence from the Independent Non-executive Directors

We have received from each of the independent non-executive Directors, namely Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. Our Corporate Governance Committee has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointment to 31 December 2010 and remain independent as at the date of this Annual Report.

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

As at 31 December 2010, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

(a) Long Positions in Shares

Name of Director	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Liu	Interests in controlled corporation/Long position[1]	4,000,000,000	73.99
Lu Changqing	Beneficial owner/long position[2]	2,200,000	0.04
Chen Yan	Beneficial owner/Long position[2]	2,200,000	0.04
Zhong Hong	Beneficial owner/Long position[2]	2,200,000	0.04
Gou Xihui	Beneficial owner/Long position[2]	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"), as of 31 December 2010, US$13,421,557 exchangeable notes were transferred to UBS AG London Branch and US$30,000,000 exchangeable notes were redeemed by ZIGL. 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 97,156,250 existing shares to Olympus Alloy, who holds such number of shares as the Security Agent for the holders of the Olympus Exchangeable Notes (including Olympus Alloy and UBS AG London Branch).

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

(b) Short Position in Shares

Name of Director	Capacity/Nature of Interest	Total number of shares	Approximate percentage of shareholding (%)
Mr. Liu	Interests in controlled corporation/Short position[1]	97,156,250	1.8

(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 and UBS AG London Branch are 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, 97,156,250 existing shares were charged by ZIGL to Olympus Alloy, who holds such number of shares as the Security Agent for the holders of the Olympus Exchangeable Notes (including Olympus Alloy and UBS AG London Branch).

Save as disclosed above, as at 31 December 2010, 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 2010 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Purchase, Sale or Redemption of the Listed Securities

During the year ended 31 December 2010, 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 2010, none of the Directors or controlling shareholders (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

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

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

Continuing Connected Transactions

During the year ended 31 December 2010, 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

Liaoning Cheng Cheng Plastic Co., Ltd. ("Cheng Cheng") is indirectly wholly-owned by Mr. Liu and is therefore a Connected Person of the Company. Liaoning Zhongwang has entered into a supply agreement dated 15 April 2009 with 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 Liaoning Zhongwang for use as packaging material for a period of three years with effect from 1 January 2009.

The proposed annual caps of consideration payable by our Group for the purchase of plastic film from Cheng Cheng for the year ended 31 December 2009 and 2010 and the year ending 31 December 2011 were RMB12.8 million, RMB15.2 million and RMB15.3 million, respectively.

For the year ended 31 December 2010, the actual amount paid by the Liaoning Zhongwang to Cheng Cheng for purchase of plastic film was RMB4,813,000.

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 2010 and the year ending 31 December 2011 were RMB21.8 million, RMB24.4 million and RMB26.8 million, respectively.

Hong Cheng did not pay any trademark fees to Liaoning Zhongwang for the year ended 31 December 2010.

Coating Powder Supply Agreement between Futian Chemical and our Group

Liaoyang Futian Chemical Co., Ltd. ("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 Futian Chemical, whereby Futian Chemical has agreed to supply coating powder to members of our Group at a consideration determined by reference to the then prevailing market price. The coating powder supply agreement is valid for a three-year term from 1 January 2009 to 31 December 2011.

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

Our Group did not purchase coating powder from Futian Chemical for the year ended 31 December 2010.

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

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

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

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

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

Besides the above continuing connected transactions, the Group also made a small amount of purchases from Liaoyang Gang Long Chemicals Co., Ltd., in which Mr. Liu indirectly holds 100% of its equity interests, in 2010. The transaction value of such purchases was less than RMB0.2 million and represented approximately 0.003% of the Group's total cost of sales during the year. Such transaction constitutes a continuing connected transaction that is fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33.

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 2010 were RMB8,654,000. Particulars of these retirement plans are set out in Note 35 to the Consolidated Financial Statement on page 106 of this Annual Report.

Management Contracts

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

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

As at 31 December 2010, to the best knowledge of the Directors and the senior management of the Company, the followings are the persons (other than the Directors or chief executives of our Company), who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

Name of shareholder	Capacity/Nature of interest	Total number of shares	Approximate percentage of shareholding (%)
ZIGL	Beneficial owner/Long position(1)	4,000,000,000	73.99
ZIGL	Beneficial owner/Short position(1)&(2)	97,156,250	1.8
Mr. Liu	Interests in controlled corporation/Long position(1)	4,000,000,000	73.99
Mr. Liu	Interests in controlled corporation/Short position(1)&(2)	97,156,250	1.8
Mrs. Liu	Interests of spouse/Long position(1)	4,000,000,000	73.99
Mrs. Liu	Interests of spouse/Short position(1)&(2)	97,156,250	1.8

(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 and UBS AG London Branch are 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, 97,156,250 existing shares were charged by ZIGL to Olympus Alloy, who holds such number of shares as the Security Agent for the holders of the Olympus Exchangeable Notes (including Olympus Alloy and UBS AG London Branch).

Save as disclosed above, as at 31 December 2010, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share-based Incentive Schemes

(a) Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted a pre-IPO share option scheme 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 and 70 other employees (including two senior management members) of our Group were given the rights to subscribe for shares of the Company at the subscription price of HK$2.00 per share. The total number of the shares subject to the Pre-IPO Share Option Scheme are 40,400,000 shares, equivalent to approximately 0.75% of the issued share capital of the Company as at 31 December 2010. Since no further options can be granted under the Pre-IPO Share Option Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Pre-IPO Share Option Scheme.

The purpose of the granting of the Pre-IPO Share Option Scheme was to recognize the contribution of certain members of the senior management and employees of our Group. Under the Pre-IPO Share Option Scheme, except for one of the options that was granted to the relevant grantee on 30 December 2008, all the options were granted to the respective grantees on 17 April 2008. The granted pre-IPO share options are valid for a period 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 2010 under the Pre-IPO Share Option Scheme are as follows:

Name of guarantee	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
70 Other Employees (including two senior management members) of our Group	17 April 2008 (one of the senior management members' options were granted on 30 December 2008)	32,100,000	0.60
Total		40,400,000	0.75

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

(b) Share Option Scheme

We also adopted a share option scheme at the annual general 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.

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.

During the year ended 31 December 2010, no options were 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 37 to the Consolidated Financial Statements on pages 107 to 109 of this Annual Report and the section headed "Statutory and General Information — Pre-IPO Share Option Scheme" of the Prospectus.

Charitable donations

During the year, the Group made charitable donations amounting to approximately RMB1,750,000.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year ended 31 December 2010 is set out as follows:

	Percentage of the Group's total sales (%)
The largest customer	28.7
Five largest customers in aggregate	71.3

	Percentage of the Group's total purchases (%)
The largest supplier	38.5
Five largest suppliers in aggregate	92.4

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

Compliance with the Code on Corporate Governance Practices

In respect of the year ended 31 December 2010, save as disclosed in the Corporate Governance Report on pages 52 to 60 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 52 to 60 of this Annual Report.

Subsequent Events

No events of material significance to our Group have occurred subsequent to 31 December 2010.

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, 10 March 2011

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 the transparency and accountability of the Board to all shareholders.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code. In respect of the year ended 31 December 2010, save as disclosed below, all the provisions set out in the Code were met by the Company.

Compliance with the Model Code by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2010 and up to the date of this Annual Report.

The Board of Directors

Responsibilities of the Board

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organisational structure and monitoring the business activities and the performance of management so as to protect and maximise the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. During the year ended 31 December 2010, 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 2010 and the final results for the year ended 31 December 2010, 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 2010, 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

The company has not established a nomination committee. All members of the Board are responsible for formulating the procedures for appointing Directors, nominating suitable candidates for approval at the annual general meeting so as to fill vacancies due to the resignation of directors or appoint additional Directors. When selecting candidates for appointment as Directors, the Board will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors.

Corporate Governance Report

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, Ms. Zhong Hong, Mr. Gou Xihui and Mr. Shi Ketong 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.

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. Two meetings were held by the Audit Committee in 2010. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2009, the unaudited interim results for the six months ended 30 June 2010, the annual results for the year ended 31 December 2010, and the Review Report from Moores Rowland (Beijing) Certified Public Accountants ("Moores Rowland") for each quarter ended 31 March and 30 June 2010, respectively, with the senior management of the Company, and has also reviewed the internal control and financial reporting matters of the Group.

The attendance of Directors at the Audit Committee meetings held in 2010 was as follows:

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

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. Two meetings were held by the Remuneration Committee in 2010 to discuss the remuneration of directors and other employees and assess relevant policies. The attendance of Directors at the Remuneration Committee meetings held in 2010 was as follows:

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

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 review reports from Moores Rowland ("Moores Rowland's Review Reports") 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 2010. The attendance of Directors at the Corporate Governance Committee meetings held in 2010 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

Corporate Governance Report

Strategy and Development Committee

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

The Strategy and Development Committee should meet at least once a year. Two meetings were held by the Strategy and Development Committee in 2010. The attendance of Directors at the Strategy and Development Committee meetings held in 2010 was as follows:

Strategy and Development Committee Members	Attendance
Mr. Liu	2/2
Mr. Lu Changqing	2/2
Mr. Wen Xianjun	2/2

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 2010, the Board held 7 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 2010 was as follows:

Members of the Board	Attendance
Executive Directors	
Mr. Liu	7/7
Mr. Lu Changqing	7/7
Mr. Chen Yan	7/7
Ms. Zhong Hong	7/7
Mr. Gou Xihui	7/7
Independent Non-executive Directors	
Mr. Wong Chun Wa	7/7
Mr. Wen Xianjun	7/7
Mr. Shi Ketong	7/7
Mr. Lo Wa Kei, Roy	7/7

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 2010, the Directors have selected appropriate accounting policies and applied them consistently, adopted appropriate International Financial Reporting Standards, and made prudent and reasonable judgments and estimates, and have prepared the Financial Statements on an ongoing basis.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Financial Statements for the year ended 31 December 2010 is set out in the section headed "Independent Auditor's Report" on pages 61 to 62 of this Annual Report.

Management Function

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

Internal Control

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

(i) effectiveness and efficiency of operations;

(ii) reliability of financial reporting; and

(iii) compliance with applicable laws and regulation.

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

Corporate Governance Report

After the Listing, the Company continued to appoint Moores Rowland for the period up to 30 June 2010 to:

(i) conduct comprehensive review of our bank acceptance notes activities on a quarterly basis for the period up to 30 June 2010; and

(ii) review and test the effectiveness of our material internal control measures, including newly implemented internal control mechanisms and measures, on a quarterly basis for the period up to 30 June 2010.

Based on Moores Rowland's review on our internal control mechanisms and measures for the period from 1 January 2010 to 31 March 2010 (the "First Quarter") and the period from 1 April 2010 to 30 June 2010 (the"Second Quarter"), the findings were as below:

(i) Moores Rowland has reviewed the effectiveness of our internal control measures relating to any overstated bill financing activities that occurred during the First Quarter and the Second Quarter (the "Bill Issuance Control") and did not identify any existing ineffective Bill Issuance Control or overstated bill financing activity; and

(ii) Moores Rowland has reviewed the effectiveness of other internal control measures (excluding the Bill Issuance Control) for the First Quarter and the Second Quarter and did not identify any material operating ineffectiveness.

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

Independent Auditor

The Company's independent auditor is Deloitte. For the year ended 31 December 2010, the remuneration payable by the Company to Deloitte for statutory audit services and non-auditing services is set out below:

Services provided by the auditor	Remuneration (RMB million)
Audit of the annual report	3.0
Due diligence work for Qinghai Guoxin work	1.2
Total	4.2

Communications with Shareholders and Investor Relations Department

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

Our senior management is dedicated to maintaining an open dialogue with the investment community to ensure thorough understanding of our Company and our business as well as strategies.

Since the Listing, we have emphasized the importance of investor relations by establishing and developing a highly effective investor relations department (the “Investor Relations Department”). The main function of the Investor Relations Department is to make fair, consistent and transparent disclosures and maintain appropriate communications with global investors.

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

A summary of the major investor relations activities of the Company in the year ended 31 December 2010 is set forth as follows:

Continual Communications with Shareholders, Investors and Analysts

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

Media Relations

We strive to establish more solid and closer relationship with the media through press releases, press meetings and management visits in order to 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 forward, the Company will strive to develop and maintain closer relationships with investors, analysts and media and enhance management of investor relations with the goal to maximize our shareholder's wealth.

By order of the Board
Liu Zhongtian
Chairman

Hong Kong, 10 March 2011

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 63 to 109, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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 of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 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
10 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Revenue	6	**10,521,948**	13,852,708
Cost of sales		**(6,245,568)**	(8,562,633)
Gross profit		**4,276,380**	5,290,075
Bank interest income		**64,807**	48,060
Other income, other gains and losses	8	**(13,457)**	44,414
Selling and distribution costs		**(137,020)**	(130,887)
Administrative and other operating expenses		**(181,043)**	(170,907)
Impairment loss on property, plant and equipment	16	**(170,000)**	—
Listing expenses	9	**—**	(36,558)
Finance costs	10	**(362,534)**	(327,092)
Profit before taxation		**3,477,133**	4,717,105
Income tax expense	11	**(881,266)**	(1,188,290)
Profit and total comprehensive income for the year attributable to owners of the Company	12	**2,595,867**	3,528,815
		RMB	RMB
Earnings per share			
Basic	15	**0.48**	0.72
Diluted	15	**0.48**	0.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	16	**4,912,337**	4,671,072
Prepaid lease payments	17	**150,591**	63,718
Deposits for acquisition of property, plant and equipment		**174,066**	84,879
Deferred tax assets	31	**42,500**	—
		5,279,494	4,819,669
Current assets			
Inventories	18	**937,970**	862,365
Trade receivables	19	**738,805**	2,348,973
Other receivables, deposits and prepayments	20	**404,204**	307,642
Prepaid lease payments	17	**3,319**	1,472
Amount due from a related party	21	**—**	9,118
Held-for-trading investments	22	**—**	1,565
Loan receivables	23	**—**	2,300,000
Pledged bank deposits	24	**12,721**	63,082
Bank balances and cash	25	**17,263,372**	13,709,564
		19,360,391	19,603,781
Current liabilities			
Trade payables	26	**113,269**	367,379
Bills payable	27	**1,100,200**	608,200
Other payables and accrued charges	26	**601,015**	1,135,956
Tax liabilities		**139,341**	432,818
Debentures	28	**—**	2,000,000
Bank loans	29	**2,132,454**	2,626,000
		4,086,279	7,170,353
Net current assets		**15,274,112**	12,433,428
Total assets less current liabilities		**20,553,606**	17,253,097

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Capital and reserves			
Share capital	30	**474,675**	474,675
Reserves		**15,098,931**	13,701,098
		15,573,606	14,175,773
Non-current liabilities			
Bank loans	29	**3,730,000**	3,027,324
Debentures	28	**1,200,000**	—
Deferred tax liabilities	31	**50,000**	50,000
		4,980,000	3,077,324
		20,553,606	17,253,097

The consolidated financial statements on pages 63 to 109 were approved and authorised for issue by the board of directors on 10 March 2011 and are signed on its behalf by:

Lu Changqing
DIRECTOR

Chen Yan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note d)	Other reserve RMB'000 (Note c)	Surplus reserve RMB'000 (Note a)	Enterprise development fund RMB'000 (Note b)	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2009	350,877	3,036,400	(2,992,978)	129,049	420,669	420,669	—	1,840,390	3,205,076
Profit and 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 30)	123,242	8,503,698	—	—	—	—	—	—	8,626,940
Issue of shares on 3 June 2009 (Note 30)	556	38,340	—	—	—	—	—	—	38,896
Transaction costs attributable to issue of new shares	—	(274,229)	—	—	—	—	—	—	(274,229)
Dividend (Note 14)	—	—	—	—	—	—	—	(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
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	2,595,867	2,595,867
Recognition of share-based payment	—	—	—	—	—	—	29,812	—	29,812
Dividend (Note 14)	—	(1,227,846)	—	—	—	—	—	—	(1,227,846)
Appropriations	—	—	—	—	261,624	261,624	—	(523,248)	—
At 31 December 2010	474,675	10,076,363	(2,992,978)	635,898	1,039,274	1,039,274	80,087	5,221,013	15,573,606

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	3,477,133	4,717,105
Adjustments for:		
Interest expense	362,534	327,092
Depreciation of property, plant and equipment	389,055	329,704
Impairment loss on property, plant and equipment	170,000	—
Share-based payment expenses	29,812	50,275
Loss on disposal of property, plant and equipment	629	7,722
Interest income	(64,807)	(48,060)
Release of prepaid lease payments	3,000	1,472
Allowances for bad and doubtful debtors in respect of trade receivables	9,612	1,289
Allowances for bad and doubtful debtors in respect of other receivables	200	4,143
Change in fair value of held-for-trading investments	42	(134)
Operating cash flows before movements in working capital	4,377,210	5,390,608
(Increase) decrease in inventories	(75,605)	196,403
Decrease (increase) in trade receivables	1,600,556	(1,826,357)
(Increase) decrease in other receivables, deposits and prepayments	(96,762)	2,075,066
Decrease (increase) in amount due from a related party	9,118	(9,118)
Decrease in held-for-trading investments	1,523	—
(Decrease) increase in trade payables	(254,110)	342,559
Increase (decrease) in bills payable	492,000	(1,743,000)
Increase (decrease) in other payables and accrued charges	118,764	(114,985)
Cash generated from operations	6,172,694	4,311,176
Income tax paid	(1,217,243)	(955,919)
NET CASH FROM OPERATING ACTIVITIES	4,955,451	3,355,257
INVESTING ACTIVITIES		
Increase in loan receivables	(200,000)	(2,300,000)
Repayment of loan receivables	2,500,000	—
Purchases of property, plant and equipment	(1,380,041)	(744,165)
Deposits paid for acquisition of property, plant and equipment	(172,680)	(84,879)
Payments for prepaid lease	(91,720)	—
Decrease in amounts due from related parties	—	22,170
Proceeds from disposal of property, plant and equipment	6,491	5,417
Interest received	64,807	48,060
Decrease in pledged bank deposits	50,361	1,167,668
NET CASH FROM (USED IN) INVESTING ACTIVITIES	777,218	(1,885,729)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
FINANCING ACTIVITIES		
New bank borrowings raised	**6,280,000**	11,631,610
Repayment of bank borrowings	**(6,070,870)**	(8,748,924)
Debenture raised	**1,200,000**	2,000,000
Repayment of debentures	**(2,000,000)**	(2,000,000)
Interest paid	**(360,145)**	(295,754)
Dividend paid	**(1,227,846)**	(3,000,000)
Net proceeds from issue of new shares	**—**	8,391,607
Decrease in amount due to a related party	**—**	(320)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(2,178,861)**	7,978,219
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,553,808**	9,447,747
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**13,709,564**	4,261,817
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**17,263,372**	13,709,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate parent is Zhongwang International Group Limited ("ZIGL"), a limited company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and No. 299, Wensheng Road, Liaoyang City, Liaoning, China, respectively.

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 38.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

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

In the current year, the Group has applied a number of new and revised standards and interpretations ("new and revised IFRSs") issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are mandatorily effective for 2010 financial year ends.

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

Amendments to IAS 17 Leases

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

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

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

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

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

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

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

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

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

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

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

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

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

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

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

Revenue recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

Taxation

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

Government grants

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land and building

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

For leasehold land which are classified as operating lease, whilst the building element is classified as a finance lease, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Borrowing costs

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

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 activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any).

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 in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (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 and 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.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

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

For trade receivables and other receivables that are assessed not to be impaired individually are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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

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. 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 instruments

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.

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.

Financial liabilities

Financial liabilities (including trade payables, bills payable, other payables and accrued charges, debentures 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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 option reserve).

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

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

Categories of financial instruments	2010 RMB'000	2009 RMB'000
Financial assets		
Held-for-trading investments	—	1,565
Loans and receivables (including bank balances and cash)	**18,014,898**	18,430,737
	18,014,898	18,432,302
Financial liabilities		
Amortised cost	**8,843,778**	9,731,298

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies

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

Market risk

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate pledged bank deposits, debentures, and bank loans (see note 24 for details of the pledged bank deposits, note 28 for details of debentures and note 29 for details of bank loans). 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 25 for details of the bank balances and note 29 for details of bank loans). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis point (2009: 10 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At 31 December 2010, 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 RMB8,525,000 (2009: RMB7,350,000).

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk

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

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

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

	2010 RMB'000	2009 RMB'000
Trade receivables		
United States Dollars ("USD")	**523,628**	2,244,085
EURO	**910**	—
Pledged bank deposits		
USD	**—**	3,967
Bank balances and cash		
USD	**80,542**	85,460
Hong Kong Dollars ("HKD")	**55,229**	40,689
Australian Dollars ("AUD")	**229**	13,699
EURO	**96**	86
Other payables		
USD	**17,571**	5,907
AUD	**1,705**	—
Bank loans		
USD	**132,454**	136,564

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to USD, HKD, AUD and Euro against RMB. The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2009: 5%) change in foreign currency rates. A positive number below indicates an decrease in post-tax profit where RMB strengthen 5% (2009: 5%) against the relevant currency. A negative number below represents a decrease in post-tax profit. For a 5% (2009: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit.

	USD Impact		HKD Impact		AUD Impact		EURO Impact	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
(Decrease) increase in post-tax profit for the year	(17,030)	(82,164)	(2,071)	(1,526)	55	(514)	(38)	(3)

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

Credit risk

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

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

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

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

	2010 RMB'000	2009 RMB'000
Bank balances (including pledged bank deposits) which are deposited with two local banks in Liaoyang City	**9,708,792**	10,654,524
Loan receivables from Liaoyang Hongwei Construction Investment Co., Ltd. ("Hongwei")	**N/A**	2,300,000
Trade receivables due from two customers located in the PRC	**522,225**	2,050,476

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

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

Liquidity risk

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

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or less than 90 days RMB'000	91 to 180 days RMB'000	181 days to 1 year RMB'000	1 to 2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amounts RMB'000
As at 31 December 2010								
Non-interest bearing	—	1,474,405	300,000	6,919	—	—	1,781,324	1,781,324
Variable interest rate instruments	5.42	1,495,191	308,896	563,726	3,478,192	498,513	6,344,518	5,862,454
Fixed interest rate instruments	4.07	—	—	43,909	50,828	1,248,840	1,343,577	1,200,000
		2,969,596	608,896	614,554	3,529,020	1,747,353	9,469,419	8,843,778
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	4.94	63,594	63,594	2,417,873	779,160	2,361,150	5,685,371	5,186,564
Fixed interest rate instruments	3.84	6,228	6,228	2,405,370	7,601	148,361	2,573,788	2,466,760
		1,675,712	529,399	4,835,750	786,761	2,509,511	10,337,133	9,731,298

Bank loans with a repayment on demand clause are included in the "on demand or less than 90 days" time band in the above maturity analysis. As at 31 December 2010, the aggregate undiscounted principal amounts of these bank loans amounted to RMB1,300,000,000 (2009: nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid three years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB1,504,093,000.

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

Price risk

The Group was 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. The investments were disposed of during the year.

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 was 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 debentures and bank loans as disclosed in notes 28 and 29 respectively and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation

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

Impairment on property, plant and equipment

Determining whether its property, plant and equipment are impaired requires an estimation of their recoverable amounts. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from those assets and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of property, plant and equipment is RMB4,912,337,000 (2009: RMB4,671,072,000) with impairment loss of RMB170,000,000 (2009: nil) recognised. Details of the recoverable amount calculation are set out in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

6. REVENUE

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

7. SEGMENT INFORMATION

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

Segment revenues and results

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

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

7. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents gross profit after adjusted for impairment losses on property, plant and equipment earned by (loss from) each segment. This is the measure reported to the Group's chief operating decision makers for the purpose of resource allocation and performance assessment.

Segment assets

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

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

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

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

7. SEGMENT INFORMATION (Continued)

Segment assets (Continued)

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

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

Other segment information

For the year ended 31 December 2010

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

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

7. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2009

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

Geographical information

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

	2010 RMB'000	2009 RMB'000
PRC	**5,845,966**	7,753,131
United States of America	**3,066,528**	5,657,877
Australia	**1,572,467**	440,274
Others	**36,987**	1,426
	10,521,948	13,852,708

Including in the sales above, approximately RMB3,022,686,000 (2009: RMB5,181,576,000) and RMB1,568,712,000 (2009: RMB384,986,000) which are categorised under sales to United States of America and Australia respectively for the year ended 31 December 2010 are sold to certain customers in the PRC who shipped the goods to the ultimate customers in respective countries.

Nearly all identifiable assets of the Group are located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. SEGMENT INFORMATION (Continued)

Information about major customer

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

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

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

* Revenue from Industrial segment.

8. OTHER INCOME, OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	RMB'000
Other income		
Government subsidies (Note)	**46,490**	32,063
Gain on sales of scrap materials, consumables and moulds	**1,844**	1,044
Others	**1,252**	—
Trademark income (Note 36)	**—**	9,118
	49,586	42,225
Other gain and losses		
Exchange (losses) gain	**(63,001)**	2,055
(Loss) gain on change in fair value of investments held for trading	**(42)**	134
	(63,043)	2,189
Total	**(13,457)**	44,414

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

9. LISTING EXPENSES

The amount for the year ended 31 December 2009 represented professional fees and other expenses related to the listing of the Company's shares on the Stock Exchange. Pursuant to IAS 32 Financial Instruments: Presentation, the transaction costs of an equity transaction were accounted for as an deduction from equity to the extent they were directly attributable to the issuing of new shares. The remaining costs were recognised as an expense when incurred.

10. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interests on borrowings wholly repayable within five years:		
— Bank loans	**298,322**	243,807
— Debentures	**64,212**	83,285
	362,534	327,092

11. INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
The charge comprises PRC Enterprise Income Tax		
Current taxation	**914,599**	1,188,290
Withholding tax on intergroup interest income	**9,167**	—
Deferred tax credit (Note 31)	**(42,500)**	—
	881,266	1,188,290

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

11. INCOME TAX EXPENSE (Continued)

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

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

12. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2010 RMB'000	2009 RMB'000
Profit and the total comprehensive income for the year has been arrived at after charging:		
Auditor's remuneration	**3,000**	3,642
Allowance for bad and doubtful debts in respect of trade receivables	**9,612**	1,289
Allowance for bad and doubtful debts in respect of other receivables	**200**	4,143
Cost of inventories recognised as expense	**6,245,568**	8,562,633
Depreciation of property, plant and equipment	**389,055**	329,704
Release of prepaid lease payments	**3,000**	1,472
Research and development costs	**30,596**	10,325
Loss on disposal of property, plant and equipment	**629**	7,722
Operating lease rentals in respect of rented premises	**6,431**	3,788
Staff costs (including directors' emoluments):		
Salaries and other benefits	**158,400**	128,657
Retirement benefits scheme contributions	**8,654**	6,953
Employee share option benefits	**29,812**	50,275
	196,866	185,885

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2010 RMB'000	2009 RMB'000
Directors' emoluments		
Salaries and other benefits	5,228	5,209
Retirement benefit scheme contributions	16	15
Employee share option benefits	6,126	10,329
	11,370	15,553

The emoluments of directors during each of the year ended 31 December 2010 and 2009 are analysed as follows:

	2010				2009			
	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Employee share option benefits RMB'000	Total RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Employee share option benefits RMB'000	Total RMB'000
Name of directors								
Executive directors:								
Mr. Liu Zhongtian ("Mr. Liu")	1,202	3	—	1,205	1,202	3	—	1,205
Mr. Zhong Hong	802	3	1,624	2,429	802	3	2,738	3,543
Mr. Chen Yan	802	3	1,624	2,429	802	3	2,738	3,543
Mr. Lu Changqing	820	4	1,624	2,448	818	3	2,738	3,559
Mr. Gou Xihui	802	3	1,254	2,059	802	3	2,115	2,920
Non-executive director:								
Mr. Ma Xiaowei (Note a)	—	—	—	—	—	—	—	—
Independent non-executive directors:								
Mr. Wong Chun Wa	200	—	—	200	200	—	—	200
Mr. Wen Xianjun	200	—	—	200	200	—	—	200
Mr. Shi Ketong	200	—	—	200	200	—	—	200
Mr. Lo Wa Kei, Roy (Note b)	200	—	—	200	183	—	—	183
Total	5,228	16	6,126	11,370	5,209	15	10,329	15,553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

(a) Mr. Ma Xiaowei resigned as non-executive director on 1 April 2010.

(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 2010 and 2009, 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 2010 and 2009, 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 2010 and 2009.

14. DIVIDEND

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

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

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

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

15. EARNINGS PER SHARE

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2009	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
Transfer	3,996	383,395	—	—	(387,391)	—
Additions	—	28,977	18,494	12,703	747,266	807,440
Disposals	—	(731)	(33,718)	—	—	(34,449)
At 31 December 2010	**504,235**	**4,143,488**	**61,432**	**44,317**	**2,009,336**	**6,762,808**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2009	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
Charge for the year	23,023	355,517	5,992	4,523	—	389,055
Impairment loss recognised in profit or loss	—	170,000	—	—	—	170,000
Eliminated on disposals	—	(551)	(26,778)	—	—	(27,329)
At 31 December 2010	**172,904**	**1,630,656**	**28,055**	**18,856**	**—**	**1,850,471**
CARRYING VALUES						
At 31 December 2010	**331,331**	**2,512,832**	**33,377**	**25,461**	**2,009,336**	**4,912,337**
At 31 December 2009	350,358	2,626,157	27,815	17,281	1,649,461	4,671,072

16. 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 over the following useful lives:

Buildings	20 years
Machinery	10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

As at 31 December 2009, certain buildings and machinery were pledged to secure bills payable of the Group. The pledge was released in 2010. Details are set as note 34.

During the year ended 31 December 2010, the directors conducted a review of the Group's manufacturing assets and determined that some machines principally used for the production of construction aluminium extrusion products were impaired, resulted from the reduced production and sales of related products in the year. Accordingly, impairment losses of approximately RMB170,000,000 have been recognised in respect of machinery, which are used in the Group's construction segment. The recoverable amounts of the relevant assets have been determined on the basis of their values in use. The discount rate in measuring the amounts of values in use in relation to those machines was 8%.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2010 RMB'000	2009 RMB'000
Leasehold land in the PRC under medium-term leases	**153,910**	65,190
Analysed for reporting purpose:		
Current assets	**3,319**	1,472
Non-current assets	**150,591**	63,718
	153,910	65,190

As at 31 December 2009, the Group pledged certain leasehold land to secure bills payable of the Group. The pledge was released in 2010. Details are set as note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

18. INVENTORIES

	2010 RMB'000	2009 RMB'000
Raw materials	**715,291**	506,383
Work in progress	**104,001**	251,698
Finished goods	**118,678**	104,284
	937,970	862,365

19. TRADE RECEIVABLES

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

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

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

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 certain customers 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 2010, trade receivables of approximately RMB43,257,000 (2009: RMB48,317,000) 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.

19. TRADE RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired

	2010 RMB'000	2009 RMB'000
91–180 days	**32,334**	40,176
181–365 days	**10,923**	8,141
Total	**43,257**	48,317

Movement in the allowance for bad and doubtful debts

	2010 RMB'000	2009 RMB'000
Balance at beginning of the year	**1,336**	47
Allowances for bad and doubtful debts	**9,612**	1,289
Balance at end of the year	**10,948**	1,336

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010 RMB'000	2009 RMB'000
Other receivables, deposits and prepayments	**404,204**	307,642

Included in the other receivables, deposits and prepayments are prepayments paid to suppliers amounting to RMB388,797,000 (2009: RMB86,607,000). As at 31 December 2010, there are concentration of credit risks on prepayments paid to two (2009: two) suppliers of approximately RMB374,128,000 (2009: RMB78,352,000).

Movement in the allowance for bad and doubtful debts

	2010 RMB'000	2009 RMB'000
Balance at beginning of the year	**—**	—
Allowances for bad and doubtful debtors	**200**	4,143
Amounts written off as uncollectible	**(200)**	(4,143)
Balance at end of the year	**—**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

21. AMOUNT DUE FROM A RELATED PARTY

	2010 RMB'000	2009 RMB'000
Liaoning Hong Cheng Vinyl Profile Co., Ltd. (“Hong Cheng”) (Note)	—	9,118

Note: It is a related company of the Group which is beneficially owned by Mr. Liu. The amount was of trading nature, unsecured, non-interest bearing and was repayable on demand. The amount was aged within 30 days as at 31 December 2009.

Maximum outstanding balance

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

	2010 RMB'000	2009 RMB'000
Mr. Liu	—	16,631
Hong Cheng	**9,118**	272,459
Liaoyang Futian Chemical Co., Ltd. (“Futian Chemical”)	—	20,200
Liaoning Cheng Cheng Co., Ltd. (“Cheng Cheng”)	—	186,440

22. 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. The investments were disposed of during the year ended 31 December 2010 at the proceed of approximately RMB1,523,000.

23. 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 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.

23. LOAN RECEIVABLES (Continued)

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.

As at 31 December 2009, in spite of the terms set out in the Supplemental Agreements, the directors considered the liabilities arising from the bank borrowings should rest with Zhongwang PRC, taken into account of the terms set out in the Loan Agreements were effective as at 31 December 2009. The directors of the Company planned 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 were recognised by Zhongwang PRC as current assets and current liabilities respectively. During the year ended 31 December 2010, an additional bank loans of RMB200,000,000 was borrowed from the Local Banks and the funds were transferred to Hongwei by Zhongwang PRC. The loan receivables from Hongwei and the respective bank borrowings are fully repaid in April 2010. For the year ended 31 December 2010, interest income from the loan receivables and interest expense on the corresponding bank loans are in the same amount of RMB41,393,000 (2009: RMB12,352,000).

24. PLEDGED BANK DEPOSITS

For the year ended 31 December 2010, the deposits carry average effective interest rates of 1.98% (2009: 1.98%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills payable.

25. 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 2010, the deposits carry average interest rates of 0.36% (2009: 0.36%) per annum.

26. 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:

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

Other payables and accrued charges

Included in other payables and accrued charges, these were RMB332,475,000 (2009: RMB988,569,000) owed to certain suppliers who have supplied production machineries to the Group.

27. BILLS PAYABLE

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

As at 31 December 2009, bills payable amounted to RMB258,000,000 were secured by certain leasehold land, building and machinery of the Group, details are set out in the note 34.

28. DEBENTURES

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

During the year ended 31 December 2009, the Group has issued two unsecured debentures of RMB1,000,000,000 each with maturity of one year. The debentures issued in year 2009 were matured and fully redeemed in year 2010. The average effective interest rate was 3.49% per annum.

29. BANK LOANS

	2010 RMB'000	2009 RMB'000
Carrying amounts repayable based on contractual term:		
Within one year	**832,454**	2,626,000
In more than one year but not more than two years	**3,270,000**	636,564
In more than two years but not more than five years	**460,000**	2,390,760
	4,562,454	5,653,324
Carrying amount of bank loan that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**1,300,000**	—
Less: Amounts due within one year shown under current liabilities	**(2,132,454)**	(2,626,000)
Amounts shown under non-current liabilities	**3,730,000**	3,027,324
Guaranteed by independent third parties	**1,382,454**	386,564

All bank loans are unsecured borrowings.

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

	2010 RMB'000	2009 RMB'000
USD	**132,454**	136,564

No single borrowing is individually material, and terms and conditions of all borrowings are presented by appropriate groupings.

For the year ended 31 December 2009, fixed-rate borrowings carry average interest at 5.31% per annum. Details are as follows:

	2010 RMB'000	2009 RMB'000
Fixed-rate borrowings:		
Carry amounts repayable:		
Within one year	—	326,000
In more than two years but not more than five years	—	140,760
	—	466,760

29. BANK LOANS (Continued)

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

	2010 RMB'000	2009 RMB'000
Benchmark interest rate fixed by PBOC plus or minus a premium/discount		
Carrying amounts repayable*		
Within one year	**700,000**	2,300,000
In more than one year but not more than two years	**3,270,000**	500,000
In more than two years but not more than five years	**1,760,000**	2,250,000
	5,730,000	5,050,000
LIBOR plus a premium		
Carrying amounts repayable		
Within one year	**132,454**	—
In more than one year but not more than two years	**—**	136,564
	132,454	136,564
	5,862,454	5,186,564

* The amounts presented in this table are based on scheduled repayment dates set out in the loan agreements. Included in the carrying amounts repayable in more than two years but not more than five years is an amount of RMB1,300,000,000 which contain a repayment on demand clause in the loan agreement.

For the year ended 31 December 2010, variable-rate borrowings carry average interest at 5.42% (2009: 4.91%) per annum.

30. SHARE CAPITAL

	Number of shares	Share capital HK$'000	RMB'000
Ordinary share of HK$0.1 each:			
Authorised			
On 1 January 2009, at 31 December 2009 and at 31 December 2010	8,000,000,000	800,000	N/A
Issued			
At 1 January 2009	4,000,000,000	400,000	350,877
Issued on 8 May 2009 (Note a)	1,400,000,000	140,000	123,242
Issued on 3 June 2009 (Note b)	6,306,400	631	556
At 31 December 2009 and 31 December 2010	5,406,306,400	540,631	474,675

30. SHARE CAPITAL (Continued)

Notes:

(a) On 8 May 2009, the Company issued 1,400,000,000 new shares pursuant to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited and the Company's shares were listed on the Stock Exchange.

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

(c) All the shares issued during the year ended 31 December 2009 rank pari passu with the then existing shares in all respects.

31. DEFERRED TAXATION

Deferred tax assets

As at 31 December 2010, the Group had deductible temporary differences of approximately RMB170,000,000 (2009: nil) in relation to impairment losses on property, plant and equipment. Deferred tax asset and deferred tax credit of RMB42,500,000 have been recognised in relation to such deductible temporary difference during the year ended 31 December 2010.

Deferred tax liabilities

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation of RMB50,000,000 has been provided for in the consolidated financial statement in respect of temporary difference arising from the withholding tax on accumulated profits of a PRC subsidiary generated during the year ended 31 December 2008. No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences relating to the undistributed profits of a PRC subsidiary amounting to approximately RMB6,680,774,000 (31 December 2009: RMB4,073,652,000) relating to the two years ended 31 December 2010 and 31 December 2009 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.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2010 RMB'000	2009 RMB'000
Within one year	**9,367**	4,387
In the second to fifth year inclusive	**10,217**	4,753
	19,584	9,140

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.

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33. CAPITAL COMMITMENTS

	2010 RMB'000	2009 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**586,795**	598,705

34. PLEDGE OF ASSETS

Apart from the pledged bank deposits as disclosed in note 24, the Group had pledged certain leasehold land, buildings and machinery to secure the bills payables at the end of the reporting period. The pledge of assets other than pledged bank deposits were released in 2010. The carrying values of the assets pledged as at 31 December 2009 were as follows:

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

35. 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 2010 and 2009 are disclosed in note 12.

36. RELATED PARTY TRANSACTIONS

Apart from amount from a related party as set out in note 21, during each of the year ended 31 December 2010 and 2009, the Group had entered into the following significant transactions with related companies in which Mr. Liu has beneficial interests:

	2010 RMB'000	2009 RMB'000
Purchases from related companies:		
Cheng Cheng	**4,813**	5,816
Liaoyang Gang Long Chemicals Co., Ltd.	**157**	—
Futian Chemical	—	24,960
	4,970	30,776
Disposal of property, plant and equipment to a related company:		
Hong Cheng	—	1,180

Pursuant to an agreement for the use of trademark dated 15 April 2009 between Zhongwang PRC and Hong Cheng, Zhongwang PRC agreed to grant Hong Cheng the right to use the Zhongwang trademark in the PRC. During the year ended 31 December 2009, trademark income received from Hong Cheng was RMB9,118,000.

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

37. PRE-IPO SHARE OPTION SCHEME

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

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

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

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

The above pre-IPO share options have been granted on the condition that they are valid for a period ending on the date before the fifth anniversary of the listing date ("Pre-IPO Share Option Term"). With respect to the commencement of the dealings in shares of the Company on the Stock Exchange and each of the 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.

37. PRE-IPO SHARE OPTION SCHEME (Continued)

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 2009 and 2010
Category	
Directors	8,300,000
Employees	32,100,000
Total	40,400,000
Exercisable as at 31 December 2010	**16,160,000**
Exercisable as at 31 December 2009	8,080,000

No options were granted, exercised or forfeited during the year.

During the year ended 31 December 2010, share-based payment expense of approximately RMB29,812,000 (2009: RMB50,275,000) is recognised in profit or loss.

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 %

37. PRE-IPO SHARE OPTION SCHEME (Continued)

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.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2010 and 31 December 2009 are as follows:

Name of the company	Place of incorporation/ establishment	Form of business structure	Place of operation	Equity interest attributable to the Group as at 31 December 2010	Equity interest attributable to the Group as at 31 December 2009	Issued and fully paid share capital/ registered capital	Principal activities
Zhongwang PRC	PRC	Wholly foreign owned enterprise	PRC	100%	100%	US$900,000,000	Manufacturing of aluminium products
Zhongwang China Investment Limited	British Virgin Islands	Incorporated	PRC	100%	100%	US$2.00	Investment holding
Zhongwang China Investment (HK) Limited	Hong Kong	Incorporated	Hong Kong	100%	100%	HK$2.00	Investment holding
Beijing Zhongwang GuoXin Investment Company Limited* 北京忠旺國鑫投資有限公司	PRC	Incorporated	PRC	100%	—	RMB300,000,000	Investment holding
Beijing Zhongwang HuaRong Investment Company Limited* 北京忠旺華融投資有限公司	PRC	Incorporated	PRC	100%	—	RMB100,000,000	Investment holding
Beijing Zhongwang Xinda Investment Company Limited* 北京忠旺信達投資有限公司	PRC	Incorporated	PRC	100%	—	RMB200,000,000	Investment holding
Lianning Zhongwang Aluminium Industry Incorporated Company Limited* 遼寧忠旺鋁業股份有限公司	PRC	Incorporated	PRC	100%	—	RMB250,000,000	Investment holding

* English name is for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the year except for Zhongwang PRC which has issued RMB1,200,000,000 (2009: RMB2,000,000,000) of debentures, in which the Group has no interests.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Revenue	6,075,225	7,521,266	11,264,429	13,852,708	**10,521,948**
Profit for the year attributable to owners of the Company	551,426	852,158	1,910,438	3,528,815	**2,595,867**

ASSETS AND LIABILITIES

	As at 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Total assets	10,229,755	11,012,758	12,861,075	24,423,450	**24,639,885**
Total liabilities	7,787,275	7,718,120	9,655,999	10,247,677	**9,066,279**
Total equity attributable to owners of the Company	2,424,480	3,294,638	3,205,076	14,175,773	**15,573,606**

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 year 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.