中国忠旺控股有限公司*
China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 01333)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

GROUP FINANCIAL HIGHLIGHTS

	2013	2012
	RMB'000	*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

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.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2013 (the "**Year under Review**"), together with the comparative figures for the year ended 31 December 2012 (the "**Year 2012**"), as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	**2013**	2012
		RMB'000	*RMB'000*
Revenue	*3*	**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		**132,178**	177,056
Other income/(expense) and other gains/(losses), net	*4*	**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		**3,796**	3,803
Finance costs	*5(a)*	**(563,490)**	(376,458)
Profit before taxation	*5*	**2,555,166**	2,342,451
Income tax	*6*	**(428,541)**	(535,668)
Profit for the year attributable to equity shareholders of the Company		**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)*	*7*	**0.39**	0.33
Diluted *(RMB)*	*7*	**0.39**	0.33

Consolidated Statement of Financial Position

At 31 December 2013

	Note	**2013**	2012
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**7,272,504**	6,239,194
Prepaid lease payments		**4,827,695**	4,257,015
Interest in an associate		**56,807**	53,011
Deposits for acquisition of property, plant and equipment and prepaid lease	*9*	**12,441,056**	8,494,889
Pledged bank deposits		**1,532,000**	1,597,500
Deferred tax assets		**31,220**	32,724
		26,161,282	20,674,333
Current assets			
Inventories		**3,736,578**	3,988,488
Trade and bills receivables	*10*	**660,844**	784,856
Other receivables, deposits and prepayments		**273,906**	155,247
Current tax asset		**64,279**	—
Prepaid lease payments		**102,745**	88,982
Pledged bank deposits		**36,454**	67,648
Cash and cash equivalents		**9,317,055**	7,890,144
		14,191,861	12,975,365
Current liabilities			
Trade payables	*11*	**1,482,195**	3,271,204
Bills payable	*12*	**2,291,520**	63,000
Other payables and accrued charges		**828,962**	820,028
Current tax liabilities		**—**	106,290
Debentures		**3,200,000**	1,200,000
Bank and other loans		**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

Consolidated Statement of Financial Position (Continued)

At 31 December 2013

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1 General

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 New and amended standards adopted

(a) New and amended standards adopted by the Group

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.

— 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. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 New and amended standards adopted *(Continued)*

(a) New and amended standards adopted by the Group (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.

(b) 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.

3 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	2012
	RMB'000	*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

(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	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*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.

3 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	2012
	RMB'000	*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.

3 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

3 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	2012
	RMB'000	*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	2012
	RMB'000	*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.

4 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.

5 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%).

5 Profit before taxation (Continued)

	2013	2012
	RMB'000	*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	**104,858**	74,217
Depreciation of property, plant and equipment	**396,342**	380,607
Impairment losses on trade receivables	**325**	—
Reversal of impairment losses on trade receivables	**(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

6 Income tax

	2013	2012
	RMB'000	*RMB'000*
Current tax — PRC tax		
Provision for the year *(Note)*	**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	**99,214**	66,414
Total income tax	**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.

7 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	2012
	RMB'000	*RMB'000*
Profit attributable to equity shareholders of the Company	**2,126,625**	1,806,783

	2013	2012
	'000	*'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.

8 Dividends

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

	2013	2012
	RMB'000	*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.

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

	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).

10 Trade and bills receivables

	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.

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:

	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.

11 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:

	2013	2012
	RMB'000	*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

12 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).

13 Capital commitments

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

14 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

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[1]. 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,

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

while in shipbuilding, aviation and aerospace sectors it is nearly non-existent. For the Year under Review, aluminium extrusion products 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.

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 Holdings Limited, 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 approximately 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		**Gross margin**	Gross profit		Gross margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*
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, 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 2012 are as follows:

	For the year ended 31 December	
	2013	2012
	(RMB'000)	*(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).

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.

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.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices contained in the then Appendix 14 (the "**Old Code**") to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 announcement. 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 below, the Company complied with all the code provisions set out in the Governance Code.

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 Zhongtian 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.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to 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 ended 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 28 November 2013, the Company announced an Open Offer of ordinary shares and 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 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 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 and the articles of association 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.

Save as disclosed above, during the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has discussed with the Company's management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2013.

FINAL DIVIDEND

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 (the "**Annual General Meeting**") 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.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders who are entitled to attend the Annual General Meeting, 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 would be registered.

Subject to approval of the shareholders of the Company on the final dividend distribution for the year ended 31 December 2013, for the purposes of determining the shareholders of the Company who are entitled to the final dividend, the register of members of the Company will be closed from Wednesday, 21 May 2014 to Friday, 23 May 2014 (both dates inclusive) again, during which period no transfer of shares in the Company will be effected.

In order to be entitled to attend the Annual General Meeting and the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 8 May 2014 and/or Tuesday, 20 May 2014, respectively.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Thursday, 15 May 2014. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the website of the Stock Exchange and the Company's website (www.zhongwang.com). The annual report for the year ended 31 December 2013 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 27 March 2014

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

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

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

* *For identification purpose only*