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

2013 Annual Report

Committed to Light-Weight Development for **A Greener World**

* *For identification purposes only*

Contents

China Zhongwang Holdings Limited
Annual Report 2013

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 America, N. A., Hong Kong Branch
The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China Limited
Agricultural Bank of China Limited

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

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
King & Wood Mallesons
20th Floor, East Tower
World Financial Center, 1 Dongsanhuan Zhonglu
Chaoyang District
Beijing 100020,
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 and 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 2014, the register of members of the Company will be closed from Friday, 9 May 2014 to Thursday, 15 May 2014 (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 2014.

Annual General Meeting

The Company's annual general meeting will be held on 15 May 2014, a notice of which is included in the circular to be dispatched to shareholders together with this annual report.

Company Website

www.zhongwang.com

Corporate Profile

China Zhongwang Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the largest in Asia and China[1]. On 8 May 2009, the Company (stock code: 01333) was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited. The Group has 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, automotive. shipbuilding, aerospace and other industries. Our customers can be found in major markets all over the world.

The Group was founded in 1993 with its headquarters based in Liaoning Province, China. After more than 20 years of dedicated development, the Group currently has 93 internationally advanced aluminium extrusion production lines (including 21 production lines of large-scale aluminium extrusion presses of 75MN or above) with an aggregate annual production capacity of over 1 million 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 2015. The acquisitions will reinforce the Group's leading edge in the production of high precision, complex 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 passed the building safety inspection of the relevant government authorities in June 2013 and duly commenced production. 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 successively. Phase I of the project with a designed annual production capacity of 1.8 million tonnes is expected to gradually commence production in 2015, by which time we will have initially achieved the goal of tapping the high-end aluminium flat rolled product sector to become our third core business complementary to and synergistic with the existing industrial aluminium extrusion product and deep-processed product businesses. The Company expects the investment for 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.

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

1 Rankings and relevant information relating to aluminium extrusion product manufacturers in the world are cited from a report prepared by Beijing Antaike Information Development Co., Ltd. dated March 2014.

For further information on the Group, please visit our website at:

www.zhongwang.com

Financial Highlights

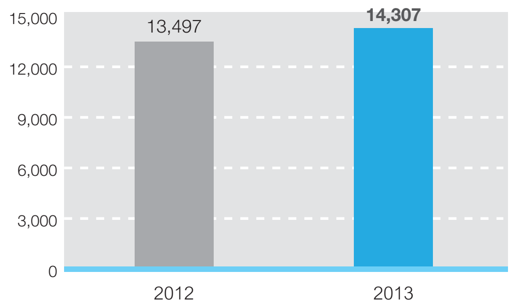
	2013 RMB'000	2012 RMB'000
Revenue	**14,306,751**	13,497,170
Gross profit	**3,841,051**	3,259,588
Profit before taxation	**2,555,166**	2,342,451
Profit attributable to equity shareholders	**2,126,625**	1,806,783
Earnings per share (note 1)		
Basic (RMB)	**0.39**	0.33
Diluted (RMB)	**0.39**	0.33
Proposed final dividend per share (RMB)	**0.10**	—
Bank balances and cash (note 2)	**10,885,509**	9,555,292
Net assets	**19,638,892**	17,507,983
Total assets	**40,353,143**	33,649,698

	2013	2012
Current ratio (note 3)	**1.17**	1.21
Inventory turnover in days (note 4)	**135**	115
Trade receivable turnover in days (note 5)	**18**	17
Trade payable turnover in days (note 6)	**124**	122
Gross margin	**26.8%**	24.2%
Gearing ratio (note 7)	**51.3%**	48.0%
Revenue composition — by product		
Industrial segment	**93.5%**	90.3%
Construction segment	**6.4%**	5.6%
Others	**0.1%**	4.1%
Gross profit composition — by product		
Industrial segment	**97.3%**	98.9%
Construction segment	**2.4%**	0.9%
Others	**0.3%**	0.2%

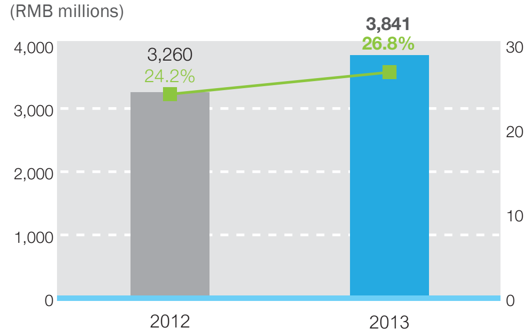
Notes:

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 2013 and 2012 and the weighted average number of shares during that year.
2. Bank balances and cash = cash and cash equivalents + 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%

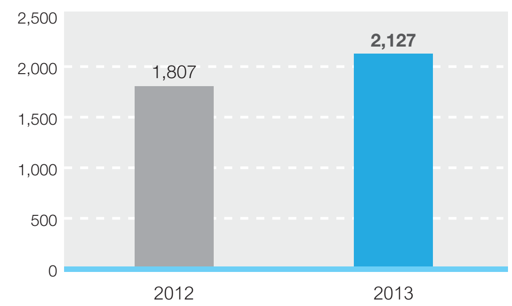
Revenue
(RMB millions)



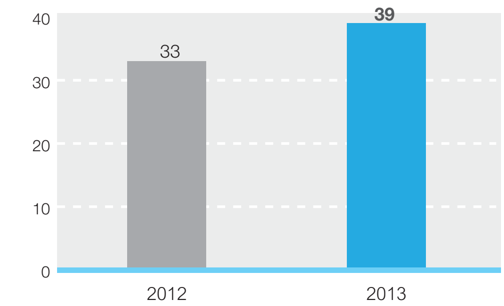
Gross Profit/Gross Margin
(RMB millions)



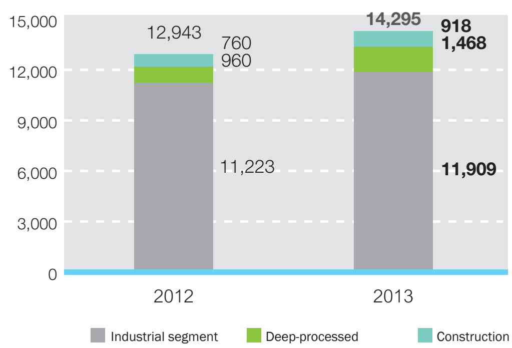
Profit Attributable To Equity Shareholders
(RMB millions)



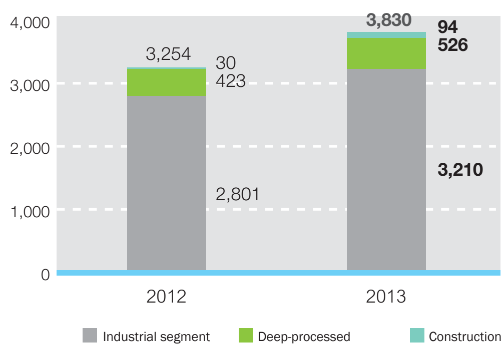
Earnings Per Share (Basic)
(RMB cents)



Revenue Composition
— Extrusion Business/By Product Type
(RMB millions)



Gross Profit Composition
— Extrusion Business/By Product Type
(RMB millions)



Core Businesses

INDUSTRIAL ALUMINIUM EXTRUSION PRODUCTS



DEEP-PROCESSED INDUSTRIAL ALUMINIUM EXTRUSION PRODUCTS

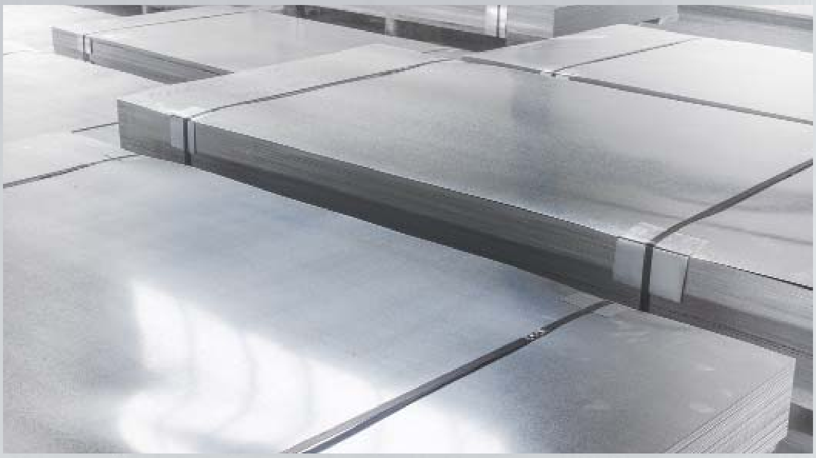

ALUMINIUM FLAT ROLLED PRODUCTS

The material of choice for energy saving and emission reduction, a driving force behind the light-weight development

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 by adding high-end large-section industrial aluminium extrusion lines. As at 31 December 2013, the Group had 93 internationally advanced aluminium extrusion production lines, including 21 production lines of large-scale aluminium extrusion presses of 75MN or above, with an aggregate annual production capacity of over one million tonnes.

Deep-processing center commenced production, forming a new growth engine

With the industrial aluminium extrusion deep-processing centre commencing production during 2013, the Group started developing a range of product prototypes to capitalize on the light-weight development trend in the transportation sector. Among them are aluminium fire trucks, high-speed train carriage bodies suitable for alpine cold regions, and semi-trailers. Industrial aluminium extrusion products of the Group undergo a range of further processing steps such as cutting, welding, polishing and surface treatment at the Group's deep-processing centre, turning them into finished or semi-finished products ready for use by customers. The deep-processing business is expected to be one of the new growth drivers of the Group in future.



High-end products with high entry barriers and rich growth potentials

The aluminium flat rolled project with its production base in Tianjin is the Group's largest single-project investment ever. It signifies an important step of the Group in further extending its presence in the high-end and high value-added product segment. The Group advanced the project as planned during the Year under Review. Production equipment from Germany, the U.S. and other parts of the world will be delivered and installed in phases in 2014. Phase I of the project, with an annual production capacity of 1.8 million tonnes, is expected to gradually commence production in 2015, while the full capacity of 3 million tonnes will be achieved by 2018. The project is set to drive the Group's long term profit growth.

Corporate Milestones

May

- Aluminium alloy extrusion technology for CRH (China Railway High-speed) trains and 582mm-7xxx hard aluminium alloy round ingot processing technology won China Nonferrous Metals Industry Science and Technology Awards

June

- Deep-processing centre officially commenced production

July

- Joined “Green Hong Kong • Carbon Audit” as a “Carbon Audit • Green Partner” by signing the Carbon Reduction Charter and committing to conserve energy and reduce emissions in support of improving air quality

September

- ISO9001 and ISO14001 quality and environment management systems for 2013 were reviewed and re-certified by China Quality Mark Certification Group

- Received “Chinese Enterprise Environmental Protection Qingxin Prize” for the second year in a row from the National Business Daily

November

- Received recognition as a high and new technology enterprise, reducing the applicable corporate income tax rate from 25% to the preferential tax rate of 15% for the three years from 2013 to 2015

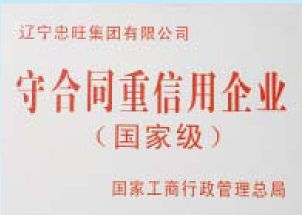
December

- The board of directors passed the proposal of an open offer of ordinary shares and/or unlisted convertible preference shares to raise proceeds of approximately HK$4.23 billion
- Expanded aluminium extrusion production capacity to over one million tonnes

October

- Ranked 255 in “2013 Top 500 Private Enterprises in China” and 163 in “2013 Top 500 Private Enterprises of Manufacturing Industry” by All-China Federation of Industry and Commerce

November



- Received recognition of “2010–2011 National Contract Compliance and Creditworthy Company” from the State Administration of Industry & Commerce for our creditworthy operations

- Recognized by Ministry of Human Resources and Social Security as National Model for University Graduate Employment and Internships

December

- Awarded the ISO3834 (International Welding Fabricator Certification) and EN15085 (European Railway Vehicles Welding Certificate) certificates for the second time in a row

- Awarded “AAA Grade Enterprise — Enterprise Credit Rating” by China Nonferrous Metals Fabrication Industry Association, the highest level of credit rating conferred on Chinese enterprises

Light-weight development increases load capacity

Heavy trucks and oil tankers are made entirely of aluminium. Research has showed that truck aluminium components can reduce the weight of a truck trailer by more than 2,000kg. With this weight advantage, an aluminium-intense truck can carry a heavy load without exceeding statutory weight limits. The increase of the load capacity means that fewer trips are necessary, thus contributing to additional reduction of carbon emissions.

Chairman's Statement

During the Year under Review, the Group made sound progress in market expansion, product development, technology research and development and industry outreach. We are pleased to report continued stable growth in the operating results of 2013, thanks to economies of scale arising from the expansion of our production capacity for industrial aluminium extrusion products, higher order volumes resulting from dedicated efforts to expand the PRC market, and new revenue sources generated from the commissioning of the new deep-processing centre for industrial aluminium extrusion products.

Liu Zhongtian
Chairman

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited ("China Zhongwang" or the "Company," together with its subsidiaries, the "Group"), I am pleased to present the annual report on the results of the Group for the year ended 31 December 2013 (the "Year under Review") for your review.

Reinforcing fundamentals to foster competitive strengths on all fronts

In 2013, China Zhongwang continued to reinforce its fundamental strengths and enhance its competitiveness. While the overall business environment was challenging given slow economic recovery in Europe and America and slackened growth in China, ongoing enhancements in industrial upgrades and environmental policies under China's "12th Five-Year Plan" during the Year under Review as part of the nation's effort to transform its economic model in pursuit of sustainable development, to the benefit of the aluminium processing industry, have driven its demand for high value-added industrial aluminium extrusion products. Leveraging opportunities in the market, the Group continued to advance the development of its three principal businesses, namely, industrial aluminium extrusion products, deep-processed industrial aluminium extrusion products and aluminium flat rolled products, in a bid to enhance its long-term competitiveness.

Operating results

During the Year under Review, the Group made sound progress in market expansion, product development, technology research and development and industry outreach. We are pleased to report continued stable growth in the operating results of 2013, thanks to economies of scale arising from the expansion of our production capacity for industrial aluminium extrusion products, higher order volumes resulting from dedicated efforts to expand the PRC market, and new revenue sources generated from the commissioning of the new deep-processing centre for industrial aluminium extrusion products:

- Revenue and profit attributable to equity shareholders amounted to approximately RMB14.31 billion (2012: approximately RMB13.50 billion) and RMB2.13 billion (2012: approximately RMB1.81 billion), a year-on-year growth of 6.0% and 17.7%, respectively;
- Gross profit margin increased by 2.6 percentage points to 26.8% year-on-year, thanks to the upgrade of our product mix and effective cost control measures;
- Net cash from operating activities grew 500.3% year-on-year to approximately RMB3.78 billion (2012: approximately RMB630 million). As at 31 December 2013, the Group's bank balances and cash amounted to approximately RMB10.89 billion (31 December 2012: approximately RMB9.56 billion);
- Sales volume of aluminium extrusion products increased by 17.5% year-on-year to approximately 653,000 tones;
- High value-added deep-processed industrial aluminium extrusion products boosted our exports business as export sales volume substantially increased by 96.5% year-on-year to approximately 62,000 tonnes (2012: approximately 31,000 tonnes), while export sales grew significantly by 52.1% to approximately RMB1.72 billion (2012: approximately RMB1.13 billion) to account for 12.0% (2012: 8.4%) of our total sales.

In addition, the Company launched an open offer of ordinary shares and/or unlisted convertible preference shares in November 2013 on the basis of 3 new ordinary shares and/or unlisted convertible preference shares for every 10 existing ordinary shares held by qualifying shareholders and successfully raised approximately HK$4.23 billion. All proceeds will be applied for the construction and development of the Group's project for aluminium flat rolled products in Tianjin.

Dividend

To reward shareholders' longstanding and strong support for the Company, the Board has recommended a final dividend of HK$0.13 (approximately RMB0.10) per share for the financial year ended 31 December 2013.

Industrial aluminium extrusion products — achieving growth in capacity and sales volume as planned

During the Year under Review, sales volume of industrial aluminium extrusion products increased by 12.4% year-on-year to approximately 547,000 tonnes, as we completed the installation and testing of eight large-tonnage aluminium extrusion presses. The expansion of China Zhongwang's production capacity for aluminium extrusion products plays an important role in its development. Industrial aluminium extrusion products provide not only stable and reliable revenue sources and cash flow for the Group, but also safeguard for the smooth rolling out of the Group's deep-processed industrial aluminium extrusion product and aluminium flat rolled product projects in terms of technology accumulation, talent reserves, customer base and sales channels.

As at 31 December 2013, the Group owned 93 extrusion lines with an annual production capacity of over one million tonnes, comprising 21 large-tonnage extrusion presses of 75MN or above, among which four were world-advanced 125MN presses. The Group has also ordered two 225MN horizontal single-action aluminium extrusion presses, which are the world's largest extrusion presses and will gradually commence operation in 2015. These additional production facilities have effectively enhanced the quality and production efficiency in respect of large-section industrial aluminium extrusion products and extended our advantage in economies of scale.

Deep-processed products — new achievements in sight on the back of significant developments

The Group's deep-processing centre passed the building safety inspection upon completion in 2013. It is capable of manufacturing a variety of large-sized deep-processed products, which are technically more advanced and therefore command higher selling prices and gross profits than industrial aluminium extrusion products. The development of the deep-processing business will not only foster a new niche for profit growth for the Company, but also further enhance the Company's technological level and competitiveness. The Group deep-processing business reported significant development during the Year under Review, underpinned by substantial growth in the sales of deep-processed products in terms of volume and revenue. Meanwhile, the Group's deep-processing centre successfully developed a range of new products with enormous market potentials in tandem with the light-weight development trend in transportation sector, such as aluminium fire trucks, garbage trucks, high-speed train carriage bodies suitable for alpine cold regions and semi-trailers, providing a solid foundation for future development of the Group's deep-processing business.

Aluminium flat rolled product business — progressing as scheduled to strengthen foundation for future growth

The Group started the preliminary stage of plant infrastructure construction and overseas talent recruitment for the aluminium flat rolled product project during the Year under Review, as it continued to advance the project as planned. Machines for aluminium flat rolled products to be imported from Germany, the United States and other countries will be delivered and installed in different stages in 2014. The Group's aluminium flat rolled product plant, located in Wuqing District, Tianjin, will become, upon completion of construction, an aluminium flat rolled product manufacturing base with the world's most advanced flat rolling equipment supported by the world's most comprehensive set of ancillary facilities. The Group plans to provide high value-added aluminium sheet, plate and foil products for industrial sectors with stringent technological requirements, such as aviation and aerospace, rail transportation, automobiles, food and pharmaceutical packaging, chemical containers and engineering equipment. Phase I of the project is expected to gradually commence operation in 2015 with an annual production capacity of 1.8 million tonnes. Aggregate annual capacity will be increased to 3 million tonnes when Phase II is completed in 2018.

Technology research and development — enhancing overall strengths with continuous increase in input

During the Year under Review, the Group continued to commit more efforts to research and development. While strengthening the research and development ability of its in-house teams, the Group also expanded its cooperation in scientific research with top research institutes of various industries and institutes of higher learning in China, with a view to improving its overall strengths on all fronts from production processes to new product development, etc. During the Year under Review, three of the Group's research projects were selected for inclusion in the National Advanced Technology Research & Development Programme (the "863 Programme"), List of National Strategic Product Innovation Projects and the Project for Foundation Enhancement Through Industrial Transformation & Upgrade, respectively. The Group also received multiple awards for technological progress and innovation at municipal, provincial and national levels, as well as the granting of more than 30 patents. Moreover, Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang"), the Group's principle operating entity in PRC, was recognised as a high and new technology enterprise in November 2013, entitling it to the enjoyment of preferential policy on corporate income tax rate for three years starting from the Year under Review, during which the applicable corporate income tax rate will be reduced from 25% to 15%.

Environmental protection — towards sustainable development

As the largest manufacturer of industrial aluminium extrusion products in China, we have proactively undertaken social responsibilities in environmental protection by strengthening management over energy conservation, reduction in consumption and emission in our production processes, seeking to make contributions to the sustainable development of the Company and the society in general. During the Year under Review, the Group implemented the "Diesel to Natural Gas Project" for the homogenising furnaces in its smelting and casting plants. Through technological upgrades and stringent control, more significant results in energy conservation and emission reduction have been achieved.

Outlook — leveraging development opportunities on the back of internal strengths and favourable environment

Looking to the future, green economy is becoming a global trend. In recent years, major Chinese cities have been suffering from widespread smog pollution, of which one source is tail-pipe emission from vehicles. Therefore, energy conservation and environmental protection constitute important strategies for China's national development. With its light weight and strong tensility, aluminium is regarded as an effective metal for facilitating light-weight development in the transportation sector. Currently, aluminium alloy is being widely used in the United States, Japan, Germany and other countries to provide light-weight vehicles in transportation and to fulfill requirements in environmental protection, energy conservation and efficiency enhancement. Increased application of aluminium has become a dominant trend in the transportation sector.

In line with its call for the optimisation of industrial structures, China's "12th Five-Year Plan" also supports faster applications of new technologies, materials and equipment by enterprises, so that they may enhance their market competitiveness. As the government continues to implement its national industrial policies and promote urbanisation, rapid development in sectors such as infrastructure construction, transportation, equipment manufacturing, electric car manufacturing and new energies will drive sustained growth of aluminium consumption, and the Group will continue to benefit from growth in the downstream sectors.

Greeted by opportunities arising from operations in environmental protection and economic transformation, China Zhongwang will continue to develop its business in industrial aluminium extrusion products, which will be complemented by high value-added deep-processed products for a more diverse range of product supply. Meanwhile, we will also make strategic inroads in aluminium flat rolled products. As we steadily march ahead with the development of our three principal businesses, we will work relentlessly to enhance our operating efficiency and management standards in our bid to build the Group into the world's top developer and manufacturer of high-end processed aluminium products.

Last but not least, may I express, on behalf of the Board, sincere appreciation to our shareholders, customers and business partners for their longstanding support. I would also like to avail myself of this opportunity to give special thanks to all my colleagues for their hard work and outstanding contribution over the past year to the sustained development of our Group. We will continue to strive to deliver better returns to our shareholders and serve the society in greater capacities by working on our own strengths and seizing upon market opportunities.

Thank you!

Liu Zhongtian
Chairman

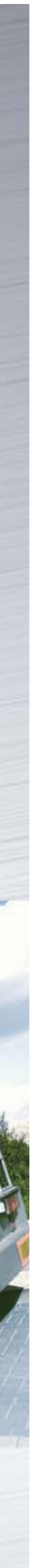
Hong Kong, 27 March 2014

Speed Creates Value

Railway brought a transportation mode characterized by “low fuel consumption, light weight, zero emissions” into reality. Aluminium alloy compartments weigh only half of traditional steel compartments, allowing the light-weight trains to travel faster with lower energy consumption.

Management Discussion and Analysis

Low-carbon, high-efficiency and cleanliness are the energy pursuit of the world. The fast growth of natural gas consumption in China will lead to huge demand for aluminium plates used in LNG containers. Such market environment paves way for aluminium flat rolled project actively developed by China Zhongwang.



I. Business Review

During the Year under Review, with further slowing down of its growth and the numerous restraints on expansion of effective domestic demand, the Chinese economy faced enormous pressures of reform and transformation. Internationally, the global economy was even more intricate. The economic recovery of developed countries was weak and lacked momentum, while the tapering of quantitative easing measures by the United States Federal Reserve had a greater impact on the emerging market economies which had already been suffering from external imbalances. Under such austere conditions, the Group resolutely implemented the operational objectives and development strategies formulated by the Board. Persistent in its market outreach plan of "focusing primarily on China and to a lesser extent on the overseas", we sought to drive structural optimisation through increased production volume and facilitate product upgrades through innovation while enhancing management and cost control. Thanks to these efforts, all the operational objectives formulated at the beginning of 2013 by our Board have been completely achieved.

During the Year under Review, our revenue increased by 6.0% to approximately RMB14,306,751,000 from approximately RMB13,497,170,000 for the year ended 31 December 2012 (the "Year 2012"). Profit attributable to equity shareholders of the Company was approximately RMB2,126,625,000 for the Year under Review, an increase of 17.7% from approximately RMB1,806,783,000 for the Year 2012. Earnings per share for the Year under Review also increased by 17.7% to approximately RMB0.39 from approximately RMB0.33 in the Year 2012. The total product sales volume from our aluminium extrusion business amounted to 653,077 tonnes for the Year under Review, an increase of 17.5% from 555,670 tonnes for the Year 2012 with a significant growth in deep-processed product sales volume of 91.1% to 53,301 tonnes for the Year under Review from 27,885 tonnes for the Year 2012. Although the declines in aluminium ingot prices and other factors led to a lower average selling price of the Group's aluminium extrusion products during the Year under Review, we succeeded in improving our overall gross margin for the aluminium extrusion product business to 26.8% for the Year under Review from 25.1% for the Year 2012, thanks to a combination of measures taken by the Group to improve production efficiency, reinforce cost control and optimise product mix.

The Group continued to expand its production capacity for large cross-section aluminium extrusion products during the Year under Review. Eight additional large extrusion presses duly commenced production following the completion of installation and testing procedures, bringing the total number of the Group's large presses of 75MN or above in operation to 21, the largest among its peers in the industry. In addition, the Group ordered two 225MN presses, which are the largest and most advanced in the world, in the first half of 2012 and the two presses are expected to gradually commence production in 2015. As a result, the Group's dominance in the production of large-size or ultra-large high precision industrial aluminium extrusion products will be further consolidated.

Moreover, our newly built deep-processing centre passed the building safety inspection of the relevant government authorities in June 2013 and duly commenced production. This development will enhance our production capacity in deep-processed products and lay a solid foundation for the further extension of our business scope to include high gross margin business of downstream products.

During the Year under Review, the Group continued to commit more efforts to research and development, striving to drive product upgrades and enhance its competitive edges through technological innovations. During the Year under Review, three of our research and development projects were included in the nation's 863 Program, the List of National Strategic Product Innovation Projects and the Project for Foundation Enhancement Through Industrial Transformation & Upgrade, and some of our technological progresses and innovations were presented with a number of municipal, provincial and national awards. In addition, the Group's research and development teams have successfully developed such deep-processed products as all-aluminium alloy grid style and van style semi-trailers, all-aluminium alloy fire trucks, all-aluminium alloy garbage trucks and high-speed train carriage bodies suitable for alpine cold regions. These products demonstrate the Group's strong product research and development capabilities and provide us with solutions in product diversification for the future development of our deep-processing business.

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

• Aluminium ingots

• Other metals

• Tilt smelting furnace powered by LNG

• Liquid aluminium alloy

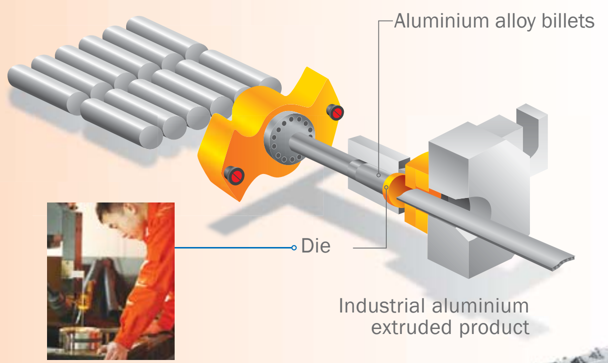
• Aluminium alloy billets

The Group owns and operates industry leading aluminium smelting and casting facilities, including LNG-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 developing and producing high-end industrial aluminium extrusion products.

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.

Aluminium alloy billets



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 work with key customers to produce customized aluminium extrusion products and shorten production cycle.

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.

Operational Figures

Industrial Aluminium Extrusion

650,000	tonnes of aluminium extrusion sales volume
21	sets of large-scale extrusion presses of 75MN or above
93	production lines
>1	million tonnes of annual production capacity

Research

670 R&D staff

R&D expenditure represented of total revenue 3%

As of 31 December 2013

The Group's high value-added aluminium flat rolled product project in Tianjin is also progressing steadily as planned. At present, land formation work for the phase I site and piling and steel structure construction for certain plants have been basically completed, while equipment foundation construction, piling and steel structure construction for other plants as well as the construction of drainage, embankment and other supporting infrastructures are currently underway. Some of the equipment have cleared the customs and been imported into China. With a total designed annual production capacity of 3 million tonnes, the project is scheduled for development in two phases. Phase I with a designed annual production capacity of 1.8 million tonnes is expected to complete construction and gradually 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 complementary to and synergistic with the existing industrial aluminium extrusion product and deep-processed product businesses.

II. Industry Analysis

Overview of the Chinese Aluminium Extrusion Industry

Driven by demand from the Chinese market, global consumption of aluminium extrusion products reached approximately 22.45 million tonnes for the Year under Review, increasing by 7.8% as compared to approximately 20.83 million tonnes for 2012[2]. The growth rate of China's aluminium extrusion industry continued to outpace the country's economic growth, underpinning the thriving development of the industry and the growing importance of the role of aluminium extrusion products in China's economic development. According to a report by Beijing Antaike Information Development Co., Ltd., consumption of aluminium extrusion products in China amounted to approximately 13.96 million tonnes in the Year under Review, representing an increase of 11.2% over approximately 12.56 million tonnes in 2012. Consumption of industrial aluminium extrusion products amounted to approximately 4.69 million tonnes, representing an increase of 12.5% over approximately 4.17 million tonnes in 2012. Consumption of construction aluminium extrusion products grew at a slightly slower pace, increasingly by 10.6% from approximately 8.38 million tonnes in 2012 to approximately 9.27 million tonnes in the Year under Review.

While China's aluminium extrusion market is larger in size and grows faster than other major aluminium extrusion markets in the world, there exists a certain gap in the level of development between China's aluminium extrusion industry and the aluminium extrusion industry in developed regions such as Europe and America in terms of market structure and product applications, as China's aluminium extrusion industry is predominantly engaged in the production of low-end and mid-range products with low added values. According to the report by Beijing Antaike Information Development Co., Ltd., consumption of construction aluminium extrusion products accounted for approximately 66% of China's total consumption of aluminium extrusion products, whereas consumption of industrial aluminium extrusion products, which have relatively higher added values, accounted for only approximately 34% of China's total consumption of aluminium extrusion products during the Year under Review. By comparison, consumption of construction aluminium extrusion products is estimated to be about 46% of the total consumption of aluminium extrusion products in the North American market (including Mexico) for the Year under Review, while that of industrial aluminium extrusion products is estimated to account for about 54%. These figures indicate that there is enormous room for development in high value-added products for the Chinese aluminium extrusion industry, especially in the transportation sector underpinned by energy conservation, emission reduction and light-weight development, where the gap between China and developed markets such as Europe and America is even greater. It is estimated that during the Year under Review, approximately 47% of the industrial aluminium extrusion products in North America were consumed by the transportation sector, while the comparable rates for Europe and Japan were approximately 45% and 50%, respectively. In China, although the application of aluminium extrusion products has increased in the rail transportation in recent years, the application of aluminium alloy products remains rudimentary in such sectors as trucks and passenger vehicles, while in shipbuilding, aviation and aerospace sectors it is nearly non-existent. For the Year under Review, aluminium extrusion products

[2] Data is cited from a report by Beijing Antaike Information Development Co., Ltd. dated March 2014.

applied in the transportation sector in China accounted for just about 27% of China's total consumption of industrial aluminium extrusion products, which was far below the level reported for developed nations in Europe, America and Japan. Moreover, the demand for aluminium alloy products (including aluminium extrusion products) in China for applications in machinery and equipment, electric power engineering and electronic equipment is expected to further increase in future, in tandem with the country's steady improvement of economic and social life. The presence of these gaps and potential demands has provided enormous development opportunities for China's aluminium processing industry, including the aluminium extrusion industry.

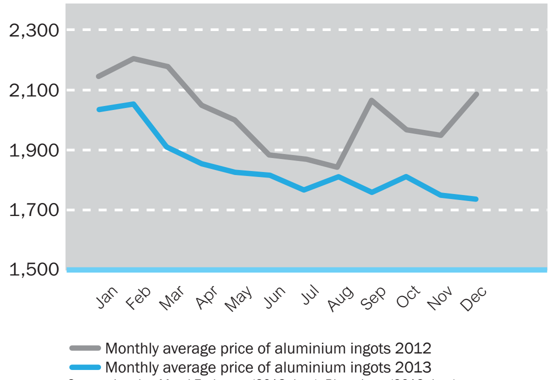
Price Trends of Aluminium Ingots

Aluminium ingots are the Group's major production raw materials and form a major component in its cost of sales.

Restrained by a lacklustre global economic recovery, the rebound in international prices of aluminium ingots witnessed in the second half of 2012 failed to sustain and in 2013 an overall trend of decline set in, with the average monthly price decreasing to US$1,739 per tonne by the end of the year from US$2,053 per tonne in February, representing an annual average price of US$1,846 per tonne, which was 8.7% lower compared to the annual average price of US$2,023 per tonne for 2012. With the Eurozone shrugging off negative growth and the U.S. economic recovery gaining further ground, the demand for aluminium metals from developed nations is expected to pick up, while the production downsizing plans of electrolytic aluminium manufacturers in Europe and America are also expected to have a positive impact on prices. Hence international prices of aluminium ingots are expected to stabilise and stage a moderate rebound in 2014.

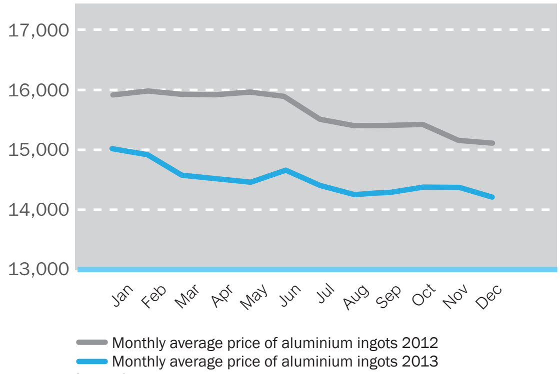
Meanwhile, during the Year under Review, domestic aluminium ingot prices in China continued to trend lower following declines in 2012, decreasing from approximately RMB15,073 per tonne at the beginning of the year to RMB14,257 per tonne at the end of the year, translating into an annual average price of RMB14,561 per tonne, a decrease of 7.3% as compared to the annual average price of RMB15,705 per tonne in 2012. Depressed aluminium ingot prices over a prolonged period have forced certain high energy-consuming and technologically backward enterprises in China into production downsizing or suspension, resulting in a lower level of aluminium ingot inventory seen in recent years. Measures of the Chinese government to resolve the problem of excessive production capacities in the electrolytic aluminium sector and others, such as the application of progressive electricity tariffs to electrolytic aluminium manufacturers announced in December 2013 and effective since January 2014, will facilitate further elimination of backward production capacities in the electrolytic aluminium sector, which will bring some balance to the demand and supply of aluminium ingots in the domestic market, thereby stabilising or even boosting prices. However, any future rebound in the prices of aluminium ingots in China will be constrained by the gradual ramping up of new capacities for electrolytic aluminium in Western China.

London Metal Exchange
(US$/tonne)



Source: London Metal Exchange (2013 data); Bloomberg (2012 data)

Shanghai Futures Exchange
(RMB/tonne)



Source: Shanghai Futures Exchange

III. Future Development

Because of its light-weight and high-strength properties, strong performance in corrosion resistance and antioxidation, electrical conduction and heat transfer, ease in processing, and recyclability, 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, realigning industry structure and achieving strategic goal of sustainable development. It is widely used in national economic sectors, such as transportation, electrical and mechanical equipment, national defense, electric power engineering, energy, construction and interior decoration. In particular, it plays a pivotal role in energy conservation, emission reduction 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.

The future development of aluminium processing industry does 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 precision product projects and strategies for refined-/deep-processing, supporting extensive applications of aluminium alloys. Moreover, the "*Special Development Plan for the Aluminium Industry during the 12th Five-Year Period*" of China has expressly called for raising the share of sales revenue of high-end aluminium products in the sales revenue of processed aluminium products from 8% in 2010 to 20% in 2015. This presents a good development opportunity for China Zhongwang, which has positioned itself over the years as a supplier of high-end products embodying advanced technologies.

The Group is confident about the long-term perspective of the development of the aluminium processing market in China and maintains a cautiously optimistic view towards China's industrial aluminium extrusion market in 2014. We believe that the growth of China's aluminium extrusion industry will slow down to some extent as a result of the slackening of macro-economic growth in China and the policies by the Chinese government to stabilize growth, adjust economic structure and promote reform. Total demand for aluminium extrusion products in China will reach 15.25 million tonnes, a year-on-year increase of approximately 9%, while industrial aluminium extrusion products will continue to grow at a relative faster pace, with demand for industrial extrusion products in China expected to reach approximately 5.2 million tonnes in 2014, representing a year-on-year growth of about 11%.

The Group believes that another aluminium processing segment facing major development opportunities is aluminium flat rolled products. Aluminium flat rolled products include aluminium plates, sheets and foils and are extensively applied in aviation, aerospace, vessels, rail transportation, automobiles, machinery and equipment, power electronics, durable goods and packaging, etc. According to a report by The Boston Consulting Group, the world's total consumption of aluminium flat rolled products will grow in a steady and healthy manner, increasing from approximately 18.55 million tonnes in 2011 to approximately 31.66 million tonnes in 2020. The China market will grow at a faster pace than the world average, increasing from approximately 7.6 million tonnes in 2011 to approximately 16 million tonnes in 2020, accounting for half of the world's total consumption and becoming the main driving force for the growth of global flat rolled product market. The room for growth is even greater for high-end products. High-end products accounted for 33% of the world's total consumption in 2011 but the comparable percentage for China was only 12%, which is significantly lower than the world level. At present, China's market for high-end aluminium flat rolled products is still in an embryonic stage where demands are mainly met by imports, leaving much room for development.

In view of the above, the management of our Group will continue to resolutely implement the following key development strategies:

1. Enhancing the Group's core competitiveness through increased efforts in research and development: While continuing to expand its 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: The installation, testing and commencement of operation of two mega-sized 225MN extrusion presses shall be completed by the end of 2015 to cement the Group's dominance in the production of high precision, large cross-section industrial aluminium extrusion products; investment in aluminium smelting and casting facility and equipment shall increase for further expansion of our aluminium smelting and casting capacity, so as to satisfy the expanded pressing capacity;

3. Vigorous development of the deep-processing business: Leveraging the advanced production facilities of the newly constructed deep-processing centre and formidable strengths 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 construction of the plants and ancillary facilities of Phase I of the Group's Tianjin project for high value-added aluminium flat rolled products with a designed annual production capacity of 1.8 million tonnes shall proceed as scheduled with attainable quality. Infrastructure construction and equipment installation shall be completed and production shall commence gradually in 2015, by which time aluminium flat rolled product business will become an important driver of revenue and profit growth for the Group; and

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 businesses, 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 higher and longer-term returns for shareholders.

IV. Financial Review

For the Year under Review, the Group's revenue amounted to approximately RMB14,306,751,000, representing an increase of 6.0% over the Year 2012. Profit attributable to equity shareholders of the Company amounted to approximately RMB2,126,625,000, an increase of 17.7% over the Year 2012. Earnings per share was RMB0.39 for the Year under Review (Year 2012: RMB0.33).

A comparison of the financial results for the Year under Review and the Year 2012 is set out as follows.

Revenue

During the Year under Review, the Group's total revenue amounted to approximately RMB14,306,751,000 (Year 2012: approximately RMB13,497,170,000), representing a growth of 6.0%. Our major revenue was generated from sales of aluminium extrusion business which amounted to approximately RMB14,295,281,000 or 99.9% of the total revenue. Other revenue primarily comprised metal trade agency fees, amounting to approximately RMB11,470,000. In the Year 2012, sales of aluminium extrusion business amounted to approximately RMB12,943,436,000 or 95.9% of our total revenue. Other revenue, which was derived mainly from the trading business relating to the provision of metallic materials such as aluminium ingots and aluminium rods to third-party customers, amounted to approximately RMB553,734,000.

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 2012.

	For the year ended 31 December											
	2013					2012					Change	
	Revenue (RMB'000)	**%**	**Sales volume (tonnes)**	**%**	**Average selling price (RMB/tonne)**	Revenue (RMB'000)	%	Sales volume (tonnes)	%	Average selling price (RMB/tonne)	Revenue %	Sales volume %
Aluminium extrusion business												
Industrial segment	**13,377,531**	**93.6%**	**600,681**	**92.0%**	**22,271**	12,183,074	94.1%	515,018	92.7%	23,656	9.8%	16.6%
Industrial aluminium extrusion products	**11,908,952**	**83.3%**	**547,380**	**83.8%**	**21,756**	11,222,812	86.7%	487,133	87.7%	23,038	6.1%	12.4%
Deep-processed products	**1,468,579**	**10.3%**	**53,301**	**8.2%**	**27,553**	960,262	7.4%	27,885	5.0%	34,437	52.9%	91.1%
Construction segment	**917,750**	**6.4%**	**52,396**	**8.0%**	**17,516**	760,362	5.9%	40,652	7.3%	18,704	20.7%	28.9%
Total	**14,295,281**	**100.0%**	**653,077**	**100.0%**	**21,889**	12,943,436	100.0%	555,670	100.0%	23,293	10.4%	17.5%

Revenue from the Group's aluminium extrusion business amounted to approximately RMB14,295,281,000 for the Year under Review, an increase of 10.4% over the Year 2012. The Group's total product sales volume in aluminium extrusion business increased by 17.5% over the Year 2012 to 653,077 tonnes for the Year under Review. The average selling price of the Group's aluminium extrusion products dropped by 6.0% over the Year 2012 to RMB21,889 per tonne for the Year under Review, mainly because of lower aluminium ingot prices during the Year under Review. The Group typically sets prices for its aluminium extrusion products on a "cost-plus" basis, pursuant to which the selling price of our products is determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group.

Revenue from the Group's industrial segment increased by 9.8% over the Year 2012 to approximately RMB13,377,531,000 for the Year under Review. Total sales volume of the Group's industrial segment increased by 16.6% over the Year 2012 to 600,681 tonnes for the Year under Review.

Revenue from the Group's industrial aluminium extrusion products amounted to approximately RMB11,908,952,000 for the Year under Review, an increase of 6.1% over the Year 2012, mainly because our enhanced efforts in market development and capacity expansion led to a 12.4% increase of the Group's sales volume of industrial aluminium extrusion products from 487,133 tonnes in the Year 2012 to 547,380 tonnes for the Year under Review. The average selling price of the Group's industrial aluminium extrusion products dropped by 5.6% over the Year 2012 to RMB21,756 per tonne for the Year under Review, mainly because of lower aluminium ingot prices during the Year under Review.

Deep-processed products are an important driver of profit growth that the Group has been vigorously developing. Sales volume of our deep-processed products was 53,301 tonnes for the Year under Review, an increase of 91.1% over the Year 2012, principally because our intensified efforts in developing overseas markets led to an increase of the export sales of deep-processed products to the United States (the "US"), which in turn raised the revenue from deep-processed products by 52.9% over the Year 2012 to approximately RMB1,468,579,000 for the Year under Review. The average selling price of the Group's deep-processed products decreased by 20.0% over the Year 2012 to RMB27,553 per tonne for the Year under Review. The decrease was primarily due to certain price concessions offered by the Group to existing deep-processed product customers in an effort to further expand its overseas markets and boost export sales, coupled with a decline in the price of aluminium ingots during the Year under Review.

Revenue from the Group's construction segment increased by 20.7% over the Year 2012 to approximately RMB917,750,000 for the Year under Review, which was mainly attributable to increases in sales volume of our construction segment. The sales volume of the Group's construction segment increased by 28.9% over the Year 2012 to 52,396 tonnes for the Year under Review, mainly because the Group, while ensuring the satisfaction of the demands of the industrial segment, increased the production volume of the construction segment and hence the sales volume as a result of greater demands and improved gross profit margins for construction segment products during the Year under Review. The average selling price of the Group's construction segment decreased by 6.4% over the Year 2012 to RMB17,516 per tonne for the Year under Review primarily because of a decline in the price of aluminium ingots during the Year under Review.

Geographically, the Group's overseas clients mainly came from the US. For the Year under Review, our revenue from overseas sales amounted to approximately RMB1,716,596,000 (Year 2012: approximately RMB1,128,411,000), representing 12.0% (Year 2012: 8.4%) of the Group's total revenue.

The following sets forth the breakdowns of our revenue by geographical regions for the Year under Review and the Year 2012:

	For the year ended 31 December			
	2013		2012	
	(RMB'000)	**%**	(RMB'000)	%
PRC	**12,590,155**	**88.00%**	12,368,759	91.64%
US	**1,688,487**	**11.80%**	1,123,198	8.32%
Others	**28,109**	**0.20%**	5,213	0.04%
Total	**14,306,751**	**100.00%**	13,497,170	100.00%

For the Year under Review, the Group's domestic revenue amounted to approximately RMB12,590,155,000, up 1.8% over the Year 2012. The Group's overseas revenue increased by 52.1% over the Year 2012 to approximately RMB1,716,596,000 for the Year under Review, including approximately RMB1,688,487,000 in revenue from exports to the US, an increase of 50.3% over the Year 2012. Currently, the Group's product sales to the US comprise mostly deep-processed industrial aluminium extrusion products. The significant growth in exports to the US for the Year under Review was attributable to the Group's vigorous efforts in expanding its production scale for deep-processed products to tap the US market in response to increasing demand for these products in the US.

Cost of Sales

Our cost of sales was approximately RMB10,465,700,000 for the Year under Review (Year 2012: approximately RMB10,237,582,000), an increase of 2.2% over the Year 2012. The increase was mainly due to growth in aluminium extrusion product sales during the Year under Review. The cost of sales of our aluminium extrusion business increased by 8.0% to approximately RMB10,465,578,000 for the Year under Review from approximately RMB9,689,169,000 in the Year 2012. The Group's unit cost of aluminium extrusion business decreased by 8.1% to RMB16,025 per tonne for the Year under Review from RMB17,437 per tonne in the Year 2012, primarily due to the decline of aluminium ingot prices and the Group's reinforcement of cost control during the Year under Review.

Gross Profit and Gross Margin

The Group's gross profit increased by 17.8% over 2012 to approximately RMB3,841,051,000 for the Year under Review. The increase was mainly due to increases in sales volume 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 margin by aluminium extrusion business segments for the Year under Review and the Year 2012:

	For the year ended 31 December					
	2013			2012		
	Gross profit (RMB'000)	**%**	**Gross margin %**	Gross profit (RMB'000)	%	Gross margin %
Aluminium extrusion business						
Industrial segment	**3,736,023**	**97.6%**	**27.9%**	3,224,248	99.1%	26.5%
Industrial aluminium extrusion products	**3,210,437**	**83.9%**	**27.0%**	2,801,095	86.1%	25.0%
Deep-processed products	**525,586**	**13.7%**	**35.8%**	423,153	13.0%	44.1%
Construction segment	**93,680**	**2.4%**	**10.2%**	30,019	0.9%	3.9%
Total	**3,829,703**	**100.0%**	**26.8%**	3,254,267	100.0%	25.1%

Our gross profit from aluminium extrusion business increased by 17.7% over the Year 2012 to approximately RMB3,829,703,000 for the Year under Review. Our overall gross margin for aluminium extrusion business increased to 26.8% for the Year under Review from 25.1% in the Year 2012. The increase was primarily attributable to increase in gross margin of our Industrial aluminium extrusion products which accounted for the largest share of our aluminium extrusion business.

The Group's overall gross profit from the industrial segment increased by 15.9% over the Year 2012 to approximately RMB3,736,023,000 for the Year under Review. The overall gross margin of the industrial segment increased to 27.9% for the Year under Review from 26.5% in the Year 2012.

Our gross profit from industrial aluminium extrusion products increased by 14.6% over the Year 2012 to approximately RMB3,210,437,000 for the Year under Review. The increase was mainly due to increase in sales volume of industrial aluminium extrusion products. The gross margin of our industrial aluminium extrusion products increased to 27.0% for the Year under Review from 25.0% in the Year 2012, primarily because of the Group's reinforcement of cost control and the decline of aluminium ingot prices during the Year under Review.

The Group's gross profit from deep-processed products increased by 24.2% over the Year 2012 to approximately RMB525,586,000 for the Year under Review. The gross margin of our deep-processed products decreased from 44.1% in the Year 2012 to 35.8% for the Year under Review. The decrease was primarily due to certain price concessions offered to our deep-processed product customers in an effort to further expand overseas markets and boost export sales.

The Group's gross profit from the construction segment increased by 212.1% over the Year 2012 to approximately RMB93,680,000 for the Year under Review. The gross margin of the Group's construction segment increased from 3.9% in the Year 2012 to 10.2% for the Year under Review, primarily because of the Group's reinforcement of cost control and lower aluminium ingot prices.

Investment Income

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

The bank interest income decreased by 25.1% to approximately RMB131,119,000 for the Year under Review from approximately RMB175,087,000 in the Year 2012, which was primarily attributable to a smaller proportion of fixed deposits with higher interest rates.

The Group's short-term investment gains, mainly from our bank investment products, decreased by 46.2% to RMB1,059,000 for the Year under Review from approximately RMB1,969,000 in the Year 2012. Such decrease was mainly attributable to shorter terms of our bank investment products during the Year under Review.

Other Income/Expenses and Other Gains/Losses, Net

Other income/expenses and other gains/losses recorded net gains of approximately RMB328,864,000 for the Year under Review, an increase of approximately RMB125,788,000 from approximately RMB203,076,000 in the Year 2012. This was principally due to the facts that:

(i) there was an increase in government subsidies of approximately RMB34,724,000 to approximately RMB246,460,000 for the Year under Review from approximately RMB211,736,000 in the Year 2012. 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; and

(ii) there was a net income of approximately RMB63,232,000 from the sales of machinery and equipment for the Year under Review. In order to maintain and develop our customer resources in the field of machinery and equipment manufacturing, and to fully capitalise on our strengths in the manufacturing of industrial machines, the Group launched the manufacturing and sales business of machinery and equipment during the Year under Review, providing mostly machines and equipment related to metal processing. The Group did not have this business in the Year 2012.

Selling and Distribution Costs

Our selling and distribution costs primarily consist of advertising expenses, transportation costs and salaries of sales staff. These costs increased by 11.4% from approximately RMB132,025,000 in the Year 2012 to approximately RMB147,033,000 for the Year under Review, which was primarily attributable to:

(i) an increase of 23.3% in advertising expenses from approximately RMB83,988,000 in the Year 2012 to approximately RMB103,525,000 for the Year under Review, mainly because the Group intensified its promotional efforts in order to further develop the markets;

(ii) an increase of 6.1% in transportation costs from approximately RMB20,265,000 in the Year 2012 to approximately RMB21,508,000 for the Year under Review, which was primarily due to increases in relevant overseas transportation costs as a result of the increased export sales of our deep-processed products; and

(iii) a decrease of 20.8% in other selling expenses from approximately RMB27,772,000 in the Year 2012 to approximately RMB22,000,000 for the Year under Review.

Administrative and Other Operating Expenses

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

The administrative and other operating expenses increased by 31.2% to approximately RMB1,040,200,000 for the Year under Review from approximately RMB792,589,000 in the Year 2012. The increase was primarily attributable to the facts that:

(i) the Group's research and development expenditures under administrative and other operating expenses increased to approximately RMB427,723,000 for the Year under Review from approximately RMB398,944,000 in the Year 2012. The research and development expenditures were mainly used on core sets of technologies for large and complex cross-section aluminium extrusion structural parts for transportation equipment in sectors, such as aviation and aerospace, railway vehicles, heavy trucks, passenger cars and special vehicles;

(ii) the Group's successive acquisitions of land use rights in Liaoning and Heilongjiang provinces in China since 2011 led to an increase of land use taxes from approximately RMB163,265,000 in the Year 2012 to approximately RMB219,093,000 for the Year under Review;

(iii) amortization expenses of land use rights increased to approximately RMB93,308,000 for the Year under Review from approximately RMB64,086,000 in the Year 2012 because of the successive acquisitions of land use rights in Liaoning Province, Heilongjiang Province and Tianjin Municipality in China since 2011; and

(iv) other administrative and operating related expenses, comprising mainly share option expenses, wages, salaries and benefits, intermediary fees, depreciation charges of office equipment, bank fees and business entertainment expenses, increased to approximately RMB300,076,000 for the Year under Review from approximately RMB166,294,000 in the Year 2012.

Share of Profit of an Associate

The Group's share of profit of an associate for the Year under Review was approximately RMB3,796,000 (Year 2012: approximately RMB3,803,000), which is the share of profit recognized using equity method accounting for the investment in CR Zhongwang Aluminium Company Limited. Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang"), a wholly-owned subsidiary of the Company, and China Railway Materials Shenyang Company Limited established a joint venture, CR Zhongwang Aluminium Company Limited, on 18 November 2011. Liaoning Zhongwang holds 49.0% of the equity of the joint venture.

Finance Costs

Our finance costs increased by 49.7% from approximately RMB376,458,000 in the Year 2012 to approximately RMB563,490,000 for the Year under Review. The increase mainly resulted from an increase in the Group's debentures and loans for the Year under Review as compared to that in the Year 2012.

For the Year under Review, the interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment of the Group amounted to approximately RMB201,628,000 (Year 2012: approximately RMB170,257,000) at an annualized capitalization rate of 4.55% (Year 2012: 5.16%).

In the Year 2012 and during the Year under Review, the Group's loans carried average interest rates of 5.22% and 4.96% per annum, respectively; the debentures carried interest rates ranged from 4.47% to 6.90% per annum (Year 2012: ranged from 4.07% to 5.68% per annum).

Profit before Taxation

Our profit before taxation increased by 9.1% from approximately RMB2,342,451,000 in the Year 2012 to approximately RMB2,555,166,000 for the Year under Review, which was primarily attributable to the factors described above in this section.

Income Tax Expense

Our income tax expense decreased by 20.0% to approximately RMB428,541,000 for the Year under Review from approximately RMB535,668,000 in the Year 2012, mainly because Liaoning Zhongwang, the Group's principal operating entity in China, was recognized in November 2013 as one of the second batch of high and new technology enterprises in Liaoning province in 2013. In accordance with the relevant PRC laws and regulations, Liaoning Zhongwang is entitled to the preferential treatment on corporate income tax enjoyed by high and new technology enterprises for three years from 2013 to 2015. As such, the applicable corporate income tax rate for Liaoning Zhongwang has been reduced from 25% to the preferential tax rate of 15% for the three years from 2013 to 2015.

Our effective tax rates for the Year under Review and that in the Year 2012 were 16.8% and 22.9%, respectively.

Profit Attributable To Equity Shareholders

The Company's profit attributable to equity shareholders increased by 17.7% to approximately RMB2,126,625,000 for the Year under Review from approximately RMB1,806,783,000 in the Year 2012. Our net profit margin increased from 13.4% in the Year 2012 to 14.9% 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 the Year 2012 are as follows:

	For the year ended 31 December	
	2013 (RMB'000)	2012 (RMB'000)
Net cash from operating activities	**3,784,848**	630,518
Net cash used in investing activities	**(5,805,433)**	(6,629,842)
Net cash from financing activities	**3,447,496**	3,767,242

Net Current Assets

As at 31 December 2013, the Group had net current assets of approximately RMB2,080,684,000, 6.6% lower than net current assets of approximately RMB2,226,671,000 as at 31 December 2012. The decrease was mainly due to the increase in our current assets lesser than the increase in current liabilities:

(i) As at 31 December 2013, the Group's current assets amounted to approximately RMB14,191,861,000, an increase of approximately RMB1,216,496,000 as compared with approximately RMB12,975,365,000 as at 31 December 2012. The increase was primarily due to increase in cash and cash equivalents; and

(ii) As at 31 December 2013, the Group's current liabilities amounted to approximately RMB12,111,177,000, an increase of approximately RMB1,362,483,000 as compared with approximately RMB10,748,694,000 as at 31 December 2012. The increase was primarily due to the new issue of debentures matured within a year during the Year under Review.

Liquidity

As at 31 December 2013 and 31 December 2012, the Group had cash and cash equivalents of approximately RMB9,317,055,000 and RMB7,890,144,000, respectively, and balances of pledged bank deposits under the current assets were approximately RMB36,454,000 and RMB67,648,000, respectively.

Borrowings

As at 31 December 2013, our debentures and loans amounted to approximately RMB15,900,143,000 in aggregate, an increase of approximately RMB4,132,671,000 from approximately RMB11,767,472,000 as at 31 December 2012.

As at 31 December 2013, the Group's debentures and loans shown under current liabilities amounted to approximately RMB7,508,500,000 (31 December 2012: approximately RMB6,488,172,000) and debentures and loans shown under non-current liabilities amounted to approximately RMB8,391,643,000 (31 December 2012: approximately RMB5,279,300,000). Further details are disclosed in notes 25 and 26 to the consolidated financial statements of this annual report.

The Group's gearing ratio was approximately 51.3% as at 31 December 2013, while it was approximately 48.0% as at 31 December 2012. The ratio was calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

As at 31 December 2013, save for pledged bank deposits, the Group had five sets of horizontal single action aluminium extrusion presses of a total carrying amount of approximately RMB983,701,000 which are pledged assets for financing arrangements.

On 31 July 2012, the Group sold the above 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 the equipment amounted to approximately RMB983,701,000 at 31 December 2013 (31 December 2012: approximately RMB972,400,000).

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 will 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 transactions are closely interrelated and shall be accounted for as one transaction lest 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 borrowings is disclosed in notes 12 and 25(b) to the consolidated financial statements of this annual report.

Contingent Liabilities

As at 31 December 2013 and 31 December 2012, the Group had no material contingent liabilities.

Employees

As at 31 December 2013, the Group had 6,758 full-time employees for, inter alia, production, research and development, sales and management, representing an increase of 26.3% as compared with 5,349 employees as at 31 December 2012. During the Year under Review, relevant employee costs (including Directors' remuneration) were approximately RMB534,603,000 (including share option charges of approximately RMB10,935,000), an increase of 60.7% as compared with approximately RMB332,747,000 (including share option charges of approximately RMB23,386,000) in 2012. Employee costs (excluding share option charges) of the Group increased mainly because the Group increased its number of employees for the expansion of its production capacity and the development of deep-processed products and the flat rolled aluminium product project. Besides, the increase was also attributable to the Group's efforts of ensuring the attractiveness of its employee remuneration packages and granting performance-based bonuses in accordance with general standards set out in the Group's remuneration policy.

Research and Development

As at 31 December 2013, the Group had 670 research and development and quality control personnel which accounted for 9.9% 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 continued to step up its investment in research and development and the expenditures increased from approximately RMB398,944,000 in 2012 to approximately RMB427,723,000 for the Year under Review. The share of our research and development expenditures in sales revenue for the Year under Review was approximately 3.0%, substantially same as that in 2012. The expenditures were mainly used 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, passenger cars.

Capital Commitments

As at 31 December 2013, 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 RMB17.1 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 funds 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 2013, capital commitments in respect of the equipment already contracted for the production of aluminium flat rolled products amounted to approximately RMB13.0 billion.

Subsequent Events

On 28 November 2013, the Company announced an open offer (the "Open Offer") of ordinary shares and/or unlisted restricted voting non-redeemable convertible preference shares (the "Convertible Preference Shares") on the basis of 3 new ordinary shares for every 10 existing ordinary shares held by qualifying shareholders as at close of business on the record date (Tuesday, 7 January 2014) at the subscription price of HK$2.61 per ordinary share or Convertible Preference Share. Zhongwang International Group Limited ("ZIGL"), the controlling shareholder of the Company, acted as the underwriter at nil commission.

The Open Offer was completed on 28 January 2014. At the completion, a total of 2,703,583 new ordinary shares and 1,619,188,337 Convertible Preference Shares were issued and allotted of which a total of 1,618,955,468 Convertible Preference Shares were issued and allotted to ZIGL. The Open Offer raised net proceeds of approximately HK$4,225,400,000 and the Company intends to apply the net proceeds in full to fund the project for producing high value-added aluminium flat rolled products in Tianjin, PRC.

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.

Foreign 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 2013, approximately 88.0% of the revenue of the Group was denominated in Renminbi and approximately 12.0% was denominated in USD, while approximately 88.5% of the borrowings of the Group were denominated in Renminbi and approximately 11.5% 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 affect sales revenue of contracts denominated in foreign currencies and on borrowings denominated in foreign currencies, which in turn 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 debentures and loans. The Group has to face the cash-flow interest rate risk on floating-rate loans and fair value interest rate risk on fixed-rate loans. As at 31 December 2013, our fixed-rate loans were approximately RMB304,845,000 (31 December 2012: approximately RMB480,000,000).

During the Year under Review, the Group issued two tranches of short-term debentures, each at a value of RMB1,000,000,000 with a maturity period of one year, and at a fixed interest rate of 4.47% and 4.58% per annum, respectively. The Group also issued debentures of RMB500,000,000 with a maturity period of three years and at a fixed interest rate of 6.90% per annum.

During 2012, 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 2011, the Group issued debentures of RMB1,200,000,000 with a maturity period of three years, and at a fixed interest rate of 5.68% per annum.

Aluminium Ingot Price Fluctuation Risk

The Group's principal raw materials in aluminium extrusion product business include aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc., which accounted for 86.9% and 88.4% of the Group's cost of sales of aluminium extrusion products for the Period under Review and in 2012, respectively. Generally, our pricing of aluminium extrusion 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 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 has not entered into any aluminium ingot forward contracts to hedge against aluminium ingot price fluctuation risk.

Details of other risks are set out in note 29 to the financial statements on pages 124 to 129.

Innovative Technology Creates a Light-weight World

Marine engineering equipment must stand up to the forces of strong winds and waves. To protect technicians and equipment safety, the manufacturing materials for marine equipment must provide superior corrosion resistance in seawater, withstand strong pressures and high strength. Aluminium being light-weight, strong mechanical properties and anti-corrosive, is an unrivalled choice of material for building vessels and marine engineering structural parts.

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)	50	Chairman and president
Lu Changqing (路長青)	37	Vice president (capital operation and management)
Chen Yan (陳岩)	34	Vice president (internal auditing)
Zhong Hong (鍾宏)	49	Vice president (production)
Gou Xihui (勾喜輝)	46	Vice president (production and operational management)
Independent Non-executive Directors		
Wong Chun Wa (王振華)	39	Independent non-executive director
Wen Xianjun (文獻軍)	51	Independent non-executive director
Shi Ketong (史克通)	45	Independent non-executive director
Lo Wa Kei, Roy (盧華基)	42	Independent non-executive director

Executive Directors

Mr. LIU Zhongtian ("Mr. Liu") (劉忠田), aged 50, 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 21 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 37, 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 17 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 34, 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 13 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 49, 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 18 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 46, 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 24 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 39, 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 51, 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., Jiaozuo Wanfang Aluminium Manufacturing Co., Ltd. and Suzhou Lopsking Aluminium Co. Ltd., all of which are Shenzhen listed companies, since April 2011, July 2013 and October 2013 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 Administrationof 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 45, is an independent non-executive Director. Since 2001, Mr. Shi has been serving as a senior partner of the Beijing office of Jincheng & Tongda Law Offices (金誠同達律師事務所) where he has 13 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 42, is an independent non-executive Director. Mr. Lo has 21 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 United Photovoltaics Group 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	42	Chief financial officer and joint company secretary
Zhou Mi (周密)	Male	64	Chief engineer

Mr. CHEUNG Lap Kei (張立基), aged 42, 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 20 years of experience in auditing and accounting fields. Mr. Cheung served as the chief financial officer, qualified accountant, authorized representative and company secretary of United Photovoltaics Group 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 64, 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, 16 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 2013 (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 aluminium extrusion products which are widely used in transportation (including railway passenger compartments and cargo carriages, metropolitan subway and light rail, automobiles, heavy trucks, vessels, aviation, aerospace, etc.), machinery and equipment and electric power engineering sectors. At the same time, to further leverage our Company's existing advantage in the industry, we will extend our reach to the high-end aluminium flat rolled product segment and develop deep-processing technologies for aluminium 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 78 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 78 to 84 of this Annual Report.

The Board recommended to declare a final dividend of HK$0.13 (approximately equivalent to RMB0.10) per share for the financial year ended 31 December 2013. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Thursday, 15 May 2014, the final dividend will be paid on Wednesday, 18 June 2014 to the holders of the Company's ordinary shares and convertible preference shares, whose names appear on the register of members of the Company on Friday, 23 May 2014.

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 136 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 109 of this Annual Report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings are set out in Note 25 to the Consolidated Financial Statements on pages 116 to 118 of this Annual Report.

Disclosure Pursuant to Rule 13.18 of the Listing Rules

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 31 December 2013.

On 16 January 2013, the Company entered into a facility agreement (the "Facility Agreement") with a group of banks and financial institutions (collectively, the "Lenders") relating to a term loan facility in the principal amount of US$200,000,000 (the "Facility") for a term of three years. As at 31 December 2013, the outstanding amount owed by the Company under the Facility Agreement was US$200,000,000.

Due to the Facility Agreement containing a condition imposing specific performance obligations on the controlling shareholder of the Company, and breach of such obligation will cause a default in respect of the Facility, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Listing Rules on 16 January 2013. For details of such obligation, please refer to that announcement.

Share Capital

On 28 November 2013, the Company announced an open offer (the "Open Offer") of ordinary shares and/or unlisted restricted voting non-redeemable convertible preference shares (the "Convertible Preference Shares") on the basis of 3 new ordinary shares for every 10 existing ordinary shares held by qualifying shareholders as at close of business on the record date (Tuesday, 7 January 2014) at the subscription price of HK$2.61 per ordinary share or Convertible Preference Share. ZIGL, the controlling shareholder of the Company, acted as the underwriter at nil commission.

In connection with the Open Offer, an extraordinary general meeting (the"EGM") was held on 27 December 2013 at which a special resolution was passed to (i) increase the authorised share capital of the Company from HK$800,000,000 divided into 8,000,000,000 shares to HK$3,000,000,000 divided into 30,000,000,000 shares, (ii) redesignate 10,000,000,000 unissued shares as Convertible Preference Shares, (iii) redesignate the remaining 20,000,000,000 issued and unissued shares as ordinary shares, and(iv) make corresponding amendments to the Company's memorandum of association (the "Memorandum") and the articles of association (the "Articles") to make provisions for the rights and restrictions of the Convertible Preference Shares.

The Open Offer was completed on 28 January 2014. At the completion, a total of 2,703,583 new ordinary shares and 1,619,188,337 Convertible Preference Shares were issued and allotted of which a total of 1,618,955,468 Convertible Preference Shares were issued and allotted to ZIGL. The Open Offer raised net proceeds of approximately HK$4,225,400,000 and the Company intends to apply the net proceeds in full to fund the project for producing high value-added aluminium flat rolled products in Tianjin, PRC.

Details of movements in the share capital of the Company during the Year under Review are set out in Note 28 to the Consolidated Financial Statements on pages 121 to 123 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 82 and in Note 28 to the Consolidated Financial Statements on page 121 of this Annual Report.

Distributable Reserves of the Company

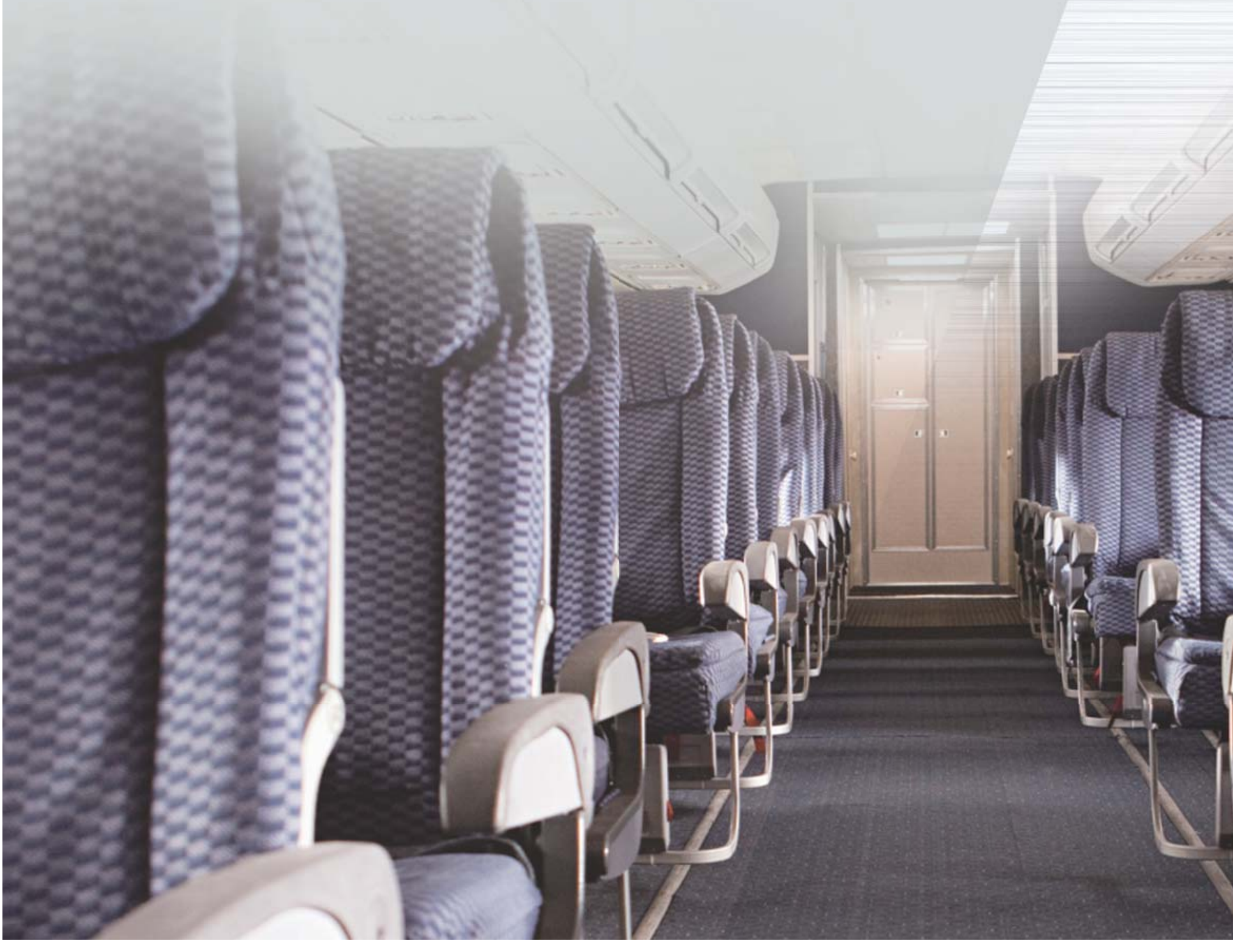
Pursuant to the relevant rules of the Cayman Islands, the Company's reserves available for distribution to shareholders as at 31 December 2013 amounted to RMB7,984,923,000 (31 December 2012: RMB8,263,698,000).

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 Limited (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.

A “Winged” Metal

Aluminium weighs one third less than the steel. When added other alloying elements such as copper, magnesium and manganese, it can become light-weight yet high strength aluminium alloy. On top of that, aluminium demonstrates good thermal resistance and ease of fabrication which enable to manufacture custom-made aviation parts. Many internal fittings like the seating on planes are made from aluminium to save weight and therefore fuel, reduce emissions and increase the aircrafts’ payload.



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 43 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, Ms. Zhong Hong, Mr. Gou Xihui and Mr. Shi Ketong will retire from the Board by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Confirmation of Independence from the Independent Non-executive Directors

We have received from each of the independent non-executive Directors, namely Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. Our Corporate Governance Committee has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors had been independent from the date of their appointment to 31 December 2013 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 2013, the interests and short positions of our Directors and chief executive 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:

Name of Director	Capacity/Nature of Interests	Total number and class of shares interested in	% of issued share capital of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/ Long position(1)	5,651,711,920 ordinary share	104.53
Gou Xihui	Beneficial owner/Long position(2)	5,000,000 ordinary share	0.09
Lu Changqing	Beneficial owner/Long position(2)	4,200,000 ordinary share	0.08
Chen Yan	Beneficial owner/Long position(2)	4,200,000 ordinary share	0.08
Zhong Hong	Beneficial owner/Long position(2)	4,200,000 ordinary share	0.08
Lo Wai Kei, Roy	Beneficial owner/Long position(2)	600,000 ordinary share	0.01
Shi Ketong	Beneficial owner/Long position(2)	600,000 ordinary share	0.01
Wen Xianjun	Beneficial owner/Long position(2)	600,000 ordinary share	0.01
Wong Chun Wa	Beneficial owner/Long position(2)	600,000 ordinary share	0.01

(1) These shares comprised an aggregate of 4,004,200,000 ordinary shares legally and beneficially owned by ZIGL and a total of 1,647,511,920 Convertible Preference Shares interested by ZIGL as the result of its underwriting obligations under the Open Offer. Upon completion of the Open Offer, a total of 1,618,955,468 Convertible Preference Shares were issued and allotted to ZIGL. Accordingly, as at the date of this report, ZIGL legally and beneficially owned an aggregate of 4,004,200,000 ordinary shares and an aggregate of 1,618,955,468 Convertible Preference Shares. The entire issued share capital of ZIGL is held by a trust the beneficiaries of which are members of the family of Mr. Liu, who is an executive Director and the chairman of the Company, as well 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 ordinary shares.

Save as disclosed above, as at 31 December 2013, 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 herein, 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

Save as disclosed in section "Share Capital" above, during the Year under Review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Interests in Competing Business

For the Year 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 or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in Note 32 to the Consolidated Financial Statements on page 131 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 RMB29,684,000 and RMB75,000, respectively. Particulars of these retirement plans are set out in Note 31 to the Consolidated Financial Statement on page 130 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 2013, 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 and class of shares interested in	% of issued share capital of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/ Long position(1)	5,651,711,920 ordinary share	104.53
TMF (Cayman) Ltd.	Trustee/Long position(2)	5,651,711,920 ordinary share	104.53
Prime Famous Management Limited	Interest of controlled corporation/ Long position(3)	5,651,711,920 ordinary share	104.53
ZIGL	Beneficial owner/Long position(1)	5,651,711,920 ordinary share	104.53

(1) These shares comprised an aggregate of 4,004,200,000 ordinary shares legally and beneficially owned by ZIGL and a total of 1,647,511,920 Convertible Preference Shares interested by ZIGL as the result of its underwriting obligations under the Open Offer. Upon completion of the Open Offer, a total of 1,618,955,468 Convertible Preference Shares were issued and allotted to ZIGL. Accordingly, as at the date of this report, ZIGL legally and beneficially owned an aggregate of 4,004,200,000 ordinary shares and an aggregate of 1,618,955,468 Convertible Preference Shares. The entire issued share capital of ZIGL is indirectly held by a trust founded by Mr. Liu (the "Liu Family Trust") the beneficiaries of which are members of the family of Mr. Liu. Mr. Liu is an executive Director and the chairman of the Company, as well as a director of ZIGL.

(2) TMF (Cayman) Ltd. is trustee of the Liu Family Trust and is deemed to be interested in the shares held by the trust.

(3) Prime Famous Management Limited is a company incorporated in the British Virgin Islands and owned by the Liu Family Trust.

Save as disclosed above, as at 31 December 2013, 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 ordinary shares of the Company at the subscription price of HK$2.00 per share. The total number of the ordinary shares subject to the Pre-IPO Share Option Scheme is 40,400,000 shares, equivalent to approximately 0.75% of the relevant issued share capital of the Company as at 31 December 2013. 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 ordinary 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 ordinary 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 2013 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 ordinary shares comprised in the options outstanding as at 1 January 2013	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2013	Number of underlying ordinary shares comprised in the options exercised during the twelve months ended 31 December 2013	Number of underlying ordinary shares comprised in the options outstanding as at 31 December 2013
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 ordinary 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 ordinary 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 ordinary shares in issue upon the Listing (the Company may refresh this 10% limit under certain conditions) or 30% of the ordinary shares in issue from time to time where there are options to be granted and yet to be exercised. The total number of ordinary 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 ordinary shares in issue. Any further grant of options which would result in the number of ordinary 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 2013 under the Share Option Scheme are as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying ordinary shares comprised in the options outstanding as at 1 January 2013	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2013	Number of underlying ordinary shares comprised in the options exercised during the twelve months ended 31 December 2013	Number of underlying ordinary shares comprised in the options outstanding as at 31 December 2013
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
49 Other Employees (including 2 senior management members) of our Group (Note)	22 March 2011	21 March 2021	3.9	33,400,000	(100,000)	–	33,300,000
Total				**45,100,000**	**(100,000)**	**–**	**45,000,000**

Note: One employee who had been granted the Group's share options had resigned during the Year under Review, therefore, as at 31 December 2013, there were a total of 48 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 33 to the Consolidated Financial Statements on pages 131 to 134 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 RMB1,300,000.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the Year under Review is set out as follows:

	Percentage of the Group's total sales (%)
The largest customer	11.6%
Five largest customers in aggregate	48.7%

	Percentage of the Group's total purchases (%)
The largest supplier	33.4%
Five largest suppliers in aggregate	96.4%

None of our Directors or any of their associates or any shareholders (which to the best knowledge of our Directors owned more than 5% of our Company's issued share capital) had a material interest in our five largest customers 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 57 to 65 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 57 to 65 of this Annual Report.

Subsequent Events

Please refer to Note 34 to the Consolidated Financial Statements on page 134 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. KPMG has been re-appointed as our external auditor at the Annual General Meeting held on 15 May 2013. 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, 27 March 2014

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 2013 and 30 September 2013, respectively, interim results for the period ended 30 June 2013 and the final results for the year ended 31 December 2012, as well as an open offer of ordinary shares and/or unlisted convertible preference shares on the basis of 3 new ordinary shares for every 10 existing ordinary shares and proposal of increasing the Company's authorized share capital, creation of restricted voting non-redeemable convertible preference shares and consequential amendments to the Company's memorandum of association and articles of association (the "Memorandum and Articles"), 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 the Company, at each annual general meeting, at least one-third of the Directors for the time being will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board.

In compliance with the provisions of the articles of association of the Company, Ms. Zhong Hong, Mr. Gou Xihui and Mr. Shi Ketong shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for reelection.

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, four meetings were held by the Audit Committee. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2012, the unaudited quarterly results of the periods ended 31 March 2013 and 30 September 2013, the unaudited interim results for the six months ended 30 June 2013 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	4
Mr. Wen Xianjun	4
Mr. Shi Ketong	4

Nomination and Remuneration Committee

We established a remuneration committee in accordance with the requirements of Appendix 14 of the Listing Rules in 2009. 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, diversity 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 regards increased diversity at the Board level as an important means to enhance Board effectiveness and corporate governance. In reviewing the composition of the Board and making recommendations of suitable candidates to the Board for directorships, the Nomination and Remuneration Committee takes a balanced view towards the consideration of a number of factors, including but not limited to gender, ethnicity, age, cultural and educational background, or professional knowledge, skills and experience.

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 during the Year under Review to discuss the nomination and remuneration of Directors, review the diversity of the Board 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. Four meetings were held by the Corporate Governance Committee in 2013. The attendance of Directors at the Corporate Governance Committee meetings held in 2013 was as follows:

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

Strategy and Development Committee

We have established a strategy and development committee ("Strategy and Development Committee"). Members of the Strategy and Development Committee comprise Mr. Liu (chairman), Mr. Lu Changqing and Mr. Wen Xianjun. The 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. Two meeting was held by the Strategy and Development Committee in 2013. The attendance of Directors at the Strategy and Development Committee meeting held in 2013 was as follows:

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

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 10 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 15 May 2013 (the "2013 AGM") to understand the views of the shareholders and the EGM held on 27 December 2013 to approve a special resolution of increasing the Company's authorized share capital, creation of the Convertible Preference Shares and consequential amendments to the Company's Memorandum and Articles.

The attendance of each Director at the Board meetings and the 2013 AGM and the EGM was as follows:

	Directors' Meeting Attendance		
Members of the Board	**Board Meetings**	**2013 AGM**	**EGM**
Executive Directors			
Mr. Liu	10	1	1
Mr. Lu Changqing	10	1	1
Mr. Chen Yan	10	1	1
Ms. Zhong Hong	10	1	1
Mr. Gou Xihui	10	1	1
Independent Non-executive Directors			
Mr. Wong Chun Wa	10	1	1
Mr. Wen Xianjun	10	1	1
Mr. Shi Ketong	10	1	1
Mr. Lo Wa Kei, Roy	10	1	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; capital market	16
Mr. Lu Changqing	Regulatory; accounting; industry updates; capital market	42
Mr. Chen Yan	Regulatory; accounting; capital market	16
Ms. Zhong Hong	Regulatory; accounting; capital market	16
Mr. Gou Xihui	Regulatory; accounting; capital market	16
Mr. Wong Chun Wa	Regulatory; accounting; taxation; capital market; industry updates	68.5
Mr. Wen Xianjun	Regulatory; accounting	20
Mr. Shi Ketong	Law and regulatory	10.5
Mr. Lo Wa Kei, Roy	Regulatory; accounting; internal control; corporate governance	20

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	43
Mr. Lu Changqing	Regulatory; accounting; industry updates; capital market	42

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 2013 AGM 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 ended 31 December 2013, in connection with the Open Offer, a special resolution was passed at the EGM held on 27 December 2013 to (i) increase the authorised share capital of the Company from HK$800,000,000 divided into 8,000,000,000 shares to HK$3,000,000,000 divided into 30,000,000,000 shares, (ii) redesignate 10,000,000,000 unissued shares as Convertible Preference Shares, (iii) redesignate the remaining 20,000,000,000 issued and unissued shares as ordinary shares, and (iv) make corresponding amendments to the Memorandum and the Articles to make provisions for the rights and restrictions of the Convertible Preference Shares.

Other than disclosed above, during the Year under Review, there is no significant 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 107 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 77 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 pages 40 to 43 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 15 May 2013, the shareholders of the Company passed an ordinary resolution to re-appoint KPMG as the auditor of the Group 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, 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. During the Year under Review, we held a number of meetings and telephone conferences with 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.

Site Visits

During the Year under Review, the Investor Relations Department 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.

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.

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, 27 March 2014

As always, the Group is committed to the fulfillment of corporate social responsibility by upholding the principles of business integrity, staff care and social contribution. In addition to pursuing corporate development, we have placed importance on the interests of our customers, staff members and society. For customers, we have maximized customers' value, grown with customers and shared benefits with customers; for staff members, we have provided welfare to our staff members and shared the fruits of our corporate development with them; for society, we have created community benefits and contributed to environment protection, so as to attain a sustainable development for both our enterprise and the society.

A Quality Work Environment

While dedicating its efforts to the growth of corporate profitability, the Group is also committed to a people-oriented approach to business by setting up a mechanism for hiring, training, task assignment and motivation of talents, protecting the interests of staff members and providing them equal opportunities. We have placed emphasis on production safety and ongoing improvement of staff remuneration and benefits, with an effort to provide our staff a sound working environment. We have enhanced the sense of belonging, commitment and happiness of our staff, and see 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 has provided staff competitive remuneration as well as ensured them annual leave entitlements in accordance with the requirements of the Labor Law. The Group strictly observes national social security laws and regulations. For all employees, we contribute to social insurance programme such as pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund. The Group introduced the most comprehensive employee medical insurance system in the region. The Group not only has secured full-time staff members' salary benefits and career development, but also offered graduate job opportunities. The Group has made available a number of graduate trainee jobs with a retention rate of no less than 87%. In addition to trainings offered to trainees, investment has been increased to raise trainees' salaries and benefits. In addition to standard subsidies stipulated by policies, the Group also provides job-specific subsidies to trainees.

The efforts made by the Group rewarded us a number of recognitions during the Year under Review, including "Model Working Environment for Employees of All-China Federation of Trade Unions", "National Model for University Graduate Employment and Internships", "Advanced Enterprise in Employment in the Province", "Excellence in Building Harmonious Labour Relations in Liaoyang City" and "5-star Enterprise of Democratic Management & Information Openness".

The Group actively creates employment opportunities for local residents. As at 31 December 2013, the Group had a staff headcount of 6,758. We added 1,982 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 5,656 male employees, accounting for 83.7% of the total headcount, and 1,102 female employees accounting for 16.3% of the total headcount.

During the Year under Review, 573 employees left the Group, representing a staff turnover rate of 7.8%. Turnover rate of employees aged 20 to 30 was 10.5%; aged 30 to 40 was 6.4%; aged 40 to 50 was 2.5% and aged over 50 was 0.6%.

Gender Breakdown of Employees

	As at 31 December 2013	
		%
Male employee	5,656	83.7
Female employee	1,102	16.3

Geographical Breakdown of Employees

	As at 31 December 2013	
		%
Mainland China	6,746	99.8
Hong Kong and overseas	12	0.2

Emphasis on Production Safety and Fulfillment of Social Responsibility

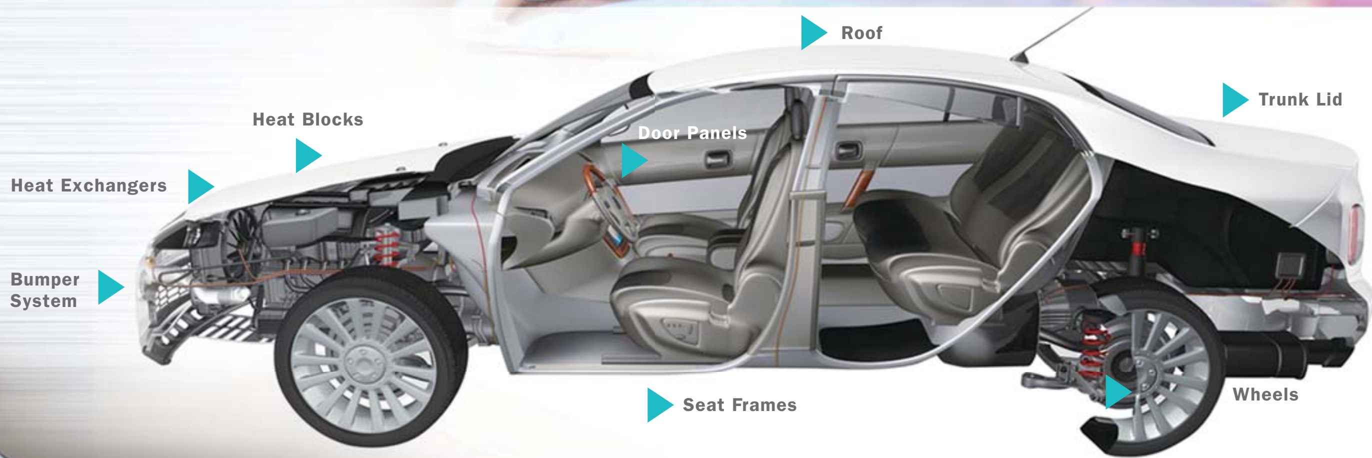
In adherence to the principle of equal emphasis on "management, equipment and training" and a "safety-first, prevention-based and comprehensive management" approach, the Group has set safety management and supervision as a top priority task in its production agenda and has sought to enhance employees'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

Carrying a Greener Promise

Aluminium can realize the light-weight development of new energy vehicles and traditional vehicles, thereby decreasing PM2.5 caused by tailpipe emissions, increasing speed and minimizing noises.



Major applications of aluminium alloy in automotives

During the Year under Review, the Group revised several 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 76 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

One of key concerns of the Group is lifelong learning and career development of our employees, combining talent development with corporate development effectively. 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, providing employees support and security in career development. 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 aluminium 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 laidoff 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 large-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 both their 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 19,542 person-times and all staff enrolled. General-grade employees made up of 17,943 person-times or 91.8% of the total enrollment, while management personnel accounted for 1,599 person-times or 8.2%.

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 long-term poverty relief mechanism that provides assistance in general livelihood, schooling and medical care. The "Charity Relief Foundation" has been 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. During the Year under Review, the Group announced the application guidelines for the Charity Relief Foundation on trial basis. The "Charity Relief Foundation", includes four principle funds, i.e., major disease assistance fund, relief fund for accident-caused poverty, schooling fund and livelihood assistance fund, basically covering all difficulties our staff members may face.

For the past 8 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, gain timely insight into their living conditions and offer assistance. 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.

Environmental Protection

Environmental protection and adaptation to climate change is one of the most compelling challenges of our time. The mission of the Group is to facilitate energy efficiency and emission reduction, promote harmonization of the enterprise with the society and environment in all respects for sustainable development, establishing the Group as an eco-friendly enterprise. 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 further implemented the "Diesel to Natural Gas Project" for the homogenising furnaces in its smelting and costing plants during the Year under Review. The Group 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 3,066,000 tonnes (Year 2012: 2,693,000 tonnes), waste water under treatment amounted to 2,913,000 tonnes (Year 2012: 2,693,000 tonnes) and chemical oxygen demand amounted to 84.1 tonnes (Year 2012: 67.3 tonnes). The concentration rate of the emission of chemical oxygen demand was 29mg/liter (Year 2012: 25mg/liter), far less than the national standard of 150mg/liter. Solid waste from the production of the Group includes general solid waste and hazardous waste. During the Year under Review, we generated approximately 72 tonnes (Year 2012: 68 tonnes) of solid waste and approximately 40.6 tonnes (Year 2012: 46.5 tonnes) of hazardous waste each year, and we have appointed a certified agency to process all of the hazardous waste. The Group has slight increases in industrial water consumption, waste water under treatment, chemical oxygen demand and general solid waste due to the increase in production volume of the Group during the Year under Review. The Group's initiatives, including "Coal to Natural Gas" and "Diesel to Natural Gas", 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.

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 various 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 aluminium and aluminium 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 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 enterprise 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 "Leading Group on Energy Saving and Emission Reduction" set up by the Group continued to play an important role in 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.

The Group is determined to establishing a low-carbon society with an objective of taking a high position in industry in post-crisis era and adapting to the requirements of low-carbon economy. We strive for gaining full advantages of clean production as well as comprehensive governance by persisting in the principles of "reduce volume, reuse and recycle". As a national model of green enterprise, the Group has actively joined the "GREEN HONG KONG • CARBON AUDIT" organized by the Environmental Protection Department of the Government of the Hong Kong Special Administrative Region as a "Carbon Audit • Green Partner" by signing the Carbon Reduction Charter and undertaking to carry out activities in support of energy saving and greenhouse gas emission reduction, with a hope to improve air quality.

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 "4th Chinese Enterprises Environment Protection Qingxin Prize" in 2013, reflecting strong social recognition of its contribution to environmental protection. In 2013, the Group passed the certification audit on supervision of quality environmental management system by the national China Quality Mark Certification.

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. In pursuit of creating comprehensive value, the Group has fulfilled the expectations and demands of relevant stakeholders by discharging the obligations to all stakeholders, incorporating the expectations of stakeholders and concept of creating comprehensive value into the course of our business operation.

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 a number of technology projects at national, provincial, municipal or district levels, including the National Strategic Product Innovation Project, the 863 Programme and the Project for Foundation Enhancement Through Industrial Transformation & Upgrade. The Group also received several awards on technological advancement and innovation at national, provincial and municipal levels as well as over 30 patents. 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 and TS16949 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 characterised by the combination of production, knowledge, research and applications. Currently, we have formed a complementary system of technological innovations for the industry chain. We have successively 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 Project for Foundation Enhancement Through Industrial Transformation and Upgrade — 7XXX High Performance Aluminium Alloys for Chassis of High-speed Train; 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 2013, the Group employed 355 (Year 2012: 262), a year-on-year increase of 35.5%, 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 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 did not receive any complaints as a result of divulging consumers' private information.

The Group was recognized as "AAA Credit Enterprise" by China Non-Ferrous Metals Industry Association, which is currently the highest rating of enterprise credit evaluation. Meanwhile, the Group achieved remarkable success in integrity operation. With 100% actual contract performance, the Group was recognized as state-level "Enterprise of Observing Contract and Valuing Credit" by the State Administration of Industry and Commerce.

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. Since 2011, approximately RMB2.9 million in aggregate has been committed to community welfare programs. At the Commendation Ceremony of “Liaoyang Charity Awards”, the “Best Enterprise in Charitable Donations Award” in the debut version of the “Liaoning Charity Awards” was conferred on the Group by Liaoyang Municipal Civil Affairs Bureau and Liaoyang Charity Association.

Commitment to Community Services in a genuine effort to prepay the society

Since its establishment, the Group has been committed to improving social welfare, making increasing effort in fulfilling corporate social responsibility. Following the principle of “do good deeds in a genuine manner and do them well”, we have implemented long-term mechanism and worked closely on concrete planning, organization and implementation.

The Group is devoted in particular to the welfare of such underprivileged groups as children. Children are the hope of the country and the future of the nation. Caring about and improving the livelihood of children is the responsibility and obligation of all parties of the society. Since 2011, the Group has paid regular visits to municipal children’s welfare homes and donated a diversity of daily necessities to improve their livelihood. Such has become the Group’s important practice to fulfill social responsibility.

The Group is also committed to educational development. Education and culture are the foundation for social and economic development. We protect and foster education and culture, contributing to social development. We have made financial contributions to local education authorities, core primary schools, and Dalian Medical University, etc.

In 2014, the Group will take further action to fulfill corporate social responsibility. Based on the Guidance on Social Responsibility as per ISO 26000, we will further our exploration and practice in various aspects including organization management, human rights, labor practice, environments, fair operation, clients, consumers and community and social development.

As a responsible corporate citizen, we know that fulfilling social responsibility is our obligation and is essential to our long-term sustainability. We feel a strong sense of responsibility, and are proud to be able to drive social progress and create wealth. The Group will spare no effort to fulfill our social responsibility in order to realize sustainable development in terms of the corporate, staff, society, environment, etc.

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 78 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 2013 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
27 March 2014

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Revenue	4	**14,306,751**	13,497,170
Cost of sales		**(10,465,700)**	(10,237,582)
Gross profit		**3,841,051**	3,259,588
Investment income	5	**132,178**	177,056
Other income/(expense) and other gains/(losses), net	6	**328,864**	203,076
Selling and distribution costs		**(147,033)**	(132,025)
Administrative and other operating expenses		**(1,040,200)**	(792,589)
Share of profit of an associate	15	**3,796**	3,803
Finance costs	7(a)	**(563,490)**	(376,458)
Profit before taxation	7	**2,555,166**	2,342,451
Income tax	8	**(428,541)**	(535,668)
Profit for the year attributable to equity shareholders of the Company	10	**2,126,625**	1,806,783
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation to presentation currency		**(6,651)**	285
Total comprehensive income for the year attributable to equity shareholders of the Company		**2,119,974**	1,807,068
Earnings per share			
Basic (RMB)	11	**0.39**	0.33
Diluted (RMB)	11	**0.39**	0.33

The notes on pages 85 to 135 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 28(b).

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	12	**7,272,504**	6,239,194
Prepaid lease payments	13	**4,827,695**	4,257,015
Interest in an associate	15	**56,807**	53,011
Deposits for acquisition of property, plant and equipment and prepaid lease	16	**12,441,056**	8,494,889
Pledged bank deposits	20	**1,532,000**	1,597,500
Deferred tax assets	27(b)	**31,220**	32,724
		26,161,282	20,674,333
Current assets			
Inventories	17	**3,736,578**	3,988,488
Trade and bills receivables	18	**660,844**	784,856
Other receivables, deposits and prepayments	19	**273,906**	155,247
Current tax asset	27(a)	**64,279**	–
Prepaid lease payments	13	**102,745**	88,982
Pledged bank deposits	20	**36,454**	67,648
Cash and cash equivalents	21	**9,317,055**	7,890,144
		14,191,861	12,975,365
Current liabilities			
Trade payables	22	**1,482,195**	3,271,204
Bills payable	23	**2,291,520**	63,000
Other payables and accrued charges	24	**828,962**	820,028
Current tax liabilities	27(a)	**–**	106,290
Debentures	26	**3,200,000**	1,200,000
Bank and other loans	25(a)	**4,308,500**	5,288,172
		12,111,177	10,748,694
Net current assets		**2,080,684**	2,226,671
Total assets less current liabilities		**28,241,966**	22,901,004

	Note	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Bank and other loans	25(b)	**4,891,643**	1,079,300
Debentures	26	**3,500,000**	4,200,000
Deferred tax liabilities	27(b)	**211,431**	113,721
		8,603,074	5,393,021
NET ASSETS		**19,638,892**	17,507,983
CAPITAL AND RESERVES			
Share capital	28(c)	**474,675**	474,675
Reserves	28(d)	**19,164,217**	17,033,308
TOTAL EQUITY		**19,638,892**	17,507,983

Approved and authorised for issue by the board of directors on 27 March 2014.

Lu Changqing
Director

Chen Yan
Director

The notes on pages 85 to 135 form part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Interests in subsidiaries	14	10,118,169	8,844,121
Current assets			
Other receivables, deposits and prepayments	19	17,105	387
Cash and cash equivalents	21	4,133	10,981
		21,238	11,368
Current liabilities			
Other payables and accrued charges	24	11,450	1,075
Amount due to subsidiaries		144,134	116,041
Bank loans	25(c)	304,845	–
		460,429	117,116
Net current liabilities		(439,191)	(105,748)
Total assets less current liabilities		9,678,978	8,738,373
Non-current liabilities			
Bank loans	25(d)	1,219,380	–
NET ASSETS		8,459,598	8,738,373
CAPITAL AND RESERVES			
Share capital	28(c)	474,675	474,675
Reserves	28(a), 28(d)	7,984,923	8,263,698
TOTAL EQUITY		8,459,598	8,738,373

Approved and authorised for issue by the board of directors on 27 March 2014.

Lu Changqing
Director

Chen Yan
Director

The notes on pages 85 to 135 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 28(d)(iv))	Other reserve RMB'000 (Note 28(d)(iii))	Surplus reserve RMB'000 (Note 28(d)(i))	Enterprise development fund RMB'000 (Note 28(d)(ii))	Share option reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 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	33(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 and 1 January 2013		**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**
Changes in equity for 2013:											
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,126,625**	**2,126,625**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,651)**	**–**	**(6,651)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,651)**	**2,126,625**	**2,119,974**
Recognition of share-based payment	33(b)	**–**	**–**	**–**	**–**	**–**	**–**	**10,935**	**–**	**–**	**10,935**
Appropriations		**–**	**–**	**–**	**–**	**202,275**	**202,275**	**–**	**–**	**(404,550)**	**–**
		–	**–**	**–**	**–**	**202,275**	**202,275**	**10,935**	**–**	**(404,550)**	**10,935**
At 31 December 2013		**474,675**	**9,039,698**	**(2,992,978)**	**635,898**	**1,534,954**	**1,534,954**	**148,172**	**(4,569)**	**9,268,088**	**19,638,892**

The notes on pages 85 to 135 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Profit before taxation		2,555,166	2,342,451
Adjustments for:			
Finance costs		563,490	376,458
Depreciation of property, plant and equipment		396,342	380,607
Share-based payment expenses		10,935	23,386
(Gain)/loss on disposal of property, plant and equipment		(327)	10,237
Bank interest income		(131,119)	(175,087)
Interest income from short-term investments		(1,059)	(1,969)
Amortisation of prepaid lease payments		104,858	74,217
Share of profit of an associate		(3,796)	(3,803)
Impairment losses on trade and bills receivables		325	–
Reversal of impairment losses on trade and bills receivables		(1,050)	(908)
Operating cash flows before movements in working capital		3,493,765	3,025,589
Decrease/(increase) in inventories		251,910	(1,508,441)
Decrease/(increase) in trade and bills receivables		124,737	(283,972)
Decrease/(increase) in other receivables, deposits and prepayments		6,702	(124,790)
(Decrease)/increase in trade payables		(1,789,009)	565,031
Increase/(decrease) in bills payable		2,228,520	(763,200)
(Decrease)/increase in other payables and accrued charges		(31,881)	333,985
Cash generated from operations		4,284,744	1,244,202
Income tax paid	27(a)	(499,896)	(613,684)
Net cash from operating activities		**3,784,848**	**630,518**

	Note	2013 RMB'000	2012 RMB'000
Investing activities			
Withdrawal in short-term deposits		–	1,731,285
Withdrawal/(placement) in pledged bank deposits		96,694	(936,232)
Payments for the purchases of property, plant and equipment and prepaid lease payments		(5,958,073)	(7,604,722)
Proceeds from disposal of property, plant and equipment		–	1,176
Bank interest received		54,887	176,682
Purchases of short-term investments		(9,585,000)	(1,854,900)
Proceeds from disposal of short-term investments		9,585,000	1,854,900
Interest from short-term investments received		1,059	1,969
Net cash used in investing activities		(5,805,433)	(6,629,842)
Financing activities			
Proceeds from new bank loans		7,950,843	4,296,309
Repayment of bank borrowings		(5,118,172)	(3,058,837)
Proceeds from debentures issued		2,500,000	3,000,000
Repayment of debentures		(1,200,000)	–
Interests paid		(685,175)	(470,230)
Net cash generated from financing activities		3,447,496	3,767,242
Net increase/(decrease) in cash and cash equivalents		1,426,911	(2,232,082)
Cash and cash equivalents at 1 January		7,890,144	10,122,226
Cash and cash equivalents at 31 December		9,317,055	7,890,144

The notes on pages 85 to 135 form part of these consolidated financial statements.

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 immediate 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 2013 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 in accounting policies

The IASB has issued a number of new IFRSs and 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 IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly.

— IFRS 10, *Consolidated financial statements*

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

— IFRS 12, *Disclosure of interests in other entities*

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Note 14 and Note 15.

— IFRS 13, *Fair value measurement*

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Note 29. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

— Amendments to IFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments dose not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7 during the periods presented.

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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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).

2 Significant accounting policies (Continued)

(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.

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.

2 Significant accounting policies (Continued)

(f) Property, plant and equipment (Continued)

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 to 10 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.

(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.

2 Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

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

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.

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.

2 Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of 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;

— prepaid lease payments; and

— Investments in subsidiaries in the Company's statement of financial position.

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 costs of disposal 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 of disposal (if measurable), 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.

(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)).

2 Significant accounting policies (Continued)

(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.

2 Significant accounting policies (Continued)

(o) Income tax (Continued)

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.

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.

2 Significant accounting policies (Continued)

(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.

(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 income 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.

2 Significant accounting policies (Continued)

(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 measured.

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.

(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.

2 Significant accounting policies (Continued)

(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 29 and 33 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.

(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 2013 and 2012.

(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.

3 Accounting judgement and estimates (Continued)

(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 RMB983,701,000 at 31 December 2013.

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 25(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:

	2013 **RMB'000**	2012 RMB'000
Sales of aluminium products		
— for industry use	**13,377,531**	12,183,074
— for construction use	**917,750**	760,362
Others	**11,470**	553,734
	14,306,751	13,497,170

4 Revenue and segment reporting (Continued)

(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 product 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").

(i) Segment revenues and results

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

	Segment revenue		Segment results	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Industrial	**13,377,531**	12,183,074	**3,736,023**	3,224,248
Construction	**917,750**	760,362	**93,680**	30,019
Others	**11,470**	553,734	**11,348**	5,321
Total	**14,306,751**	13,497,170	**3,841,051**	3,259,588
Investment income and other income/(expenses) and other gains/(losses), net			**461,042**	380,132
Selling and distribution costs			**(147,033)**	(132,025)
Administrative and other operating expenses			**(1,040,200)**	(792,589)
Share of profit of an associate			**3,796**	3,803
Finance costs			**(563,490)**	(376,458)
Profit before taxation			**2,555,166**	2,342,451
Income tax			**(428,541)**	(535,668)
Profit for the year			**2,126,625**	1,806,783

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 resources 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:

	2013 RMB'000	2012 RMB'000
Industrial	9,979,131	9,159,170
Construction	320,645	353,357
Flat-rolled	13,350,456	8,802,555
Unallocated assets		
— Property, plant and equipment	1,894,806	1,732,196
— Prepaid lease payments	59,700	60,774
— Interest in an associate	56,807	53,011
— Deferred tax assets	31,220	32,724
— Inventories	3,436,684	3,745,372
— Other receivables, deposits and prepayments	273,906	155,247
— Current tax asset	64,279	—
— Pledged bank deposits	1,568,454	1,665,148
— Cash and cash equivalents	9,317,055	7,890,144
Total assets	40,353,143	33,649,698

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, deferred tax assets, raw materials and certain work in progress included in inventories, other receivables, deposits and prepayments, current tax asset, pledged bank deposits and cash and cash equivalents which are commonly used by all segments or used for corporate operation.

Segment assets mainly comprise of certain property, plant and equipment, prepaid lease payments, 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 2013:

	Industrial RMB'000	Construction RMB'000	Flat-rolled RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	**731,955**	**–**	**412,810**	**291,091**	**1,435,856**
Additions to prepaid lease payments	**585,551**	**–**	**103,750**	**–**	**689,301**
Depreciation of property, plant and equipment	**212,767**	**55,258**	**–**	**128,317**	**396,342**
Amortisation of prepaid lease payments	**73,761**	**–**	**30,023**	**1,074**	**104,858**
Reversal of impairment losses on trade receivables	**77**	**973**	**–**	**–**	**1,050**
Impairment losses on trade receivables	**–**	**325**	**–**	**–**	**325**
Gain on disposal of property, plant and equipment	**–**	**–**	**–**	**327**	**327**

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

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(iv) Geographical information

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

	2013 RMB'000	2012 RMB'000
People's Republic of China ("PRC")	**12,590,155**	12,368,759
United States of America	**1,688,487**	1,123,198
Others	**28,109**	5,213
	14,306,751	13,497,170

Included in the sales above, approximately RMB1,664,336,000 (2012: RMB1,104,112,000) which are categorised under sales to United States of America for the year ended 31 December 2013 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.

(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:

	2013 RMB'000	2012 RMB'000
Customer A*	**1,664,336**	Note
Customer B*	**1,481,413**	Note
Customer C*	**Note**	1,532,740

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

* Revenue from Industrial segment.

5 Investment income

	2013 RMB'000	2012 RMB'000
Bank interest income	**131,119**	175,087
Interest income from short-term investments	**1,059**	1,969
	132,178	177,056

6 Other income/(expenses) and other gains/(losses), net

	2013 RMB'000	2012 RMB'000
Other income		
Government subsidies (Note)	246,460	211,736
Sales of equipment	420,590	–
Gain on sales of scrap materials, consumables and moulds	11,589	22,850
Rental income	150	150
	678,789	234,736
Other expenses		
Cost of sales of equipment	(357,358)	–
Other gains/(losses), net		
Gains/(losses) on disposal of property, plant and equipment	327	(10,237)
Exchange gains/(losses)	7,106	(21,423)
	7,433	(31,660)
Total	328,864	203,076

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):

	2013 RMB'000	2012 RMB'000
(a) Finance costs		
Interests on borrowings wholly repayable within five years:		
— Bank and other loans	430,274	359,749
— Debentures	334,844	186,966
Less: Interest expense capitalised into deposits for acquisition of property, plant and equipment*	(201,628)	(170,257)
Total finance costs	563,490	376,458

* The borrowing costs have been capitalised at an average interest rate of 4.55% per annum (2012: 5.16%).

	2013 RMB'000	2012 RMB'000
(b) Staff costs #		
Staff costs (including directors' remunerations):		
— Salaries and other benefits	493,909	288,441
— Contributions to defined contribution retirement plan	29,759	20,920
— Equity-settled share-based payment expenses	10,935	23,386
	534,603	332,747
(c) Other items		
Amortisation of prepaid lease payments (Note 13) #	104,858	74,217
Depreciation of property, plant and equipment (Note 12) #	396,342	380,607
Impairment losses on trade receivables (Note 18(b))	325	—
Reversal of impairment losses on trade receivables (Note 18(b))	(1,050)	(908)
Operating lease charges in respect of office premises	25,284	9,877
Auditors' remuneration	4,800	4,800
Research and development costs	427,723	398,944
Cost of inventories #	10,465,700	10,237,582

Cost of inventories includes approximately RMB743,296,000 (2012: RMB613,060,000) 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:

	2013 RMB'000	2012 RMB'000
Current tax — PRC tax		
Provision for the year	**321,238**	466,549
Over-provision in respect of prior years	**—**	(1,244)
Withholding tax on intra-group interest income	**8,089**	3,949
	329,327	469,254
Deferred taxation (Note 27(b))	**99,214**	66,414
Total income tax	**428,541**	535,668

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

	2013 RMB'000	2012 RMB'000
Profit before taxation	**2,555,166**	2,342,451
Taxation at the PRC income tax rate of 25%	**638,792**	585,613
Tax effect of differential tax rate (Note (i))	**25,831**	6,202
Effect of PRC preferential tax rate (Note (ii))	**(202,613)**	—
Tax effect of non-deductible expense	**6,946**	6,428
Tax effect of non-taxable income	**(949)**	(951)
Tax relief related to additional tax deduction on research and development costs incurred	**(53,465)**	(49,868)
Tax effect of tax losses not recognised	**27,141**	8,428
Tax effect of utilisation of previously unrecognised tax losses	**—**	(8,786)
Tax effect of intra-group interest income	**(20,800)**	(10,154)
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note 27(b))	**7,658**	—
Over-provision in respect of prior years	**—**	(1,244)
Actual tax expense	**428,541**	535,668

Note:

(i) 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.

(ii) On 11 November 2013, Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang") was recognised as a High and New Technology Enterprise by Liaoning provincial government. This entitled Liaoning Zhongwang to pay PRC income taxes at a 15% preferential income tax rate for a period of three years from 2013 to 2015.

9 Directors' and senior managements' remuneration

	2013 RMB'000	2012 RMB'000
Directors' remuneration		
Salaries and other benefits	8,837	8,835
Retirement benefit scheme contributions	24	24
Employee share option benefits	2,715	5,653
	11,576	14,512

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

	2013 Number of individuals	2012 Number of individuals
RMB1,500,001 – RMB2,000,000	2	2

Directors' remuneration during each of the years ended 31 December 2013 and 2012 are analysed as follows:

	2013				2012			
	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	5	–	2,008
Ms. Zhong Hong	1,503	5	498	2,006	1,503	5	1,114	2,622
Mr. Chen Yan	1,503	5	498	2,006	1,503	5	1,114	2,622
Mr. Lu Changqing	1,525	4	498	2,027	1,523	4	1,114	2,641
Mr. Gou Xihui	1,503	5	737	2,245	1,503	5	1,475	2,983
Independent non-executive directors:								
Mr. Wong Chun Wa	200	–	121	321	200	–	209	409
Mr. Wen Xianjun	200	–	121	321	200	–	209	409
Mr. Shi Ketong	200	–	121	321	200	–	209	409
Mr. Lo Wa Kei, Roy	200	–	121	321	200	–	209	409
Total	8,837	24	2,715	11,576	8,835	24	5,653	14,512

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 33.

9 Directors' and senior managements' remuneration (Continued)

For each of the years ended 31 December 2013 and 2012, 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 2013 and 2012, 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 2013 and 2012.

10 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of approximately RMB289,710,000 (2012: a loss of RMB21,097,000) which has been dealt with in the financial statements of the Company (see Note 28(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 2013 and 2012 and on the number of shares as follows:

	2013 RMB'000	2012 RMB'000
Profit attributable to equity shareholders of the Company	**2,126,625**	1,806,783

	2013 '000	2012 '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	**9,088**	12,837
Weighted average number of shares for the purpose of diluted earnings per share	**5,415,394**	5,419,143
Earnings per share		
Basic (RMB)	**0.39**	0.33
Diluted (RMB)	**0.39**	0.33

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 2013 and 2012.

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 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
At 1 January 2013	834,166	6,395,434	95,396	50,722	1,461,493	8,837,211
Transfer in/(out)	253,842	1,148,197	–	–	(1,402,039)	–
Additions	–	42,051	11,780	5,392	1,376,633	1,435,856
Disposals	–	(50,994)	(553)	(2)	–	(51,549)
At 31 December 2013	**1,088,008**	**7,534,688**	**106,623**	**56,112**	**1,436,087**	**10,221,518**
Accumulated depreciation and impairment						
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
At 1 January 2013	228,047	2,301,645	37,606	30,719	–	2,598,017
Charge for the year	38,168	336,987	15,711	5,476	–	396,342
Written back on disposals	–	(44,954)	(390)	(1)	–	(45,345)
At 31 December 2013	**266,215**	**2,593,678**	**52,927**	**36,194**	**–**	**2,949,014**
Net book value						
At 31 December 2013	**821,793**	**4,941,010**	**53,696**	**19,918**	**1,436,087**	**7,272,504**
At 31 December 2012	606,119	4,093,789	57,790	20,003	1,461,493	6,239,194

As at 31 December 2013, certain of the Group's machineries with a carrying amount of approximately RMB983,701,000 (2012: RMB972,400,000) were used to secure the Group's borrowings (see Note 3(d) and Note 25(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	
	2013	2012
	RMB'000	RMB'000
Cost		
At 1 January	**4,447,933**	1,747,958
Additions	**689,301**	2,699,975
At 31 December	**5,137,234**	4,447,933
Accumulated amortisation		
At 1 January	**101,936**	27,719
Charge for the year	**104,858**	74,217
At 31 December	**206,794**	101,936
Net book value		
At 31 December	**4,930,440**	4,345,997
Analysed for reporting purpose:		
Current assets	**102,745**	88,982
Non-current assets	**4,827,695**	4,257,015

14 Interests in subsidiaries

	The Company	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	**1,360,328**	1,360,328
Amounts due from subsidiaries*	**8,757,841**	7,483,793
	10,118,169	8,844,121

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

(Expressed in Renminbi)

14 Interests in subsidiaries (Continued)

Particulars of the Company's subsidiaries as at 31 December 2013 and 31 December 2012 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* 遼寧忠旺集團有限公司	The PRC	Wholly foreign owned enterprise	The PRC	100%	–	100%	US$1,130,000,000	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
Zhongwang Aluminium Company Limited (formerly Beijing Zhongwang Guoxin Investment Company Limited)* 忠旺鋁業有限公司（原「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 and trading of aluminium products and other materials
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 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 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 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 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 Company Limited* 天津忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	–	100%	RMB15,900,000,000	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%	RMB10,000,000	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 2013.

15 Interest in an associate

	The Group	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	**49,000**	49,000
Share of profits	**7,807**	4,011
	56,807	53,011

As at 31 December 2013, 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	Proportion of ownership 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:

	2013	2012
	RMB'000	RMB'000
Total assets	**117,163**	409,184
Total liabilities	**(1,230)**	(300,998)
Net assets	**115,933**	108,186
The Group's share of net assets	**56,807**	53,011
Revenue	**2,391,881**	2,240,123
Profit for the year	**7,747**	7,761
The Group's share of profit for the year	**3,796**	3,803

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

	The Group	
	2013	2012
	RMB'000	RMB'000
Deposits for acquisition of property, plant and equipment (Note)	**12,194,701**	7,814,243
Deposits for acquisition of prepaid lease	**246,355**	680,646
	12,441,056	8,494,889

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 RMB10,993,638,000 (2012: RMB7,185,181,000).

17 Inventories

	The Group	
	2013	2012
	RMB'000	RMB'000
Raw materials	**2,947,211**	3,403,220
Work in progress	**409,945**	358,054
Finished goods	**379,422**	227,214
	3,736,578	3,988,488

18 Trade and bills receivables

	The Group	
	2013	2012
	RMB'000	RMB'000
Trade and bills receivables	**670,280**	795,353
Less: Impairment losses	**(9,436)**	(10,497)
	660,844	784,856

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	
	2013	2012
	RMB'000	RMB'000
0 to 90 days	**536,742**	426,296
91 to 180 days	**25,663**	220,714
Over 180 days	**98,439**	137,846
	660,844	784,856

For the year ended 31 December 2013, the Group allows an average credit period of 90 days (2012: 90 days) for domestic sales and an average credit period of 180 days (2012: 180 days) for overseas sales. Further details on the Group's credit policy are set out in Note 29(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	
	2013	2012
	RMB'000	RMB'000
At 1 January	**10,497**	11,405
Impairment loss recognised	**325**	—
Reversal of impairment losses	**(1,050)**	(908)
Uncollectible amounts written off	**(336)**	—
At 31 December	**9,436**	10,497

At 31 December 2013, trade and bills receivables of approximately RMB9,436,000 (2012: RMB10,497,000) 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 RMB9,436,000 (2012: RMB10,497,000) were recognised.

As at 31 December 2013, there were concentration of credit risks on trade receivables due from three (2012: three) customers located in the PRC amounting to approximately RMB376,032,000 (2012: RMB614,465,000). 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	
	2013 RMB'000	2012 RMB'000
91 to 180 days	**25,360**	57,948
181 to 365 days	**51,072**	114,823
Over 365 days	**47,367**	23,212
	123,799	195,983

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 2013, included in the Group's other receivables, deposits and prepayments are prepayments paid to suppliers amounting to approximately RMB63,590,000 (2012: RMB96,735,000).

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 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 2013, included in cash and cash equivalents of the Group were fixed deposits of nil (2012: RMB50,811,000) with an original maturity of three months or less.

22 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	
	2013 RMB'000	2012 RMB'000
0 to 90 days	**1,481,293**	1,659,523
91 to 180 days	**759**	1,611,681
181 days to 1 year	**143**	—
	1,482,195	3,271,204

23 Bills payable

As at 31 December 2013, all the bills payable are repayable within 180 days (2012: 180 days) and are denominated in Renminbi.

As at 31 December 2013, bills payable amounting to RMB1,529,050,000 (2012: RMB63,000,000) was secured by deposits placed in banks with an aggregate carrying value of RMB35,160,000 (2012: RMB63,000,000).

24 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 RMB356,708,000 (2012: RMB232,962,000) owed to certain suppliers who have supplied production machineries to the Group.

25 Bank and other loans

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

	2013 RMB'000	2012 RMB'000
Bank loans:		
— Guaranteed by the Company	**306,618**	—
— Guaranteed by a related party	**—**	1,500,000
— Unguaranteed and unsecured	**2,304,845**	932,556
Other loans:		
— Unguaranteed and unsecured	**780,000**	—
	3,391,463	2,432,556
Add: Current portion of long-term bank and other loans	**917,037**	2,855,616
	4,308,500	5,288,172

25 Bank and other loans (Continued)

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

	2013 RMB'000	2012 RMB'000
Bank loans:		
— Guaranteed by subsidiaries	**1,219,380**	—
— Guaranteed by a related party	**1,500,000**	—
— Unguaranteed and unsecured	**1,810,000**	3,320,000
Other loans:		
— Secured by property, plant and equipment (Note)	**479,300**	614,916
— Unguaranteed and unsecured	**800,000**	—
	5,808,680	3,934,916
Less: Current portion of long-term bank and other loans	**(917,037)**	(2,855,616)
	4,891,643	1,079,300

Note: At 31 December 2013, 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 RMB983,701,000 at 31 December 2013 (2012: RMB972,400,000).

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

	2013 RMB'000	2012 RMB'000
Within 1 year or on demand	**917,037**	2,855,616
After 1 year but within 2 years	**2,049,419**	747,037
After 2 years but within 5 years	**2,842,224**	332,263
	5,808,680	3,934,916

All of the non-current interest-bearing borrowings are carried at amortised cost. At 31 December 2013, none of the non-current interest-bearing borrowings is expected to be settled within one year.

Some of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's balance sheet ratios, shareholdings of the Company or remaining listed in major stock exchange, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2013 none of the covenants relating to drawn down facilities had been breached (2012: nil).

Details of the Group's management of liquidity risk are set out in Note 29(b).

25 Bank and other loans (Continued)

(c) The Company's short-term bank loans are analysed as follows:

	2013 RMB'000	2012 RMB'000
Bank loans:		
— Unguaranteed and unsecured	304,845	—

(d) The Company's long-term bank loans are analysed as follows:

	2013 RMB'000	2012 RMB'000
Bank loans repayable after 2 years but within 5 years:		
— Guaranteed by subsidiaries	1,219,380	—

26 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. The Group fully repaid the debenture on 9 November 2013.

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.

During the year ended 31 December 2013, the Group issued unsecured debentures of RMB1,000,000,000, RMB1,000,000,000 and RMB500,000,000 with maturity of one year, one year and three years and repayable on 13 March 2014, 8 May 2014 and 8 October 2016, respectively, and with effective interest rate of 4.47%, 4.58% and 6.90% per annum, respectively.

27 Income tax in the consolidated statement of financial position

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

	The Group	
	2013 RMB'000	2012 RMB'000
At 1 January	106,290	250,720
Current tax (Note 8(a))	329,327	469,254
Income tax paid	(499,896)	(613,684)
At 31 December	(64,279)	106,290

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

(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 27(d))	Total RMB'000
Deferred tax assets/ (liabilities) arising from:						
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)
At 1 January 2013	**26,219**	**6,505**	**(21,157)**	**(42,564)**	**(50,000)**	**(80,997)**
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note 8(b))	**(7,658)**	**–**	**–**	**–**	**–**	**(7,658)**
(Charged)/credited to profit or loss	**(4,546)**	**10,700**	**(47,303)**	**(50,407)**	**–**	**(91,556)**
At 31 December 2013	**14,015**	**17,205**	**(68,460)**	**(92,971)**	**(50,000)**	**(180,211)**

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

(b) Deferred tax assets/liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statements of financial position

	The Group	
	2013	2012
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**31,220**	32,724
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(211,431)**	(113,721)
	(180,211)	(80,997)

(c) As at 31 December 2013, the Group had estimated unused tax losses of approximately RMB189,456,000 (2012: RMB80,892,000) 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, RMB33,712,000 and RMB108,564,000 will expire in 2016, 2017 and 2018, 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 RMB9,297,778,000 (2012: RMB7,679,579,000) 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.

28 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 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 and 1 January 2013	474,675	9,039,698	137,237	(913,237)	8,738,373
Changes in equity for 2013:					
Loss for the year	**–**	**–**	**–**	**(289,710)**	**(289,710)**
Recognition of share-based payment	**–**	**–**	**10,935**	**–**	**10,935**
At 31 December 2013	**474,675**	**9,039,698**	**148,172**	**(1,202,947)**	**8,459,598**

(b) Dividends

Dividends payable to equity shareholders of the Company and holders of convertible preference shares:

	2013 RMB'000	2012 RMB'000
Final dividend proposed after the end of the reporting period of HK$0.13 (approximately equivalent to RMB0.10) per ordinary share and convertible preference share (2012: nil)	**723,715**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

28 Capital, reserves and dividends (Continued)

(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 2012 and 31 December 2012	8,000,000,000	800,000	N/A
Increase in authorised share capital	12,000,000,000	1,200,000	N/A
At 31 December 2013	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2012, 31 December 2012 and 31 December 2013	5,406,306,400	540,631	474,675
Convertible preference share of HK$0.1 each:			
Authorised:			
At 1 January 2012 and 31 December 2012	–	–	N/A
Increase in authorised share capital	10,000,000,000	1,000,000	N/A
At 31 December 2013	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2012, 31 December 2012 and 31 December 2013	–	–	–

By the special resolution of extraordinary general meeting of the Company held on 27 December 2013, the Company's authorised share capital was increased from HK$800,000,000 divided into 8,000,000,000 shares of HK$0.10 each to HK$3,000,000,000 divided into 30,000,000,000 shares of HK$0.10 each, including 10,000,000,000 unissued shares were redesignated into 10,000,000,000 restricted voting non-redeemable convertible preference shares, and 20,000,000,000 issued and unissued shares were redesignated into 20,000,000,000 ordinary shares.

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

Exercise period	Exercise price HK$	2013 Number	2012 Number
8 May 2009 to 7 May 2014	2.00	**40,400,000**	40,400,000
22 March 2012 to 21 March 2021	3.90	**45,000,000**	45,100,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 33 to the consolidated financial statements.

28 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves

(i) Surplus reserve

The Articles of Association of Liaoning Zhongwang 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, Liaoning Zhongwang 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 Liaoning Zhongwang 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 Liaoning Zhongwang 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 Liaoning Zhongwang 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 Liaoning Zhongwang.

(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 25 and 26 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.

29 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.

29 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 variable 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 2013								
Non-interest bearing	–	4,328,869	151,981	26,785	–	–	4,507,635	4,507,635
Bank and other loans	4.08	563,094	1,186,562	2,918,560	2,234,080	2,901,722	9,804,018	9,200,143
Debentures	4.99	1,009,188	2,289,628	61,216	3,186,600	534,500	7,081,132	6,700,000
		5,901,151	3,628,171	3,006,561	5,420,680	3,436,222	21,392,785	20,407,778
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

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.

29 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			
	2013		2012	
	Effective interest rate		Effective interest rate	
	%	**RMB'000**	%	RMB'000
Fixed rate borrowings:				
Bank and other loans	**2.95**	**304,845**	5.00–6.00	480,000
Debentures	**4.47–6.90**	**6,700,000**	4.07–5.68	5,400,000
		7,004,845		5,880,000
Variable rate borrowings:				
Bank and other loans	**2.75–7.38**	**8,895,298**	4.20–7.38	5,887,472
Total borrowings		**15,900,143**		11,767,472
Fixed rate borrowings as a percentage of total borrowings		**44.1%**		50.0%

(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 (2012: 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 2013 would decrease or increase by approximately RMB37,042,000 (2012: RMB22,078,000).

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 2012.

29 Financial risk management and fair value (Continued)

(d) Currency risk

(i) Exposure to currency risk

The Group have certain receivables, payables, 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

	2013 **RMB'000**	2012 RMB'000
Trade receivables		
United States Dollars ("USD")	**296,956**	498,553
EURO	**3,265**	2,755
Other receivables		
USD	**24,310**	–
EURO	**17,246**	–
Bank balances and cash		
Hong Kong Dollars ("HKD")	**16,057**	24,328
USD	**766,154**	61,373
Other payables		
USD	**14,003**	–
EURO	**234**	–
Bank loans		
USD	**1,830,843**	452,556

29 Financial risk management and fair value (Continued)

(d) Currency risk (Continued)

(i) *Exposure to currency risk (Continued)*

The Company

	2013 RMB'000	2012 RMB'000
Bank balances and cash		
HKD	**3,133**	10,981
USD	**170**	—
Other receivables		
HKD	**7,258,068**	7,483,793
USD	**1,210,878**	—
Other payables		
HKD	**102,434**	91,798
USD	**28,887**	—
Bank loans		
USD	**1,524,225**	—

(ii) *Sensitivity analysis*

The Group entities are mainly exposed to USD, HKD and EURO against RMB. The following table details the Group and the Company's sensitivity to a 5% (2012: 5%) increase and decrease in RMB against relevant foreign currencies. 5% (2012: 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% (2012: 5%) change in foreign currency rates. A positive number below indicates an increase in profit after tax and retained profits where RMB strengthen 5% (2012: 5%) against relevant foreign currencies. A negative number below represents a decrease in profit after tax and retained profits. For a 5% (2012: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after tax and retained profits.

29 Financial risk management and fair value (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The Group

	RMB against USD impact		RMB against HKD impact		RMB against EURO impact	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase/(decrease) in profit after tax and retained profits	**24,595**	(4,026)	**(666)**	(912)	**(811)**	(103)

The Company

	RMB against USD impact		RMB against HKD impact	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase/(decrease) in profit after tax and retained profits	**17,103**	–	**(357,938)**	(370,149)

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 2012.

(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.

30 Commitments

(a) Capital commitments

	The Group	
	2013 **RMB'000**	2012 RMB'000
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**17,147,566**	18,299,236

(b) Operating lease commitments

The Group as lessee

At 31 December 2013 and 2012, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 **RMB'000**	2012 RMB'000
Within 1 year	**41,189**	16,565
After 1 year but within 5 years	**95,000**	23,190
	136,189	39,755

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.

31 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$1,250 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 2013 and 2012 are disclosed in Note 7(b).

32 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 2013 and 2012, the Group entered into the following related party transactions:

	2013 RMB'000	2012 RMB'000
Goods purchased from related companies	24	8,234
Rental income from an associate	150	150
Goods sold to an associate	1,336	–
Guarantees obtained from a related company	1,500,000	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	
	2013 RMB'000	2012 RMB'000
Amounts due to a related party	–	32
Amounts due from a related party	825	3

33 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.

(Expressed in Renminbi)

33 Share-based payments (Continued)

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

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

In the event that an option holder shall not have exercised his/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 2013 and 2012
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.

(Expressed in Renminbi)

33 Share-based payments (Continued)

(b) Share option scheme (Continued)

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

Details of the Share Option Scheme is as follows:

Grantees	Grant date	Exercisable period	Exercise price HK$	Number of share options granted on grant date	Forfeited during the years	Outstanding as at 31 December 2013
Category:	22 March 2011	22 March 2012 to 21 March 2021	3.90			
— Directors				11,700,000	—	11,700,000
— Employees				34,000,000	(700,000)	33,300,000
				45,700,000	(700,000)	45,000,000

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.

(Expressed in Renminbi)

33 Share-based payments (Continued)

(b) Share option scheme (Continued)

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 2013	Forfeited during the year	Outstanding as at 31 December 2013	Exercisable as at 31 December 2013	Exercisable as at 31 December 2012
Scheme	40,400,000	–	**40,400,000**	**40,400,000**	**32,320,000**
Share Option Scheme	45,100,000	(100,000)	**45,000,000**	**18,000,000**	**9,020,000**
	85,500,000	(100,000)	**85,400,000**	**58,400,000**	**41,340,000**

During the year ended 31 December 2013, share-based payment expenses of approximately RMB1,754,000 (2012: RMB7,600,000) and approximately RMB9,181,000 (2012: RMB15,786,000) in relation to the Scheme and Share Option Scheme, respectively, are recognised in profit or loss.

34 Non-adjusting event after the reporting period

Pursuant to an ordinary resolution passed at a board meeting of the Company on 28 November 2013, an issue of ordinary shares and/or unlisted convertible preference shares by the Company at a price of HK$2.61 per share on the basis of 3 new ordinary shares for every 10 existing ordinary shares then held by the qualifying shareholders on the record date and payable in full on the acceptance (the "Open Offer") was approved. The Open Offer was completed and 2,703,583 new ordinary shares and 1,619,188,337 convertible preference shares were issued on 28 January 2014, resulting in net proceeds of approximately HK$4,225,400,000 (approximately RMB3,322,009,000) to the Company. The Company intends to apply the net proceeds of the Open Offer in full to fund the capital commitments of high value-added aluminium flat rolled project in Tianjin, PRC.

35 Immediate and ultimate controlling party

At 31 December 2013, the directors consider the immediate parent and ultimate controlling party of the Group to be Zhongwang International Group Limited and Prime Famous Management Limited, respectively, both of which are incorporated in the British Virgin Islands.

(Expressed in Renminbi)

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2013

Up to the date of issue of these financial statements, the IASB has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 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
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

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	**14,306,751**	13,497,170	10,305,694	10,521,948	13,852,708
Profit for the year attributable to equity shareholders of the Company	**2,126,625**	1,806,783	1,105,027	2,595,867	3,528,815

Assets and liabilities

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Total assets	**40,353,143**	33,649,698	27,774,599	24,639,885	24,423,450
Total liabilities	**20,714,251**	16,141,715	12,097,070	9,066,279	10,247,677
Total equity attributable to equity shareholders of the Company	**19,638,892**	17,507,983	15,677,529	15,573,606	14,175,773