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 2012

GROUP FINANCIAL HIGHLIGHTS

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

Notes:

1. The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company for each of the years ended 31 December 2012 and 2011 and the weighted average number of shares during that year.

2. Bank balances and cash = Cash and cash equivalents + short-term deposits + pledged bank deposits.

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 2012 (the "**Year under Review**"), together with the comparative figures for the year ended 31 December 2011 ("**Year 2011**"), as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

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

Consolidated Statement of Financial Position

At 31 December 2012

	Note	**2012**	2011
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**6,239,194**	5,729,631
Prepaid lease payments		**4,257,015**	1,685,257
Interest in an associate		**53,011**	49,208
Deposits for acquisition of property, plant and equipment and prepaid lease	*10*	**8,494,889**	4,645,603
Pledged bank deposits		**1,597,500**	—
Deferred tax assets		**32,724**	35,417
		20,674,333	12,145,116
Current assets			
Inventories		**3,988,488**	2,480,047
Trade and bills receivables	*11*	**784,856**	499,976
Other receivables, deposits and prepayments		**155,247**	32,051
Prepaid lease payments		**88,982**	34,982
Pledged bank deposits		**67,648**	728,916
Short-term deposits		**—**	1,731,285
Cash and cash equivalents		**7,890,144**	10,122,226
		12,975,365	15,629,483
Current liabilities			
Trade payables	*12*	**3,271,204**	2,706,173
Bills payable	*13*	**63,000**	826,200
Other payables and accrued charges		**820,028**	733,977
Current tax liabilities		**106,290**	250,720
Debentures		**1,200,000**	—
Bank and other loans		**5,288,172**	4,020,000
		10,748,694	8,537,070
Net current assets		**2,226,671**	7,092,413
Total assets less current liabilities		**22,901,004**	19,237,529

Consolidated Statement of Financial Position (Continued)
At 31 December 2012

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

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

2. New and amended standards adopted

(a) New and amended standards adopted by the Group

The International Accounting Standards Board ("IASB") has issued a few amendments to International Financial Reporting Standards ("IFRSs") that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

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

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

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

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

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

2. New and amended standards adopted (Continued)

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

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

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

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

3 Accounting judgement and estimates

Depreciation

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

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

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

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

4 Revenue and segment reporting

(a) Revenue

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

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

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

(b) Segment reporting

Information reported to the Group's executive directors, being the chief operating decision maker, for the purpose of resources allocation and assessment of performance focuses on the type of products (i.e. aluminium products produced for construction use or industrial use and aluminium flat rolled products). Each type of products has different client base and requires different production technology. The Group's operating segments under IFRS 8 are as follows:

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

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

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

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

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) Segment revenues and results

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

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

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

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

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(ii) Segment assets

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

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

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

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

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

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

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(iii) Other segment information

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

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

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

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

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:

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

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

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

(v) Information about major customer

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

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

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.
* Revenue from Industrial segment.

5 Other income, other gains and losses

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

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

6 Profit before taxation

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

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

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

6 Profit before taxation (Continued)

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

7 Income tax

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

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.

8 Earnings per share

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

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

	2012	2011
	'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	**12,837**	16,947
Weighted average number of shares for the purpose of diluted earnings per share	**5,419,143**	5,423,253
Earnings per share		
Basic *(RMB)*	**0.33**	0.20
Diluted *(RMB)*	**0.33**	0.20

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

9 Dividends

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

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

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

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

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

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

11 Trade and bills receivables

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

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

For the year ended 31 December 2012, the Group allows an average credit period of 90 days (2011: 90 days) for domestic sales and an average credit period of 180 days (2011: 180 days) for overseas sales.

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:

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

12 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:

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

13 Bills payable

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

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

14 Capital commitments

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

15 Non-adjusting events after the reporting period

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

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

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

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

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

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

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

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

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

II. Industry Analysis

Macro Economic Review for 2012

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

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

Overview of China's Aluminium Extrusion Product Industry 2012

Slower growth of China's economy in 2012 and policies by the Chinese government to strengthen its regulation of the real estate industry in particular have undoubtedly created certain pressure on the fast-growing aluminium extrusion industry in China. A sluggish global economy and trade protection measures by developed countries in Europe and America against some Chinese aluminium products have also made it more difficult for Chinese aluminium extrusion enterprises to explore overseas markets. However, increasingly extensive applications of aluminium products and growing importance of their role in national economy have helped the formation of a huge China market, which effectively eased the pressure from some negative elements of the macro-economy on Chinese aluminium extrusion industry. Chinese aluminium extrusion industry achieved relatively fast growth in 2012. According to the estimates by China Nonferrous Metals Fabrication Industry Association, total production of aluminium extrusion products in China amounted to approximately 14 million tonnes in 2012, representing an increase of 15.0% over 2011. The rate of growth is much higher than 7.8% of growth for the overall Chinese economy. The amount of actual consumption of aluminium extrusion products in China was slightly smaller than the amount of production, but its rate of growth was roughly in line with that of production. Based on the amount of actual consumption of approximately 10.43 million tonnes in 2011[1], the amount of actual consumption in 2012 was estimated to be approximately 12 million tonnes.

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

1 Data is cited from a report by The Boston Consulting Group dated August 2012

Price Trends of Aluminium Ingots

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

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

III. Future Prospects

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

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

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

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

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

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

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

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

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

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

IV. Financial Review

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

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

Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost of Sales

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

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

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

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

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

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

Investment Income

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

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

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

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

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

Other Income, Other Gains and Losses

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

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

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

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

Selling and Distribution Costs

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

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

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

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

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

Administrative and Other Operating Expenses

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

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

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

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

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

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

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

Share of Profit of an Associate

Share of profit of an associate of the Group for the Year under Review was approximately RMB3,803,000 (Year 2011: approximately RMB208,000), which is the income recognized using equity-method accounting for the investment in CR Zhongwang Aluminium Company Limited. A wholly-owned subsidiary of the Company, Liaoning Zhongwang Group Co., Ltd. ("Liaoning Zhongwang") 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 decreased by 18.8% from approximately RMB463,720,000 for the Year 2011 to approximately RMB376,458,000 for the Year under Review.

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

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

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

Profit Before Taxation

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

Income Tax Expense

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

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

Profit Attributable To Equity Shareholders

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

Cash Flows

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

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

Net Current Assets

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

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

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

Liquidity

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

Borrowings

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

As at 31 December 2012, the Group's debentures and bank loans shown under current liabilities amounted to approximately RMB6,488,172,000 (31 December 2011: RMB4,020,000,000) and debentures and bank loans shown under non-current liabilities amounted to approximately RMB5,279,300,000 (31 December 2011: RMB3,510,000,000).

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

Pledged Assets

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

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

Contingent Liabilities

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

Employees

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

Research and Development

As at 31 December 2012, the Group had 689 research and development and quality control personnel. Research and development and quality control personnel accounted for 12.9% of the Group's total number of employees. The Group entered into cooperation with a number of leading research and academic institutions to upgrade its technology level. We have strong research and development capabilities in new materials with a focus on research and development of alloy composition. We also have a strong die design and production centre and are capable of providing suitable products according to customers' production requirements in respect of aluminium extrusion standards and precision.

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

Capital Commitments

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

Market Risks

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

Currency Risk

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

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

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

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

Interest Rate Risk

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

Interest rate change risk borne by the Group is primarily derived from bank borrowings and debentures. The Group has to face the cash-flow interest rate risk on floating-rate borrowings and fair value interest rate risk on fixed-rate borrowings. As at 31 December 2012, our fixed rate borrowings were approximately RMB480 million (31 December 2011: nil).

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

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

Aluminium Ingot Price Fluctuation Risk

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

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 "Corporate Governance Code"). The Company has, since 1 April 2012, adopted the code provisions set out in the New Code as currently in force at the date of this announcement. The Board reviews and monitors the practices of the Company from time to time with an aim to maintaining a high standard of corporate governance practices.

In respect of the year ended 31 December 2012, save as disclosed below, the Company complied with all the code provisions set out in the Corporate Governance Code.

Code provision A.2.1 of the Corporate 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 Zhongtian 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 2012.

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

During the year ended 31 December 2012, 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 2012.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2012.

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 2012 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, 8 March 2013

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*