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

COMMITTED TO LIGHT-WEIGHT DEVELOPMENT FOR A GREENER WORLD

ANNUAL REPORT 2012

* For identification purposes only

Contents

Corporate Information

Place of Listing
The Stock Exchange of Hong Kong Limited

Stock Code
01333

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

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

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

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

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

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

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

Authorised Representatives
Mr. Cheung Lap Kei
Mr. Lu Changqing

Principal Bankers
Bank of Communications Co., Ltd., Hong Kong Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China Limited
Agricultural Bank of China

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

42/F China World Tower
No. 1 Jianguomenwai Avenue
Beijing 100004
PRC

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

Company Website
www.zhongwang.com

Legal Advisors

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

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

Auditor

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Principal Share Registrar in the Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Investor Relations Consultant

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

Media Relations Consultant

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

Closure of Register of Members

For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 15 May 2013, the register of members of the Company will be closed from Thursday, 9 May 2013 to Wednesday, 15 May 2013 (both days inclusive), during which period no transfer of shares will be effected. 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 8 May 2013.

Annual General Meeting

The Company's annual general meeting will be held on 15 May 2013, a notice of which is included in the circular to be dispatched to shareholders together with this annual report.

Corporate Profile

China Zhongwang Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is a leading industrial aluminium extrusion product developer and manufacturer in the world. On 8 May 2009, the Company (stock code: 01333) was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. We have been primarily focusing on the light-weight development in the transportation, machinery and equipment and electric power engineering sectors through the provision of quality processed aluminium products. The Group has won numerous global certifications and accreditations from the railway, shipbuilding and other industries. The Group now boasts of a solid base of over 1,000 customers in major markets all over the world. The Group is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the biggest in Asia and China[1].

The Group was founded in 1993 with its headquarters based in Liaoning Province, China. After 20 years of dedicated development, the Group currently has 93 internationally advanced aluminium extrusion production lines (including 8 production lines under installation of large-scale aluminium extrusion presses of 75MN or above) with an aggregate production capacity of over 900,000 tonnes. In addition, the Group has ordered two ultra-large 225MN extrusion presses, which are the largest and most advanced presses in the world, to be gradually put into operation in two years. The acquisitions will reinforce the Group's leading edge in the production of high precision, large-section industrial aluminium extrusion products. Meanwhile, we have also built a world-leading aluminium tilt smelting and casting facility which is closely linked with the industry chain, as well as the largest customized industrial aluminium extrusion product die design and manufacturing centre in Asia. In 2012, the Group was certified by the Chinese government as a "State Accredited Enterprise Technology Centre". The Group's unique core competitiveness in the industry lies in the comprehensive strength of our four-in-one model, i.e. the integration of smelting and casting, die design, advanced equipment and research and development capability all under one roof.

Moreover, our newly built deep-processing centre completed equipment installation and testing and gradually commenced production at the end of 2012. This development will enhance our production capacity in deep-processed products and lay a solid foundation for the extension of our business scope to high gross margin business of downstream products.

The Group's high value-added aluminium flat rolled product project is progressing steadily as planned. At present, the equipment purchase and land acquisition plans for the preliminary phase of the project have been accomplished and we have now started the tender process for different stages of construction. Phase I of the project with a planned annual production capacity of 1.8 million tonnes is expected to commence production in 2015, by which time we will have initially achieved the aim of tapping the high-end aluminium flat rolled product sector to become our third core business segment complementary to and synergistic with the existing industrial aluminium extrusion product and deep-processed product businesses. The Company expects phrase II of the project to be completed by 2018, by which time the total designed annual production capacity of 3 million tonnes will have been realized.

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

[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 August 2012.

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

Financial Highlights

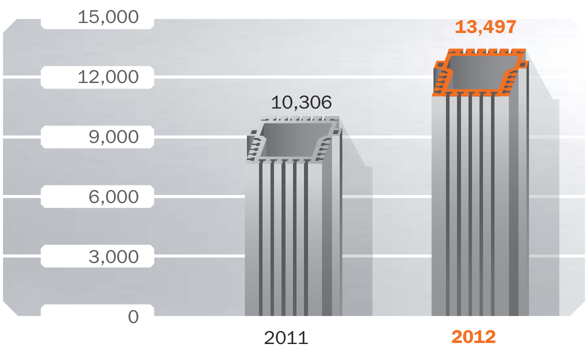
	2012 RMB'000	2011 RMB'000
Revenue	**13,497,170**	10,305,694
Gross profit	**3,259,588**	2,222,297
Profit before taxation	**2,342,451**	1,528,025
Profit attributable to equity shareholders	**1,806,783**	1,105,027
Earnings per share (note 1)		
Basic (RMB)	**0.33**	0.20
Diluted (RMB)	**0.33**	0.20
Bank balances and cash (note 2)	**9,555,292**	12,582,427
Net assets	**17,507,983**	15,677,529
Total assets	**33,649,698**	27,774,599

	2012	2011
Current ratio (note 3)	**1.21**	1.83
Inventory turnover in days (note 4)	**115**	77
Trade receivable turnover in days (note 5)	**17**	22
Trade payable turnover in days (note 6)	**122**	107
Gross margin	**24.2%**	21.6%
Gearing ratio (note 7)	**48.0%**	43.6%
Revenue composition — by product		
Industrial segment	**90.3%**	93.6%
Construction segment	**5.6%**	6.4%
Others	**4.1%**	—
Gross profit composition — by product		
Industrial segment	**98.9%**	97.2%
Construction segment	**0.9%**	2.8%
Others	**0.2%**	—

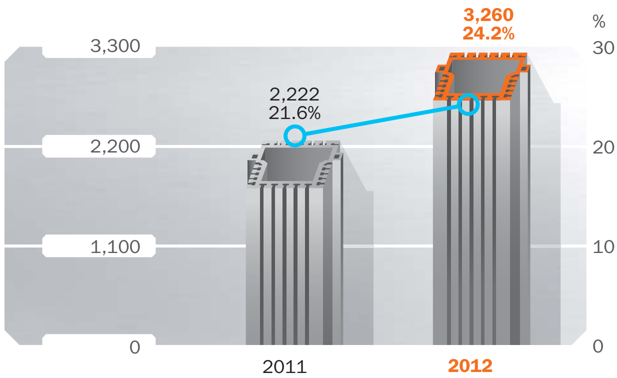
Notes:

1. The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company for each of the year ended 31 December 2012 and 2011 and the weighted average number of shares during that year.
2. Bank balances and cash = Cash and cash equivalents + Short-term deposits + Pledged bank deposits.
3. Current ratio = current assets/current liabilities
4. Inventory turnover in days = 365* ((inventory balance at the beginning of the year + inventory balance at the end of the year)/2)/cost of sales for the year
5. Trade receivable turnover in days = 365* ((trade and bills receivables balance at the beginning of the year + trade and bills receivables balance at the end of the year)/2)/sales for the year
6. Trade payable turnover in days = 365* ((trade and bills payables balance at the beginning of the year + trade and bills payables balance at the end of the year)/2)/cost of sales for the year
7. Gearing ratio = total liabilities/total assets* 100%

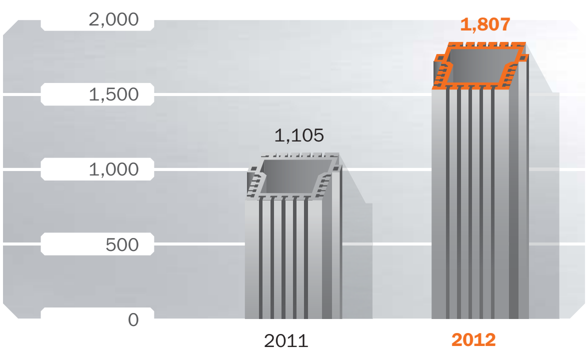
Revenue
(RMB millions)



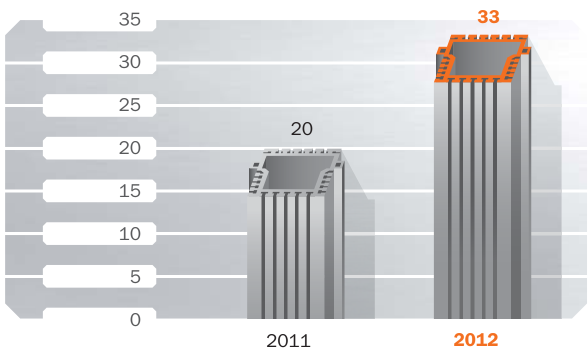
Gross Profit/Gross Margin
(RMB millions)



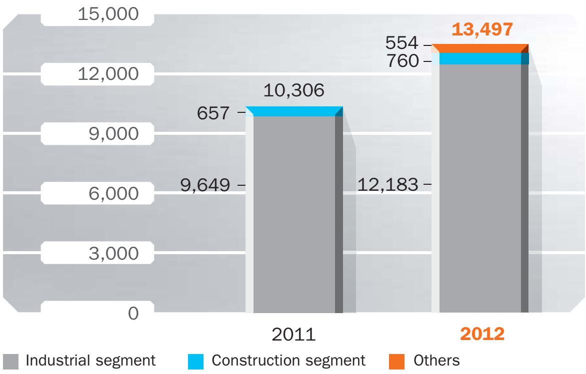
Profit Attributable To Equity Shareholders
(RMB millions)



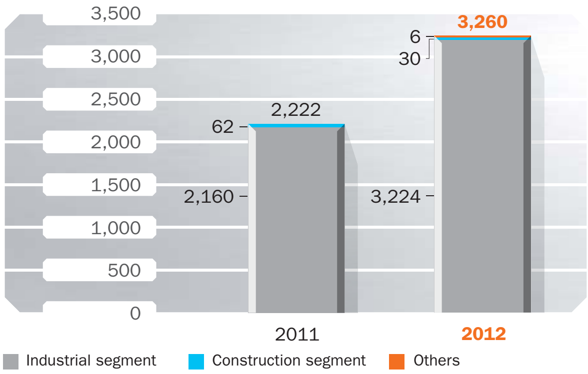
Earnings Per Share (Basic)
(RMB cents)



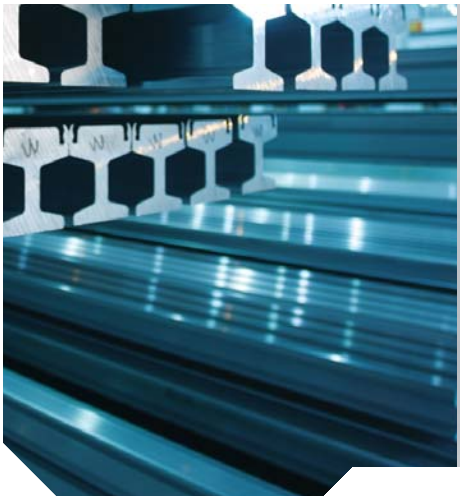
Revenue Composition
— By Product
(RMB millions)



Gross Profit Composition
— By Product
(RMB millions)



Core Businesses



INDUSTRIAL ALUMINIUM EXTRUSION PRODUCTS

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

As the world's second largest and Asia's and China's largest industrial aluminium extrusion product developer and manufacturer, the Group continues to optimize its production capacity of high-end large-section industrial aluminium extrusion products. As at 31 December 2012, the Group had 93 internationally advanced aluminium extrusion production lines (including 8 production lines of large-scale aluminium extrusion presses of 75MN or above under installation) with an aggregate production capacity of over 900,000 tonnes.

DEEP-PROCESSED INDUSTRIAL ALUMINIUM EXTRUSION PRODUCTS

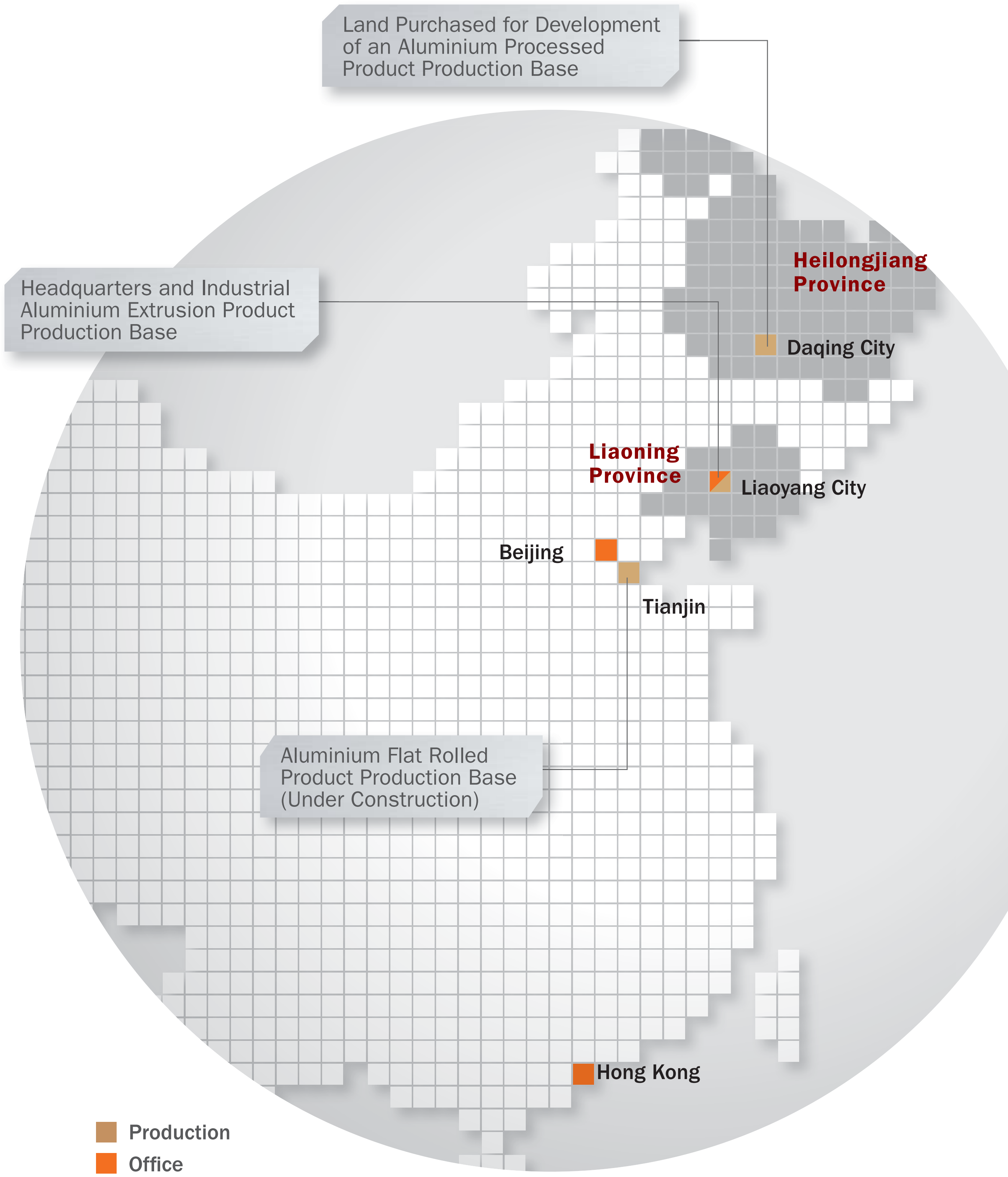
High value-added services and deep-processed aluminium finished products drive future profit growth

The industrial aluminium extrusion product deep-processing centre completed construction and gradually commenced production at the end of 2012. The welding equipment imported from Europe for the manufacturing of aluminium alloy railway vehicle bodies, among other equipment, provide us the capacity to assemble aluminium alloy railway vehicle bodies with efficiency and precision. The Group expects its range of deep-processed products to be more diversified in 2013, further boosting its profit growth.

ALUMINIUM FLAT ROLLED PRODUCTS

A potential growth engine with high entry barrier

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


Land Purchased for Development of an Aluminium Processed Product Production Base
Headquarters and Industrial Aluminium Extrusion Product Production Base
Heilongjiang Province
Daqing City
Liaoning Province
Liaoyang City
Beijing
Tianjin
Aluminium Flat Rolled Product Production Base (Under Construction)
Hong Kong
Production
Office

Certifications and Honours

International Certifications

JANUARY

1 Passed ISO/TS16949 certification to fulfill the global uniform quality requirements stipulated by the automotive industry for its suppliers. It marked a key step to enter the automotive industry

AUGUST

2 Passed the International Railway Industry Standard (IRIS) certification third year in a row

SEPTEMBER

3 Passed the audit of IQNet and obtained ISO 14001:2004 Standard, representing the Group's manufacture of aluminium alloy profile satisfies international environment management system requirements

4 Passed the audit of IQNet and obtained ISO9001:2008 Standard, representing the Group's manufacture of aluminum alloy profile satisfies quality management system requirements

DECEMBER

5 Obtained EN15085 European Vehicles Welding Certificate second year in a row, enabling the Group to export large welded parts to EU.

Honours

AUGUST

6 Awarded “3rd Chinese Enterprises Environment Protection Qingxin Prize” by National Business Daily

7 The Company’s 2011 annual report won bronze at the “Vision Awards Annual Report Competition” hosted by the League of American Communications Professionals

SEPTEMBER

8 Awarded 1st place in “Top Ten Industrial Aluminium Extrusion Enterprises in China” by China Nonferrous Metals Fabrication Industry Association

NOVEMBER

9 Certified as “State Accredited Enterprise Technology Center”, the only enterprise ever received the honour in aluminium alloy processing industry in Liaoning Province

DECEMBER

Named as “State-level Pilot Innovative Enterprise” by Ministry of Science and Technology of the PRC, State-owned Assets Supervision and Administration Commission of the State Council, and All-China Federation of Trade Unions

10 Named one of the “Top 100 Aluminium Processing Enterprises” by China Aluminium Network

IT SAVES FUEL BECAUSE IT IS LIGHT-WEIGHT

An ideal green material, aluminium is light-weight. When applied in automotive manufacturing, it can reduce body weight, fuel consumption and greenhouse gas emissions.

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 am pleased to present the annual report on the results of the Group for the year ended 31 December 2012 (the "Year under Review") for your review.

Resilience – Seeking Progress on the Basis of Stable Development

China remained one of the most vibrant economies of the world in 2012 despite a slowdown in overall economic growth under the negative impact of the European sovereign debt crisis and lacklustre economic recovery of the United States (the "US"). China's domestic demand for aluminium products, especially high-end industrial aluminium extrusion products, continued to rise steadily. In 2012, the Group focused on business development in the PRC market and reported marked improvements in operating results for the Year under Review as it sought progress on the basis of stable development, with the benefit of its resilient execution ability reflected in measures to strengthen product research and development capabilities, upgrade production technology, optimize production capacity and step up market development efforts. The Group continued to persist in a business setup that focused on the three core operations, while pursuing developments in technologically advanced and high value-added aluminium processing. On top of fortifying our existing principal business in industrial aluminium extrusion products, we expanded the deep-processed industrial aluminium extrusion product business conducive to growth of exports and launched in an orderly manner the aluminium flat rolled product business complementary to the industrial aluminium product business, in a bid to drive future sustainable development of the Group.

Business Performance – Significant Turnaround

The Group had been implementing a market strategy focused on the China market and complemented by the overseas market since the second half of 2010 and, by 2012, a firm foundation had been successfully laid down in China, where we manufactured high precision industrial aluminium extrusion products for large enterprises on a customised basis in an aggressive move to contest shares in China's high-end market segment. Positive results have gradually been achieved:

- The Group's revenue and profit attributable to equity shareholders grew by 31.0% and 63.5% during the Year under Review to approximately RMB13.50 billion and RMB1.81 billion (2011: approximately RMB10.31 billion and RMB1.11 billion), respectively;
- Sales volume of aluminium extrusion products amounted to 555,670 tonnes, increasing by 25.6% as compared to last year and exceeding the Group's target of 500,000 tonnes for 2012;
- Sales in the China market increased by 25.7% year-on-year to approximately RMB12.37 billion in value, accounting for 91.6% of total sales. China has become the major source of our Group's revenue;
- The industrial aluminium extrusion deep-processing business has boosted our Group's efforts to expand exports to the US market. Revenue from the Group's export sales for the Year under Review increased by 141.6% to approximately RMB1.13 billion (2011: approximately RMB470 million) as compared to last year. The export-to-total sales ratio also increased to 8.4% (2011: 4.5%);
- The Group carried out equipment upgrades and product mix optimisation on an ongoing basis. Six large-scale extrusion presses of 75MN or above officially commenced production upon completion of installation and testing during the Year under Review; another eight large-scale extrusion presses are in the stage of final testing and are expected to officially commence production in mid-2013, by which time the Group will have over twenty extrusion presses of 75MN or above, four of which are 125MN extrusion presses, currently the most advanced in the world.

Industrial Aluminium Extrusion – Leading the Industry in Terms of Equipment Upgrades

Industrial aluminium extrusion business remains the cornerstone to the Group's ongoing development, providing strong support for the Group's development of aluminium flat rolled products in the form of economies of scale, technological expertise, customer base and stable cash flow. In view of increasing applications of high-end large-section aluminium extrusion products in the China market, the Group decided to introduce eighteen large-tonnage extrusion presses of 75MN or above from 2011 onwards. Ten of these presses officially commenced production by the end of 2012 upon completion of installation and testing procedures, such that the number of industrial aluminium extrusion production lines operated by the Group increased to 85 with an aggregate production capacity of over 900,000 tonnes per annum. Pending the official commissioning of the remaining eight large-scale extrusion press production lines, the total number of production lines of the Group will increase to 93 with an aggregate production capacity exceeding 1 million tonnes per annum. In terms of the strengths of equipment and technological standards, the Group has been at the forefront of the aluminium processing industry in the world. To improve our Group's long-term competitiveness through enhanced production capacity for high-end industrial aluminium extrusion products, we ordered during the Year under Review two 225MN horizontal single action aluminium extrusion presses, which are the largest and most advanced in the world. Deliveries of these presses are scheduled for 2014.

Aluminium alloy smelting and casting technology and die development are two of the core areas where the Group claims competitive strengths. The Group has built one of the nation's largest tilt smelting and casting production lines. During the Year under Review, the Group upgraded its existing smelting and casting equipment to cater to the newly installed large-scale extrusion equipment and procured additional high precision die-making equipment to meet increased production needs for aluminium extrusion dies and related processing workpieces.

Deep-processing Business – Reopening the Door to Overseas Markets

Deep-processed industrial aluminium extrusion products, which command high added value and are not subject to anti-dumping and countervailing policies of certain countries, will help the Group in exploring overseas markets. Therefore, the Group has been actively engaged since 2011 in the development of deep-processed product business, in connection with which a specialised deep-processing technology team has been established to further process industrial aluminium extrusion products into finished or semi-finished products for sale.

During the Year under Review, the new industrial aluminium extrusion product deep-processing centre completed construction and gradually commenced production at the end of 2012. Installation of the welding equipment imported from Europe for the manufacturing of aluminium alloy railway vehicle bodies has been completed, providing us the capacity to assemble aluminium alloy railway vehicle bodies with efficiency and precision. The Group expects sales to grow further in 2013 as its range of deep-processed products becomes increasingly diversified.

High Precision Aluminium Flat Rolled Products – Engine for Future Growth

The Group continued to advance the business of aluminium flat rolled products as scheduled, with plans to manufacture aluminium sheet, plate and foil products, including medium-to-high thickness aluminium plates. Aluminium flat rolled products are widely applied in aviation, aerospace, vessels, rail transportation, automobiles, machinery and equipment, beverage cans and packaging, etc. The end-customer groups of these sectors substantially overlap with those for industrial aluminium extrusion products.

Our production base for aluminium flat rolled products is located in Wuqing District, Tianjin. In the second half of 2012, the Group commenced the preliminary foundational construction work of the Tianjin production base for aluminium flat rolled products. Situated in proximity to the capital city, Tianjin is a transportation hub connecting North China, Northeast China and East China. Featuring the largest artificial harbour in North China, it enjoys a very prestigious geographical location that provides the main passage from the Pacific coast to the Eurasian inland and the major sea outlet for the Eurasian Land Bridge. Our presence in Wuqing District, a focal point for manufacturers of machinery and equipment, automobile parts and components and new materials, will facilitate the building of closer sales relations with downstream customers. The Group is stepping up its overseas recruitment of research and development and technical personnel in the aluminium processing industry to increase the pace of technological build-up and research and development for aluminium flat rolled products. Deliveries of the Group's major production equipment ordered from countries such as Germany and the US are scheduled to start at the end of 2013. In the two years ahead, the Group will roll out in force the construction work for phase I of the project, aiming to complete the building of production capacity of 1.80 million tonnes per annum and commence production by 2015 and to realize the overall capacity of 3 million tonnes per annum by 2018.

Given our leading edge in aluminium processing industry in terms of technology, talents, customer base and financial strength, the Group is fully confident in the future development of this business segment.

Technological Innovation – Numerous Honours and Awards

As a leading aluminium processing enterprise in the world, the Group is actively engaged in the proprietary research and development of high value-added innovative industrial aluminium extrusion products, which enhances its ability to manufacture customised aluminium extrusion products that meet in every dimension customers' technical requirements. In 2012, the Group was awarded the title of "State Accredited Enterprise Technology Centre" by five government ministries including the National Development and Reform Commission, making us the only aluminium processing enterprise in Liaoning Province to have received this honour in technological innovation at national level. We have also been named a "State-level Pilot Innovative Enterprise" by three ministries including the Ministry of Science and Technology. In 2012, the Group ranked first in the "Top 10 Chinese Industrial Aluminium Extrusion Product Enterprises" elected by China Non-ferrous Metals Manufacturing Industry Association.

China's Aluminium Processing Industry Holding out Broad Prospects

Given its light-weight and energy-saving features, superb heat and electricity conductivity and recyclability, aluminium has become an increasingly valued choice for sectors such as transportation, machinery and equipment, consumer product packaging and electrical equipment. The demand for aluminium flat rolled products is set to grow substantially, as the government encourages the development of such products as aluminium alloy plates for automobiles and vessels, aluminium materials for railway carriage bodies (including coal trains and oil tank trains, etc.), aluminium alloy materials for containers, broad-width thin sheets for aluminium cans, aluminium plates for solar power applications, and aluminium foils for pharmaceutical packaging as part of the government's ongoing drive for industry upgrade. The global automobile industry is developing towards lightness in weight and lower energy consumption, as the use of aluminium for the "four doors and two hoods" can reduce the weight of a vehicle body and reduce fuel consumption. Moreover, as the accelerating pace of China's urbanization process drives the demand for aluminium applications in railway transportation, the use of aluminium as a substitution for steel and copper has grown into a trend.

China is currently the world's largest producer and consumer of aluminium extrusion products. According to a report by The Boston Consulting Group, China's production capacity for aluminium extrusion products amounted to approximately 17.52 million tonnes in 2011, accounting for more than 60% of the world's total production capacity of approximately 28.23 million tonnes. Of China's actual consumption of approximately 10.43 million tonnes, representing approximately 60% of the world's total consumption of approximately 17.53 million tonnes, industrial aluminium extrusion products accounted for approximately 3.65 million tonnes while construction aluminium extrusion products made up the rest. Consumption of industrial aluminium extrusion products in China is expected to grow at a compound annual growth rate ("CAGR") of 9–13% to reach approximately 9.46 million tonnes by 2020, with product lines extended to high-end industrial applications.

The aluminium flat rolled product project vigorously developed by the Group holds out even greater market potential. According to the Boston Consulting Group report, China's consumption of aluminium flat rolled products will increase substantially from approximately 7.60 million tonnes in 2011, which accounted for approximately 40% of the world's total consumption of 18.55 million tonnes, to close to 16 million tonnes in 2020, representing a higher-than-global average CAGR of approximately 8–9%, to account for more than half of the world's consumption of approximately 31.66 million tonnes of aluminium flat rolled products[2].

Looking ahead, we will continue to focus on the China market while expanding the capacity for high-end industrial aluminium extrusion products and develop deep-processed products to enhance the Group's profitability. Meanwhile, the Group will continue to advance its aluminium flat rolled product project in an orderly manner to foster a long-term growth driver. By sharing resources in upstream raw materials, aluminium alloy smelting and casting technologies, product development technologies and downstream customer bases among the three core businesses, a business model underpinned by resource-sharing and mutually complementary business segments will be formed to provide a sound foundation for the Group's healthy and sustainable development.

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

Thank you.

Liu Zhongtian
Chairman

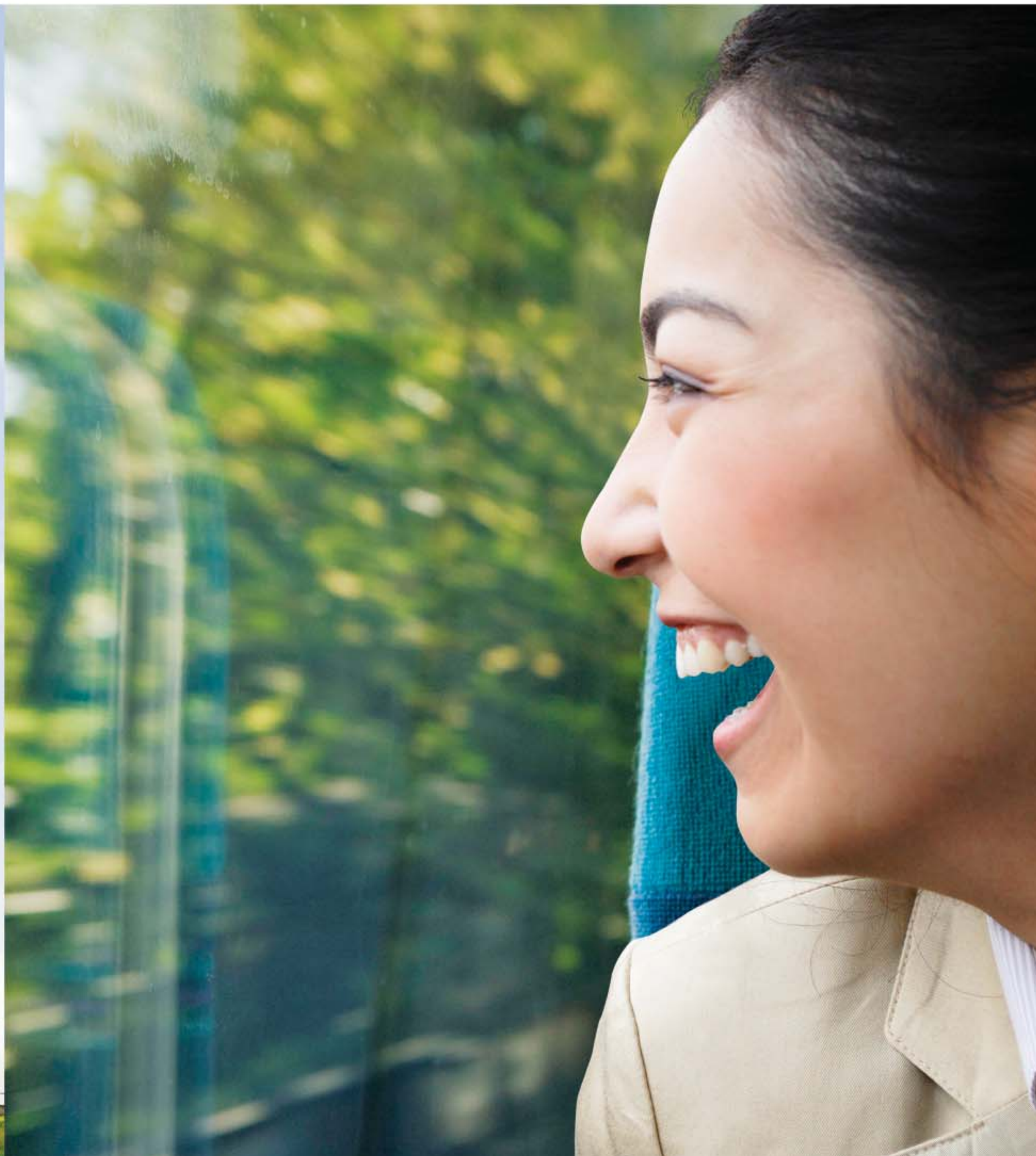
Hong Kong, 8 March 2013

[2] Data of aluminium extrusion production capacity and consumption and aluminium flat rolled product consumption are cited from a report by The Boston Consulting Group dated August 2012

IT RUNS FAST BECAUSE IT IS LIGHT-WEIGHT

Among the many benefits of aluminium alloys are their light weight, high strength and corrosion resistance. These attributes, coupled with the relative ease with which it can be machined and extruded into complicated shapes, make aluminium one of the world's most widely used metals. Aluminium extrusions are found in an endless range of industries, from trains to wind turbine blades for power generation.



Management Discussion and Analysis

People are enjoying, without knowing it, the benefits of aluminium even when taking a sip of soda. Of a full range of products to be manufactured by the aluminium flat rolled product business that our Group is actively developing, aluminium sheets are the raw materials used to manufacture aluminium cans.

I. Business Review

The Group is headquartered in Liaoyang City, Liaoning Province, China. The Group is principally engaged in the research and development, production and sales of a variety of premium-grade industrial aluminium extrusion products and deep-processed products in accordance with customers' stringent quality requirements and specification standards for product materials and processing technologies. The Group's products are mainly focused on applications in the transportation, machinery and equipment and electric power engineering sectors.

During the Year under Review, our revenue increased to approximately RMB13,497,170,000 from approximately RMB10,305,694,000 for the year 2011, representing a growth of 31.0%, of which the sales of aluminium extrusion products amounted to 555,670 tonnes and contributed revenue of approximately RMB12,943,436,000, both up by 25.6% over the previous year. Profit attributable to equity shareholders of the Company was approximately RMB1,806,783,000 for the Year under Review, an increase of 63.5% from approximately RMB1,105,027,000 for the year 2011. Earnings per share amounted to RMB0.33 (2011: RMB0.20).

In spite of the fluctuations of the world economy and the slowing growth rate of the overall economy in China, our Group managed to deliver the above notable performance because of our timely adjustments to short-term operation goals and medium-/long-term strategies under the leadership of our Board as well as our colleagues' concerted and dedicated efforts in meeting these targets.

The Group continued to increase its investment and optimize its equipment mix by expanding its capacity for high-end large-section industrial aluminium extrusion products in 2012. As at 31 December 2012, we had 85 extrusion presses in operation, 14 of which were large-scale extrusion presses of 55MN and above, including three extrusion presses of 125MN and three extrusion presses of 90MN. The total capacity added up to over 900,000 tonnes. Furthermore, eight additional large-scale extrusion presses are in the final stage of installation and testing. Upon completion of their installation and testing and the commencement of production, the Group's capacity for high precision, large-section industrial aluminium extrusion products will be further expanded and its aggregate production capacity will exceed 1 million tonnes. In May 2012, the Group announced that it had placed the order for two mega-sized 225MN extrusion presses, with a view toward enhancing its core competitiveness in large-section industrial aluminium extrusion products and meeting the demand of domestic and overseas customers for this type of products. The said equipment will be delivered successively within two years.

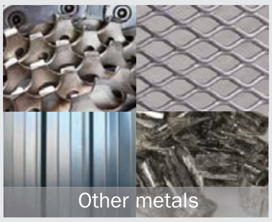
During the Year under Review, the Group substantially increased its investment in research and development to enhance its overall standards and secured remarkable achievements as a result. We not only participated in state-level science projects such as the *National Key New Product Plan* and the *State High Technology Research and Development Plan ("863 Program")*, but also undertook a number of scientific research projects at provincial and municipal levels. Our research and development centre was certified as a "State Accredited Enterprise Technology Centre" in 2012.

Meanwhile, the Group also owned world-class aluminium alloy tilt smelting and casting equipment and Asia's largest design and manufacturing centre for specialized industrial aluminium extrusion dies, both of which are closely associated with aluminium processing. Such state-of-the-art equipment, combined with the Group's solid strengths in technology and research and development talents, have fostered the Group's significant technological advantage in the aluminium processing industry, especially in the area of industrial aluminium extrusion production. This advantage also provides strong assurance for the Group to maintain its leading edge in the industry.

In order to empower its capability in deep-processing business, the Group purchased and installed relevant facilities such as the advanced gantry automatic welding machine, IGM integrated automatic welding machine, high-speed gantry machining centre, CNC machining centre, extrusion stretch-bending machine and roll bending machine. The newly built deep-processing centre completed installation and testing and gradually commenced production at the end of 2012. The development will enhance our production capacity in deep-processed products and lay a solid foundation for the extension of our business scope to high gross margin business of downstream products.

Smelting and Die Casting of Aluminium Alloy Billets - From Ingots to Billets


Aluminium ingots


Other metals


Tilt smelting furnace powered by LPG


Liquid aluminium alloy


Aluminium alloy billets

The Group owns and operates industry leading aluminium smelting and casting facilities, with LPG-powered tilt smelting furnaces. These facilities enable the Group to apply customized alloy formulae to produce aluminium alloy billets to meet different needs. Such facilities and technical knowhow are prerequisites for producing high-end industrial aluminium extrusion products.

Moreover, we are proceeding steadily in our high value-added aluminium flat rolled product project in accordance with our schedule. In March 2012, the Group acquired land use rights in Tianjin Municipality, the PRC, through auction. The land will be used for the construction of a new facility for the manufacturing of aluminium flat rolled products. This project has completed its preliminary land clearance work and started the tender process for construction sub-contracting. The installation of equipment for the first phase of the project with 1.8 million tonnes of designed annual production capacity is expected to be basically completed and production to commence in 2015, by which time we will initially achieve the aim of tapping the high value-added aluminium flat rolled product sector to become the third core business segment complementary to and synergistic with the existing industrial aluminium extrusion product and deep-processed product businesses.

II. Industry Analysis

Macro Economic Review for 2012

During 2012, the global economy had not completely freed itself from the gloom of the European debt crisis. While the overall situation had been stabilised through a range of relief measures and economic reform policies, no fundamental solution which would address the root of the problem had been identified and the euro-zone economy continued to be sluggish. Tentative signs of recovery in the US economy failed to give genuine confidence to the market because of uncertainties relating to the presidential election and the fiscal cliff. For emerging markets, however, a hard landing was basically avoided. China, in particular, reported steady economic development against an austere external environment and succeeded in keeping its composure amid the slowdown and securing growth, as the nation continued to drive forward in tandem with the government policy objective of seeking stable growth and structural adjustment.

According to economic data released by the National Bureau of Statistics of China, China's GDP amounted to approximately RMB51,932.2 billion in 2012 based on preliminary calculation, an increase of 7.8% over the previous year on comparable price basis. Output of industrial enterprises above designated size in China increased by 10.0%, year-on-year, at comparable prices. In particular, heavy industries recorded a growth of 9.9% while light industries increased by 10.1%. Industrial enterprises above designated size in China reported aggregate profit of approximately RMB5,557.8 billion, representing a growth of 5.3% year-on-year. While these figures dropped slightly as compared to the previous year, overall growth was well above the world average, demonstrating strong vitality of China's economy in achieving sustained growth.

Overview of China's Aluminium Extrusion Industry in 2012

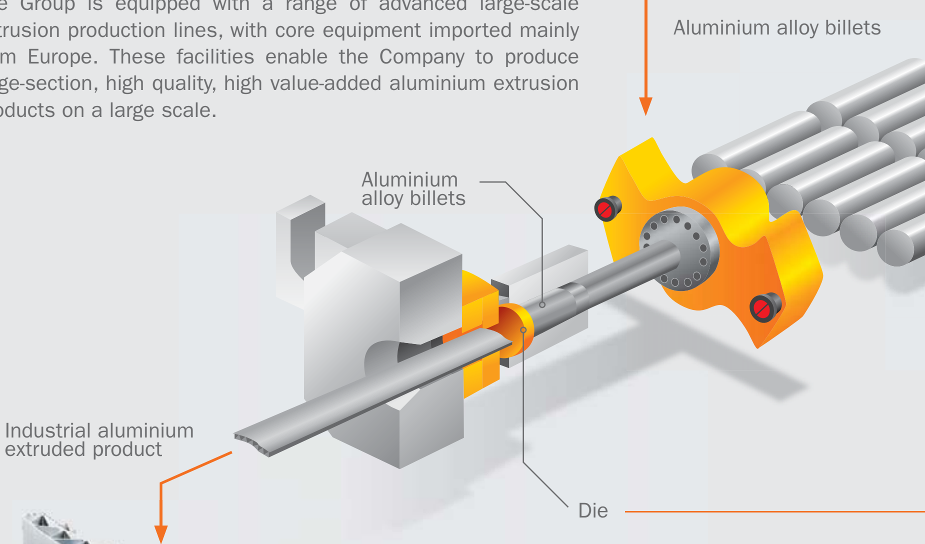
Slower growth of China's economy in 2012 and policies by the Chinese government to strengthen its regulation of the real estate industry in particular have undoubtedly created certain pressure on the fast-growing aluminium extrusion industry in China. A sluggish global economy and trade protection measures by developed countries in Europe and America against some Chinese aluminium products have also made it more difficult for Chinese aluminium extrusion enterprises to explore overseas markets. However, increasingly extensive applications of aluminium products and growing importance of their role in national economy have helped the formation of a huge China market, which effectively eased the pressure from some negative elements of the macro-economy on Chinese aluminium extrusion industry. Chinese aluminium extrusion industry achieved relatively fast growth in 2012. According to the estimates by China Nonferrous Metals Fabrication Industry Association, total production of aluminium extrusion products in China amounted to approximately 14 million tonnes in 2012, representing an increase of 15.0% over 2011. The rate of growth is much higher than 7.8% of growth for the overall Chinese economy. The amount of actual consumption of aluminium extrusion products in China was slightly smaller than the amount of production, but its rate of growth was roughly in line with that of production. Based on the amount of actual consumption of approximately 10.43 million tonnes in 2011[3], the amount of actual consumption in 2012 was estimated to be approximately 12 million tonnes.

China has generally reached the medium to top level by world standards in terms of aluminium extrusion equipment, die manufacturing equipment, relevant fundamental technologies and processes and quality inspection and testing, but has yet to claim advanced standards in smelting and casting, product research and development, high-end precision extrusion and deep-processing. Moreover, the nation's extrusion industry is unfavourably characterized by excessive number of enterprises in operation, low concentration of production capacities and volumes, as well as a significant level of homogeneity in output. As much as presenting challenges to China' aluminium extrusion industry, these issues and gaps also mean that there are opportunities in the industry for further growth.

[3] Data is cited from a report by The Boston Consulting Group dated August 2012

Aluminium Extrusion Process – From Aluminium Alloy Billets to Profiles

The Group is equipped with a range of advanced large-scale extrusion production lines, with core equipment imported mainly from Europe. These facilities enable the Company to produce large-section, high quality, high value-added aluminium extrusion products on a large scale.



Extrusion is a mechanical manufacturing process by which an aluminium alloy billet is transformed into a specific shape. During the process, the billet is forced under pressure through an extrusion die. The Group has a diversified product portfolio with wide applications in the transportation, machinery and equipment, as well as electrical engineering and new energy sectors.

The Group operates the largest die design and manufacturing center for special industrial aluminium extrusion products in Asia. In-house die design and production enable the Group to cooperate with key customers to produce customized aluminium extrusion products and shorten production cycle.

Price Trends of Aluminium Ingots

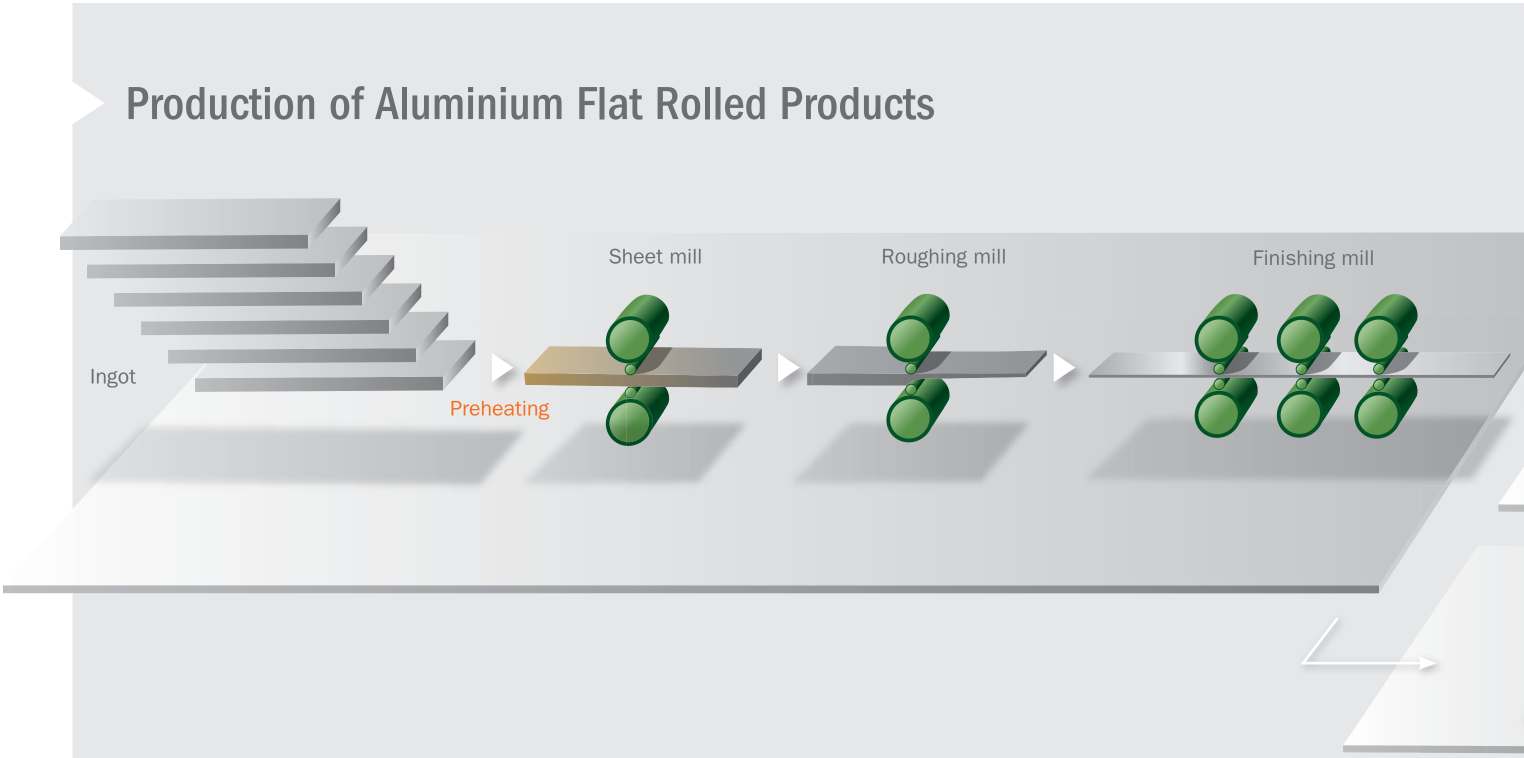
Aluminium ingots are the Group's major production raw materials and form a major component in its cost of sales. As a result of the global economic downturn, international prices of aluminum ingots hovered at low levels in 2012 and the average monthly price had declined to below US$1,900 per tonne by mid-year, followed by a slight rebound in the late second half of the year without strong support. The annual average price was US$2,023 per tonne, similar to the average price in December 2011, a decrease of 15.6% from US$2,398 per tonne in 2011.

Affected by excess capacity of electrolytic aluminium and slowing down in economic growth, China's domestic aluminium ingot prices decreased from about RMB16,000 per tonne at the beginning of the year to RMB15,169 per tonne at the end of the year, translating into an annual average price of RMB15,705 per tonne, a decrease of 6.7% as compared to the annual average price of RMB16,833 per tonne in 2011. The percentage of decrease was slightly lower than that for international prices of aluminium ingots.

III. Future Prospects

Despite the adverse impact of slowdown of economic growth in China and continuous weakness in global economy on China's aluminium processed product market in the short term, the Group is very optimistic about prospects for the development of China's aluminium processed product industry. Because of its light-weight and hard substance, strong performance in corrosion resistance and antioxidation, electric conduction and heat transfer, ease in processing, recyclability, etc., aluminium alloy has become the unrivalled choice of industrial materials for the purpose of proactively and reliably putting forward government policy of advancing novel urbanization, industrial structural alignment and the achievement of the strategic goal of sustainable development. It is widely used in national economic sectors such as transportation, electrical and mechanical equipment, defense, electric power engineering, energy, construction and interior decoration. In particular, it plays a pivotal role in energy conservation, reduction of emission and light-weight development in transportation. Its substitution effect in relation to other metals is also becoming more apparent, signifying a very broad prospect of applications of aluminium alloy.

According to a report by The Boston Consulting Group, during the period from 2011 to 2015, China's market demand for industrial aluminium extrusion products will grow at an annual rate of 13%, reaching approximately 6.04 million tonnes in 2015; and China's aluminum flat rolled product market demand will grow at an annual rate of 9% to approximately 10.85 million tonnes in 2015. The market size of industrial aluminium extrusion products and aluminum flat rolled products will amount to approximately 9.46 million tonnes and approximately 15.99 million tonnes, respectively, in 2020, representing an annual growth rate of 9% and 8%, respectively, in these five years.



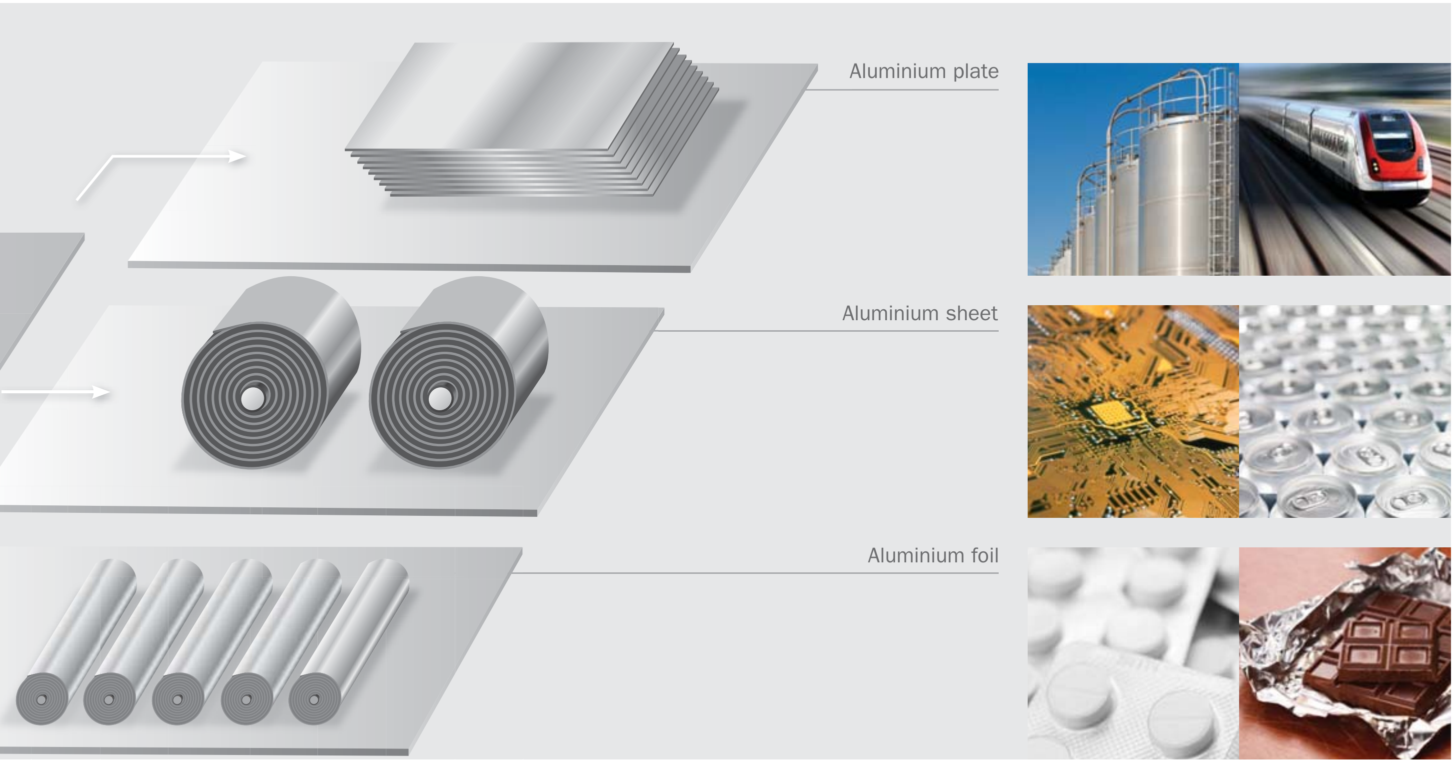
The future development of aluminium processing industry shall not rely only on expansion in scale. The Chinese government deliberately directs the industry towards high-end development. The government has introduced a series of plans and guidance in recent years including the *"Special Development Plan for the Aluminium Industry during the 12th Five-Year Period"*, the *"12th Five-Year Development Plan for the Nonferrous Metal Industry"*, the *"State Guiding Catalog of Industrial Structure Adjustment (2011)"*, the *"12th Five-Year Development Plan for New Materials Industry"*, the *"12th Five-Year Development Plan for High-end Equipment Manufacturing Industry"* and the *"Development Plan for Energy-saving and New-energy Automotive Industry"*, all of which have emphasized vigorous development of high-end product projects and strategies for refined-/deep-processing, supporting extensive applications of aluminium alloys. This presents a good development opportunity for China Zhongwang Holdings Limited, which has positioned itself over the years as a supplier of high-end products embodying advanced technologies.

In view of the above, the management of our Group has formulated the following key development strategies:

1. Enhancing the Group's core competitiveness through increased efforts in research and development: Besides substantial increase in research and development expenditures, we will reinforce cooperation in scientific research with leading research institutes in various industries as well as leading institutes of higher learning, so as to improve in an all-round manner our comprehensive strengths from production processes to new product development;

2. Ongoing implementation of our production capacity optimisation and expansion plan: Completion by 2013 of the installation and testing of the remaining 8 presses of the 18 large extrusion presses of 75MN or above in our expansion programme and completion of the installation and testing of 2 mega-sized 225MN extrusion presses by the end of 2014 to cement the Group's absolute leading edge in the production of high precision, large-section industrial aluminium extrusion products;

3. Vigorous development of the deep-processing business: Leveraging the advanced production facilities of the newly constructed deep-processing centre and formidable strength of our Group's research and development centre, we will extend the product categories and market coverage of our deep-processed products in order to raise the Group's overall profit by enhancing the share of deep-processed products in total sales;



4. Ongoing proactive and effective implementation of the project for high value-added aluminium flat rolled products to provide a new impetus for the Group's long-term development: The Group's Tianjin project for high value-added aluminium flat rolled products is now in the stage of solid implementation. The construction or installation of the plants and ancillary facilities of the project is progressing in stages as scheduled. The first phase of the project with a designed annual production capacity of 1.80 million tonnes is expected to complete equipment installation and commence production in 2015, by which time aluminum flat rolled products business will become an important source of revenue and profit growth for the Group;

5. Timely response to market demands and changes and enhanced intensity and depth of market development efforts: The market strategy of focusing mainly on the domestic market and developing the overseas market on a complementary basis will continue to be implemented. While cementing our relationships with existing customers, we will also step up our efforts to develop customers through flexible and diversified approaches, with a view to enlarging our market shares for industrial aluminium extrusion products and deep-processed products while paving the way for future sales of high value-added aluminium flat rolled products.

The Group believes that the effective implementation of these development strategies will enable it to establish three resource-sharing and complementary core business segments, namely industrial aluminium extrusion products, deep-processed products and high value-added aluminium flat rolled products, which will further extend the Group's industry chain, broaden its scope of business, diversify its profit sources and facilitate sustainable development, providing assurance for stronger and longer-term return for shareholders.

IV. Financial Review

For the Year under Review, the Group's revenue amounted to approximately RMB13,497,170,000, representing an increase of 31.0% from the year ended 31 December 2011 (the "Year 2011"). Profit attributable to equity shareholders of the Company amounted to approximately RMB1,806,783,000, an increase of 63.5% over the Year 2011. The earnings per share was RMB0.33 for the Year under Review (Year 2011: RMB0.20).

A comparison of the financial results for the Year under Review and Year 2011 is set out as follows.

Revenue

During the Year under Review, the Group's total revenue amounted to approximately RMB13,497,170,000 (Year 2011: approximately RMB10,305,694,000), representing a growth of 31.0%. Our major revenue was generated from sales of aluminium extrusion products which amounted to approximately RMB12,943,436,000 or 95.9% (Year 2011: 100.0%) of the total revenue. Other revenue primarily came from the trading business, which generated revenue of approximately RMB553,734,000 during the Year under Review, accounting for 4.1% (Year 2011: nil) of the total revenue.

The following sets forth the breakdowns of our Group's revenue, sales volume and average selling price by aluminium extrusion business segments for the Year under Review and Year 2011.

	For the year ended 31 December									
	2012					2011				
	Revenue (RMB'000)	%	Sales volume (tonnes)	%	Average selling price (RMB/tonne)	Revenue (RMB'000)	%	Sales volume (tonnes)	%	Average selling price (RMB/tonne)
Aluminium extrusion business										
Industrial segment	**12,183,074**	**94.1%**	**515,018**	**92.7%**	**23,656**	9,648,341	93.6%	409,304	92.5%	23,573
Construction segment	**760,362**	**5.9%**	**40,652**	**7.3%**	**18,704**	657,353	6.4%	33,202	7.5%	19,799
Total	**12,943,436**	**100.0%**	**555,670**	**100.0%**	**23,293**	10,305,694	100.0%	442,506	100.0%	23,289

Revenue from the Group's aluminium extrusion business increased by 25.6% from approximately RMB10,305,694,000 for the Year 2011 to approximately RMB12,943,436,000 for the Year under Review. The Group's total product sales volume in aluminium extrusion business increased by 25.6% from 442,506 tonnes for the Year 2011 to 555,670 tonnes for the Year under Review. The increase in revenue and sales volume of the Group's aluminium extrusion business was principally due to growth in product sales of the industrial segment. During the Year under Review, the average selling price of the Group's aluminium extrusion products was RMB23,293 per tonne, roughly in line with the average selling price of RMB23,289 per tonne for the Year 2011.

	For the year ended 31 December									
	2012					2011				
	Revenue (RMB'000)	%	Sales volume (tonnes)	%	Average selling price (RMB/tonne)	Revenue (RMB'000)	%	Sales volume (tonnes)	%	Average selling price (RMB/tonne)
Industrial segment										
Industrial aluminium extrusion products	**11,222,812**	**92.1%**	**487,133**	**94.6%**	**23,038**	9,375,530	97.2%	402,428	98.3%	23,297
Deep-processed products	**960,262**	**7.9%**	**27,885**	**5.4%**	**34,437**	272,811	2.8%	6,876	1.7%	39,676
Total	**12,183,074**	**100.0%**	**515,018**	**100.0%**	**23,656**	9,648,341	100.0%	409,304	100.0%	23,573

Revenue from the Group's industrial segment increased by 26.3% from approximately RMB9,648,341,000 for the Year 2011 to approximately RMB12,183,074,000 for the Year under Review. Total sales volume of the Group's industrial segment increased by 25.8% from 409,304 tonnes for the Year 2011 to 515,018 tonnes for the Year under Review. The increase was principally attributable to growth in sales volume of both our industrial aluminium extrusion products and deep-processed products. During the Year under Review, the average selling price of our industrial segment products increased slightly from RMB23,573 per tonne for the Year 2011 to RMB23,656 per tonne. The increase was principally due to increases during the Year under Review in revenue and sales volume of deep-processed products, which commanded higher average selling prices, over those of our deep-processed products for the Year 2011.

Revenue from the Group's industrial aluminium extrusion products amounted to approximately RMB11,222,812,000 for the Year under Review, an increase of 19.7% from approximately RMB9,375,530,000 for the Year 2011, mainly because of higher sales volume of the Group's industrial aluminium extrusion products for the Year under Review. The Group's sales volume of industrial aluminium extrusion products increased by 21.0% from 402,428 tonnes for the Year 2011 to 487,133 tonnes for the Year under Review, principally due to the fact that our focused development of the domestic market had led to an increase in domestic sales of our industrial aluminium extrusion products. The average selling price of the Group's industrial aluminium extrusion products dropped by 1.1% from RMB23,297 per tonne for the Year 2011 to RMB23,038 per tonne for the Year under Review, mainly because higher processing fees for industrial aluminium extrusion products partially offset lower prices for aluminium ingots during the Year under Review.

To address changes in the external market environment on the basis of its research and judgment on the future development trends of the aluminium processing industry, the Group fully leveraged its existing technologies and market and customer resources in the upstream and downstream of the industry chain to develop high-margin deep-processed products, in connection with which a new deep-processing centre completed construction at the end of 2012 to further increase the Group's production capacity for deep-processed products so that it would become an important profit growth point for the Group. The sales volume of the Group's deep-processed products increased by 305.5% from 6,876 tonnes for the Year 2011 to 27,885 tonnes for the Year under Review, raising the revenue from deep-processed products by 252.0% from approximately RMB272,811,000 for the Year 2011 to approximately RMB960,262,000 for the Year under Review. The average selling price of the Group's deep-processed products decreased by 13.2% from RMB39,676 per tonne for the Year 2011 to RMB34,437 per tonne for the Year under Review. The decrease was primarily due to certain price concessions we offered to existing deep-processed product customers in our effort to further expand the overseas markets and boost export sales.

Revenue from the Group's construction segment increased by 15.7% from approximately RMB657,353,000 for the Year 2011 to approximately RMB760,362,000 for the Year under Review, which was mainly attributable to an increase in product sales of our construction segment. The sales volume of the Group's construction segment increased by 22.4% from 33,202 tonnes for the Year 2011 to 40,652 tonnes for the Year under Review, while the average selling price decreased by 5.5% from RMB19,799 per tonne for the Year 2011 to RMB18,704 per tonne for the Year under Review primarily because of price decline of aluminium ingots during the Year under Review.

Besides the production and sales of aluminium extrusion products, the Group also engaged in other businesses, which primarily consisted of the provision of trading services in metallic materials such as aluminium ingots and aluminium billets to external customers. The said products were sourced from domestic suppliers. For the Year under Review, the Group's revenue generated from other businesses amounted to approximately RMB553,734,000.

Geographically, the Group's overseas clients mainly came from countries and regions such as the US. For the Year under Review, our revenue from overseas sales amounted to approximately RMB1,128,411,000 (Year 2011: approximately RMB467,108,000), representing 8.4% (Year 2011: 4.5%) of the Group's total revenue.

The following sets forth the breakdowns of our revenue by geographical regions for the Year 2011 and the Year under Review:

	For the year ended 31 December			
	2012		2011	
	(RMB'000)	**%**	(RMB'000)	%
PRC	**12,368,759**	**91.64%**	9,838,586	95.47%
US	**1,123,198**	**8.32%**	404,545	3.93%
Others	**5,213**	**0.04%**	62,563	0.60%
Total	**13,497,170**	**100.00%**	10,305,694	100.00%

The Group has achieved positive results in developing domestic customers since we shifted our focus back to the domestic market in 2011. For the Year under Review, our domestic revenue increased significantly by 25.7% to approximately RMB12,368,759,000 from approximately RMB9,838,586,000 for the Year 2011. Our new customers included large-scale corporate groups from sectors such as transportation, electric power engineering, and machinery and equipment.

Currently, the Group's product sales to the US comprise mostly deep-processed products. The increase in deep-processed product sales led to a substantial growth in export sales to the US for the Year under Review as compared to Year 2011. Our export revenue from the US significantly increased by 177.6% from approximately RMB404,545,000 for the Year 2011 to approximately RMB1,123,198,000 for the Year under Review, which was mainly due to our continuous expansion of production scale in deep-processed products in response to demand for these products in international markets.

Cost of Sales

Our cost of sales increased by 26.6% to approximately RMB10,237,582,000 for the Year under Review from approximately RMB8,083,397,000 for the Year 2011. The increase was mainly due to growth of aluminium extrusion product sales during the Year under Review.

The cost of sales of our industrial segment increased by 19.6% to approximately RMB8,958,826,000 for the Year under Review from approximately RMB7,488,373,000 for the Year 2011. The increase was mainly due to higher sales volume of our industrial aluminium extrusion products and deep-processed products. The unit cost of the Group's industrial segment decreased by 4.9% to RMB17,395 per tonne for the Year under Review from RMB18,295 per tonne for the Year 2011, primarily due to decline of aluminium ingot prices during the Year under Review.

The cost of sales of our industrial aluminium extrusion products increased by 14.5% to approximately RMB8,421,717,000 for the Year under Review from approximately RMB7,352,103,000 for the Year 2011. The increase was mainly due to higher sales volume of our industrial aluminium extrusion products. The Group's unit cost of industrial aluminium extrusion products decreased by 5.4% to RMB17,288 per tonne for the Year under Review from RMB18,269 per tonne for the Year 2011, primarily due to decline of aluminium ingot prices during the Year under Review.

The cost of sales of our deep-processed products increased by 294.2% to approximately RMB537,109,000 for the Year under Review from approximately RMB136,270,000 for the Year 2011. The increase was mainly due to a substantial growth of our export sales of deep-processed products to the US. The Group's unit cost of deep-processed products decreased by 2.8% to RMB19,262 per tonne for the Year under Review from RMB19,818 per tonne for the Year 2011, primarily due to decline of aluminium ingot prices during the Year under Review.

The cost of sales of our construction segment products increased by 22.7% to approximately RMB730,343,000 for the Year under Review from approximately RMB595,024,000 for the Year 2011. The increase was mainly due to higher sales volume of the construction segment. The unit cost of the Group's construction segment for the Year under Review was roughly the same as the unit cost for the Year 2011.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 46.7% from approximately RMB2,222,297,000 for the Year 2011 to approximately RMB3,259,588,000 for the Year under Review. The increase was mainly due to increases in sales of aluminium extrusion products for the Year under Review. The following sets forth the breakdowns of our gross profit, share in gross profit and gross profit margin by aluminium extrusion business segments for the Year under Review and Year 2011:

	For the year ended 31 December					
	2012			2011		
	Gross profit (RMB'000)	**%**	**Gross profit margin**	Gross profit (RMB'000)	%	Gross profit margin
Aluminium extrusion business						
Industrial segment	**3,224,248**	**99.1%**	**26.5%**	2,159,968	97.2%	22.4%
Construction segment	**30,019**	**0.9%**	**3.9%**	62,329	2.8%	9.5%
Total	**3,254,267**	**100.0%**	**25.1%**	2,222,297	100.0%	21.6%

The Group typically sets prices for its aluminium extrusion products on a "cost-plus" basis. Processing charges are added as components of final prices, taking into account the complexity of product design, level of precision of a product, size of the relevant contract, our trading history and relationship with customers, and the overall market condition and demand.

Our gross profit from aluminium extrusion product business increased by 46.4% to approximately RMB3,254,267,000 for the Year under Review from approximately RMB2,222,297,000 for the Year 2011. Our overall gross profit margin for aluminium extrusion product business increased to 25.1% for the Year under Review from 21.6% for the Year 2011. The increase was primarily attributable to increase in gross profit margins of industrial segment products which accounted for larger share of our total sales thanks to our focus on developing the domestic market.

	For the year ended 31 December					
	2012			2011		
	Gross profit (RMB'000)	%	Gross profit margin	Gross profit (RMB'000)	%	Gross profit margin
Industrial segment						
Industrial aluminium extrusion products	**2,801,095**	**86.9%**	**25.0%**	2,023,427	93.7%	21.6%
Deep-processed products	**423,153**	**13.1%**	**44.1%**	136,541	6.3%	50.0%
Total	**3,224,248**	**100.0%**	**26.5%**	2,159,968	100.0%	22.4%

Gross profit from the Group's industrial segment increased by 49.3% to approximately RMB3,224,248,000 for the Year under Review from approximately RMB2,159,968,000 for the Year 2011. Overall gross profit margin of the industrial segment increased to 26.5% for the Year under Review from 22.4% for the Year 2011. The increase was primarily attributable to increase in gross profit margins of industrial aluminium extrusion products and growth of the share of deep-processed products, which command higher gross profit margins, in the total sales.

Our gross profit from industrial aluminium extrusion products increased by 38.4% to approximately RMB2,801,095,000 for the Year under Review from approximately RMB2,023,427,000 for the Year 2011. The increase was mainly due to growth of sales in industrial aluminium extrusion products thanks to our focus on developing the domestic market. The gross profit margin of our industrial aluminium extrusion products increased to 25.0% for the Year under Review from 21.6% for the Year 2011, primarily because we enjoyed a higher average processing fee for the Group's industrial aluminium extrusion products as a result of the Group's expansion of production capacity for high-end large-section industrial aluminium extrusion products through continuous investment in equipment and optimization of equipment mix.

The Group's gross profit from deep-processed products increased by 209.9% from approximately RMB136,541,000 for the Year 2011 to approximately RMB423,153,000 for the Year under Review. The increase was primarily due to growth of sales of Group's deep-processed products to the US. The gross profit margin of our deep-processed products decreased from 50.0% for the Year 2011 to 44.1% for the Year under Review. The decrease was primarily due to certain price concessions we offered to existing deep-processed product customers in our effort to further expand the overseas markets and boost export sales.

The Group's gross profit from construction segment decreased by 51.8% to approximately RMB30,019,000 for the Year under Review from approximately RMB62,329,000 for the Year 2011. The gross profit margin of the Group's construction segment decreased from 9.5% for the Year 2011 to 3.9% for the Year under Review primarily because market competition led to a lower average selling price.

Investment Income

The Group's investment income consists of interest income from bank deposits and short-term investments.

The bank interest income increased by 46.0% to approximately RMB175,087,000 for the Year under Review from approximately RMB119,887,000 for the Year 2011, which was primarily attributable to:

(i) a relatively large proportion of agreement savings which command higher interest rates in the Group's bank deposit balances, raising the average interest rate of bank deposits to 0.96% per annum, higher than the average interest rate of 0.66% per annum of the bank deposits in the Year 2011;

(ii) a higher proportion of fixed deposits which command higher interest rates. During the Year under Review, the average fixed deposit interest rate was 3.5%, also higher than the average fixed deposit interest rate of 3.3% in the Year 2011.

The Group recorded short-term investment gains of approximately RMB1,969,000 from bank investment products for the Year under Review against short-term investment gains from these products of approximately RMB25,825,000 for the Year 2011. The substantial decline of these gains was mainly because we increased capital investments and reduced these types of short-term investments.

Other Income, Other Gains and Losses

Other income, other gains and losses recorded a net gain of approximately RMB203,076,000 for the Year under Review, an increase of approximately RMB184,682,000 over approximately RMB18,394,000 for the Year 2011. This was principally due to the facts that:

(i) there was an increase in government subsidies of approximately RMB186,811,000 to approximately RMB211,736,000 for the Year under Review from approximately RMB24,925,000 for the Year 2011. The aggregate amount of government subsidies for business development and technological research received by us in each period is determined and distributed by relevant PRC authorities at their sole discretion;

(ii) our disposal of property, plant and equipment incurred losses of approximately RMB10,237,000 for the Year under Review, which mainly consisted of the losses from discarding two machines for the year, while we recorded gains of approximately RMB2,029,000 from disposal of property, plant and equipment for the Year 2011; and

(iii) for other items such as foreign exchange gains and losses and income from disposal of crap materials, consumables and dies, etc., we incurred a net loss of approximately RMB8,560,000 for the Year 2011 whereas we recorded a net gain of approximately RMB1,577,000 for the Year under Review.

Selling and Distribution Costs

Selling and distribution costs primarily consist of advertising and promotional expenses, salaries of sales staff, transportation costs, etc. These costs increased by 13.0% to approximately RMB132,025,000 for the Year under Review from approximately RMB116,851,000 for the Year 2011, which was primarily attributable to:

(i) an increase of 115.9% in transportation costs from approximately RMB9,387,000 for the Year 2011 to approximately RMB20,265,000 for the Year under Review, which was primarily due to increases in relevant overseas transportation costs as a result of increased export sales of our deep-processed products. The relevant overseas transportation costs refer to charges incurred in delivery of the Group's products from our plants to ports of export;

(ii) an increase of 40.9% in salaries of sales staff from approximately RMB15,127,000 for the Year 2011 to approximately RMB21,313,000 for the Year under Review, which was primarily due to salary increases of sales staff as a result of our focus on the development of domestic market;

(iii) a decrease of 4.9% in advertising and promotional expenses from approximately RMB88,327,000 for the Year 2011 to approximately RMB83,988,000 for the Year under Review; and

(iv) an increase of 61.1% in other selling expenses from approximately RMB4,010,000 for the Year 2011 to approximately RMB6,459,000 for the Year under Review.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise research and development expenditures, land use taxes, amortization of land use right, wages, salaries and benefits, intermediary fees, depreciation charges of office equipment, share option expenses, bank fees, and other related administrative and operating charges.

Administrative and other operating expenses increased by 185.1% to approximately RMB792,589,000 for the Year under Review from approximately RMB278,015,000 for the Year 2011. The increase was primarily attributable to the facts that:

(i) research and development expenditures recorded under administrative and other operating expenses increased to approximately RMB398,944,000 for the Year under Review from approximately RMB17,737,000 for the Year 2011. The substantial increase mainly resulted from the research and development that the Group conducted during the Year under Review, with a view toward further developing high value-added, refined-/deep-processed industrial aluminium products, on core sets of technologies for large and complex cross-section aluminium extrusion structural parts for transportation equipment in such sectors as aviation and aerospace, railway vehicles, heavy trucks and passenger cars etc.

(ii) land use taxes increased to approximately RMB163,265,000 for the Year under Review from approximately RMB65,138,000 for the Year 2011 because of the successive acquisitions of land use right in Liaoning Province and Heilongjiang Province, China since the Year 2011;

(iii) amortization expenses of land use right increased to approximately RMB64,086,000 for the Year under Review from approximately RMB13,298,000 for the Year 2011 because of the successive acquisitions of land use right in Liaoning Province, Heilongjiang Province, and Tianjin Municipality, China since 2011;

(iv) non-cash charges recognized by the Group arising from share options calculated at fair value decreased to approximately RMB23,386,000 for the Year under Review from approximately RMB33,764,000 for the Year 2011; and

(v) other administrative and operating related expenses decreased to approximately RMB142,908,000 for the Year under Review from approximately RMB148,078,000 for the Year 2011.

Share of Profit of an Associate

Share of profit of an associate of the Group for the Year under Review was approximately RMB3,803,000 (Year 2011: approximately RMB208,000), which is the income recognized using equity-method accounting for the investment in CR Zhongwang Aluminium Company Limited. A wholly-owned subsidiary of the Company, Liaoning Zhongwang Group Company Limited ("Zhongwang PRC") and China Railway Materials Shenyang Company Limited established a joint venture, CR Zhongwang Aluminium Company Limited, on 18 November 2011. Zhongwang PRC holds 49.0% of the equity of the joint venture.

Finance Costs

Our finance costs decreased by 18.8% from approximately RMB463,720,000 for the Year 2011 to approximately RMB376,458,000 for the Year under Review.

For the Year under Review, there had been an increase in the Group's borrowing as compared to the Year 2011, but finance costs were reduced as a result of interest capitalization.

For the Year under Review, the interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment amounted to approximately RMB170,257,000 (Year 2011: nil) at an annualized capitalization rate of 5.16% (Year 2011: nil).

During the Year 2011 and the Year under Review, the Group's bank loans carried average interest rates of 6.19% and 5.22% per annum, respectively; the debentures carried interest rates ranged from 4.07% to 5.68% per annum.

Profit Before Taxation

Our profit before taxation increased by 53.3% from approximately RMB1,528,025,000 for the Year 2011 to approximately RMB2,342,451,000 for the Year under Review, which was primarily attributable to the factors described above in this section.

Income Tax Expense

Our income tax expense increased by 26.6% to approximately RMB535,668,000 for the Year under Review from approximately RMB422,998,000 for the Year 2011, which was primarily attributable to the growth in profit before taxation. Our effective tax rates for the Year 2011 and the Year under Review were 27.7% and 22.9%, respectively.

During the Year under Review, the Group's effective tax rate was lower than that for the Year 2011, mainly because that we had higher research and development expenditures for the Year under Review than 2011 and 50% of the expenditures were applied to directly offset taxable income this year in calculations for income tax expense at year end (According to *Enterprise Income Tax Law of the PRC*, if research and development expenditures is charged to profit or loss but not accounted as intangible assets, 50% of the research and development expenditures incurred during a year can be applied to directly offset taxable income for the year).

Profit Attributable To Equity Shareholders

The Company's profit attributable to equity shareholders increased by 63.5% to approximately RMB1,806,783,000 for the Year under Review from approximately RMB1,105,027,000 for the Year 2011. Our net profit margin increased from 10.7% for the Year 2011 to 13.4% for the Year under Review, which was primarily attributable to the factors described above in this section.

Cash Flows

Cash flows of the Group for the Year under Review and Year 2011 are as follows:

	For the year ended 31 December	
	2012 (RMB'000)	2011 (RMB'000)
Net cash from operating activities	**630,518**	3,446,487
Net cash used in investing activities	**(6,629,842)**	(9,579,649)
Net cash from/(used in) financing activities	**3,767,242**	(1,007,984)

Net Current Assets

As at 31 December 2012, the Group had net current assets of approximately RMB2,226,671,000, 68.6% lower than net current assets of approximately RMB7,092,413,000 as at 31 December 2011. The decrease was mainly due to decline in current assets and increase in current liabilities:

(i) As at 31 December 2012, the Group's current assets amounted to approximately RMB12,975,365,000, a decrease of approximately RMB2,654,118,000 as compared with approximately RMB15,629,483,000 as at 31 December 2011. The decrease was primarily due to decline in cash and cash equivalents, pledged bank deposits and short-term deposits; and

(ii) As at 31 December 2012, the Group's current liabilities amounted to approximately RMB10,748,694,000, an increase of approximately RMB2,211,624,000 as compared with approximately RMB8,537,070,000 as at 31 December 2011. The increase was primarily due to rises in short-term bank and other loans and the reclassification of debentures matured within a year from long-term liabilities as at 31 December 2011 to current liabilities as at 31 December 2012.

Liquidity

As at 31 December 2012 and 31 December 2011, we had cash and cash equivalents of approximately RMB7,890,144,000 and approximately RMB10,122,226,000, respectively, and balances of pledged bank deposits of approximately RMB67,648,000 and RMB728,916,000, respectively. As at 31 December 2012, the Group had no short-term deposit (31 December 2011: approximately RMB1,731,285,000).

Borrowings

As at 31 December 2012, our total debentures and bank loans amounted to approximately RMB11,767,472,000, an increase of approximately RMB4,237,472,000 over approximately RMB7,530,000,000 as at 31 December 2011.

As at 31 December 2012, the Group's debentures and bank loans shown under current liabilities amounted to approximately RMB6,488,172,000 (31 December 2011: RMB4,020,000,000) and debentures and bank loans shown under non-current liabilities amounted to approximately RMB5,279,300,000 (31 December 2011: RMB3,510,000,000). Further details are disclosed in notes 26 and 27 to the consolidated financial statements of this annual report.

The Group's gearing ratio was approximately 48.0% as at 31 December 2012, while it was approximately 43.6% as at 31 December 2011. The ratio was calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

As at 31 December 2012, save for pledged bank deposits, the Group had a total value of approximately RMB972,400,000 of pledged assets, which are five sets of horizontal single action aluminium extrusion presses used for financing arrangement, while, as at 31 December 2011, the Group did not pledge any assets for financing arrangement except for pledged bank deposits.

On 31 July 2012, the Group sold certain equipment to a financial institution at RMB800,000,000 and then leased back for five years at RMB183,612,000 per annum. The Group has an option to buy back these equipment at RMB1 on 1 August 2017 when the lease term expires, i.e. the bargain purchase option. The aggregate carrying value of these equipment amounted to approximately RMB972,400,000 at 31 December 2012 (31 December 2011: nil).

Contingent Liabilities

As at 31 December 2012 and 2011, the Group had no material contingent liabilities.

Employees

As at 31 December 2012, the Group had 5,349 full-time employees for, inter alia, production, research and development, sales and management, representing an increase of 22.3% as compared with 4,375 employees as at 31 December 2011. During the Year under Review, relevant employee costs (including Directors' remuneration) were approximately RMB332,747,000 (including share option charges of approximately RMB23,386,000), an increase of 39.7% as compared with approximately RMB238,103,000 (including share option charges of approximately RMB33,764,000) for the Year 2011. Employee costs (excluding share option charges) of the Group increased mainly because the Group increased its number of employees for the expansion of its production capacity and the development of deep-processed product business and the flat rolled aluminium product project. The Group ensured the attractiveness of its employee remuneration packages and granted performance-based bonuses in accordance with general standards set out in the Group's remuneration policy.

Research and Development

As at 31 December 2012, the Group had 689 research and development and quality control personnel. Research and development and quality control personnel accounted for 12.9% 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 and are capable of providing suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision.

During the Year under Review, the Group stepped up its investment in research and development and the expenditures increased from approximately RMB53,470,000 for the Year 2011 to approximately RMB398,944,000 for the Year under Review. The share of our research and development expenditures in sales revenue increased to approximately 3.0% for the Year under Review from approximately 0.5% for the Year 2011. The increase mainly resulted from the research and development that the Group conducted during the Year under Review, with a view toward further developing high value-added, refined-/deep-processed industrial aluminium products, on core sets of technologies for large and complex cross-section aluminium extrusion structural parts for transportation equipment in such sectors as aviation and aerospace, railway vehicles, heavy trucks and passenger cars etc.

Capital Commitments

As at 31 December 2012, the Group's capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to approximately RMB18.3 billion, primarily because the Group stated that it would purchase equipment for production of aluminium flat rolled products at a consideration of approximately US$3.8 billion (equivalent to approximately RMB24.0 billion) as disclosed in the major transaction announcement dated 17 October 2011. We intend to apply cash generated from operating activities of the Company, commercial bank loans and other available means for the Company to finance the purchase. As at 31 December 2012, capital commitments in respect of the equipment already contracted for the production of aluminium flat rolled products amounted to approximately RMB16.8 billion.

Market Risks

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

Currency Risk

Most of our businesses are settled in Renminbi. However, receivables from the sales of aluminium extrusion products to overseas customers are settled in foreign currencies. As at 31 December 2012, approximately 91.6% of the revenue of the Group was denominated in Renminbi and approximately 8.4% was denominated in USD, while approximately 92.9% of the borrowings of the Group were denominated in Renminbi and approximately 7.1% were denominated in USD.

On 17 October 2011, the Group issued a major transaction announcement which disclosed the purchase of equipment for production of aluminium flat rolled products at a consideration of approximately US$3.8 billion. The consideration would be paid in USD in several instalments.

In July 2005, the PRC government introduced the managed floating exchange rate system which allowed Renminbi to float in accordance with market demand and supply and within the regulated range determined by reference to a basket of currencies. 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 effects 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 currency 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. As at 31 December 2012, our fixed rate borrowings were approximately RMB480 million (31 December 2011: nil).

During the Year under Review, the Group issued debentures of RMB2,000,000,000 and RMB1,000,000,000, respectively, both with a maturity period of three years and at a fixed interest rate of 4.93% and 5.35% per annum, respectively.

During 2010 and 2011, the Group issued two tranches of debentures, each at a value of RMB1,200,000,000 with a maturity period of three years, and at a fixed interest rate of 4.07% and 5.68% per annum, respectively.

Aluminium Ingot Price Fluctuation Risk

Aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc., are our principal raw materials which accounted for 88.4% and 88.8% of the Group’s cost of sales for the Year under Review and Year 2011, respectively. Generally, our pricing of products is on a “cost-plus” basis, pursuant to which the selling price for our products is determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. Our pricing policy is to pass on most of the price fluctuation risk to our customers. However, we may not be able to pass the entire cost of price increases to customers or completely offset the effect of increases in raw material prices, thus the profitability of the Group may be slightly affected. The Group did not enter into any aluminium ingot forward contracts to hedge against aluminium ingot price fluctuation risk.

Details of other risks are set out in note 30 to the financial statements on pages 110 to 115.




IT IS ENVIRONMENTAL FRIENDLY BECAUSE IT IS LIGHT-WEIGHT

Aluminium is a favorite material for maritime craft due to its light weight and ease of fabrication combined with corrosion and fatigue resistance. Aluminium claddings of the interiors of large shipping vessels and cruise ships are attractive and easy to clean. Aluminium vessels in operation for over 30 years show no signs of metal fatigue. Furthermore, it possesses excellent resistance to corrosion in a marine atmosphere, thus reducing maintenance costs.

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)	49	Chairman and president
Lu Changqing (路長青)	36	Vice president (capital operation and management)
Chen Yan (陳岩)	33	Vice president (internal auditing)
Zhong Hong (鍾宏)	48	Vice president (production)
Gou Xihui (勾喜輝)	45	Vice president (production and operational management)
Independent Non-executive Directors		
Wong Chun Wa (王振華)	38	Independent non-executive directors
Wen Xianjun (文獻軍)	50	Independent non-executive directors
Shi Ketong (史克通)	44	Independent non-executive directors
Lo Wa Kei, Roy (盧華基)	41	Independent non-executive directors

Executive Directors

Mr. LIU Zhongtian ("Mr. Liu") (劉忠田), aged 49, 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 is also a member of the board of directors of three subsidiaries including Liaoning Zhongwang Group Company Limited. He has 20 years of experience in business management and development in the aluminium extrusion industry. Before founding our Group in 1993, he established Liaoyang City Aluminium Profile Manufacturing Factory, Liaoyang Futian Chemical Co., Ltd. and Liaoning Chengcheng Plastics Co., Ltd.. Mr. Liu received a diploma in administrative management from Liaoning Radio and TV University (遼寧廣播電視大學), China in 2002. He is an economist (經濟師) and is a member of the 10th and 11th National People's Congress, the executive committee member of All-China Federation of Industry and Commerce (中華全國工商業聯合會) and the vice chairman of Liaoning Federation of Industry & Commerce. He was awarded the "Top Model Worker of Liaoning Province (遼寧省特等勞動模範)" by the People's Government of Liaoning Province (遼寧省人民政府) and the "National May Day Medal (全國五 • 一勞動獎章)" by the All-China Federation of Trade Unions (中華全國總工會) in 1999, the "National Model Worker (全國勞動模範)" by the State Council of the People's Republic of China (the "PRC") (中華人民共和國國務院) in 2000 and the "Constructor of Socialism with Chinese Characteristics (中國特色社會主義事業建設者)" by the Central Committee of the Communist Party of China (中國共產黨中央委員會), the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會), the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部), State Administration for Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局) and the All-China Federation of Industry and Commerce in 2004. He was appointed as a Director on 29 January 2008 and chairman of our Board on 1 August 2008.

Mr. LU Changqing (路長青), aged 36, 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 is also a member of the board of directors of 11 subsidiaries including Liaoning Zhongwang Group Company Limited and Tianjin Zhongwang Aluminium Industry Company Limited. He has 16 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 33, is an executive Director and a vice president of our Group. He is primarily responsible for the Group's internal auditing. He is also a member of the board of directors of 12 subsidiaries including Liaoning Zhongwang Group Company Limited and Tianjin Zhongwang Aluminium Industry Company Limited. He has 12 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 48, is an executive Director and a vice president of our Group. She is primarily responsible for the Group's production management. She is also a member of the board of directors of three subsidiaries including Liaoning Zhongwang Group Company Limited and Panjin Zhongwang Aluminium Industry Company Limited. She has 17 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 45, is an executive Director and a vice president of our Group. He is primarily responsible for production and operational management. He is also a member of the board of directors of six subsidiaries including Liaoning Zhongwang Group Company Limited and Tianjin Zhongwang Aluminium Industry Company Limited. He has 23 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 38, is an independent non-executive Director. He established ACT Business Consultants Ltd. and RIW C.P.A. Limited in December 2006 and April 2008, respectively, and has been a director of these entities since then. He acted as an independent non-executive director and the chairman of the audit committee of Maanshan Iron & Steel Company Limited, a company listed in Hong Kong and Shanghai between August 2005 and August 2011. He has been a supervisor of Maanshan Iron & Steel Company Limited since August 2011. He worked at KPMG from 1999 to 2001 and Ernst & Young from 2001 to 2004. He received a bachelor's degree in accounting from the Hong Kong Polytechnic University, Hong Kong in 1996. Mr. Wong Chun Wa is a certified public accountant in Hong Kong and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He was appointed as a Director on 1 August 2008.

Mr. WEN Xianjun (文獻軍), aged 50, is an independent non-executive Director. Since April 2008, Mr. Wen has been a member of the party committee (常委) and the vice chairman (副會長) of China Nonferrous Metals Industry Association (中國有色金屬工業協會). He has over 20 years' experience in the nonferrous metals industry. He has been serving as an independent director of Henan Zhongfu Industrial Co., Ltd., a Shanghai listed company, since 2009 and an independent director of Ningxia Orient Tantalum Industry Co., Ltd. and Zhejiang Dongliang New Material Co., Ltd., both Shenzhen listed companies, since April and May 2011 respectively. Mr. Wen was the vice president and general secretary of the aluminium branch of, and the director of the aluminium department of, China Nonferrous Metals Industry Association from 2006 to 2008. He was the director of the Industry Administration Department of the State Nonferrous Metals Industry Administration of China (中國國家有色金屬工業局工業管理司) from 1998 to 2000. He served as an engineer in the technology bureau, and deputy director of the investment and operation department, of China Nonferrous Metals Industry Corporation (中國有色金屬工業總公司) from 1990 to 1992 and from 1996 to 1998, respectively. From 1992 to 1996, Mr. Wen was a deputy director of the Development and Exchange Centre of China Nonferrous Metals Industry Technology (中國有色金屬技術開發交流中心). He served as an assistant engineer in Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院) from 1984 to 1987. Mr. Wen received a bachelor's degree in metallic materials from Central South University (中南大學) (formerly known as Central South Institute of Mining and Metallurgy (中南礦冶學院)), China in 1984 and a master's degree in metallic materials from Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院), China in 1990. He received the title of professor-level senior engineer (教授級高級工程師) from China Nonferrous Metals Industry Association in 2007. He was appointed as a Director on 1 August 2008.

Mr. SHI Ketong (史克通), aged 44, 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 12 years of experience in practicing PRC corporate and securities law, and in advising clients in matters related to merger and acquisition transactions and corporate restructuring. Prior to joining Jincheng & Tongda Law Offices, he practised law at King & Capital

Law Firm (北京京都律師事務所) in Beijing from 2000 to 2001 and at Shandong Luzhong Law Offices (山東魯中律師事務所) from 1994 to 2000. Mr. Shi received a bachelor's degree in economic law from China University of Political Science and Law (中國政法大學), China in 1992. He was appointed as a Director on 12 August 2008.

Mr. LO Wa Kei, Roy (盧華基), aged 41, is an independent non-executive Director. Mr. Lo has 20 years of experience in auditing, accounting and finance. Mr. Lo is a Deputy Managing Partner of SHINEWING (HK) CPA Limited. He has been serving as an independent non-executive director of Sun Hing Vision Group Holdings Limited, North Mining Shares Company Limited (previously known as "Sun Man Tai Holdings Company Limited") and Sheen Tai Holdings Group Company Limited, all of which are Hong Kong listed companies, since 1999, 2004 and 2012, respectively. He also served as an independent non-executive director of Goldpoly New Energy Holdings Limited (previously known as Time Infrastructure Holdings Limited). Mr. Lo received a bachelor's degree in business administration from the University of Hong Kong in 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in 2000. He is a certified public accountant, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. With his extensive professional knowledge, Mr. Lo was also appointed as a Committee Member of Tianjin Youth Federation (Hong Kong and Macau Region) (天津市青聯港澳區特邀委員). He was appointed as a Director on 11 February 2009.

Senior Management

Name	Gender	Age	Group Position
Cheung Lap Kei (張立基)	Male	40	Chief financial officer and joint company secretary
Zhou Mi (周密)	Male	63	Chief engineer

Mr. CHEUNG Lap Kei (張立基), aged 40, is the chief financial officer and a joint company secretary of our Company. He is primarily responsible for the Group's finance and accounting. He has approximately 19 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 63, 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, 15 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 (the "Consolidated Financial Statements") of the Group for the year ended 31 December 2012 (the "Year under Review").

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 sales of high precision, large-section and high value-added industrial aluminum extrusion products which are widely used in transportation (including railway passenger compartments and cargo carriages, metropolitan subway and light rail, automobiles, heavy trucks, vessels, aviation, aerospace, etc.), machinery and equipment and electric power engineering sectors. At the same time, to further leverage our Company's existing advantage in the industry, we will extend our reach to the high-end aluminum flat rolled product segment and develop deep-processing technologies for aluminum products.

Analysis of the principal activities of the Group during the Year under Review is set out in the Consolidated Statement of Comprehensive Income on page 70 of this Annual Report.

Results and Appropriations

The results of the Group for the Year under Review are set out in the Consolidated Financial Statements on pages 70 to 76 of this Annual Report.

The Board proposed not to declare any final dividend for the year ended 31 December 2012.

Five-year Financial Summary

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

Property, Plant and Equipment

Details of movements in the Group's property, plant and equipment during the Year under Review are set out in Note 12 to the Consolidated Financial Statements on page 97 of this Annual Report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in Note 26 to the Consolidated Financial Statements on pages 104 to 105 of this Annual Report.

Share Capital

Details of movements in the share capital of the Company during the Year under Review are set out in Note 29 to the Consolidated Financial Statements on pages 107 to 109 of this Annual Report.

Reserves

Details of movements in the reserves of our Group and our Company during the Year under Review are set out in the Consolidated Statement of Changes In Equity on page 74 and in Note 29 to the Consolidated Financial Statements on page 107 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 2012 amounted to RMB8,263,698,000 (31 December 2011: RMB8,261,409,000).

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 of Hong Kong (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 under Review and up to the date of this report were:

Executive Directors

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

Independent Non-executive Directors

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

Directors' Profiles

Details of the Directors' profiles are set out in the "Profiles of Directors and Senior Management" on pages 40 to 42 of this Annual Report.

Directors' Service Contracts

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

In accordance with the Company's articles of association, Mr. Liu, Mr. Lu Changqing and Mr. Chen Yan 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 had been independent from the date of their appointment to 31 December 2012 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 2012, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

(a) Long Positions in Shares

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

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

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

Save as disclosed above, as at 31 December 2012, 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.

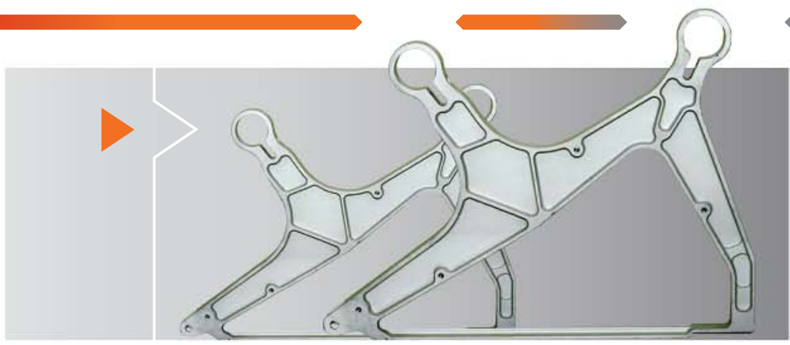
Directors' Rights to Acquire Shares or Debentures

Save as disclosed in sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" below, at no time during the Year under Review 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 under Review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.




Term



IT FLIES HIGHER BECAUSE IT IS LIGHT-WEIGHT

Aluminium is often referred to as the 'winged' metal. Planes are made of aluminium alloys which are resistant to overloads and pressure associated with flights at a high altitude. Other than body structures, many internal fittings are made out of aluminium extrusions to save weight and therefore fuel, reduce emissions and increase the aircraft's payload.

Directors' Interests in Competing Business

For the Year under Review, 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.

Connected Transactions and Continuing Connected Transactions

During the Year under Review, the Group did not enter into any transactions which constituted non-exempt connected transactions or non-exempt continuing connected transactions under the Listing Rules.

Related Party Transactions

During the Year under Review, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were not regarded as connected transactions and were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in Note 33 to the Consolidated Financial Statements on page 116 of this Annual Report.

Directors' Interests in Contracts of Significance

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

Directors' Remuneration

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

Retirement Schemes

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

The Group's contributions to the retirement benefit scheme and the MPF Scheme for the Year under Review were RMB20,920,000 and RMB60,000, respectively. Particulars of these retirement plans are set out in Note 32 to the Consolidated Financial Statement on page 115 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 under Review.

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

As at 31 December 2012, to the best knowledge of the Directors and the senior management of the Company, the table below lists out the persons (other than the Directors or chief executives of our Company), who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

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

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

Save as disclosed above, as at 31 December 2012, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share-based Incentive Schemes

(a) Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted a pre-IPO share option scheme on 17 April 2008 (the "Pre-IPO Share Option Scheme"). According to the Pre-IPO Share Option Scheme, four Directors and 70 other employees (including two senior management members) of our Group were given the rights to subscribe for shares of the Company at the subscription price of HK$2.00 per share. The total number of the shares subject to the Pre-IPO Share Option Scheme is 40,400,000 shares, equivalent to approximately 0.75% of the issued share capital of the Company as at 31 December 2012. Since no further options can be granted under the Pre-IPO Share Option Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Pre-IPO Share Option Scheme.

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

Details of the share options outstanding as at 31 December 2012 under the Pre-IPO Share Option Scheme are as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2012	Number of underlying shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2012	Number of underlying shares comprised in the options exercised during the twelve months ended 31 December 2012	Number of underlying shares comprised in the options outstanding as at 31 December 2012
Directors							
Lu Changqing	17 April 2008	7 May 2014	2.0	2,200,000	—	—	2,200,000
Chen Yan	17 April 2008	7 May 2014	2.0	2,200,000	—	—	2,200,000
Zhong Hong	17 April 2008	7 May 2014	2.0	2,200,000	—	—	2,200,000
Gou Xihui	17 April 2008	7 May 2014	2.0	1,700,000	—	—	1,700,000
70 Other Employees (including 2 senior management members) of our Group (one of the senior management members' options were granted on 30 December 2008)	17 April 2008	7 May 2014	2.0	32,100,000	—	—	32,100,000
Total				**40,400,000**	**—**	**—**	**40,400,000**

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

(b) Share Option Scheme

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

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

Details of the share options outstanding as at 31 December 2012 under the Share Option Scheme are as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2012	Number of underlying shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2012	Number of underlying shares comprised in the options exercised during the twelve months ended 31 December 2012	Number of underlying shares comprised in the options outstanding as at 31 December 2012
Directors							
Lu Changqing	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Zhong Hong	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Gou Xihui	22 March 2011	21 March 2021	3.9	3,300,000	—	—	3,300,000
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
51 Other Employees (including 2 senior management members) of our Group (Note)	22 March 2011	21 March 2021	3.9	33,800,000	(400,000)	—	33,400,000
Total				**45,500,000**	**(400,000)**	**—**	**45,100,000**

Note: Two employees who had been granted the Group's share options had resigned during the Year under Review, therefore, as at 31 December 2012, there were a total of 49 employees (other than Directors) who had been granted share options and remained to be grantees under the Share Option Scheme.

Save as disclosed above, during the Year under Review, no option was granted under the Share Option Scheme, and none of the share options under the Share Option Scheme had been exercised, cancelled or lapsed.

Further particulars of the Pre-IPO Share Option Scheme and the Share Option Scheme mentioned above are set out in Note 34 to the Consolidated Financial Statements on pages 116 to 118 of this Annual Report and the sections headed "Statutory and General Information – Other Information – Pre-IPO Share Option Scheme" and "Statutory and General Information – Other Information – Share Option Scheme" of the prospectus of the Company issued on 24 April 2009.

Charitable Donations

During the Year under Review, the Group made charitable donations amounting to RMB300,000.

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 Year under Review is set out as follows:

	Percentage of the Group's total sales (%)
The largest customer	11.4%
Five largest customers in aggregate	47.1%

	Percentage of the Group's total purchases (%)
The largest supplier	39.6%
Five largest suppliers in aggregate	96.1%

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 and suppliers.

Compliance with the Code on Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "Old Code") since its listing on the Stock Exchange in 2009. On 1 April 2012, certain amendments to the Old Code came into force (the "New Code", together with the Old Code, the "Governance Code"). The Company has adopted the Governance Code as currently in force at the date of this report. The Company has periodically reviewed its corporate governance practices to ensure its continuous compliance with the Governance Code.

In respect of the Year under Review, save as disclosed in the Corporate Governance Report on pages 53 to 60 of this Annual Report, all the code provisions set out in the Governance Code were met by the Company.

Model Code for Securities Transactions

Details of our Directors' compliance with the Model Code for Securities Transactions are set out in the Corporate Governance Report on pages 53 to 60 of this Annual Report.

Subsequent Events

Please refer to Note 35 to the Consolidated Financial Statements on page 119 of this Annual Report for further details.

Auditor

On 28 June 2012, the shareholders of the Company passed an ordinary resolution at the Annual General Meeting to appoint KPMG as the new auditor of the Group to fill the vacancy following the retirement of Messrs. Deloitte Touche Tohmatsu and to hold office until the conclusion of the next Annual General Meeting of the Company. The Consolidated Financial Statements have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at our forthcoming Annual General Meeting.

A resolution to re-appoint KPMG 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, 8 March 2013

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 contained in Appendix 14 of the Listing Rules (the "Old Code") since its listing on the Stock Exchange in 2009. On 1 April 2012, certain amendments to the Old Code came into force (the "New Code", together with the Old Code, the "Governance Code"). The Company has adopted the Governance Code as currently in force at the date of this report. The Company has periodically reviewed its corporate governance practices to ensure its continuous compliance with the Governance Code.

In respect of the Year under Review, save as disclosed in this report, all the code provisions set out in the Governance 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 its 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 under Review 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 organizational structure and monitoring the business activities and the performance of management so as to protect and maximize 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 under Review, the Board, among others, considered and approved the annual budget, management results and performance update against annual budget, together with business reports from the management, reviewed and approved the quarterly results for the periods ended 31 March 2012 and 30 September 2012, respectively, interim results for the period ended 30 June 2012 and the final results for the year ended 31 December 2011, as well as certain transactions which constituted discloseable transactions under the Listing Rules, supervised the Group's critical business operations and assessed the internal control and the financial matters of the Group.

The Board has also regularly reviewed the contribution of each Director to performing his/her responsibilities to the Company and whether the Director is spending sufficient time performing them. The Directors are also required to inform the Board of any change to their significant commitments on a timely basis.

The Company has arranged for appropriate insurance for all Directors in respect of legal actions against the Directors arising out of corporate activities.

Board Composition

The Board has a balance of skills and experience appropriate for the requirements of the Company's business. It currently consists of nine members, including five executive Directors and four independent non-executive Directors. An updated list of the Directors is maintained on our Company's website and the Stock Exchange's website. The biographies of the Directors are set out in the section headed "Profiles of the Directors and Senior Management" of this Annual Report.

The Directors of the Company during the Year under Review and up to the date of this report were:

Executive Directors

Mr. Liu	*(Chairman of the Board and the Strategy and Development Committee; Member of the Nomination and Remuneration Committee)*
Mr. Lu Changqing	*(Member of the Strategy and Development Committee)*
Mr. Chen Yan	
Ms. Zhong Hong	
Mr. Gou Xihui	

Independent Non-executive Directors

Mr. Wong Chun Wa	*(Chairman of the Audit Committee)*
Mr. Wen Xianjun	*(Chairman of the Nomination and Remuneration Committee; Member of the Audit Committee, Corporate Governance Committee and Strategy and Development Committee)*
Mr. Shi Ketong	*(Member of the Audit Committee, Corporate Governance Committee and Nomination and Remuneration Committee)*
Mr. Lo Wa Kei, Roy	*(Chairman of the Corporate Governance Committee)*

Chairman and Chief Executive Officer

Code provision A.2.1 of the Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person, and the division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

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) 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 and composition of the Board from time to time in light of prevailing circumstances.

Mr. Liu, as the chairman of the Board, is responsible for ensuring that the Directors are properly briefed on issues arising at board meetings and that they receive adequate information in a timely manner. Mr. Liu also endeavors to ensure that good corporate governance practices and procedures are established, all Directors make full and active contribution to the Board's affairs, and that the Board acts in the interests of the Company.

Under the leadership of Mr. Liu, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. Directors are encouraged to express their views and the Board decisions have fairly reflected their consensus. A culture of openness and constructive relations among Directors has been promoted within the Board. Appropriate steps are also taken to provide effective communication between the shareholders and the Board.

In the Year under Review, the chairman of the Board has met once with the independent non-executive Directors (without the presence of the executive Directors) to discuss, and obtain independent views of, the Board's affairs.

Independent Non-executive Directors

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgment, scrutiny of the Company's performance, and positive and constructive contribution, which are crucial to the development of the Company's strategy and policy. They are also encouraged to attend the general meetings of the Company to develop a balanced understanding of the views of the shareholders.

During the Year under Review, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least one-third of the Board independent non-executive Directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment, Re-election and Removal of Directors

The Nomination and Remuneration Committee is responsible for formulating the procedures for appointing Directors, nominating suitable candidates for approval at the annual general meeting so as to fill vacancies due to the resignation of directors or appoint additional directors. When selecting candidates for appointment as our Directors, the Nomination and Remuneration Committee will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors.

No non-executive Director has been appointed to the Board of our Company. Each of the independent non-executive Directors are appointed on a term of three years. Where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, it shall explain to the shareholders the reason why it believes such person to be independent. Independent non-executive Directors serving up to the maximum term of 9 years is only eligible for reappointment by separate shareholders' resolution. None of the independent non-executive Directors has served more than 9 years.

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

In compliance with the provisions of the articles of association of the Company, Mr. Liu, Mr. Lu Changqing and Mr. Chen Yan shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Board Committees

The Board has established Audit Committee, Nomination and Remuneration Committee, Corporate Governance Committee and Strategy and Development Committee (collectively, the "Board Committees"). The Board Committees are formed with specific written terms of reference which deal with their authority and duties clearly. 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 of the Company ("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 acts as the key representative body for overseeing the Company's relations with the external auditor and is primarily 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. In the Year under Review, five meetings were held by the Audit Committee, including a special meeting in connection with the proposed appointment of KPMG to become the new auditor of our Group upon retirement of Messrs. Deloitte Touche Tohmatsu at the close of the annual general meeting held on 28 June 2012. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2011, the unaudited quarterly results of the periods ended 31 March 2012 and 30 September 2012, the unaudited interim results for the six months ended 30 June 2012 with the senior management of the Company, and has also reviewed the internal control and financial reporting matters of the Group.

In addition, the Audit Committee reviews arrangements by which employees of the Company can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and it ensures that proper arrangements are in place for fair and independent investigation of such concerns and appropriate follow-up actions.

The term of reference of the Audit Committee is available on the Company's website and the Stock Exchange's website.

The attendance of Directors at the Audit Committee meetings held in the Year under Review was as follows:

Audit Committee Members	Attendance
Mr. Wong Chun Wa	5
Mr. Wen Xianjun	5
Mr. Shi Ketong	5

Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee is responsible for nomination-related duties, including, without limitation, reviewing the structure, size and composition of the Board, determining nomination policy for Directors, making recommendations of suitable candidates to the Board for directorships, assessing independence of the independent non-executive Directors, and making recommendations to the Board on the appointment and reappointment of Directors and succession planning for Directors.

The Nomination and Remuneration Committee is also responsible for remuneration-related duties, including, without limitation, examining and determining the remuneration packages of individual executive Directors and senior management, establishing a formal and transparent procedure for development remuneration policy, assessing performance of executive Directors, approving the terms of executive Directors' service contracts, and ensuring no Director or his/her associate is involved in deciding his/her own remuneration.

The term of reference of the Nomination and Remuneration Committee is available on the Company's website and the Stock Exchange's website.

The Nomination and Remuneration Committee should meet at least once a year. Two meetings were held by the Nomination and Remuneration Committee in 2012 to discuss the nomination and remuneration of Directors and assess relevant policies. The attendance of Directors at the Nomination and Remuneration Committee meetings held during the Year under Review was as follows:

Nomination and Remuneration Committee Members	Attendance
Mr. Wen Xianjun	2
Mr. Liu	2
Mr. Shi Ketong	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 is primarily responsible for developing, reviewing and monitoring the Company's policies and practices on corporate governance matters and on compliance with the Governance Code and other relevant legal and regulatory requirements. It is also responsible for reviewing and monitoring the training and continuous professional development of the Directors and senior management and compliance with the code of conduct applicable to the employees and Directors.

The Corporate Governance Committee should meet at least four times a year. Five meetings were held by the Corporate Governance Committee in 2012. The attendance of Directors at the Corporate Governance Committee meetings held in 2012 was as follows:

Corporate Governance Committee Members	Attendance
Mr. Lo Wa Kei, Roy	5
Mr. Wen Xianjun	5
Mr. Shi Ketong	5

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 primary functions of the Strategy and Development Committee are to review and formulate strategic positioning, development plans, market development and operation strategies, and strategies on its material projects, business expansion, capital expenditure, and asset restructuring of our Group.

The Strategy and Development Committee should meet at least once a year. One meeting was held by the Strategy and Development Committee in 2012. The attendance of Directors at the Strategy and Development Committee meeting held in 2012 was as follows:

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

Board Meetings and General Meeting

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 under Review, the Board held 11 meetings based on the needs of the operation and business development of the Group. Besides, the Directors also attended the annual general meeting held on 26 June 2012 (the "2012 Annual General Meeting"), which is the only general meeting held in 2012, to understand the views of the shareholders.

The attendance of each Director at the Board meetings and the 2012 Annual General Meeting was as follows:

	Directors' Meeting Attendance	
Members of the Board	Board	2012 Annual General Meeting
Executive Directors		
Mr. Liu	11	1
Mr. Lu Changqing	11	1
Mr. Chen Yan	11	1
Ms. Zhong Hong	11	1
Mr. Gou Xihui	11	1
Independent Non-executive Directors		
Mr. Wong Chun Wa	11	1
Mr. Wen Xianjun	11	1
Mr. Shi Ketong	11	1
Mr. Lo Wa Kei, Roy	11	1

Reasonable notices of Board meetings have been given to the Directors prior to the meetings whereby the Directors can put forward his/her proposed items into the meeting agenda. 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 agenda and relevant materials were prepared and approved by the joint company secretaries and were provided to all Directors in a timely manner before the Board meeting. Minutes of the Board meetings recorded in sufficient details the matters considered and decisions made during the Board meetings. Drafts of these minutes are circulated to all Directors for their review and the final versions of which are kept by the joint company secretaries and are available for inspection by the Directors of the Company.

Training for Directors

The Company has regularly provided the Directors with information of relevant training courses and requires the Directors to attend at least 8 hours of training per year. During the Year under Review, the Directors have participated in continuous professional development programmes and provided the Company with a record of their training received as follows:

Name of Director	Area(s) of training	Hours of training
Mr. Liu	Regulatory; accounting	8
Mr. Lu Changqing	Regulatory; accounting; industry updates	24
Mr. Chen Yan	Regulatory; accounting	8
Ms. Zhong Hong	Regulatory; accounting	8
Mr. Gou Xihui	Regulatory; accounting	8
Mr. Wong Chun Wa	Regulatory; accounting; taxation; training for independent non-executive directors	13.5
Mr. Wen Xianjun	Regulatory; accounting; training for independent non-executive directors	26
Mr. Shi Ketong	Regulatory; accounting	47
Mr. Lo Wa Kei, Roy	Regulatory; accounting; internal control; corporate governance; training for independent non-executive directors	30.5

Training for Company Secretary

The Company has regularly provided the joint company secretaries with information of relevant training courses. During the Year under Review, the joint company secretaries have participated in continuous professional development programmes and provided the Company with a record of their training received as follows:

Name of Company Secretary	Area(s) of training	Hours of training
Mr. Cheung Lap Kei	Regulatory; accounting; industry updates	31.5
Mr. Lu Changqing	Regulatory; accounting; industry updates	24

Supply of and Access to Information

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. The chairmen of the Board committees also regularly report at Board meetings on their recommendations and activities. The external auditor attended the 2012 Annual General Meeting held on 28 June 2012 and will be invited to attend the forthcoming Annual General Meeting to answer questions about the conduct of the audit, preparation and content of the auditors' reports, accounting policies, and auditors' independence.

The constitutional documents of the Company are available at the Company's website and the Stock Exchange's website. During the Year under Review, there is no change to the constitutional documents of the Company.

Remuneration of Senior Management

The remuneration policy of the senior management has been recommended, reviewed and approved by our Nomination and Remuneration Committee. The remuneration of the senior management whose names appear in the section headed "Profiles of Directors and Senior Management" in this Annual Report for the Year under Review has been disclosed in Note 9 to the Consolidated Financial Statements on page 95 of this Annual Report.

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 Consolidated Financial Statements for the Year under Review, 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 Consolidated Financial Statements on an ongoing basis. The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Consolidated Financial Statements for the Year under Review is set out in the section headed "Independent Auditor's Report" on page 69 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 of the Company holds 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. The responsibilities of the senior management members are set out in their respective biographies in the section headed "Profiles of the Directors and Senior Management" on page 40 to 42 of this Annual Report.

The senior management has provided the Board with sufficient explanation and information to enable the Board to make an informed assessment of financial and other information put before it for approval. They have also provided monthly updates, including the management accounts and management updates, which gives a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to the Directors to enable them to discharge their duties.

Internal Control

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

(i) effectiveness and efficiency of operations;

(ii) reliability of financial reporting; and

(iii) compliance with applicable laws and regulation.

Through the Audit Committee, the Board has reviewed the internal control mechanism in respect of financial, operational and compliance matters of the Group and its subsidiaries and has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. 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's Appointment and Remuneration

The Company's independent auditor is KPMG. At the annual general meeting on 28 June 2012, the shareholders of the Company passed an ordinary resolution to appoint KPMG as the new auditor of the Group to fill the vacancy following the retirement of Messrs. Deloitte Touche Tohmatsu and to hold office until the conclusion of the next annual general meeting of the Company.

For the Year under Review, the remuneration payable by the Company to KPMG for statutory audit services was RMB4,800,000.

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 that all shareholders have equal access to information and are familiar with the detailed procedures for voting by poll. As such, the Company has honestly performed its statutory obligation in respect of information disclosure.

Pursuant to the articles of association of the Company, shareholders of the Company, holding not less than one-tenth of the paid-up capital of the Company, have the right to convene an extraordinary general meeting at all times by written requisition to the Board or the secretary of the Company; such meeting shall be convened within two months after the deposit of such written requisition. Shareholders can propose a candidate for election as a Director at a general meeting by lodging a notice to the Company's head office or registered office within 7 days prior to the date of such a meeting. The Company has also ensured that its shareholders have the right to raise questions at general meetings. There are no provisions allowing shareholders to move new resolutions at general meetings under the Companies Law of the Cayman Islands or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures as set out above.

Shareholders of the Company are welcome to send their written enquiries to the Board via our investor relations consultant whose contact details are available at the website of the Company or the Company at 56/F, Bank of China Tower, 1 Garden Road, Hong Kong (Attention: the Board of Directors).

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. The Company has established a shareholder communication policy to ensure effective communication between our shareholders and the Company. 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 under Review 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 meetings 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 interviews in order to communicate our operating strategies and financial performance to the general public by much faster and effective means.

Site Visits

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

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

By order of the Board
Liu Zhongtian
Chairman

Hong Kong, 8 March 2013

Corporate Social Responsibility Report

Over the years, the Group has regarded the fulfillment of corporate social responsibility as an integral part of the Company's production and operations. We endeavor to balance interests of different stakeholders by developing environment-friendly products for customers, offering career growth opportunities to our staff, and fostering a harmonious relationship with the local community, in order to attain a sustainable development for both our enterprise and the society.

A Quality Work Environment

As well as dedicating its efforts to the steady growth in corporate profitability, the Group is also committed to a people-oriented approach to business, which calls for effective protection of the work environment, emphasis on production safety and ongoing improvement of staff remuneration and benefits, and sees corporate development as being closely aligned with the realization of employees' interests.

Protecting Employees' Vital Interests and Fostering a Harmonious Work Environment

The Group focuses on building a harmonious work environment for employees, a comprehensive benefits system, and a reasonable career planning framework. We uphold the principles of impartiality, fairness, and merit-based employment, and constantly improve the criteria for personnel selection and appointment. Our systems for recruitment, induction training, competitive job application formulated in accordance with the laws provide ample advancement opportunities for outstanding employees and effective guidance for their career development.

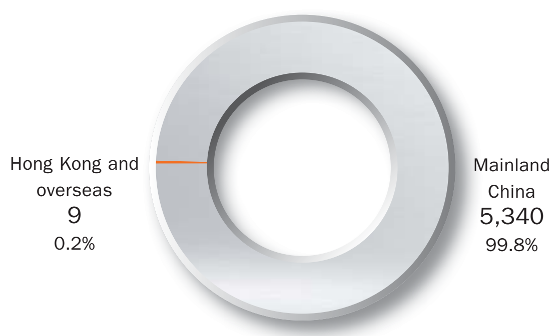
The Group strictly observes the national social security laws and regulations. For all employees, we contribute to social insurance such as pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund. During the Year under Review, the Group introduced the most comprehensive employee medical insurance system in the region. The Group was also honoured with the titles of "Exemplary Enterprise of Creditworthiness in Liaoning Province", "Exemplary Enterprise of Creditworthiness for 2012–2013 in Liaoyang City", "Advanced Enterprise with Urban Basic Medical Insurance in Liaoyang City", etc.

The Group actively creates employment opportunities for local residents. As at 31 December 2012, the Group had a staff headcount of 5,349. We added 1,489 new employees during the Year under Review. Our employees came from Mainland China, Hong Kong and overseas. The proportions are as follows: 99.8% from Mainland China; and 0.2% from Hong Kong and overseas. For gender composition, we have 4,493 male employees, accounting for 84.0% of the total headcount, and 856 female employees accounting for 16.0% of the total headcount.

During the Year under Review, 515 employees left the Group, representing a staff turnover rate of 8.8%.

Gender Breakdown of Employees

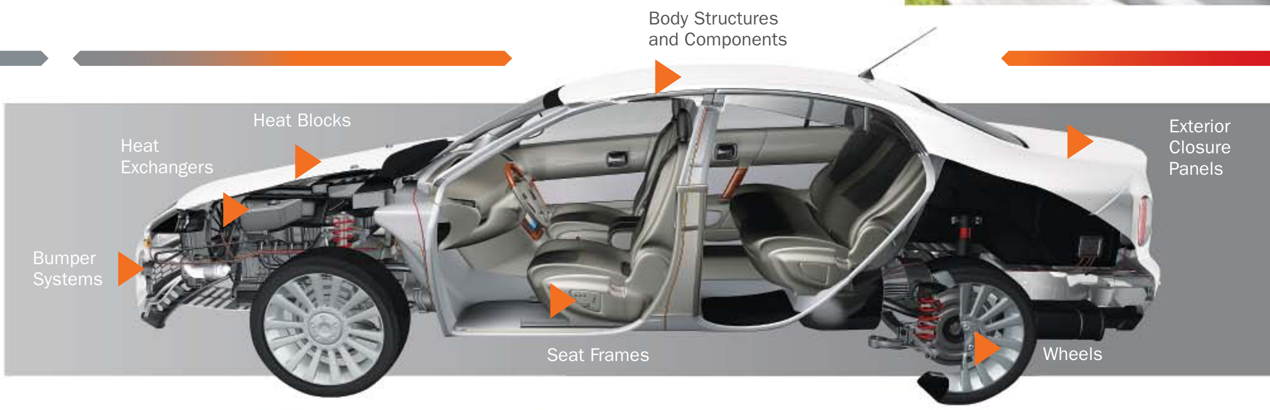
Geographical Breakdown of Employees



As at 31 December 2012

A BETTER TOMORROW BECAUSE IT IS LIGHT-WEIGHT

Parts that are made of aluminium alloys are already the dominant material used to make engines and wheels, thanks to their better heat dispersion, durability and light-weight advantages. Automakers are now aggressively applying today's aluminium alloys to car bodies and doors to reduce vehicle weight, thereby boosting fuel economy and cutting carbon emissions.



Body Structures
and Components
Heat Blocks
Heat
Exchangers
Exterior
Closure
Panels
Bumper
Systems
Seat Frames
Wheels

Emphasis on Production Safety and Fulfillment of Social Responsibility

In adherence to a "safety-first, prevention-based and comprehensive management" approach and the principle of equal emphasis on "management, equipment and training," the Group has set safety management and supervision as a top priority task in its production agenda and has sought to enhance employees' awareness on production safety and the ability of quick response to emergencies by formulating safety production guidelines, launching safety production training programs and holding production safety knowledge contests, etc.

During the Year under Review, the Group carried out monthly comprehensive inspections with the participation of all production units and relevant departments. Close to 3,000 safety marks or signboards were purchased under centralized procurement to replace the existing facilities. An overhaul was conducted to fix individual equipment and areas in our plants with safety hazards to further reinforce production safety. Moreover, we introduced initiatives such as the Safety Month and production safety contests to continuously improve the safety awareness of employees and allow them to gain experience in safe operation.

During the Year under Review, the Group did not experience any incidents of significant casualties, nor was there any incident that involved staff fatality.

During the Year under Review, the Group revised 25 sets of rules and regulations, including, "Safe Production Responsibility System", "Occupational Disease Prevention System", "Crane Work Safety Procedures", "Safety Management System Series" and others. We organized 108 production safety training programs involving specialized operators such as crane workers, electricians, welders, fitters, riveters, etc.

Emphasis on Staff Development With a View to Enhancing Overall Staff Quality

In line with our emphasis on sustainable development and vocational education and training, our Group has put in strong efforts to improve staff ability to coordinate, execute and innovate in production and the quality of their business. We implement a strategy of building corporate strengths on the basis of high-caliber personnel in our three core businesses: industrial aluminium extrusion products, deep-processed industrial aluminium extrusion products and aluminum flat rolled products.

During the Year under Review, the Group conducted theoretical and operational skill trainings for our various specialized operation personnel, in line with its special emphasis on the upgrade of professional skills of specialized operation personnel to establish a high-caliber team adapted to continuous learning. We also teamed up with local governments to offer a further training program known as "Pre-appointment Bridge-up Training (崗前培訓服務橋)" for previously laid-off workers pending re-employment, in order to enhance their operation capability and professional qualities. Taking the opportunity of the installation and operation of newly acquired mega-sized extrusion presses, we provided systematic expertise training to technical personnel at all levels and effectively improved the Group's production capacity. We also arranged seminars on legal knowledge hosted by legal experts to enhance the legal awareness of our relevant staff. In addition, the Group regularly organized skill contests for personnel of different technical fields during the Year under Review, in order to upgrade their both theoretical knowledge and practical operation skills.

During the Year under Review, the Group strictly implemented the certificate-for-job system for all staff positions. We organized trainings with a total participation of 17,200 person-times and all staff enrolled. General-grade employees accounted for 5,202 participants or 97.3% of the total enrollment, while management personnel accounted for 147 participants or 2.7%.

Compliance with Labor Standards to Safeguard Employees' Rights

The Group has always attached great importance to and complied with the international human rights and labor standards of which the Chinese government is a signatory. We resolutely prevent the occurrence of any incidents of child labor employment, forced labor, employment discrimination and occupational discrimination.

When recruiting employees, we rigorously examine their age information and resolutely prevent the hiring of child labor (workers aged below 16) in any manner. Since its inception, no incident of child labor employment has occurred at the Group.

Upon employment, an employee enters into a labor contract with the Company, and terms such as his/her job position, working hours, work protection and remuneration, etc will be specified in the said contract. The Company respects staff freedom in employment and resolutely refuses to restrict their personal freedom or direct forced labor during the period of employment by way of withholding wage payments or seizure of identification documents, etc. Upon resignation of an employee, we will not restrict their development for any reasons through any means. Since its inception, no incident of forced labor has occurred at the Group.

In addition, the Group stands resolutely against discrimination because of differences in gender, age, race, religion, etc. Since the inception of the Group, no incidents of discrimination relating to the employees have been reported.

Helping Employees Through Difficulties With Poverty Relief and Schooling Assistance

Over the years, the Group has been consistently engaged in poverty relief activities with the aim of "providing genuine aid to the genuinely impoverished," and has established a longstanding poverty relief mechanism that provides assistance in general livelihood, schooling and medical care. During the Year under Review, the "Charity Relief Foundation" was set up to provide financial assistance to employees and their families who were in difficulties, with a view to turning the notion of care for employees and consideration for the public into action, as well as to further improving our staff administration regime. Currently, the first batch of cash donations received has been transferred in full to the "Charity Relief Foundation" to fund financial assistance for staff in difficulties.

The Groups' 2012 Assembly for Poverty Relief

For the past 7 years, the Group has organized an "Assembly for Poverty Relief" every year around the end or beginning of the year. This initiative has helped a lot of employees resolving problems in work and life. Moreover, the Group is committed to improving its aid to staff in difficulties as it introduces innovative means of assistance from time to time. During the Year under Review, the Group launched a "one-on-one" assistance campaign to enhance communications with employees in difficulties and gain timely insight into their living conditions. Through our trade union, specific funds were allocated to show our care for employees in serious difficulties. The "Golden Autumn Schooling Assistance" campaign was also conducted to provide education funds for children of employees in difficulties, in a bid to ensure the effectiveness of our assistance programs.

Environmental Protection

The Group is an environment-friendly enterprise with low energy consumption and pollution levels. We have a long history of resolute pursuit of new industrialization through diligent research and development of new technologies, production equipment upgrades and clean energy applications, and have realized the co-accomplishment of economic, social and environmental benefits.

Energy Conservation, Low Pollution and Effective Resource Conservation

The Group vigorously promotes the use of clean energy by relying on its own technical superiority and advanced equipment. As natural gas is a high quality, efficient, and clean energy which has extremely low emission of pollutants such as dust, exhaust gas, etc., its carbon emissions are much lower than that of standard coal and it does not generate any solid waste such as slag, from March 2012 onwards, the Group has completely replaced high energy-consuming, high-pollution coal with natural gas as our production fuel, and has installed the world's advanced multi-point gas detection equipment in our production plant areas to ensure safe use of the clean energy.

The Group practices full recycling and processing of industrial waste water in strict compliance with national environmental policies. During the Year under Review, the Group's industrial water consumption amounted to 2,692,800 tonnes and waste water under treatment also amounted to 2,692,800 tonnes. We utilized 67.32 tonnes of chemical oxygen, and the concentration rate of our emission is 25mg/liter. Our solid waste includes general solid waste and hazardous waste. We generated approximately 68 tonnes of solid waste and approximately 46.5 tonnes of hazardous waste each year, and we have appointed a certified agency to process the hazardous waste. The Group's initiatives have significantly reduced the emission and discharge of slag, polluted air and dust, as evidenced by the year-on-year decrease in the total volume of pollutants.

The Group has been gearing up the construction of its "West-to-East Gas Transmission" project, a key technology upgrade project in energy supply featuring a 1,700-metre gas pipe. During the Year under Review, natural gas supply to our No. 1 Smelting and Casting Plant was commissioned under the expedited first phase of the project. Following the successful ignition at the No. 1 Smelting and Casting Plant, the extension work for the West-to-East gas pipeline, namely the further extension to the west of the main gas pipeline of the "West-to-East Gas Transmission" project, was started to supply heat and gas required by "coal-to-gas conversion" at the Group's in-house boiler rooms. The implementation of the "West-to-East Gas Transmission" project has accelerated the Group's development, optimized the structure of its energy supply and facilitated energy conservation, emission, reduction and improvements in the quality of our environment.

Moreover, all of our equipment, sourced mainly from Germany, the US and Italy, etc, satisfy the most stringent international environmental requirements. During the Year under Review, the Group conducted heat energy recycling for use in the office area, resulting in substantial reduction in fuel consumption and capital expenditures.

Towards an Eco-friendly Business Model for the Protection of Environmental Resources

Aluminium is an eco-friendly material that can be recycled indefinitely. Approximately 75% of the aluminium materials put to use since 1888 are still in use today, which means that the aluminium applications have contributed to significant reductions in greenhouse gas emissions and solid-liquid waste discharge. This is precisely why this sector in which the Group operates has been designated for key support under the national "12th Five-Year Plans".

In fact, as a "green metal", aluminium can be recovered and recycled indefinitely. Energy consumption required for aluminium scrap recycling represents only 5% of total energy consumption required for aluminium extraction from bauxite mining, electrolysis of primary aluminum and aluminum ingot casting. Moreover, savings of 10 tonnes of water and 11 tonnes of solid materials and reduction of 0.8 tonne of carbon dioxide and 0.6 tonne of sulfur dioxide emissions can be achieved.

In view of its growing requirements for water resources in tandem with the continuous expansion in production capacity and volume underpinning its rapid development, the Group enhanced management of water consumption in the production processes and the recycling of water resources during the Year under Review. The Group's production processes that require water consumption mainly include aluminium alloy cast rod casting, aluminium extrusion press quenching and spraying, etc. The traditional idea of "water consumption on an as-needed basis" was radically changed as water of different qualities was selected according to production standards, aided by the establishment of the corporate living water circulation system, waste water circulation system and clear water circulation system. Each of these circulation systems was equipped with an independent valve and meter with a meter installation and simultaneous testing ratio of above 98%. Water consumed in the Group's production process is recycled through its in-house water circulation and treatment system: underground water is tested for quality and then undergoes purification, while water consumed in production is repatriated to the cooling tower for purification and reuse. We have succeeded in achieving balance between water pumping and natural circulation and freeing our production processes from waste water discharge. The complete water purification, circulation and treatment system has totally fulfilled the Group's water consumption requirements in production, with all benchmarks being in compliance with relevant requirements of the environmental authorities.

During the Year under Review, the Group established the "Energy Saving and Emission Reduction Work Leading Team" to act as the coordinating body for deliberating and making decisions on environmental protection operations, formulate environmental protection measures and energy saving measures and exercise stringent total process management over energy consumption and pollution emissions, in a move to implement the "Environmental Responsibility System" in persistent compliance with the "Environmental Protection Law", "Clean Production Promotion Law" and other relevant PRC laws and regulations.

As a result of its diligent efforts to realize the harmonious development and conservation of the production and ecological environment of the enterprise, the Group as a whole has passed ISO14000 Environmental Management System Certification and has established a garden-style ecological factory. The Group was awarded the "3rd Chinese Enterprises

Environment Protection Qingxin Prize" in 2012, reflecting strong social recognition of its contribution to environmental protection.

Operating Practices

The Group has strictly and consistently abided by national laws and regulations in the course of its development. Through long-term, close cooperation with our high quality suppliers, we provide premium products by applying innovative core technologies, while fostering a culture of honest business practices under stringent management terms and a mechanism of third-party supervision.

Fostering a Quality Supply Chain with the Benefit of a Stringent Supervision and Management System

The Group has been committed to the building of a purchase supply chain based on the principles of mutual benefit, risk sharing and co-development, and its ultimate goal in supplier management is to set up a world-class procurement and supply chain system. We are committed to maintaining long-term and stable strategic cooperative relationships with established suppliers at home and abroad and seek co-development with suppliers on the basis of equality, mutual benefit and win-win prospects with an orientation towards strategic procurement.

During the Year under Review, the Group exercised quality control by locking in partnerships with reliable suppliers known for their quality. Suppliers were classified, assessed and put on record according to the history of cooperation, size of purchases and performance track records, etc. Currently, the Group seeks procurement from dozens of regular local suppliers, whose supplies are subject to assessment from time to time by reference to the inspection fulfillment ratio, timely delivery ratio, frequency of extra freight costs, frequency of production interruption, quickness of response to users' feedback, and the extent to which the Company has been affected by the supplier's quality problems, etc. Such measures have provided effective supervision and assurance in connection with the regulation of raw material procurement and have ensured a fair, impartial and stringent process of supplier selection.

The Group exercises regulation over the conduct of the Company's Directors, management and staff on a continued basis and safeguard the legitimate interests of suppliers by the adoption of a fair and transparent approach to purchase management. Third-party supervision on internal and external management and the compliant mechanism is also being constantly enhanced. During the Year under Review, the Group was not subject to any legal proceedings arising from corruption issues.

Delivering Quality through Technological Innovations While Rendering Vigorous Protection of Intellectual Property Rights

The Group has always sought to build its product competitiveness on the basis of technological innovation. Our enterprise technology center established in 1998 boasts internationally advanced scientific equipment and instruments with a total worth of over RMB100 million, 6 specialized research offices, 22 analytical laboratories and 5 innovation teams in close tracking of latest industrial technologies. In 2012, the center was certified as a "State Accredited Enterprise Technology Center".

During the Year under Review, there were no incidents of product recall for sold or delivered items due to safety and health reasons, nor did the Group receive any complaints about its products and services.

During the Year under Review, the Group undertook 10 technology projects at national, provincial, municipal or district levels, including 4 national-level technology projects (State-Accredited Enterprise Technology Centre, State-Level Pilot Innovative Enterprise, National Key New Product Plan, and 863 Program), 2 at provincial level, 2 at municipal or district level. We also received 12 awards, including Science and Technology Award of China Nonferrous Metals Association, Provincial Science and Technology Award, Provincial Outstanding New Product Award, Provincial Award for Theoretical Deliberation through Joint Innovation by Three Levels, and the Municipal Science and Technology Award. In addition, during the Year under Review, the Group was elected first place in "Top Ten Industrial Aluminum Extrusion Enterprises in China". Currently, the Group has been awarded international accreditations from various sectors such as railway, automobile, shipbuilding, etc., including Det Norske Veritas certification, IRIS certification, EN15085 certification, TS16949 certification and Alstom certification. The Group is a leader in the industry in terms of technology with a unique exemplary role.

Since its inception, the Group has attached great importance to the protection of intellectual property rights. In adherence to the principle of "technology as the herald and innovation as the driving force", we emphasize proprietary research and joint development with a combination of production, knowledge, research and applications. Currently, we have formed a complementary system of technological innovations for the industry chain. We have completed several R&D tasks in respect of national-level projects, including a major special project commissioned by the Ministry of Industry and Information Technology — 200MN extrusion press for hard alloys with poor formability; the National Science & Technology Support Program — large and complex cross-section aluminium alloy extrusions; the National Torch Program — industrialization of large and complex cross-section aluminium alloy extrusions with applications in transportation equipment and research for the industrialization of aluminium alloy train compartment and components for urban rail and high-speed passenger rail; and the 863 Program — high-quality broad-width aluminium alloy structural components. We also own a number of proprietary technologies in novel materials, technologies and processes for aluminium alloys.

The Group regards product quality as fundamental for its survival and has developed accordingly a full-fledged quality management system to continuously enhance the standard of its quality management and its product quality. As at 31 December 2012, the Group employed 262 dedicated quality inspectors, who are responsible for ensuring product safety and improving product quality through quality inspection and testing procedures such as stress tests, fatigue tests and metal crack detection. The Group has established a regime for regular disclosure of product quality information and its quality assurance ability has been steadily improved. Its quality, surveying and laboratory systems are subject to supervision and examination by accreditation authorities on an annual basis. Administration systems for the collection, compilation, transmission, analysis, feedback and decision-making in respect of product quality information have been put into operation, and a stringent procedure for product recall has been formulated.

The Group was honoured with the "Best Enterprise in Charitable Donations Award" in the debut version of the "Liaoning Charity Awards."

The Group places a strong emphasis on the protection of consumers' interests. We persist in the provision of customized services and roll out pre-sales, in-process and after-sales customer services on all fronts. Confidentiality agreements with customers are signed and strict protection of customer information is being provided. During the Year under Review, we had not received any complaints as a result of divulging consumers' private information.

Community Involvement

While focusing on the delivery of economic benefits for the community, the Group is also resolved to repay the community with charitable acts, as testified by its long-term dedication to the cause of community welfare in an outreach to underprivileged groups that need help. Over the past two years, approximately RMB1.60 million in aggregate has been committed to community welfare programs. During the Year under Review, the Group was honored with the "Best Enterprise in Charitable Donations Award" in the debut version of the "Liaoning Charity Awards."

Commitment to Social Services in Sincere Reward for the Community

The Group has made financial contributions to local education authorities, core primary schools, and Dalian Medical University, etc. According to records, the Zhongwang Education Aid for Dalian Medical University supported 30 underprivileged students to complete their education in 2012.

We know that being a responsible corporate citizen contributes to our success and is essential to our long-term sustainability. The Group will continue to contribute to society and promote social harmony and well-being by upholding sustainable development principles.

The Group encouraged employees to donate blood as a form of community giving.

Independent Auditor's Report

TO THE SHAREHOLDERS OF
CHINA ZHONGWANG HOLDINGS LIMITED
(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 (together the "Group") set out on pages 70 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 issued by the International Accounting Standards Board 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 Company and of the Group as at 31 December 2012 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
8 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Revenue	4	**13,497,170**	10,305,694
Cost of sales		**(10,237,582)**	(8,083,397)
Gross profit		**3,259,588**	2,222,297
Investment income	5	**177,056**	145,712
Other income, other gains and losses	6	**203,076**	18,394
Selling and distribution costs		**(132,025)**	(116,851)
Administrative and other operating expenses		**(792,589)**	(278,015)
Share of profit of an associate	15	**3,803**	208
Finance costs	7(a)	**(376,458)**	(463,720)
Profit before taxation	7	**2,342,451**	1,528,025
Income tax	8	**(535,668)**	(422,998)
Profit for the year attributable to equity shareholders of the Company	10	**1,806,783**	1,105,027
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**285**	1,797
Total comprehensive income for the year attributable to equity shareholders of the Company		**1,807,068**	1,106,824
Earnings per share			
Basic (RMB)	11	**0.33**	0.20
Diluted (RMB)	11	**0.33**	0.20

The notes on pages 77 to 119 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 29(b).

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	12	**6,239,194**	5,729,631
Prepaid lease payments	13	**4,257,015**	1,685,257
Interest in an associate	15	**53,011**	49,208
Deposits for acquisition of property, plant and equipment and prepaid lease	16	**8,494,889**	4,645,603
Pledged bank deposits	20	**1,597,500**	—
Deferred tax assets	28(b)	**32,724**	35,417
		20,674,333	12,145,116
Current assets			
Inventories	17	**3,988,488**	2,480,047
Trade and bills receivables	18	**784,856**	499,976
Other receivables, deposits and prepayments	19	**155,247**	32,051
Prepaid lease payments	13	**88,982**	34,982
Pledged bank deposits	20	**67,648**	728,916
Short-term deposits	21	**—**	1,731,285
Cash and cash equivalents	22	**7,890,144**	10,122,226
		12,975,365	15,629,483
Current liabilities			
Trade payables	23	**3,271,204**	2,706,173
Bills payable	24	**63,000**	826,200
Other payables and accrued charges	25	**820,028**	733,977
Current tax liabilities	28(a)	**106,290**	250,720
Debentures	27	**1,200,000**	—
Bank and other loans	26(a)	**5,288,172**	4,020,000
		10,748,694	8,537,070
Net current assets		**2,226,671**	7,092,413
Total assets less current liabilities		**22,901,004**	19,237,529

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Bank and other loans	26(b)	**1,079,300**	1,110,000
Debentures	27	**4,200,000**	2,400,000
Deferred tax liabilities	28(b)	**113,721**	50,000
		5,393,021	3,560,000
NET ASSETS		**17,507,983**	15,677,529
CAPITAL AND RESERVES			
Share capital	29(c)	**474,675**	474,675
Reserves	29(d)	**17,033,308**	15,202,854
TOTAL EQUITY		**17,507,983**	15,677,529

Approved and authorised for issue by the board of directors on 8 March 2013.

Lu Changqing
Director

Chen Yan
Director

The notes on pages 77 to 119 form part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Interests in subsidiaries	14	**8,844,121**	8,841,641
Current assets			
Other receivables, deposits and prepayments	19	**387**	388
Cash and cash equivalents	22	**10,981**	18,960
		11,368	19,348
Current liabilities			
Other payables and accrued charges	25	**1,075**	13,236
Amounts due to subsidiaries		**116,041**	111,669
		117,116	124,905
Net current liabilities		**(105,748)**	(105,557)
NET ASSETS		**8,738,373**	8,736,084
CAPITAL AND RESERVES			
Share capital	29(c)	**474,675**	474,675
Reserves	29(a),29(d)	**8,263,698**	8,261,409
TOTAL EQUITY		**8,738,373**	8,736,084

Approved and authorised for issue by the board of directors on 8 March 2013.

Lu Changqing
Director

Chen Yan
Director

The notes on pages 77 to 119 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 29(d)(iv))	Other reserve RMB'000 (Note 29(d)(iii))	Surplus reserve RMB'000 (Note 29(d)(i))	Enterprise development fund RMB'000 (Note 29(d)(ii))	Share option reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011		474,675	10,076,363	(2,992,978)	635,898	1,039,274	1,039,274	80,087	—	5,221,013	15,573,606
Changes in equity for 2011:											
Profit for the year		—	—	—	—	—	—	—	—	1,105,027	1,105,027
Other comprehensive income for the year		—	—	—	—	—	—	—	1,797	—	1,797
Total comprehensive income for the year		—	—	—	—	—	—	—	1,797	1,105,027	1,106,824
Recognition of share-based payment	34(b)	—	—	—	—	—	—	33,764	—	—	33,764
Dividends	29(b)	—	(1,036,665)	—	—	—	—	—	—	—	(1,036,665)
Appropriations		—	—	—	—	126,487	126,487	—	—	(252,974)	—
		—	(1,036,665)	—	—	126,487	126,487	33,764	—	(252,974)	(1,002,901)
At 31 December 2011 and 1 January 2012		**474,675**	**9,039,698**	**(2,992,978)**	**635,898**	**1,165,761**	**1,165,761**	**113,851**	**1,797**	**6,073,066**	**15,677,529**
Changes in equity for 2012:											
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,806,783**	**1,806,783**
Other comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**285**	**—**	**285**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**285**	**1,806,783**	**1,807,068**
Recognition of share-based payment	34(b)	**—**	**—**	**—**	**—**	**—**	**—**	**23,386**	**—**	**—**	**23,386**
Appropriations		**—**	**—**	**—**	**—**	**166,918**	**166,918**	**—**	**—**	**(333,836)**	**—**
		—	**—**	**—**	**—**	**166,918**	**166,918**	**23,386**	**—**	**(333,836)**	**23,386**
At 31 December 2012		**474,675**	**9,039,698**	**(2,992,978)**	**635,898**	**1,332,679**	**1,332,679**	**137,237**	**2,082**	**7,546,013**	**17,507,983**

The notes on pages 77 to 119 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
Profit before taxation		**2,342,451**	1,528,025
Adjustments for:			
Finance costs		**376,458**	463,720
Depreciation of property, plant and equipment		**380,607**	377,980
Share-based payment expenses		**23,386**	33,764
Loss/(gain) on disposal of property, plant and equipment		**10,237**	(2,029)
Bank interest income		**(175,087)**	(119,887)
Interest income from short-term investments		**(1,969)**	(25,825)
Amortisation of prepaid lease payments		**74,217**	16,834
Share of profit of an associate		**(3,803)**	(208)
(Reversal of)/impairment losses on trade and bills receivables		**(908)**	457
Operating cash flows before movements in working capital		**3,025,589**	2,272,831
Increase in inventories		**(1,508,441)**	(1,542,077)
(Increase)/decrease in trade and bills receivables		**(283,972)**	238,372
(Increase)/decrease in other receivables, deposits and prepayments		**(124,790)**	374,780
Increase in trade payables		**565,031**	2,592,904
Decrease in bills payable		**(763,200)**	(274,000)
Increase in other payables and accrued charges		**333,985**	88,213
Cash generated from operations		**1,244,202**	3,751,023
Income tax paid	28(a)	**(613,684)**	(304,536)
Net cash from operating activities		**630,518**	3,446,487

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Investing activities			
Withdrawal/(placement) in short-term deposits		**1,731,285**	(1,731,285)
Placement in pledged bank deposits		**(936,232)**	(716,195)
Contribution made upon establishment of an associate		**—**	(49,000)
Payments for the purchases of property, plant and equipment and prepaid lease payments		**(7,604,722)**	(7,229,738)
Proceeds from disposal of property, plant and equipment		**1,176**	3,484
Bank interest received		**176,682**	117,260
Purchases of short-term investments		**1,854,900**	9,229,000
Proceeds from disposal of short-term investments		**(1,854,900)**	(9,229,000)
Interest from short-term investments received		**1,969**	25,825
Net cash used in investing activities		**(6,629,842)**	(9,579,649)
Financing activities			
Proceeds from new bank loans		**4,296,309**	2,301,000
Repayment of bank borrowings		**(3,058,837)**	(3,033,454)
Proceeds from debentures issued		**3,000,000**	1,200,000
Interests paid		**(470,230)**	(438,865)
Dividends paid	29(b)	**—**	(1,036,665)
Net cash generated from/(used in) financing activities		**3,767,242**	(1,007,984)
Net decrease in cash and cash equivalents		**(2,232,082)**	(7,141,146)
Cash and cash equivalents at 1 January		**10,122,226**	17,263,372
Cash and cash equivalents at 31 December		**7,890,144**	10,122,226

The notes on pages 77 to 119 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1 Corporate information

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and sales of aluminium products.

2 Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of these consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on these consolidated financial statements and major sources of estimation uncertainty are discussed in Note 3.

2 Significant accounting policies (Continued)

(c) Changes of accounting policies

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— Amendments to IFRS 7, Financial instruments: Disclosures — Transfers of financial assets

The amendments to IFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity needs not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

The application of the new and revised IFRSs had no material impact on the Group's financial performance and positions for the current or prior accounting periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Investment in an associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(h)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 Significant accounting policies (Continued)

(e) Investment in an associate (Continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investment in an associate is stated at cost less impairment losses (see Note 2(h)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (Note 2(h)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the statement of financial position at cost less impairment losses (see Note 2(h)). The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated statement of comprehensive income on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value using the straight-line method over their estimated economic useful lives as follows:

	Estimated economic useful lives
Buildings	20 years
Machinery	10 to 15 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

2 Significant accounting policies (Continued)

(g) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Payments made on the acquisition of land held under an operating lease is stated at cost less accumulated amortisation and impairment losses (see Note 2(h)). Amortisation is charged to profit or loss on a straight-line basis over the period of the lease term.

(h) Impairment of assets

(i) Impairment of investment in equity securities and other receivables

Investment in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investment in subsidiaries and the associate, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Note 2(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(h)(ii).

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

— If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(i) Impairment of investment in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— prepaid lease payments.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(h)(i) and 2(h)(ii)).

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2 Significant accounting policies (Continued)

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 Significant accounting policies (Continued)

(o) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies (Continued)

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 Significant accounting policies (Continued)

(s) Research and development expenditure

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

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgement and estimates

Notes 30 and 34 contain information about the assumptions and the risk factors relating to fair value of financial instruments and share options granted. Other key sources of estimation uncertainty are as follows:

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated economic useful lives of the relevant assets, after taking into account their estimated residual value. The Group reviews the estimated economic 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.

In 2012, the directors of the Company re-assessed the estimated economic useful lives of certain categories of equipment, taking into account of current usage status and conditions, historical usage experience and industry practices, and considered that the following change in estimated economic useful lives is more approximate to the Group's circumstances.

	Estimated economic useful lives
Machinery:	
Aluminium extrusion press machine, smelting and casting plant, and other auxiliary machinery and equipment	Change from 10 years to 15 years

The directors of the Company considered this re-assessment to be a change in accounting estimate and therefore accounted for the change prospectively from 1 July 2012. For the machineries subject to the changes in estimated economic useful lives, this change in accounting estimate results in a decrease in depreciation charge amounting to approximately RMB84,626,000 for the year ended 31 December 2012.

(b) 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. In the opinion of directors of the Company, no impairment loss on property, plant and equipment is necessary for the year ended 31 December 2012 and 2011.

(c) Impairment of receivables

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognised in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Management uses judgment in determining the probability of insolvency or significant financial difficulties of the debtor.

(d) Secured borrowings

On 31 July 2012, the Group sold certain equipment to a financial institution at RMB800,000,000 and then leased back for five years at RMB183,612,000 per annum. The Group has an option to buy back these equipment at RMB1 on 1 August 2017 when the lease term expires, i.e. the bargain purchase option. The aggregate carrying value of these equipment amounted to approximately RMB972,400,000 at 31 December 2012.

3 Accounting judgement and estimates (Continued)

(d) Secured borrowings (Continued)

In the context of IAS 17, the leaseback of these equipment results in a finance lease due to the bargain purchase option. However, considering the facts that (1) the consideration of the bargain purchase option is set at a token price (RMB1), and (2) it is almost certain that the Group would exercise such option since these equipment are closely related to the business operations of the Group and their remaining estimated useful lives would be approximately ten years on 1 August 2017 when the lease term expires, the predetermined bargain purchase option will in effect cause the financial institution (the legal owner of the equipment) to resell the equipment back to the Group on 1 August 2017. On this basis, even though there is no legal obligation for the Group to repurchase, the repurchase is almost certain with the presence of the bargain purchase option.

Accordingly, this indicates that the arrangement does not, in substance, involve a lease under IAS 17, instead, the sales and leaseback transaction is closely interrelated and shall be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The substance of the arrangement is cash borrowing, secured by the underlying asset and repayable in instalments over the lease term of five years. The information of the underlying assets and the secured loans are disclosed in Note 12 and Note 26(b).

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are manufacturing and sales of aluminium products.

Revenue represents the sales value of aluminium products sold to customers and other income. The amount of each significant category of revenue recognised during the year is as follows:

	2012 **RMB'000**	2011 RMB'000
Sales of aluminium products		
— for industry use	**12,183,074**	9,648,341
— for construction use	**760,362**	657,353
Others	**553,734**	—
	13,497,170	10,305,694

(b) Segment reporting

Information reported to the Group's executive directors, being the chief operating decision maker, 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 and aluminium flat rolled products). Each type of products has different client base and requires different production technology. The Group's operating segments under IFRS 8 are as follows:

— aluminium products for industrial markets ("Industrial");

— aluminium products for construction markets ("Construction"); and

— aluminium flat rolled products ("Flat-rolled").

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

During the year ended 31 December 2012, the Group changed the structure of its internal organisation in a manner that the financial information of the Flat-rolled segment are separately reported to and reviewed by the chief operating decision maker as a result of the growing importance of the Flat-rolled segment to the Group. The financial information of the Flat-rolled segment were included in "unallocated assets" during the year ended 31 December 2011 because the chief operating decision maker did not allocate resources to or assess the performance of this segment separately. As a result of the above change in internal organisation in 2012, the corresponding figures of segment reporting for the year ended 31 December 2011 were restated to reflect the financial information of the Flat-rolled segment separately. At 31 December 2012, the Flat-rolled segment has not commenced operation and is yet to earn revenues.

(i) Segment revenues and results

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

	Segment revenue		Segment results	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Industrial	**12,183,074**	9,648,341	**3,224,248**	2,159,968
Construction	**760,362**	657,353	**30,019**	62,329
Others	**553,734**	—	**5,321**	—
Total	**13,497,170**	10,305,694	**3,259,588**	2,222,297
Investment income and other income, other gains and losses			**380,132**	164,106
Selling and distribution costs			**(132,025)**	(116,851)
Administrative and other operating expenses			**(792,589)**	(278,015)
Share of profit of an associate			**3,803**	208
Finance costs			**(376,458)**	(463,720)
Profit before taxation			**2,342,451**	1,528,025
Income tax			**(535,668)**	(422,998)
Profit for the year			**1,806,783**	1,105,027

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

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

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(ii) Segment assets

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

	2012 RMB'000	2011 RMB'000
Industrial	**9,159,170**	5,867,466
Construction	**353,357**	593,232
Flat-rolled	**8,802,555**	4,255,992
Unallocated assets		
— Property, plant and equipment	**1,732,196**	1,608,665
— Prepaid lease payments	**60,774**	61,848
— Interest in an associate	**53,011**	49,208
— Deposits for acquisition of property, plant and equipment and prepaid lease	**—**	389,611
— Deferred tax assets	**32,724**	35,417
— Inventories	**3,745,372**	2,298,682
— Other receivables, deposits and prepayments	**155,247**	32,051
— Pledged bank deposits	**1,665,148**	728,916
— Short-term deposits	**—**	1,731,285
— Cash and cash equivalents	**7,890,144**	10,122,226
Total assets	**33,649,698**	27,774,599

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, interest in an associate, certain deposits for acquisition of property, plant and equipment and prepaid lease, deferred tax assets, raw materials and certain work in progress included in inventories, other receivables, deposits and prepayments, pledged bank deposits, short-term deposits and cash and cash equivalents which are commonly used by all segments or used for corporate operation.

Segment assets mainly comprise certain property, plant and equipment, prepaid lease payments, deposits for acquisition of property, plant and equipment and prepaid lease, inventories, trade receivables and bills receivables that can be identified to a particular operating segment.

The raw materials and part of work in progress are commonly used by all segments. The related trade payables and bills payable are not identified to a particular operating segment. Other payables and accrued charges, current tax liabilities, deferred tax liabilities, debentures, bank and other loans cannot be allocated either. As a result, no segment liability is presented.

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(iii) Other segment information

Amounts included in the measure of segment profit or segment assets for the year ended 31 December 2012:

	Industrial RMB'000	Construction RMB'000	Flat-rolled RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	**738,483**	**—**	**10,336**	**152,764**	**901,583**
Additions to prepaid lease payments	**1,250,741**	**—**	**1,449,234**	**—**	**2,699,975**
Depreciation of property, plant and equipment	**117,476**	**66,082**	**—**	**197,049**	**380,607**
Amortisation of prepaid lease payments	**53,820**	**—**	**19,323**	**1,074**	**74,217**
Reversal of impairment losses on trade receivables	**162**	**746**	**—**	**—**	**908**
Loss/(gain) on disposal of property, plant and equipment	**10,482**	**—**	**—**	**(245)**	**10,237**

Amounts included in the measure of segment profit or segment assets for the year ended 31 December 2011:

	Industrial RMB'000	Construction RMB'000	Flat-rolled RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	877,980	—	—	318,749	1,196,729
Additions to prepaid lease payments	1,583,163	—	—	—	1,583,163
Depreciation of property, plant and equipment	134,885	75,747	—	167,348	377,980
Amortisation of prepaid lease payments	15,374	—	—	1,460	16,834
Impairment losses on trade receivables	—	457	—	—	457
Gain on disposal of property, plant and equipment	—	—	—	2,029	2,029

(iv) Geographical information

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

	2012 RMB'000	2011 RMB'000
People's Republic of China ("PRC")	**12,368,759**	9,838,586
United States of America	**1,123,198**	404,545
Others	**5,213**	62,563
	13,497,170	10,305,694

Included in the sales above, approximately RMB1,104,112,000 (2011: RMB375,156,000) which are categorised under sales to United States of America for the year ended 31 December 2012 are sold to a customer in the PRC who shipped the goods to the ultimate customers in the country.

Nearly all non-current assets of the Group are located in the PRC.

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(v) Information about major customer

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

	2012 RMB'000	2011 RMB'000
Customer A*	**1,532,740**	1,460,967
Customer B*	**Note**	1,314,210
Customer C*	**Note**	1,057,232
Customer D*	**Note**	1,038,084

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

* Revenue from Industrial segment.

5 Investment income

	2012 RMB'000	2011 RMB'000
Bank interest income	**175,087**	119,887
Interest income from short-term investments	**1,969**	25,825
	177,056	145,712

6 Other income, other gains and losses

	2012 RMB'000	2011 RMB'000
Other income		
Government subsidies (Note)	**211,736**	24,925
Gain on sales of scrap materials, consumables and moulds	**22,850**	17,836
Rental income	**150**	13
	234,736	42,774
Other gains and losses		
(Loss)/gain on disposal of property, plant and equipment	**(10,237)**	2,029
Exchange loss	**(21,423)**	(26,409)
	(31,660)	(24,380)
Total	**203,076**	18,394

Note: The amounts mainly represent subsidies received from the Finance Bureau and other government departments of Liaoyang City, Daqing City and Panjin 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.

7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2012 RMB'000	2011 RMB'000
(a) Finance costs		
Interests on borrowings wholly repayable within five years:		
— Bank and other loans	**359,749**	372,280
— Debentures	**186,966**	91,440
Less: Interest expense capitalised into deposits for acquisition of property, plant and equipment*	**(170,257)**	—
Total finance costs	**376,458**	463,720

* The borrowing costs have been capitalised at an average interest rate of 5.16% per annum (2011: nil).

	2012 RMB'000	2011 RMB'000
(b) Staff costs#		
Staff costs (including directors' remunerations):		
— Salaries and other benefits	**288,441**	190,814
— Contributions to defined contribution retirement plan	**20,920**	13,525
— Equity-settled share-based payment expenses	**23,386**	33,764
	332,747	238,103
(c) Other items		
Amortisation of prepaid lease payments (Note 13)#	**74,217**	16,834
Depreciation of property, plant and equipment (Note 12)#	**380,607**	377,980
(Reversal of)/impairment losses on trade receivables (Note 18(b))	**(908)**	457
Operating lease charges in respect of office premises	**9,877**	14,636
Auditors' remuneration	**4,800**	4,000
Research and development costs	**398,944**	53,470
Cost of inventories#	**10,237,582**	8,083,397

\# Cost of inventories includes approximately RMB613,060,000 (2011: RMB527,525,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these type of expenses.

8 Income tax

(a) Taxation in the consolidated statement of comprehensive income represents:

	2012 RMB'000	2011 RMB'000
Current tax — PRC tax		
Provision for the year	**466,549**	409,430
(Over)/under-provision in respect of prior years	**(1,244)**	1,397
Withholding tax on intra-group interest income	**3,949**	5,088
	469,254	415,915
Deferred taxation (Note 28(b))	**66,414**	7,083
Total income tax	**535,668**	422,998

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2012 RMB'000	2011 RMB'000
Profit before taxation	**2,342,451**	1,528,025
Taxation at the PRC income tax rate of 25%	**585,613**	382,006
Tax effect of differential tax rate (Note)	**6,202**	37,516
Tax effect of non-deductible expense	**6,428**	2,566
Tax effect of non-taxable income	**(951)**	(52)
Tax relief related to additional tax deduction on research and development costs incurred	**(49,868)**	(6,684)
Tax effect of tax losses not recognised	**8,428**	20,581
Tax effect of utilisation of previously unrecognised tax losses	**(8,786)**	—
Tax effect of intra-group interest income	**(10,154)**	(14,332)
(Over)/under-provision in respect of prior years	**(1,244)**	1,397
Actual tax expense	**535,668**	422,998

Note: The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for the Company and certain subsidiaries of the Group incorporated in countries other than the PRC are subject to income tax rates ranging from 0% to 16.5% pursuant to the rules and regulations of their respective countries of incorporation.

9 Directors' and senior managements' remuneration

	2012 RMB'000	2011 RMB'000
Directors' remuneration		
Salaries and other benefits	**8,835**	8,833
Retirement benefit scheme contributions	**24**	16
Employee share option benefits	**5,653**	7,845
	14,512	16,694

The remunerations of the two senior managements are within the following bands:

	2012 Number of individuals	2011 Number of individuals
RMB1,500,001–RMB2,000,000	**2**	2

Directors' remuneration during each of the years ended 31 December 2012 and 2011 are analysed as follows:

	2012				2011			
	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Name of directors			(Note)				(Note)	
Executive directors:								
Mr. Liu Zhongtian	**2,003**	**5**	**—**	**2,008**	2,003	3	—	2,006
Ms. Zhong Hong	**1,503**	**5**	**1,114**	**2,622**	1,503	3	1,646	3,152
Mr. Chen Yan	**1,503**	**5**	**1,114**	**2,622**	1,503	3	1,646	3,152
Mr. Lu Changqing	**1,523**	**4**	**1,114**	**2,641**	1,521	4	1,646	3,171
Mr. Gou Xihui	**1,503**	**5**	**1,475**	**2,983**	1,503	3	1,963	3,469
Independent non-executive directors:								
Mr. Wong Chun Wa	**200**	**—**	**209**	**409**	200	—	236	436
Mr. Wen Xianjun	**200**	**—**	**209**	**409**	200	—	236	436
Mr. Shi Ketong	**200**	**—**	**209**	**409**	200	—	236	436
Mr. Lo Wa Kei, Roy	**200**	**—**	**209**	**409**	200	—	236	436
Total	**8,835**	**24**	**5,653**	**14,512**	8,833	16	7,845	16,694

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(n)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 34.

9 Directors' and senior managements' remuneration (Continued)

For each of the years ended 31 December 2012 and 2011, all five highest paid individuals are the directors of the Group whose remunerations are included in the disclosure set out above.

During each of the years ended 31 December 2012 and 2011, no remunerations 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 remunerations during each of the years ended 31 December 2012 and 2011.

10 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of approximately RMB21,097,000 (2011: a loss of RMB763,948,000) which has been dealt with in the financial statements of the Company (see Note 29(a)).

11 Earnings per share

The calculation of the basic and diluted earnings per share is based on the consolidated profit attributable to the equity shareholders of the Company for each of the years ended 31 December 2012 and 2011 and on the number of shares as follows:

	2012 RMB'000	2011 RMB'000
Profit attributable to equity shareholders of the Company	**1,806,783**	1,105,027

	2012 '000	2011 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**5,406,306**	5,406,306
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**12,837**	16,947
Weighted average number of shares for the purpose of diluted earnings per share	**5,419,143**	5,423,253
Earnings per share		
Basic (RMB)	**0.33**	0.20
Diluted (RMB)	**0.33**	0.20

The computation of diluted earnings per share does not assume the exercise of certain share options because the exercise price of those options was higher than the average market price for shares for each of the years ended 31 December 2012 and 2011.

12 Property, plant and equipment

The Group

	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 2011	504,235	4,143,488	61,432	44,317	2,009,336	6,762,808
Transfer in/(out)	112,323	968,624	—	—	(1,080,947)	—
Additions	—	46,616	25,020	3,637	1,121,456	1,196,729
Disposals	—	(24)	(11,797)	—	—	(11,821)
At 31 December 2011	616,558	5,158,704	74,655	47,954	2,049,845	7,947,716
At 1 January 2012	616,558	5,158,704	74,655	47,954	2,049,845	7,947,716
Transfer in/(out)	217,108	1,144,833	—	—	(1,361,941)	—
Additions	500	91,897	22,347	2,768	784,071	901,583
Disposals	—	—	(1,606)	—	(10,482)	(12,088)
At 31 December 2012	**834,166**	**6,395,434**	**95,396**	**50,722**	**1,461,493**	**8,837,211**
Accumulated depreciation and impairment						
At 1 January 2011	172,904	1,630,656	28,055	18,856	—	1,850,471
Charge for the year	25,768	337,896	8,143	6,173	—	377,980
Written back on disposals	—	(2)	(10,364)	—	—	(10,366)
At 31 December 2011	198,672	1,968,550	25,834	25,029	—	2,218,085
At 1 January 2012	198,672	1,968,550	25,834	25,029	—	2,218,085
Charge for the year	29,375	333,095	12,447	5,690	—	380,607
Written back on disposals	—	—	(675)	—	—	(675)
At 31 December 2012	**228,047**	**2,301,645**	**37,606**	**30,719**	**—**	**2,598,017**
Net book value						
At 31 December 2012	**606,119**	**4,093,789**	**57,790**	**20,003**	**1,461,493**	**6,239,194**
At 31 December 2011	417,886	3,190,154	48,821	22,925	2,049,845	5,729,631

As at 31 December 2012, certain of the Group's machineries with a carrying amount of approximately RMB972,400,000 (2011: nil) were used to secure the Group's borrowings (see Note 3(d) and Note 26(b)).

13 Prepaid lease payments

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	The Group	
	2012 RMB'000	2011 RMB'000
Cost		
At 1 January	**1,747,958**	164,795
Additions	**2,699,975**	1,583,163
At 31 December	**4,447,933**	1,747,958
Accumulated amortisation		
At 1 January	**27,719**	10,885
Charge for the year	**74,217**	16,834
At 31 December	**101,936**	27,719
Net book value		
At 31 December	**4,345,997**	1,720,239
Analysed for reporting purpose:		
Current assets	**88,982**	34,982
Non-current assets	**4,257,015**	1,685,257

14 Interests in subsidiaries

	The Company	
	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**1,360,328**	1,360,328
Amounts due from subsidiaries*	**7,483,793**	7,481,313
	8,844,121	8,841,641

* Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

14 Interests in subsidiaries (Continued)

Particulars of the Company's subsidiaries as at 31 December 2012 and 31 December 2011 are as follows, the class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Form of business structure	Place of operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Issued and fully paid share capital/ registered capital	Principal activities
Liaoning Zhongwang Group Company Limited* ("Zhongwang PRC") 遼寧忠旺集團有限公司	The PRC	Wholly foreign owned enterprise	The PRC	100%	—	100%	US$900,000,000	Manufacturing of aluminium products
Zhongwang China Investment Limited	British Virgin Islands	Incorporated	Hong Kong	100%	100%	—	US$2.00	Investment holding
Zhongwang China Investment (HK) Limited	Hong Kong	Incorporated	Hong Kong	100%	—	100%	HK$2.00	Investment holding and trading of aluminium products
Beijing Zhongwang Guoxin Investment Company Limited* 北京忠旺國新投資有限公司	The PRC	Domestic Limited Liability Company ("DLLC")	The PRC	100%	—	100%	RMB300,000,000	Investment holding
Beijing Zhongwang Huarong Investment Company Limited* 北京忠旺華融投資有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB100,000,000	Investment holding
Beijing Zhongwang Xinda Investment Company Limited* 北京忠旺信達投資有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Investment holding
Liaoning Zhongwang Aluminium Industry Company Limited* 遼寧忠旺鋁業股份有限公司 **	The PRC	Incorporated	The PRC	100%	—	100%	RMB250,000,000	Investment holding and manufacturing of aluminium products
Daqing Zhongwang Aluminium Industry Company Limited* 大慶忠旺鋁業有限公司 **	The PRC	DLLC	The PRC	100%	—	100%	RMB230,000,000	Manufacturing of aluminium products
Yingkou Zhongwang Aluminium Industry Company Limited* 營口忠旺鋁業有限公司 **	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Panjin Zhongwang Aluminium Industry Company Limited* 盤錦忠旺鋁業有限公司 **	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Tianjin Zhongwang Aluminium Industry Company Limited* 天津忠旺鋁業有限公司 **	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited* 遼寧忠旺機械設備製造有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB50,000,000	Manufacturing of machinery
Liaoning Zhongwang Import & Export Trade Company Limited* 遼寧忠旺進出口貿易有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB100,000,000	Trading of aluminium ingots, rods and other materials
Liaoning Zhongwang Science & Technology Company Limited* 遼寧忠旺科技有限公司 **	The PRC	DLLC	The PRC	100%	—	100%	RMB5,000,000	Research and development

* The English translations of the names of these companies are for reference only. The official names of these companies are in Chinese.

** These companies have not commenced operation at 31 December 2012.

15 Interest in an associate

	The Group	
	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**49,000**	49,000
Share of profits	**4,011**	208
	53,011	49,208

As at 31 December 2012, the Group had interest in the following associate:

Name of company	Place of establishment and operation	Form of business structure	Proportion of ownership interest Group's effective interest	Held by a subsidiary	Fully paid registered capital	Principal activities
China Railway Zhongwang Aluminium Company Limited* ("CR Zhongwang") 中鐵忠旺鋁業有限公司	The PRC	DLLC	49%	49%	RMB100,000,000	Trading of non-ferrous metals, non-ferrous metal products and metallic materials and import and export business

* The English translation of the name of the company is for reference only. The official name of this company is in Chinese.

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

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

	2012 RMB'000	2011 RMB'000
Total assets	**409,184**	100,693
Total liabilities	**(300,998)**	(268)
Net assets	**108,186**	100,425
The Group's share of net assets	**53,011**	49,208
Revenue	**2,240,123**	87,612
Profit for the year	**7,761**	425
The Group's share of profit for the year	**3,803**	208

16 Deposits for acquisition of property, plant and equipment and prepaid lease

	The Group 2012 RMB'000	2011 RMB'000
Deposits for acquisition of property, plant and equipment (Note)	**7,814,243**	4,346,623
Deposits for acquisition of prepaid lease	**680,646**	298,980
	8,494,889	4,645,603

Note: Included in deposits for acquisition of property, plant and equipment are deposits paid to three suppliers of equipment for production of aluminium flat-rolled products amounting to approximately RMB7,185,181,000 (2011: RMB4,255,992,000).

17 Inventories

	The Group 2012 RMB'000	2011 RMB'000
Raw materials	**3,403,220**	2,244,771
Work in progress	**358,054**	63,417
Finished goods	**227,214**	171,859
	3,988,488	2,480,047

18 Trade and bills receivables

	The Group 2012 RMB'000	2011 RMB'000
Trade and bills receivables	**795,353**	511,381
Less: Impairment losses	**(10,497)**	(11,405)
	784,856	499,976

All of the trade and bills receivables are expected to be recovered within one year.

18 Trade and bills receivables (Continued)

(a) Ageing analysis

As of the end of the reporting periods, the ageing analysis of trade and bills receivables based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group	
	2012 RMB'000	2011 RMB'000
0 to 90 days	**426,296**	352,623
91 to 180 days	**220,714**	85,646
Over 180 days	**137,846**	61,707
	784,856	499,976

For the year ended 31 December 2012, the Group allows an average credit period of 90 days (2011: 90 days) for domestic sales and an average credit period of 180 days (2011: 180 days) for overseas sales. Further details on the Group's credit policy are set out in Note 30(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see Note 2(h)).

The movement in the allowance for bad and doubtful debts during the year is as follows:

	The Group	
	2012 RMB'000	2011 RMB'000
At 1 January	**11,405**	10,948
Impairment loss recognised	**—**	457
Reversal of impairment losses	**(908)**	—
At 31 December	**10,497**	11,405

At 31 December 2012, trade and bills receivables of approximately RMB10,497,000 (2011: RMB11,592,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Consequently, specific allowances of doubtful debts of approximately RMB10,497,000 (2011: RMB11,405,000) were recognised.

As at 31 December 2012, there were concentration of credit risks on trade receivables due from three (2011: three) customers located in the PRC amounting to approximately RMB614,465,000 (2011: RMB422,315,000). Except for this concentration risk on certain customers, the concentration of credit risk is limited due to the remaining customer base being large and unrelated.

18 Trade and bills receivables (Continued)

(c) Trade and bills receivables that are not impaired

As of the end of the reporting periods, the ageing analysis based on the invoice date of trade and bills receivables that are past due but not impaired is as follows:

	The Group	
	2012 **RMB'000**	2011 RMB'000
91 to 180 days	**57,948**	33,775
181 to 365 days	**114,823**	58,333
Over 365 days	**23,212**	3,374
	195,983	95,482

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. As there has not been a significant change in credit quality, the directors considered these amounts are still recoverable and there is no further credit provision required in excess of the allowance for doubtful debts. The Group does not hold any collateral over these balances.

19 Other receivables, deposits and prepayments

As at 31 December 2012, included in the Group's other receivables, deposits and prepayments are prepayments paid to suppliers amounting to approximately RMB96,735,000 (2011: RMB18,946,000).

All of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

20 Pledged bank deposits

The Group pledged bank deposits as collateral in respect of issuance of bills and letters of credit by the Group. The pledged bank deposits will be released upon the settlement of relevant payables.

21 Short-term deposits

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

22 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and the Company, and bank deposits with an original maturity of three months or less. As at 31 December 2012, included in cash and cash equivalents of the Group were fixed deposits of approximately RMB50,811,000 (2011: RMB800,000,000) with an original maturity of three months or less.

23 Trade payables

All the trade payables are expected to be settled within one year or are repayable on demand. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	The Group	
	2012 **RMB'000**	2011 RMB'000
0 to 90 days	**1,659,523**	2,145,825
91 to 180 days	**1,611,681**	560,336
181 days to 1 year	**—**	12
	3,271,204	2,706,173

24 Bills payable

As at 31 December 2012, all the bills payable are repayable within 180 days (2011: 180 days) and are denominated in Renminbi.

As at 31 December 2012, bills payable amounting to RMB63,000,000 (2011: nil) was secured by deposits placed in banks with an aggregate carrying value of RMB63,000,000 (2011: nil).

25 Other payables and accrued charges

All of the other payables and accrued charges are expected to be settled or recognised as revenue within one year or are repayable on demand.

Included in other payables and accrued charges of the Group were approximately RMB232,962,000 (2011: RMB354,166,000) owed to certain suppliers who have supplied production machineries to the Group.

26 Bank and other loans

(a) The Group's short-term bank and other loans are analysed as follows:

	2012 **RMB'000**	2011 RMB'000
Bank loans:		
— Guaranteed by a related party	**1,500,000**	—
— Guaranteed by a third party	**—**	500,000
— Unguaranteed and unsecured	**932,556**	—
	2,432,556	500,000
Add: Current portion of long-term bank and other loans	**2,855,616**	3,520,000
	5,288,172	4,020,000

26 Bank and other loans (Continued)

(b) The Group's long-term bank and other loans are analysed as follows:

	2012 RMB'000	2011 RMB'000
Bank loans:		
— Guaranteed by a third party	**—**	1,000,000
— Unguaranteed and unsecured	**3,320,000**	3,630,000
Other loan:		
— Secured by property, plant and equipment (Note)	**614,916**	—
	3,934,916	4,630,000
Less: Current portion of long-term bank and other loans	**(2,855,616)**	(3,520,000)
	1,079,300	1,110,000

Note: At 31 December 2012, the long-term loan from a financial institution is secured by certain property, plant and equipment of the Group (see Note 3(d) and Note 12). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB972,400,000 at 31 December 2012 (2011: nil).

The long term bank and other loans are repayable as follows:

	2012 RMB'000	2011 RMB'000
Within 1 year or on demand	**2,855,616**	3,520,000
After 1 year but within 2 years	**747,037**	840,000
After 2 years but within 5 years	**332,263**	270,000
	3,934,916	4,630,000

All of the non-current interest-bearing borrowings are carried at amortised cost. At 31 December 2012, none of the non-current interest-bearing borrowings is expected to be settled within one year.

None of the Group's bank and other loans is subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions.

Details of the Group's management of liquidity risk are set out in Note 30(b).

27 Debentures

During the year ended 31 December 2010, the Group issued an unsecured debenture of RMB1,200,000,000 with maturity of three years and repayable on 9 November 2013, 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 2011, the Group issued an unsecured debenture of RMB1,200,000,000 with maturity of three years and repayable on 17 May 2014, with effective interest rate of 5.68% per annum.

During the year ended 31 December 2012, the Group issued unsecured debentures of RMB2,000,000,000 and RMB1,000,000,000 with maturity of three years and repayable on 25 June 2015 and 23 August 2015, respectively, and with effective interest rate of 4.93% and 5.35% per annum, respectively.

28 Income tax in the consolidated statement of financial position

(a) Current tax liabilities in the consolidated statement of financial position represents:

	The Group	
	2012 RMB'000	2011 RMB'000
At 1 January	**250,720**	139,341
Current tax (Note 8(a))	**469,254**	415,915
Income tax paid	**(613,684)**	(304,536)
At 31 December	**106,290**	250,720

(b) Deferred tax assets/liabilities recognised:

(i) *The components of deferred tax assets/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:*

The Group

	Impairment of property, plant and equipment RMB'000	Tax value of losses carried forward RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Capitalisation of borrowing costs RMB'000	PRC withholding tax RMB'000 (Note 28(d))	Total RMB'000
Deferred tax assets/ (liabilities) arising from:						
At 1 January 2011	42,500	—	—	—	(50,000)	(7,500)
Charged to profit or loss	(7,083)	—	—	—	—	(7,083)
At 31 December 2011	35,417	—	—	—	(50,000)	(14,583)
At 1 January 2012	**35,417**	**—**	**—**	**—**	**(50,000)**	**(14,583)**
(Charged)/credited to profit or loss	**(9,198)**	**6,505**	**(21,157)**	**(42,564)**	**—**	**(66,414)**
At 31 December 2012	**26,219**	**6,505**	**(21,157)**	**(42,564)**	**(50,000)**	**(80,997)**

(ii) *Reconciliation to the consolidated statements of financial position*

	The Group	
	2012 RMB'000	2011 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**32,724**	35,417
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(113,721)**	(50,000)
	(80,997)	(14,583)

28 Income tax in the consolidated statement of financial position (Continued)

(c) As at 31 December 2012, the Group had estimated unused tax losses of approximately RMB80,892,000 (2011: RMB82,324,000) available for offset against future profits, deferred tax asset has not been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax value of these losses carried forward of approximately RMB47,180,000 and RMB33,712,000 will expire in 2016 and 2017, respectively.

(d) Under the relevant tax rules and regulations of the 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 statements 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.

(e) No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences relating to the undistributed profits of a PRC subsidiary amounting to approximately RMB7,679,579,000 (2011: RMB6,344,279,000) as the Company controls the dividend policy of such subsidiary and it is probable that the profits will not be distributed in the foreseeable future. At the end of the reporting period, the Group had no other significant unprovided deferred taxation.

29 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	474,675	10,076,363	80,087	(128,192)	10,502,933
Changes in equity for 2011:					
Loss for the year	—	—	—	(763,948)	(763,948)
Recognition of share-based payment	—	—	33,764	—	33,764
Dividends (Note 29(b))	—	(1,036,665)	—	—	(1,036,665)
At 31 December 2011 and 1 January 2012	474,675	9,039,698	113,851	(892,140)	8,736,084
Changes in equity for 2012:					
Loss for the year	**—**	**—**	**—**	**(21,097)**	**(21,097)**
Recognition of share-based payment	**—**	**—**	**23,386**	**—**	**23,386**
At 31 December 2012	**474,675**	**9,039,698**	**137,237**	**(913,237)**	**8,738,373**

29 Capital, reserves and dividends (Continued)

(b) Dividends

For the years ended 31 December 2012 and 2011, no dividends have been proposed since the end of the reporting period.

During the year ended 31 December 2011, the Company declared and paid a final dividend for the year ended 31 December 2010 of HK$0.23 per share, equivalent to RMB0.19 per share, with an aggregate amount of approximately RMB1,036,665,000. Such dividends were distributed from the share premium of the Company upon approval by the shareholders at the annual general meeting held on 12 May 2011.

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.

(c) Share capital

(i) Authorised and issued share capital

	No. of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.1 each:			
Authorised:			
At 1 January 2011, 31 December 2011 and 31 December 2012	8,000,000,000	800,000	N/A
Issued:			
At 1 January 2011, 31 December 2011 and 31 December 2012	5,406,306,400	540,631	474,675

(ii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	2012 Number	2011 Number
8 May 2009 to 7 May 2014	HKD2.00	**40,400,000**	40,400,000
22 March 2012 to 21 March 2021	HKD3.90	**45,100,000**	45,500,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 34 to the consolidated financial statements.

29 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves

(i) Surplus reserve

The Articles of Association of Zhongwang PRC state that it may make an appropriation of 10% of its profit for the year (prepared in accordance with Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the 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.

(ii) Enterprise development fund

Pursuant to the PRC Company Law, Zhongwang PRC may make an allocation to the enterprise development fund from its profit for the year (prepared in accordance with ASBE) at a rate determined by directors. 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.

(iii) Other reserve

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

(iv) Special reserve

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 Company for acquiring 60% equity interest in Zhongwang PRC.

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes bank and other loans and debentures as disclosed in Notes 26 and 27 respectively and equity attributable to ordinary equity shareholders 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.

30 Financial risk management and fair value

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are disclosed below:

(a) 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 debtor 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 disclosed in Note 18(b), the Group does not have any other significant concentration of credit risk.

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

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and ageing 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.

30 Financial risk management and fair value (Continued)

(b) 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 viriable rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

		Contractual and undiscounted cash flow						
	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 RMB'000	Carrying amounts RMB'000
As at 31 December 2012								
Non-interest bearing	**—**	**3,556,821**	**156,544**	**25,941**	**—**	**—**	**3,739,306**	**3,739,306**
Bank and other loans	**5.22**	**2,117,652**	**2,545,366**	**810,147**	**787,452**	**367,225**	**6,627,842**	**6,367,472**
Debentures	**4.98**	**—**	**73,216**	**1,276,399**	**1,420,260**	**3,152,100**	**5,921,975**	**5,400,000**
		5,674,473	**2,775,126**	**2,112,487**	**2,207,712**	**3,519,325**	**16,289,123**	**15,506,778**
As at 31 December 2011								
Non-interest bearing	—	4,039,955	175,100	6,919	—	—	4,221,974	4,221,974
Bank and other loans	6.19	2,235,004	1,561,428	343,555	874,726	278,324	5,293,037	5,130,000
Debentures	4.88	—	25,560	41,921	1,312,930	1,268,160	2,648,571	2,400,000
		6,274,959	1,762,088	392,395	2,187,656	1,546,484	12,163,582	11,751,974

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 2012, the aggregate undiscounted principal amounts of these bank loans amounted to RMB1,870,000,000 (2011: RMB2,200,000,000). Taking into account the Group's financial position, the directors believe that it is not probable the banks will exercise their discretionary rights to demand immediate repayment and such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At the time of repayment, the aggregate principal and interest cash outflows will amount to approximately RMB1,955,416,000 (2011: RMB2,419,848,000).

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.

30 Financial risk management and fair value (Continued)

(c) Interest rate risk

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	The Group			
	2012		2011	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	**5.00–6.00**	**480,000**	—	—
Debentures	**4.07–5.68**	**5,400,000**	4.07–5.68	2,400,000
		5,880,000		2,400,000
Variable rate borrowings:				
Bank and other loans	**4.20–7.38**	**5,887,472**	5.49–7.98	5,130,000
Total borrowings		**11,767,472**		7,530,000
Fixed rate borrowings as a percentage of total borrowings		**50.0%**		31.9%

(ii) Sensitivity analysis

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

A 50 basis points (2011: 50 basis points) increase or decrease in variable-rate bank borrowings represents management's assessment of the reasonably possible change in interest rates. If interest rate increases or decreases by the aforesaid basis point, and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2012 would decrease or increase by approximately RMB22,078,000 (2011: RMB19,238,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits assuming that the change in interest rates had occurred at the end of the respective reporting periods and had been applied to re-measure those non-derivative financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the respective reporting periods. The impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rates. The analysis is performed on the same basis for 2011.

30 Financial risk management and fair value (Continued)

(d) Currency risk

(i) Exposure to currency risk

The Group have certain trade receivables, bank balances, 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 and the Company's foreign currency denominated monetary assets and liabilities at the reporting date is as follows. For presentation purposes, the amounts of the exposure are shown in RMB, translating using the spot rate as the year end date. Differences resulting from the translation of the financial statements of foreign operation into the Group's presentation currency are excluded.

The Group

	2012 **RMB'000**	2011 RMB'000
Trade receivables		
United States Dollars ("USD")	**498,553**	325,850
EURO	**2,755**	1,019
Bank balances and cash		
Hong Kong Dollars ("HKD")	**24,328**	32,229
USD	**61,373**	351,209
EURO	**—**	319
Australian Dollars ("AUD")	**—**	219
Bank loans		
USD	**452,556**	—

The Company

	2012 **RMB'000**	2011 RMB'000
Bank balances and cash		
HKD	**10,981**	18,958
Amounts due from subsidiaries		
HKD	**7,483,793**	7,481,313
Amounts due to subsidiaries		
HKD	**91,798**	90,229

30 Financial risk management and fair value (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The Group entities are mainly exposed to USD, HKD, AUD and EURO against RMB. The following table details the Group and the Company's sensitivity to a 5% (2011: 5%) increase and decrease in RMB against relevant foreign currencies. 5% (2011: 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% (2011: 5%) change in foreign currency rates. A positive number below indicates an increase in profit after tax and retained profits where RMB strengthen 5% (2011: 5%) against relevant foreign currencies. A negative number below represents a decrease in profit after tax and retained profits. For a 5% (2011: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after tax and retained profits.

The Group

	RMB against USD impact		RMB against HKD impact		RMB against AUD impact		RMB against EURO impact	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Decrease in profit after tax and retained profits	**(4,026)**	(25,390)	**(912)**	(1,209)	**—**	(8)	**(103)**	(50)

The Company

	RMB against USD impact		RMB against HKD impact		RMB against AUD impact		RMB against EURO impact	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Decrease in profit after tax and retained profits	**—**	—	**(370,149)**	(370,502)	**—**	—	**—**	—

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.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group and the Company which expose the Group and the Company to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group and the Company's presentation currency. The sensitivity analysis is performed on the same basis for 2011.

30 Financial risk management and fair value (Continued)

(e) Fair value

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

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

31 Commitments

(a) Capital commitments

	The Group	
	2012 RMB'000	2011 RMB'000
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**18,299,236**	20,058,215

(b) Operating lease commitments

The Group as lessee

At 31 December 2012 and 2011, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 RMB'000	2011 RMB'000
Within 1 year	**16,565**	8,911
After 1 year but within 5 years	**23,190**	1,745
	39,755	10,656

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

32 Retirement benefit plan

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

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

The amounts of contributions made by the Group in respect of the retirement benefit schemes during each of the years ended 31 December 2012 and 2011 are disclosed in Note 7(b).

33 Related party transactions

The Group had the following significant related party transactions during the year.

(a) Key management personnel remuneration

The directors of the Company consider that the directors are the key management personnel of the Group, whose remunerations have been disclosed in Note 9.

(b) Related party transactions

During the years ended 31 December 2012 and 2011, the Group entered into the following related party transactions:

	2012 RMB'000	2011 RMB'000
Goods purchased from related companies	**8,234**	6,100
Rental income from an associate	**150**	13
Guarantees obtained from a related company	**1,500,000**	—

(c) Related party balances

The outstanding balances arising from the above transactions at consolidated statement of financial position are as follows:

	The Group	
	2012 RMB'000	2011 RMB'000
Amounts due to related parties	**32**	209
Amounts due from related parties	**3**	—

34 Share-based payments

(a) 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/her option to subscribe for up to 20% of the total number of the shares of the Company under his/her option ("Vested Shares") during such period.

34 Share-based payments (Continued)

(a) Pre-IPO share option scheme (Continued)

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

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

Details of the Scheme is as follows:

Grantees	Grant date	Exercisable period	Exercise price HK$	Number of share options granted on grant date, outstanding at 31 December 2012 and 2011
Category:	17 April 2008	8 May 2009 to 7 May 2014	2.00	
— Directors				8,300,000
— Employees				32,100,000
				40,400,000

(b) Share option scheme

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

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

34 Share-based payments (Continued)

(b) Share option scheme (Continued)

Details of the Share Option Scheme is as follows:

Grantees	Grant date	Exercisable period	Exercise price HK$	Number of share options granted on grant date	Forfeited during the years	Outstanding as at 31 December 2012
Category:	22 March 2011	22 March 2012 to 21 March 2021	3.90			
— Directors				**11,700,000**	**—**	**11,700,000**
— Employees				**34,000,000**	**(600,000)**	**33,400,000**
				45,700,000	**(600,000)**	**45,100,000**

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

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

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 subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimation.

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

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

Type of option	Outstanding as at 1 January 2012	Forfeited during the year	Outstanding as at 31 December 2012	Exercisable as at 31 December 2012	Exercisable as at 31 December 2011
Scheme	40,400,000	—	**40,400,000**	**32,320,000**	**24,240,000**
Share Option Scheme	45,500,000	(400,000)	**45,100,000**	**9,020,000**	**—**
	85,900,000	(400,000)	**85,500,000**	**41,340,000**	**24,240,000**

During the year ended 31 December 2012, share-based payment expenses of approximately RMB7,600,000 (2011: RMB15,784,000) and approximately RMB15,786,000 (2011: RMB17,980,000) in relation to the Scheme and Share Option Scheme, respectively, are recognised in profit or loss.

35 Non-adjusting events after the reporting period

On 16 January 2013, the Company entered into a facility agreement with certain financial institutions (the "Lenders"). Pursuant to the facility agreement, the Lenders agreed to provide the Company a term loan facility with principal amount of US$200,000,000 for a term of three years subject to the terms and conditions contained therein. The Company has obtained US$200,000,000 (approximately equivalent to RMB1,255,860,000) loan proceeds from this facility agreement on 8 February 2013.

36 Immediate and ultimate controlling party

At 31 December 2012, the directors consider the immediate parent and ultimate controlling party of the Group to be Zhongwang International Group Limited, which is incorporated in the British Virgin Islands, and Mr. Liu Zhongtian, respectively.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements (2011)*	1 January 2013
IAS 28, *Investments in associates and joint ventures (2011)*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures — Disclosures — Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments (2010)*	1 January 2015
Amendments to IFRS 9, *Financial instruments and IFRS 7, Financial instruments: Disclosures — Mandatory effective date and transition disclosures*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five-year Financial Summary

RESULTS

	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Revenue	**13,497,170**	10,305,694	10,521,948	13,852,708	11,264,429
Profit for the year attributable to equity shareholders of the Company	**1,806,783**	1,105,027	2,595,867	3,528,815	1,910,438

ASSETS AND LIABILITIES

	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Total assets	**33,649,698**	27,774,599	24,639,885	24,423,450	12,861,075
Total liabilities	**16,141,715**	12,097,070	9,066,279	10,247,677	9,655,999
Total equity attributable to equity shareholders of the Company	**17,507,983**	15,677,529	15,573,606	14,175,773	3,205,076

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 the year ended 31 December 2008 and the assets and liabilities of the Group as at 31 December 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.