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 2016

GROUP FINANCIAL HIGHLIGHTS

	2016	2015
	RMB'000	*RMB'000*
Revenue	**16,695,543**	16,171,246
Gross profit	**6,288,378**	5,320,023
EBITDA *(Note 1)*	**5,366,267**	4,820,947
Profit for the year	**2,907,159**	2,804,981
Adjusted profit for the year *(Note 2)*	**3,143,381**	2,804,981
Earnings per share *(RMB) (Note 3)*	**0.41**	0.40
Adjusted earnings per share *(RMB) (Note 4)*	**0.44**	0.40
Final dividend per share *(HKD)*	**0.10**	0.06
Full year dividend per share *(HKD)*	**0.21**	0.17
Bank balances and cash *(Note 5)*	**14,248,739**	13,495,202
Total equity attributable to equity shareholders	**28,015,902**	25,990,998
Total assets	**79,037,746**	71,400,726

Notes:

1. EBITDA = profit before taxation + finance costs+ amortisation of prepaid lease payments + depreciation of property, plant and equipment
2. Adjusted profit for the year is profit for the year net of the effect of non-cash expenses arising from the recognition of share options which were granted on 6 January 2016 at fair value by the Group and the stamp duty incurred in connection with the internal reorganisation in relation to the Proposed Spin-off and listing of Liaoning Zhongwang, a wholly-owned subsidiary of the Company.
3. Earnings per share is calculated based on the profit attributable to equity shareholders of the Company for each of the years ended 31 December 2016 and 2015 and on the weighted average number of ordinary shares, convertible preference shares and share options during that year.
4. Adjusted earnings per share is calculated based on the adjusted profit attributable to equity shareholders of the Company for each of the years ended 31 December 2016 and 2015 and on the weighted average number of ordinary shares, convertible preference shares and share options during that year.
5. Bank balances and cash = cash and cash equivalents + short-term deposits + pledged bank deposits

DIVIDEND

The Board recommended to declare a final dividend of HKD0.10 per share for the financial year ended 31 December 2016. Subject to shareholders' approval at the forthcoming Annual General Meeting of the Company to be held on Friday, 26 May 2017, the final dividend will be paid on or around Friday, 30 June 2017 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 Thursday, 8 June 2017.

Should the final dividend distribution proposal be approved by the shareholders, together with the interim dividend of HKD0.11 per share paid during the Year under Review, the total dividend payout ratio of the Company for the Year under Review would amount to approximately 45.5%.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**Year under Review**"), together with the comparative figures for the year ended 31 December 2015 (the "**Year 2015**"), as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016
(Expressed in Renminbi ("RMB"))

	Note	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*3*	**16,695,543**	16,171,246
Cost of sales		**(10,407,165)**	(10,851,223)
Gross profit		**6,288,378**	5,320,023
Investment income		**254,062**	235,783
Other (expenses)/income	*4*	**(15,589)**	172,852
Selling and distribution costs		**(155,924)**	(136,305)
Administrative and other operating expenses		**(1,839,854)**	(1,455,407)
Share of profits less losses of associates		**73,904**	2,070
Finance costs	*5(a)*	**(925,786)**	(615,894)
Profit before taxation	*5*	**3,679,191**	3,523,122
Income tax	*6*	**(772,032)**	(718,141)
Profit for the year		**2,907,159**	2,804,981
Attributable to:			
Equity shareholders of the Company		**2,871,379**	2,804,981
Holders of perpetual capital instruments	*17*	**35,780**	—
Profit for the year		**2,907,159**	2,804,981
Earnings per share			
Basic *(RMB)*	*7*	**0.41**	0.40
Diluted *(RMB)*	*7*	**0.41**	0.40

Consolidated Statement of Comprehensive Income (Continued)
For the year ended 31 December 2016
(Expressed in RMB)

	Note	**2016** *RMB'000*	2015 *RMB'000*
Profit for the year		**2,907,159**	2,804,981
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of financial statements		**(8,906)**	(60,489)
– Cash flow hedge: net movement in the hedging reserve		**2,913**	(1,700)
– Available-for-sale financial assets: net movements in the fair value reserve		**195**	—
Other comprehensive income for the year		**(5,798)**	(62,189)
Total comprehensive income for the year		**2,901,361**	2,742,792
Attributable to:			
Equity shareholders of the Company		**2,865,581**	2,742,792
Holders of perpetual capital instruments	*17*	**35,780**	—
Total comprehensive income for the year		**2,901,361**	2,742,792

Consolidated Statement of Financial Position
As at 31 December 2016
(Expressed in RMB)

	Note	**2016** *RMB'000*	2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**41,220,504**	31,172,208
Prepaid lease payments		**6,147,647**	5,909,731
Interest in associates		**2,714,922**	2,707,564
Deposits for acquisition of property, plant and equipment and prepaid lease	*9*	**4,139,933**	6,343,590
Pledged bank deposits		**—**	480,307
Deferred tax assets		**118,971**	77,322
		54,341,977	46,690,722
Current assets			
Inventories		**3,718,262**	3,326,401
Trade and bills receivables	*11*	**1,834,078**	1,433,664
Other receivables, deposits and prepayments	*12*	**4,491,610**	5,455,037
Available-for-sale financial assets	*10*	**266,981**	1,351,418
Prepaid lease payments		**136,099**	128,589
Pledged bank deposits		**2,897,773**	2,788,873
Short-term deposits		**3,326,402**	25,919
Cash and cash equivalents		**8,024,564**	10,200,103
		24,695,769	24,710,004
Current liabilities			
Trade payables	*13*	**1,610,140**	2,405,803
Bills payable	*14*	**4,301,928**	2,475,856
Other payables and accrued charges	*15*	**5,065,990**	2,908,927
Current tax liabilities		**250,039**	183,344
Debentures		**600,000**	2,500,000
Bank and other loans		**7,714,354**	12,432,298
Derivative financial instruments		**—**	15,403
		19,542,451	22,921,631
Net current assets		**5,153,318**	1,788,373
Total assets less current liabilities		**59,495,295**	48,479,095

Consolidated Statement of Financial Position (Continued)
As at 31 December 2016
(Expressed in RMB)

	Note	**2016**	2015
		RMB'000	*RMB'000*
Non-current liabilities			
Bank and other loans		**15,903,057**	19,461,146
Debentures		**8,800,000**	2,400,000
Deferred tax liabilities		**782,336**	626,951
		25,485,393	22,488,097
NET ASSETS		**34,009,902**	25,990,998
CAPITAL AND RESERVES			
Share capital		**605,397**	605,397
Reserves		**27,410,505**	25,385,601
Total equity attributable to equity shareholders of the Company		**28,015,902**	25,990,998
Perpetual capital instruments	*17*	**5,994,000**	—
TOTAL EQUITY		**34,009,902**	25,990,998

Notes to the Financial Statements

For the year ended 31 December 2016
(Expressed in RMB unless otherwise indicated)

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 Group is 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 number of amendments to International Financial Reporting Standards ("**IFRSs**") that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

(b) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 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 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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, metal trade agency commission and revenue generated from financial services. The amount of each significant category of revenue recognised during the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Sales of aluminium products		
— industrial aluminium extrusion products	**13,204,307**	13,046,688
— deep-processed products	**2,440,800**	1,951,524
— construction products	**1,032,007**	1,095,190
Metal trade agency commission	**18,429**	32,581
Financial services	**—**	45,263
	16,695,543	16,171,246

(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 extrusion products produced for construction use or industrial use, aluminium deep-processed products 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 extrusion products for industrial markets ("**Industrial**");

— aluminium deep-processed products ("**Deep-processed**");

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

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

3 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) Segment revenues and profit

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

	Segment revenue	
	2016	2015
	RMB'000	*RMB'000*
Industrial		
— Revenue from external customers	**13,204,307**	13,046,688
— Inter-segment sales	**2,018,358**	1,250,563
Deep-processed	**2,440,800**	1,951,524
Construction	**1,032,007**	1,095,190
Others	**18,429**	77,844
	18,713,901	17,421,809
Elimination of inter-segment revenue	**(2,018,358)**	(1,250,563)
Total	**16,695,543**	16,171,246

	Segment profit	
	2016	2015
	RMB'000	*RMB'000*
Industrial	**5,302,521**	4,562,744
Deep-processed	**825,942**	634,971
Construction	**150,528**	50,061
Others	**17,348**	77,222
	6,296,339	5,324,998
Elimination of unrealised inter-segment profits	**(7,961)**	(4,975)
Total	**6,288,378**	5,320,023
Investment income and other (expenses)/income	**238,473**	408,635
Selling and distribution costs	**(155,924)**	(136,305)
Administrative and other operating expenses	**(1,839,854)**	(1,455,407)
Share of profits less losses of associates	**73,904**	2,070
Finance costs	**(925,786)**	(615,894)
Profit before taxation	**3,679,191**	3,523,122
Income tax	**(772,032)**	(718,141)
Profit for the year	**2,907,159**	2,804,981

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 and liabilities

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:

	2016	2015
	RMB'000	*RMB'000*
Industrial	**19,435,894**	16,773,652
Deep-processed	**1,547,358**	1,024,382
Construction	**231,688**	264,412
Flat-rolled	**35,668,412**	29,443,366
Unallocated assets		
— Property, plant and equipment	**2,200,925**	1,722,060
— Prepaid lease payments	**54,885**	57,552
— Available-for-sale financial assets	**266,981**	1,351,418
— Interest in associates	**2,714,922**	2,707,564
— Deferred tax assets	**118,971**	77,322
— Inventories	**2,226,619**	1,955,975
— Other receivables, deposits and prepayments	**322,352**	2,527,821
— Pledged bank deposits	**2,897,773**	3,269,180
— Short-term deposits	**3,326,402**	25,919
— Cash and cash equivalents	**8,024,564**	10,200,103
Total assets	**79,037,746**	71,400,726

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, available-for-sale financial assets, interest in associates, deferred tax assets, certain raw materials and certain work in progress included in inventories, certain 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 of certain property, plant and equipment, prepaid lease payments, inventories, trade and bills receivables, and other receivables, deposits and prepayments that can be identified to a particular operating segment.

No segment liability information is presented since the liabilities of each reportable segment are not reported or provided to the Group's chief operating decision maker regularly.

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 2016:

	Industrial *RMB'000*	**Deep-processed** *RMB'000*	**Construction** *RMB'000*	**Flat-rolled** *RMB'000*	**Unallocated** *RMB'000*	**Consolidated** *RMB'000*
Additions to property, plant and equipment	**2,376,976**	**144,139**	**57,196**	**7,510,276**	**592,994**	**10,681,581**
Additions to prepaid lease payments	**384,358**	**—**	**—**	**—**	**—**	**384,358**
Additions to deposits for acquisition of property, plant and equipment and prepaid lease	**214,613**	**79,193**	**—**	**3,955,425**	**—**	**4,249,231**
Depreciation of property, plant and equipment	**471,055**	**20,439**	**17,062**	**—**	**113,802**	**622,358**
Amortisation of prepaid lease payments	**95,738**	**4,011**	**—**	**36,516**	**2,667**	**138,932**
Impairment losses on trade receivables	**13,341**	**1,526**	**1,313**	**—**	**—**	**16,180**
Loss/(gain) on disposal of property, plant and equipment	**6,583**	**—**	**—**	**—**	**(849)**	**5,734**

Amounts included in the measure of segment profit or segment assets for the year ended 31 December 2015:

	Industrial *RMB'000*	Deep-processed *RMB'000*	Construction *RMB'000*	Flat-rolled *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Additions to property, plant and equipment	3,020,526	32,466	—	9,487,285	107,528	12,647,805
Additions to prepaid lease payments	480,844	200,515	—	272,910	—	954,269
Additions to deposits for acquisition of property, plant and equipment and prepaid lease	160,172	—	—	4,828,572	—	4,988,744
Depreciation of property, plant and equipment	351,253	17,423	44,101	—	140,919	553,696
Amortisation of prepaid lease payments	87,323	1,501	—	38,337	1,074	128,235
Loss on disposal of property, plant and equipment	10,715	—	—	—	223	10,938

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:

	2016	2015
	RMB'000	*RMB'000*
People's Republic of China ("**PRC**")	**14,211,311**	13,798,214
United States of America	**1,904,083**	1,781,549
Germany	**83,186**	151,551
Belgium	**75,479**	57,266
Netherlands	**74,500**	56,413
United Kingdom	**67,221**	92,401
Japan	**41,334**	43,307
Others	**238,429**	190,545
	16,695,543	16,171,246

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

(v) Information about major customers

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

	2016	2015
	RMB'000	*RMB'000*
Customer A*	**1,903,216**	1,785,516
Customer B**	***Note***	1,747,343
Customer C**	***Note***	1,642,799

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

* Revenue from Industrial and Deep-processed segment.

** Revenue from Industrial segment.

4 Other (expenses)/income

	2016	2015
	RMB'000	*RMB'000*
Government subsidies *(Note)*	**160,577**	205,374
Sales of equipment	**109,296**	177,051
Cost of sales of equipment	**(89,390)**	(149,740)
Rental income	**150**	167
Gain on bargain purchase	**—**	46,688
Gain on sales of scrap materials, consumables and moulds	**29,346**	30,478
Loss on disposal of property, plant and equipment	**(5,734)**	(10,938)
Exchange loss	**(219,834)**	(126,228)
	(15,589)	172,852

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):

		2016 *RMB'000*	2015 *RMB'000*
(a)	**Finance costs**		
	Interests on bank loans and other borrowings	**1,761,413**	1,291,697
	Less: Interest expense capitalised into property, plant and equipment, and deposits for acquisition of property, plant and equipment*	**(855,103)**	(711,093)
		906,310	580,604
	Interest rate swaps: cash flow hedges, reclassified from equity	**19,476**	35,290
	Total finance costs	**925,786**	615,894

* The borrowing costs have been capitalised at an average interest rate of 4.59% per annum (2015: 4.31%).

		2016 *RMB'000*	2015 *RMB'000*
(b)	**Staff costs**		
	Staff costs (including directors' emoluments):		
	— Salaries and other benefits	**1,121,106**	991,983
	— Contributions to defined contribution retirement plan	**93,484**	61,300
	— Equity-settled share-based payment expenses	**202,108**	2,714
		1,416,698	1,055,997
(c)	**Other items**		
	Amortisation of prepaid lease payments	**138,932**	128,235
	Depreciation of property, plant and equipment	**622,358**	553,696
	Impairment losses on trade receivables	**16,180**	—
	Operating lease charges in respect of office premises	**49,548**	70,027
	Auditors' remuneration		
	— Audit services	**8,000**	8,000
	— Other services	**426**	—
	Research and development costs	**532,059**	505,463
	Cost of inventories recognised as an expense	**10,407,165**	10,851,223

6 Income tax

Taxation in the consolidated statement of comprehensive income represents:

	2016	2015
	RMB'000	*RMB'000*
Current tax — PRC tax		
Provision for the year *(Note)*	**656,072**	486,313
Over-provision in respect of prior years	**—**	(49)
Withholding tax on intra-group interest income	**2,258**	16,538
	658,330	502,802
Deferred taxation	**113,702**	215,339
Total income tax	**772,032**	718,141

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 40% 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 ("**HNTE**") by Liaoning provincial government. This entitled Liaoning Zhongwang to pay PRC income tax at a 15% preferential income tax rate for a period of three years from 2013 to 2015. The HNTE certificate needs to be renewed every three years so as to enable Liaoning Zhongwang to enjoy the preferential tax rate of 15%. On 30 November 2016, Liaoning Zhongwang obtained its latest renewed certificate of HNTE with an effective period of three years ended 31 December 2018. Therefore, income tax expense of Liaoning Zhongwang for each of the years ended 31 December 2016 and 2015 were calculated based on an income tax rate of 15%.

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 2016 and 2015 and on the number of shares as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit attributable to equity shareholders of the Company	**2,871,379**	2,804,981

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**5,449,473**	5,449,472
Weighted average number of convertible preference shares	**1,619,125**	1,619,126
Weighted average number of shares for the purpose of basic and diluted earnings per share	**7,068,598**	7,068,598
Earnings per share		
Basic *(RMB)*	**0.41**	0.40
Diluted *(RMB)*	**0.41**	0.40

The computation of diluted earnings per share does not assume the exercise of certain share options because they are anti-dilutive for each of the years ended 31 December 2016 and 2015.

8 Dividends

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

	2016	2015
	RMB'000	*RMB'000*
Interim dividend declared and paid of HKD0.11 per ordinary share and convertible preference share (2015: HKD0.11)	**678,425**	637,043
Final dividend proposed after the end of the reporting period of HKD0.10 per ordinary share and convertible preference share (2015: HKD0.06)	**626,631**	355,197

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.

8 Dividends (Continued)

(b) Dividends payable to equity shareholders of the Company and holders of convertible preference shares attributable to the previous financial year, approved and paid during the year:

	2016	2015
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.06 per ordinary share and convertible preference share (2015: HKD0.08)	**364,360**	446,057

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

	2016	2015
	RMB'000	*RMB'000*
Deposits for acquisition of property, plant and equipment *(Note)*	**3,753,822**	6,337,532
Deposits for acquisition of prepaid lease	**386,111**	6,058
	4,139,933	6,343,590

Note: Included in deposits for acquisition of property, plant and equipment are deposits paid to two suppliers of equipment for production of aluminium flat-rolled products amounting to approximately RMB2,378,505,000 (2015: deposits paid to three suppliers of equipment for production of aluminium flat-rolled products amounting to approximately RMB4,806,971,000).

10 Available-for-sale financial assets

	2016	2015
	RMB'000	*RMB'000*
Unlisted financial products, at fair value	**266,981**	1,351,418

At 31 December 2016, the financial products held by the Group generate annual target return rate of 2.45% (2015: ranged from 4.35% to 6.05%).

At 31 December 2016, none of the Group's available-for-sale financial assets (2015: all of the Group's available-for-sale financial assets) were used to secure the Group's bank loans.

11 Trade and bills receivables

	2016	2015
	RMB'000	*RMB'000*
Trade and bills receivables	**1,850,258**	1,433,664
Less: Impairment losses	**(16,180)**	—
	1,834,078	1,433,664

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

(a) Ageing analysis

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

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**1,610,193**	995,764
91 to 180 days	**72,413**	305,509
Over 180 days	**151,472**	132,391
	1,834,078	1,433,664

For the year ended 31 December 2016, the Group allows an average credit period of 90 days (2015: 90 days) for domestic sales and an average credit period of 180 days (2015: 180 days) for overseas sales.

(b) Impairment of trade and bills receivables

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

The movement in the allowance for bad and doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**—**	—
Impairment losses recognised	**17,057**	—
Reversal of impairment losses	**(877)**	—
At 31 December	**16,180**	—

During the year ended 31 December 2016, all of the impairment losses recognised for trade and bills receivables are assessed on a collective basis based on the ageing of the receivables (2015: Nil).

11 Trade and bills receivables (Continued)

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,620,118**	1,173,226
Less than 3 months past due	**67,760**	134,489
More than 3 months but less than 12 months past due	**106,616**	79,731
Over 12 months past due	**39,584**	46,218
	213,960	260,438
	1,834,078	1,433,664

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

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

12 Other receivables, deposits and prepayments

At 31 December 2016, included in other receivables, deposits and prepayments of the Group are deductible value added tax amounting to approximately RMB4,240,041,000 (2015: RMB2,972,722,000).

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

13 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:

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**1,562,217**	1,672,120
91 to 180 days	**23,852**	675,500
181 days to 1 year	**24,071**	58,183
	1,610,140	2,405,803

14 Bills payable

At 31 December 2016, all the bills payable are repayable within 365 days (2015: 365 days) and are denominated in Renminbi.

At 31 December 2016, bills payable amounting to RMB651,928,000 (2015: RMB786,356,000) were secured by deposits placed in banks with an aggregate carrying value of RMB651,928,000 (2015: RMB364,400,000).

15 Other payables and accrued charges

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

Included in other payables and accrued charges of the Group were approximately RMB3,704,450,000 (2015: RMB1,991,686,000) owed to suppliers who have supplied production machineries and contractors who have provided construction services to the Group.

16 Capital commitments

	2016 ***RMB'000***	2015 *RMB'000*
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**9,650,432**	7,435,505

17 Perpetual capital instruments

(a) Perpetual note

On 25 October 2016, a subsidiary of the Company (the "**Issuer**") issued perpetual note amounting to RMB2,000,000,000. The perpetual note was issued at par value with initial interest rate of 4.50%. The perpetual note was recorded as equity, after netting off related issuance costs of RMB6,000,000.

Interest of the perpetual note is recorded as distributions, which is paid annually in arrears on 27 October each year ("**Distribution Payment Date**") and may be deferred at the discretion of the Issuer unless any of the compulsory distribution payment events (including distributions to ordinary shareholders of the Issuer or reduction of the registered capital of the Issuer) has occurred.

The perpetual note has no fixed maturity date and is callable at the Issuer's option on 27 October 2019 ("**First Call Date**") or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable interest rate will reset, on First Call Date and every three years after the First Call Date, to the sum of the applicable benchmark interest rate, the initial spread and a premium. The premium for First Call Date is 300 basis points per annum and will increase by 300 basis points every three years after the First Call Date.

During the year ended 31 December 2016, profit attributable to the holders of perpetual note, based on the applicable distribution rate, was RMB16,027,000.

17 Perpetual capital instruments (Continued)

(b) Perpetual trust loans

On 1 December 2016 and 2 December 2016, a subsidiary of the Company (the "**Borrower**") issued two tranches of perpetual trust loans amounting to RMB2,000,000,000 respectively. These perpetual trust loans were issued at par value with initial interest rate of 6.10% and 6.12% per annum, respectively.

Interest of the perpetual trust loans is recorded as distributions, which is paid quarterly in arrears on the 21st day in the last month of each quarter and may be deferred at the discretion of the Borrower unless any of the compulsory distribution payment events (including distributions to ordinary shareholders of the Borrower or reduction of the registered capital of the Borrower) has occurred.

The interest rates for these two tranches of perpetual trust loans for the first three years commencing from the borrowing date are fixed at 6.10% and 6.12% per annum, respectively. The applicable interest rate for these two tranches of perpetual trust loans will be reset after the third year as following: 8.10% and 8.12% per annum for the fourth year; 10.10% and 10.12% per annum for the fifth year; 12.10% and 12.12% per annum for the sixth year and thereafter, respectively.

The perpetual trust loans have no fixed maturity date and the conditions of maturity including:

(a) the Borrower notifies in advance that the trust loan is matured;

(b) the shareholder of the Borrower decides to liquidate the Borrower;

(c) the Borrower is required to be liquidated by law or regulation.

The perpetual trust loans are repayable at the Borrower's option at their principal amounts together with any accrued, unpaid or deferred distributions.

During the year ended 31 December 2016, profit attributable to the holders of perpetual trust loans, based on the applicable distribution rate, was RMB19,753,000.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

During the Year under Review, the Group adhered firmly to the principal strategy of "focusing primarily on China and to a lesser extent on the overseas". The Group continued to optimize its product mix and upgrade its equipment so as to further increase the proportion of high value-added deep-processed products and gradually transform the Group from a high-end processed aluminum supplier to an integrated light-weight solution provider.

During the Year under Review, total revenue of the Group amounted to approximately RMB16.70 billion. Overall gross margin increased by 4.8 percentage points, year-on-year, to 37.7%. Profit for the year amounted to approximately RMB2.91 billion. Earnings per share was approximately RMB0.41. Net of the effect of non-cash expenses arising from the recognition of share options which were granted on 6 January 2016 at fair value by the Group and the stamp duty incurred in connection with the internal reorganisation in relation to the Proposed Spin-off and listing of Liaoning Zhongwang, a wholly-owned subsidiary of the Company, the Company's adjusted profit for the year would amount to approximately RMB3.14 billion for the Year under Review, representing an increase of 12.1% from approximately RMB2.80 billion for the Year 2015.

During the Year under Review, sales volume of the Group's industrial aluminium extrusion segment to external customers increased by 2.9% to 607,932 tonnes from 590,902 tonnes for the Year 2015. Revenue from sales of the Group's industrial aluminium extrusion segment to external customers increased by 1.2% to approximately RMB13.20 billion from approximately RMB13.05 billion for the Year 2015. Gross margin of the Group's industrial aluminium extrusion segment increased by 2.9 percentage points to 34.8% for the Year under Review from 31.9% for the Year 2015, which was mainly attributable to the Group's high-precision aluminium project located in Yingkou, which provided quality raw materials for the Group's industrial aluminium extrusion segment at a price lower than the market rate.

During the Year under Review, sales volume of the Group's deep processing business increased significantly by 22.7% from 73,177 tonnes for the Year 2015 to 89,753 tonnes, which was mainly attributable to the significant increase in sales volume of products including body parts of electric buses, engineered parts for new-energy and conventional vehicles and large-sized aluminium parts of railway vehicles supplied by the Group for the domestic market. Revenue from the Group's deep processing business increased by 25.1% from approximately RMB1.95 billion for the Year 2015 to approximately RMB2.44 billion. Gross margin of the deep processing business increased by 1.3 percentage points from 32.5% for the Year 2015 to 33.8% for the Year under Review.

The Group continued to expand its production capacity and optimize its product mix during the Year under Review. The Group entered into purchase contracts for 99 extrusion production presses during the Year under Review which will further expand the Group's capacity for aluminium extrusion. In addition, the adjustment and trial run of one of the two ultra-large 225MN extrusion presses ordered earlier are fully underway and is expected to commence production in the first half of 2017, while the other press is being installed. These advanced large-tonnage presses will enhance the Group's overall competitiveness in high-end aluminium extrusion products. In terms of products, the Group continues to make use of its new technologies, capitalize on its strength in new product R&D and relentlessly optimize its product mix during the Year under Review, with a specific emphasis on high value-added products such as aluminium alloy products for transportation and construction formworks.

Deep-processed products require sophisticated technical know-how and possess higher added value. Therefore the deep processing business is one of the key business segments of the Group. The Group possesses comprehensive capabilities from independent design to manufacturing and processing. Our new products are energy-saving, environmentally friendly, highly efficient and technologically advanced, and are being applied in transportation and industrial electric products, etc. During the Year under Review, sales volume of products, including large-sized aluminium parts of railway vehicles and body parts of electric buses supplied by the Group for the domestic market increased significantly. Meanwhile, the Group continued to engage in technological cooperation with a number of well-known domestic manufacturers of vehicles and buses, such as CH-Auto Technology Co., Ltd. ("**CH-Auto Technology**") and Chery New Energy Automotive Technology Co., Ltd. ("**Chery New Energy**"), to jointly develop aluminium-intensive new energy buses and electric cars in which projects are proceeding smoothly. In particular, the new energy BEV model S51, jointly developed under in-depth cooperation with Chery New Energy, has been officially launched in the market. In addition, corresponding production and supply are being planned for K50, the battery electric sports car model developed under in-depth collaboration between the Group and CH-Auto Technology, with an aim to fulfill future demands for mass production.

During the Year under Review, each of the mills of the first production line of the Group's high value-added aluminium flat rolling project in Tianjin performed well during the trial run, with each production phase operating smoothly. During the Year under Review, ultra-large aluminium alloy plates of 4,300 mm in width and various aviation-grade aluminium alloy plates were successfully produced, laying a solid foundation for subsequent production of ultra-large aluminium alloy plates for aviation and aerospace, vessel and transportation. Furthermore, during the Year under Review, the high value-added aluminium flat rolling project in Tianjin was accredited with three quality management system accreditations, namely AS9100, TS16949 and ISO9001, indicating that the Company has successfully established and applied a quality management system commensurate with the industry standards in the aviation and automobile industries. Recently, the project has also passed the authoritative certification program Nadcap for international aviation industry, and passed the accreditation from Det Norske Veritas (DNV), and Nippon Kaiji Kyokai (NK). The credentials demonstrate the superior technological strength, excellent capability in safeguarding equipment and high level of management capacity, which are also strategically significant in that the accreditations are necessary for the project to enter a wider market of aviation and international vessel industries. Currently, the first production line is offering products for customers in the rail transportation, industrial equipment and specialized vehicle sectors on a trial basis.

Another key project of the Group is the high-precision aluminium product project located in Yingkou, Liaoning Province. The project is now mainly supplying high-quality aluminium alloy raw material for internal production. Phase I has been fully put into operation, while Phase II is scheduled to commence production in the second half of 2017. The production base, equipped with internationally advanced purification systems, complies with international emission standards in terms of its key emission indicators.

Liaoning Zhongwang Special Vehicle Manufacturing Company Limited, a wholly-owned subsidiary of the Group, has obtained various licenses for the production and sale of a number of aluminium-intensive commercial vehicles. The production line for aluminium-intensive semi-trailers, which has already been completed, is now supplying for small-volume orders for customers in large to middle-sized freight, logistics and express delivery industries on a trial basis.

During the Year under Review, the application for the establishment of the "Aviation and Rail Transit Aluminium Processing Technology National-local Collaborated Research Centre" made by the Group has been officially approved by the National Development and Reform Commission ("**NDRC**"). The certified state-level R&D platform, aiming to satisfy market demands for aluminium materials used in the international rail transportation and aviation sectors, will be developed into a first-rate technological R&D platform and industrialization base for high-end aluminium products in China. In addition, Liaoning Zhongwang, an indirect wholly-owned subsidiary of the Group, remains as a High and New Technology Enterprise entitled to a 15% preferential corporate income tax rate. During the Year under Review, the Group developed various new products, covering a number of application fields such as aviation and rail transportation, and filed a number of patent applications. The Group also participated in the formulation of, and amendments to, various national and industry standards. The Group's outstanding R&D capability has enabled it to continuously launch diversified high-end products and optimize its product mix, thereby enhancing its integrated competitiveness.

II. FUTURE DEVELOPMENT

With the rising awareness of energy conservation, emissions reduction and sustainable development globally, together with the support of government policies, aluminium is gradually replacing other types of conventional metals and is now widely used in many aspects of national development and everyday life. During the Year under Review, the "Non-ferrous Metals Industry Development Plan (2016–2020)" (《有色金屬工業發展規劃(2016–2020年)》) promulgated by the Ministry of Industry and Information Technology ("**MIIT**"), proposed to develop high-end materials, such as aluminium alloys, and to broaden its applications in various sectors including aviation and aerospace, vessel, transportation and construction, etc. It is also proposed as a target that aluminium alloy body will be applied in 30% of the oil tankers, trailers and railway freight trains by 2020. This industry development plan delineates the direction of future development for the high-end aluminium industry.

The light-weight developments of automobiles have been under the spotlight in recent years, and the new energy vehicle industry is a particularly strong driving force for the application of aluminium. The "Integrated Work Proposal for Energy Conservation and Emission Reduction for the 13th Five-Year Plan Period" (《「十三五」節能減排綜合工作方案》) issued by the State Council in 2017 states that developments have to be accelerated for strategic emergent industries, such as new energy vehicles and energy-efficient and environmentally-friendly technologies. During the Year under Review, the sales volume of new energy vehicles reached 507,000 units in China, representing a year-on-year increase of 53%. In addition, the "Long-term Development Plan for the Automobile Industry" (《汽車產業中長期發展規劃》) issued by MIIT also projected that the annual output of new energy vehicles in China will reach 2 million units by 2020, and they will account for over 20% of the total sales of passenger cars by 2025. The Government takes an active role in gradually tightening the fuel consumption limit of petrol cars, which widens the aluminium alloy market applied in new energy vehicles. Five ministers and committees, including MIIT, implemented the fourth stage of the "Fuel Consumption Limits for Passenger Cars" (《乘用車燃料消耗量限值》) since the Year under Review, requiring that from 2017 to 2020, passenger cars produced in China should reduce the average fuel consumption from 6.4 liters to 5.0 liters per 100 kilometers. In "Made in China 2025", MIIT further proposed that, the general fuel consumption limit of new passenger vehicles should decrease to 4.0 liters per 100 kilometers by 2025. Therefore, aluminium is being used by various automobile companies in place of steel in order to meet the requirement of reduction of fuel consumption and emission, which brings business opportunities to aluminium alloy to be used in large-sized vehicle body parts such as main body and body frame.

The urbanization rate in China was approximately 57.4% during the Year under Review and it continues to increase annually. With the urbanization rate far ahead of the development of rail transit, it is necessary to develop the intra-and inter-city rail transit planning. In May 2016, the "Three-Year Action Plan for Major Construction of Transport Infrastructure" (《交通基礎設施重大工程建設三年行動計劃》) jointly promulgated by the NDRC and Ministry of Transport of the PRC, pointed out that from 2016 to 2018, focus will be placed on promoting the projects in relation to railway, highway and city rail transit. Among them, over 100 projects will be related to city rail transit. Driven by such trends, industry insiders estimate that, about 40,000 additional city railway vehicles will be introduced by 2020. Meanwhile, in June 2016, the State Council approved the "Mid- to Long-term Railway Network Planning (2016–2030)" (《中長期鐵路網規劃(2016–2030)》), whereby the existing grid network of China high-speed railways is upgraded from "four horizontal and four vertical tracks" (「四縱四橫」) to "eight horizontal and eight vertical tracks"(「八縱八橫」), greatly stimulating trans-regional economic cooperation and development. It is likewise proposed that the total length of the China high-speed railways will reach 38,000 kilometers by 2025. Driven by various policies, the construction of railway transport in China will experience a new peak, anticipating greater room for the development of light-weight aluminium.

Furthermore, the Chinese Government consistently increases its inputs in infrastructure construction in cities with a particular focus on procurement of new materials, driving the demands for aluminium in logistics, construction and other industries. As mentioned by the "Roadmap for Energy Conservation and New Energy Automobiles" (《中國節能與新能源汽車技術路線圖》) promulgated by the Society of Automotive Engineers of China, vehicles used for express delivery in cities will be completely replaced with aluminium alloy new energy vehicles in the coming five years. The aluminium trucks are of increasing interest in the market as they have lower fuel consumption and less carbon emissions than traditional trucks, saving energy and conserving the environment without sacrificing economic efficiency. For the construction industry, the use of aluminium formworks testifies to contractors' concern for environmental protection during construction. As for construction of urban infrastructure, various cities show interest in new eco-friendly materials and new products such as aluminium flood protection walls, aluminium pedestrian bridges and aluminium bridge inspection platforms.

The above market trends and policies create a favorable development landscape for fabricated aluminium companies including the Group. As such, the management has formulated the following development strategies:

1. Achieve commercial production of the first production line of the aluminium flat rolling project in Tianjin, adding impetus to the Group's steady development in the long term: The Group will immerse itself in the optimization of the trial production stage, to ensure the performance in every criterion reach an optimal state. In the meantime, the Group will accelerate the pace of R&D and product certification process to be fully prepared for the gradual production of high value-added products upon operation;

2. Continue to optimize and expand capacities to reinforce the Group's profitability: the aluminium extrusion equipment purchased by the Group during the Year under Review will be installed and begin production in phases in the coming two to three years. Meanwhile, two 225MN ultra-large extrusion presses will start to be put into production in 2017, further enhancing the Group's leading advantage in terms of capacity for high-precision large-section industrial aluminium extrusion. The optimization and expansion of capacities will reinforce the Group's integrated competitiveness in the high-end aluminium processing industry;

3. Enhance the diversity of high value-added product offerings and increase the weight of the deep processing business: the Group is optimistic about the enormous potential for development of the deep processing market, leveraging its state-of-the-art techniques of the product and process design team to provide integrated light-weight solutions for customers. In the future, we will continue to take advantage of our superior R&D, relentlessly diversify the deep-processed product offerings and encourage in-depth cooperation, eventually increasing the contribution from the deep processing business to the sales and profit of the Group as a whole; and

4. Strengthen R&D and promote technological innovation to enhance its comprehensive strengths: The Group will continue to place emphasis on its investments in R&D. Through diversified and multilateral cooperation with industry peers, institutions of higher learning and research institutes, the Group will actively explore innovations in technology and production know-how for aluminium processing so as to provide integrated light-weight solutions for customers in a bid to improve the Group's comprehensive competitive strengths.

The above development strategies will fully capitalize the synergy of the Group's three core businesses, helping the Group tap into the opportunities brought by the industrial upgrade in China with a more competitive product mix and more comprehensive business layout. Looking forward, as the projects currently in progress will commence production shortly and become more sophisticated, together with the optimization of capacity and product mix, the Group's revenue and profit base will expand further, providing satisfactory returns to shareholders.

III. FINANCIAL REVIEW

A comparison of the financial results of the Group for the Year under Review and the Year 2015 is set out as follows.

Revenue

During the Year under Review, total revenue of the Group amounted to approximately RMB16.70 billion, representing an increase by 3.2% from approximately RMB16.17 billion for the Year 2015. During the Year under Review, our major revenue was generated from sales in the aluminium extrusion business and deep processing business, which amounted to approximately RMB16.68 billion (2015: approximately RMB16.09 billion). Other revenue primarily comprised metal trade agency commission and amounted to approximately RMB18.43 million (2015: approximately RMB77.84 million).

The following sets forth the breakdown by segments of the Group's revenue, sales volume and average selling price of the Group for the Year under Review and the Year 2015:

	For the year ended 31 December								
	2016			2015			Change		
	Revenue	**Sales volume**	**Average selling price**	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	RMB'000	***tonnes***	***RMB/tonne***	*RMB'000*	*tonnes*	*RMB/tonne*	%	%	%
Aluminium extrusion business	**16,254,672**	**826,069**	**19,677**	15,392,441	750,049	20,522	5.6%	10.1%	(4.1%)
Industrial aluminium extrusion segment	**15,222,665**	**758,703**	**20,064**	14,297,251	678,124	21,084	6.5%	11.9%	(4.8%)
Construction aluminium extrusion segment	**1,032,007**	**67,366**	**15,319**	1,095,190	71,925	15,227	(5.8%)	(6.3%)	0.6%
Deep processing business	**2,440,800**	**89,753**	**27,195**	1,951,524	73,177	26,669	25.1%	22.7%	2.0%
Others	**18,429**	**N/A**	**N/A**	77,844	N/A	N/A	(76.3%)	N/A	N/A
Subtotal	**18,713,901**	**915,822**	**20,434**	17,421,809	823,226	21,163	7.4%	11.2%	(3.4%)
Elimination of internal sales	**(2,018,358)**	**(150,771)**	**13,387**	(1,250,563)	(87,222)	14,338	61.4%	72.9%	(6.6%)
Total	**16,695,543**	**765,051**	**21,823**	16,171,246	736,004	21,972	3.2%	3.9%	(0.7%)

Revenue from the Group's industrial aluminium extrusion segment consisted of two parts, namely sales revenue from external customers and sales revenue from inter-segment. Sales revenue from inter-segment mainly represents the sales of raw materials required by the deep-processed products to the deep processing business and the high-precision aluminium raw materials used by the high value-added aluminium flat rolling project in Tianjin for trial run.

Sales volume of the Group's industrial aluminium extrusion segment to external customers increased by 2.9% from 590,902 tonnes for the Year 2015 to 607,932 tonnes for the Year under Review. Sales volume of industrial aluminium extrusion products to the deep processing business increased by 21.2% from 75,083 tonnes for the Year 2015 to 91,016 tonnes, which was mainly attributable to the increased demands for raw materials of the deep processing business as a result of the increase in its sales volume. Sales volume of high-precision raw materials to the high value-added aluminium flat rolling project in Tianjin amounted to 59,755 tonnes, representing an increase of 392.3% from 12,139 tonnes for the Year 2015, which is mainly attributable to the increase in demands for raw materials of our aluminium flat rolling project for trial run.

Revenue from sales of the Group's industrial aluminium extrusion segment to external customers increased by 1.2% to approximately RMB13.20 billion for the Year under Review from approximately RMB13.05 billion for the Year 2015. Such increase was mainly attributable to the increase in sales volume of industrial aluminium extrusion products during the Year under Review. Revenue from sales to the deep processing business increased by 21.5% to approximately RMB1.37 billion for the Year under Review from approximately RMB1.12 billion for the Year 2015, which was mainly attributable to the increased demands for raw materials of the deep processing business as a result of the increase in its sales volume. Revenue from sales to the high value-added aluminium flat rolling project in Tianjin amounted to approximately RMB650 million, representing an increase of 417.2% from approximately RMB130 million for the Year 2015, which is mainly attributable to the increase in demands for raw materials for our aluminium flat rolling project for trial run.

The average selling price of the Group's industrial aluminium extrusion products to external customers remained relatively stable from RMB22,079 per tonne for the Year 2015 to RMB21,720 per tonne for the Year under Review.

The Group's sales volume of construction aluminium extrusion products decreased by 6.3% from 71,925 tonnes for the Year 2015 to 67,366 tonnes during the Year under Review. Revenue from the Group's construction aluminium extrusion segment amounted to approximately RMB1.03 billion during the Year under Review, a decrease of 5.8% from approximately RMB1.10 billion for the Year 2015. The average selling price of the Group's construction aluminium extrusion products was RMB15,319 per tonne for the Year under Review, in line with RMB15,227 per tonne for the Year 2015.

Revenue from the Group's deep processing business increased significantly by 25.1% from approximately RMB1.95 billion for the Year 2015 to approximately RMB2.44 billion for the Year under Review, which was mainly attributable to the increase in sales volume of the deep-processed products during the Year under Review. Sales volume of the Group's deep-processed products increased by 22.7% from 73,177 tonnes for the Year 2015 to 89,753 tonnes for the Year under Review, which was mainly attributable to the significant increase in sales volume of products including body parts of electric buses, engineered parts for new-energy and conventional vehicles and large-sized aluminium parts of railway vehicles supplied by the Group for the domestic market during the Year under Review. The average selling price of the Group's deep-processed products was RMB27,195 per tonne for the Year under Review, representing an increase of 2.0% from RMB26,669 per tonne for the Year 2015.

Geographically, the Group's overseas customers mainly came from countries and regions including the United States of America, Germany, Belgium, the Netherlands, the United Kingdom and Japan. For the Year under Review, the Group's revenue from overseas sales amounted to approximately RMB2.48 billion (2015: approximately RMB2.37 billion), accounting for 14.9% of the Group's total revenue (2015: 14.7%).

Cost of Sales

The Group's cost of sales amounted to approximately RMB10.41 billion for the Year under Review, representing a decrease of 4.1% from approximately RMB10.85 billion for the Year 2015.

In particular, the Group's cost of sales of the industrial aluminium extrusion segment for the Year under Review was approximately RMB9.92 billion, in line with approximately RMB9.73 billion for the Year 2015. The unit cost of the Group's industrial aluminium extrusion segment was RMB13,075 per tonne for the Year under Review, representing a decrease of 8.9% from RMB14,355 per tonne for the Year 2015. Cost of sales of the Group's construction aluminium extrusion segment amounted to approximately RMB880 million in the Year under Review, representing a decrease of 15.7% from approximately RMB1.05 billion for the Year 2015. The unit cost of the Group's construction aluminium extrusion segment was RMB13,085 per tonne during the Year under Review, representing a decrease of 10.0% from RMB14,531 per tonne for the Year 2015. The decreases in unit cost of both the industrial aluminium extrusion segment and construction aluminium extrusion segment of the Group were mainly due to the full operation of Phase I of the Group's high-precision aluminium product project located in Yingkou, which provided quality raw materials to the Group's aluminium extrusion business at a price lower than the market rate and thus reduced the cost.

The Group's cost of sales of the deep processing business during the Year under Review was approximately RMB1.61 billion, representing an increase of 22.7% from approximately RMB1.32 billion for the Year 2015, which was mainly attributable to the significant increase in sales volume of the deep-processed products during the Year under Review. The Group's unit cost of the deep processing business was RMB17,992 per tonne for the Year under Review, in line with RMB17,991 per tonne for the Year 2015. The major raw materials used in the production of the Group's deep-processed products were provided by the industrial aluminium extrusion segment under the Group's aluminium extrusion business. During the Year under Review, the cost of the Group's deep-processed products which came from the cost of the Group's industrial aluminium extrusion segment was approximately RMB1.35 billion (2015: approximately RMB1.10 billion).

Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB6.29 billion for the Year under Review, representing an increase of 18.2% from approximately RMB5.32 billion for the Year 2015. The gross margin increased from 32.9% for the Year 2015 to 37.7% for the Year under Review. The following sets forth the segment analysis of gross profit, share in gross profit and gross margin of the Group for the Year under Review and the Year 2015:

	For the year ended 31 December					
	2016			2015		
	Gross profit *RMB'000*	**%**	**Gross margin** *%*	Gross profit *RMB'000*	%	Gross margin %
Aluminium extrusion business	**5,453,049**	**86.7%**	**33.5%**	4,612,805	86.7%	30.0%
Industrial aluminium extrusion segment	**5,302,521**	**84.3%**	**34.8%**	4,562,744	85.8%	31.9%
Construction aluminium extrusion segment	**150,528**	**2.4%**	**14.6%**	50,061	0.9%	4.6%
Deep processing business	**825,942**	**13.1%**	**33.8%**	634,971	11.9%	32.5%
Others	**17,348**	**0.3%**		77,222	1.5%	
Subtotal	**6,296,339**	**100.1%**	**33.6%**	5,324,998	100.1%	30.6%
Elimination of unrealised internal sales gross profit	**(7,961)**	**(0.1%)**		(4,975)	(0.1%)	
Total	**6,288,378**	**100.0%**	**37.7%**	5,320,023	100.0%	32.9%

Gross profit of the Group's industrial aluminium extrusion segment was approximately RMB5.30 billion, representing an increase of 16.2% from approximately RMB4.56 billion for the Year 2015. Gross margin from the industrial aluminium extrusion segment increased from 31.9% for the Year 2015 to 34.8% for the Year under Review. Gross profit of the Group's industrial aluminium extrusion segment comprises gross profit of external sales and gross profit of inter-segment sales.

Gross profit of the Group's construction aluminium extrusion segment amounted to approximately RMB150 million for the Year under Review, representing an increase of 200.7% over RMB50.06 million for the Year 2015. Gross margin of the Group's construction aluminium extrusion segment increased from 4.6% for the Year 2015 to 14.6% for the Year under Review.

Gross profit of the Group's deep processing business amounted to approximately RMB830 million for the Year under Review, representing an increase of 30.1% over RMB630 million for the Year 2015. Gross margin of the Group's products of its deep processing business increased from 32.5% for the Year 2015 to 33.8% for the Year under Review.

The increases in gross margin of the Group's aluminium extrusion business and deep processing business were mainly attributable to the full operation of Phase I of the Group's high-precision aluminium product project located in Yingkou during the Year under Review, which provided quality raw materials to the Group's aluminium extrusion business at a price lower than the market rate and thus reduced the cost.

Other (Expenses)/Income

Other (expenses)/income decreased from a net gain of approximately RMB170 million for the Year 2015 to a net loss of approximately RMB15.59 million for the Year under Review, which was mainly due to the significant increase of exchange loss from approximately RMB130 million for the Year 2015 to approximately RMB220 million for the Year under Review arising from the Group's borrowings denominated in foreign currencies, which is caused by the depreciation of Renminbi; and, to a lesser extent, due to the decrease in government subsidies from approximately RMB210 million for the Year 2015 to approximately RMB160 million in the Year under Review. Furthermore, the Group's gain on bargain purchase for the Year 2015 of approximately RMB46.69 million as a result of the Group's acquisition of two subsidiaries was not found in the Year under Review.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise share option expenses, wages, salaries and benefit expenses, R&D expenditures, amortisation of prepaid lease payments, land use taxes, bank handling fees, rentals, intermediary fees and depreciation charges of office equipment. Administrative and other operating expenses increased to approximately RMB1.84 billion for the Year under Review from approximately RMB1.46 billion for the Year 2015, which was primarily attributable to the following factors:

(i) the grant of 450 million share options by the Company during the Year under Review resulted in an increase in non-cash expenses arising from the recognition of share options at fair value from approximately RMB2.71 million for the Year 2015 to approximately RMB200 million for the Year under Review;

(ii) the wages, salaries and benefit expenses accounted for under the Group's administrative and other operating expenses increased from approximately RMB180 million for the Year 2015 to approximately RMB240 million during the Year under Review, mainly attributable to the expansion of business scope and scale of the Group leading to an increase in headcounts; and

(iii) the increase of other administrative and operating related expenses, comprising mainly R&D expenditures, amortisation of prepaid lease payments and depreciation charges of office equipment.

Share of Profits Less Losses of Associates

The Group's share of profits less losses of associates for the Year under Review was approximately RMB73.90 million (2015: approximately RMB2.07 million), which was the share of profit or loss of the Group's associates recognized using equity method.

Finance Costs

The Group's finance costs increased from approximately RMB620 million for the Year 2015 to approximately RMB930 million for the Year under Review, mainly due to the increase in the average scale of the Group's indebtedness for the Year under Review as compared to that for the Year 2015.

During the Year under Review, the Group's interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment amounted to approximately RMB860 million (2015: approximately RMB710 million) at an annualized capitalization rate of 4.59% (2015: 4.31%).

During the Year 2015 and the Year under Review, the Group's loans carried average interest rates of 4.23% and 4.14% per annum, respectively. During the Year under Review, the debentures carried interest rates ranging from 3.49% to 7.50% per annum (2015: from 4.60% to 7.50% per annum).

Profit before Taxation

The Group's profit before taxation increased from approximately RMB3.52 billion for the Year 2015 to approximately RMB3.68 billion for the Year under Review.

Income Tax

The Group's income tax increased from approximately RMB720 million for the Year 2015 to approximately RMB770 million for the Year under Review.

The Group's effective tax rates for the Year 2015 and the Year under Review were 20.4% and 21.0%, respectively.

Profit for the Year

The Company's profit for the year increased to approximately RMB2.91 billion for the Year under Review from approximately RMB2.80 billion for the Year 2015. The Group's net profit margin increased from 17.3% for the Year 2015 to 17.4% for the Year under Review. Net of the effect of non-cash expenses arising from the recognition of share options which were granted on 6 January 2016 at fair value by the Group and the stamp duty incurred in connection with the internal reorganisation in relation to the Proposed Spin-off and listing of Liaoning Zhongwang, a wholly-owned subsidiary of the Company, the Company's adjusted profit for the year would amount to approximately RMB3.14 billion for the Year under Review, representing an increase of 12.1% from approximately RMB2.80 billion for the Year 2015.

Cash Flows

The following sets forth the Group's cash flows for the Year under Review and the Year 2015:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Net cash generated from operating activities	**4,603,246**	6,771,515
Net cash used in investing activities	**(6,065,032)**	(15,318,114)
Net cash (used in)/generated from financing activities	**(713,753)**	9,283,360

Net Current Assets

At 31 December 2016, the Group's net current assets amounted to approximately RMB5.15 billion, which was approximately RMB3.36 billion higher than net current assets of approximately RMB1.79 billion as at 31 December 2015. The increase was mainly due to the decrease in current liabilities.

At 31 December 2016, the Group's current liabilities amounted to approximately RMB19.54 billion, representing a decrease of approximately RMB3.38 billion over approximately RMB22.92 billion at 31 December 2015. The decrease was primarily due to the decrease in debentures, banking and other borrowings.

Liquidity

At 31 December 2016 and 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB8.02 billion and RMB10.20 billion, respectively; balance of short-term deposits amounted to approximately RMB3.33 billion and RMB25.92 million, respectively; and balance of pledged bank deposits under current assets amounted to approximately RMB2.90 billion and RMB2.79 billion, respectively.

Borrowings

At 31 December 2016, the Group's debentures and loans amounted to approximately RMB33.02 billion in aggregate, representing a decrease of approximately RMB3.77 billion from approximately RMB36.79 billion at 31 December 2015.

At 31 December 2016, the Group's debentures and loans under current liabilities amounted to approximately RMB8.32 billion (31 December 2015: approximately RMB14.93 billion) and debentures and loans under non-current liabilities amounted to approximately RMB24.70 billion (31 December 2015: approximately RMB21.86 billion).

The Group's gearing ratio was approximately 57.0% at 31 December 2016, a slight improvement from approximately 63.6% at 31 December 2015. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

At 31 December 2016, assets with a total carrying amount of approximately RMB5.36 billion of the Group were pledged, including pledged bank deposits, property, plant and equipment and prepaid lease payments, for financing arrangements (31 December 2015: approximately RMB8.63 billion were pledged, including pledged bank deposits, property, plant and equipment and prepaid lease payments, for financing arrangements).

Contingent Liabilities

At 31 December 2016 and 31 December 2015, the Group had no material contingent liabilities.

Employees

At 31 December 2016, the Group had 16,750 full-time employees responsible for, inter alia, production, R&D, sales and management, representing an increase of 30.2% from 12,861 employees as at 31 December 2015. During the Year under Review, relevant employee costs (including Directors' remuneration) amounted to approximately RMB1.42 billion (including share option charges of approximately RMB200 million), an increase of 34.2% as compared with approximately RMB1.06 billion (including share option charges of approximately RMB2.71 million) in the Year 2015. The Group's employee costs (excluding share option charges) increased mainly due to the increase in number of employees as a result of the Group's business expansion both in scope and size.

Research and Development

Continuous investment in R&D has helped the Group establish a high-level R&D and technical team. At 31 December 2016, the Group had 1,288 R&D and quality control personnel which accounted for 7.7% of the Group's total number of employees. Apart from possessing strong R&D capability in new materials and new technologies, and operating the largest die design and manufacturing centre in Asia, the Group has also built a first-rate product and process design team in particular to meet the ever-increasing demand from clients for light-weight development in order to provide the integrated solution from product design to production services. In addition, the Group has entered into cooperation with various leading industrial research institutions as well as scientific research institutes to vigorously upgrade the Group's scientific research level while effectively expanding the downstream application scope of aluminium products.

Capital Commitments

At 31 December 2016, the Group's capital expenditures in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements amounted to approximately RMB9.65 billion, which was primarily used for the construction of infrastructure used in the Group's growth projects such as high-end aluminium flat rolling project, and for the purchase expenses of equipment related to the expansion of its production capacity for extrusion. The Group intends to apply funds generated from operating activities, commercial bank loans and other available means to finance the purchase.

Proposed Spin-off

On 22 March 2016, Liaoning Zhongwang Superior Fabrication Investment Limited* (遼寧忠旺精製投資有限公司) ("Zhongwang Fabrication") (an indirect wholly-owned subsidiary of the Company) entered into an assets transfer agreement with CRED Holding Co., Ltd.* (中房置業股份有限公司) ("CRED Holding") (a company incorporated in the PRC and currently listed on the Shanghai Stock Exchange) for the disposal of all the equity interests in Liaoning Zhongwang, a direct wholly-owned subsidiary of Zhongwang Fabrication). The agreement has been approved by the Hong Kong Stock Exchange and was passed with a great majority by shareholders of the Company and CRED Holding on 6 September 2016. The agreement is pending approval by relevant regulatory departments in the PRC, including the Ministry of Commerce and China Securities Regulatory Commission.

Event after the Reporting Period

The Group had no material events after the reporting period.

Financial Risks

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

Foreign Currency Risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies. During the Year under Review, approximately 85.1% of the Group's revenue was settled in Renminbi and approximately 14.9% was settled in foreign currencies, while approximately 72.8% of the Group's borrowings was denominated in Renminbi and approximately 27.2% was denominated in foreign currencies at 31 December 2016.

Exchange rate fluctuations will affect contractual sales revenue denominated in foreign currencies and on borrowings denominated in foreign currencies, which in turn may have adverse effects on the Group. The Group's financial and capital policies aim to control the foreign currency fluctuation risk and the interest rate fluctuation risk of individual transactions. The Group did not hedge against currency risk by using any financial instruments. However, the management of the Group has been monitoring the exchange rate risk, and will consider hedging against major foreign currency risk when required.

Interest Rate Risk

As the Group does not have any significant interest-bearing assets, most of the Group's revenue and operating cash flow are not affected by interest rate changes in the market. 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. At 31 December 2016, the Group's fixed-rate loans were approximately RMB5.02 billion (31 December 2015: approximately RMB7.90 billion).

During the Year under Review, the Group issued unsecured debentures of RMB2.5 billion, RMB500 million and RMB4 billion, respectively, with maturity of five years, one year and five years, respectively, which are repayable on 22 March 2021, 8 July 2017 and 26 September 2021, respectively, with effective interest rate of 4.05%, 3.49% and 3.75% per annum, respectively.

During the Year 2015, the Group issued an unsecured debenture of RMB1.2 billion with maturity of three years and repayable on 27 May 2018, and with effective interest rate of 5.40% per annum. In addition, the Group issued unsecured debenture of RMB2 billion with maturity of 270 days and repayable on 9 April 2016, and with effective interest rate of 4.60% per annum, which had been fully settled on its maturity date.

During the year ended 31 December 2014, the Group issued unsecured debentures of RMB100 million and RMB1.1 billion with maturity of three years and six years and repayable on 10 January 2017 and 22 October 2020, respectively, and with effective interest rate of 7.50% and 5.48% per annum, respectively.

During the year ended 31 December 2013, the Group issued an unsecured debenture of RMB500 million with maturity of three years and repayable on 8 October 2016, and with effective interest rate of 6.90% per annum, which had been fully settled on its maturity date.

During the year ended 31 December 2014, two interest rate swap contracts, which were denominated in Hong Kong dollars, with a total notional contracted amount of approximately HKD1.49 billion, have been entered into by the Group with bank counterparties and were designated as cash flow hedges to reduce the interest rate risk arising from the floating-rate bank borrowings during the period from the borrowing date to the repayment date.

The swaps match the maturity of the related loans and have fixed swap rates, with interest rate of 1.94% and 3.40% per annum, respectively. Both have matured in the Year under Review.

Price Fluctuation Risk of Aluminium Ingot

The Group's principal raw materials in the aluminium extrusion product business include aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc. Generally, the Group's pricing of aluminium extrusion products is on a "cost-plus" basis, pursuant to which the selling price for the products are determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. The Group's pricing policy is to pass the price fluctuation risk to its customers. However, the Group 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 Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**Governance Code**") since its listing on the Stock Exchange in 2009. The Company periodically reviews 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 has 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. During the Year under Review, the Company deviated from this provision from 1 January 2016 to 21 March 2016 because Mr. Liu Zhongtian performed both the roles of chairman of the Board and the president (i.e. the chief executive) of the Company during this period. Mr. Liu is the founder of the Group and has extensive experience in the enterprise operation and management in general. Given the stage of development of the Group, the Board believed that vesting the two roles in the same person provided the Company with strong and consistent leadership and facilitated the implementation and execution of the Group's business strategies which was in the best interests of the Company. As disclosed in the Company's announcement dated 22 March 2016, Mr. Liu has resigned as the president of the Company on the same date for the purpose of improving and optimizing the corporate governance of the Company as required by its internal management in light of the implementation of the proposed spin-off of Liaoning Zhongwang. At the same time, Mr. Lu Changqing has been appointed as the president of the Company on 22 March 2016 and his term of office will last up to the date of appointment of the next president by the Board. After this change of president, the Company has complied with code provision A.2.1 of the Governance Code up to the date of this announcement. 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 Issuers (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 under Review.

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

During the Year under Review, 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 Company has discussed with the Company's management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016.

DIVIDEND

The Board recommended to declare a final dividend of HKD0.10 per share for the financial year ended 31 December 2016. Subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") to be held on Friday, 26 May 2017, the final dividend will be paid on or around Friday, 30 June 2017 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 Thursday, 8 June 2017.

Should the final dividend distribution proposal be approved by the shareholders, together with the interim dividend of HKD0.11 per share paid during the Year under Review, the total dividend payout ratio of the Company for the Year under Review would amount to approximately 45.5%.

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, 19 May 2017 to Friday, 26 May 2017, 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 2016, 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 Friday, 2 June 2017 to Thursday, 8 June 2017 (both dates inclusive) again, during which period no transfer of shares in the Company will be effected.

In order to be entitled to attending the Annual General Meeting and/or 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, 18 May 2017 and/or Thursday, 1 June 2017, respectively.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 26 May 2017.

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 and the Company's Articles of Association 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 2016 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 Board, 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, 24 March 2017

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

Executive Directors
Mr. Liu Zhongtian, Mr. Lu Changqing, and Mr. Gou Xihui

Non-executive Director
Mr. Chen Yan

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

* *For identification purpose only*