A Leading Aluminium Processed Product Developer and Manufacturer in Asia

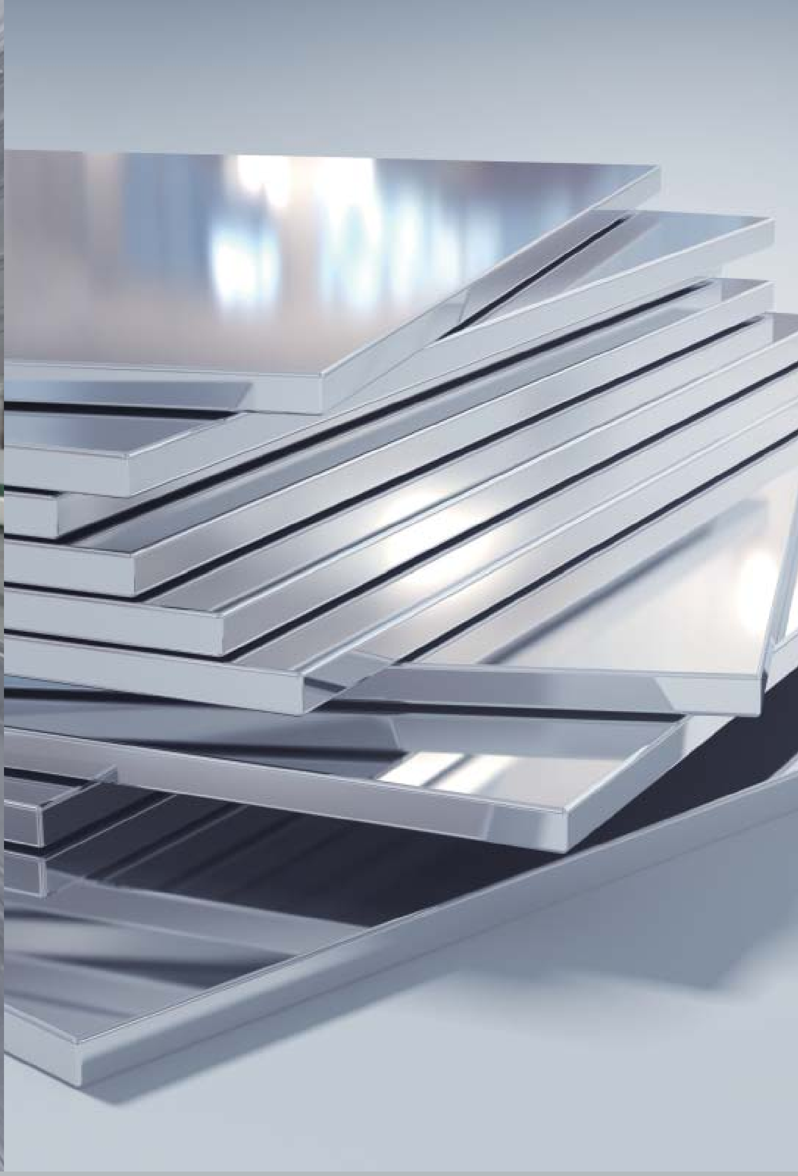
2014 Annual Report

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

* For identification purposes only

COMMITTED TO LIGHT-WEIGHT DEVELOPMENT FOR A GREENER WORLD

As the second largest industrial aluminium extrusion product developer and manufacturer in the world and the largest in Asia, China Zhongwang focuses on three core businesses with synergy effect, namely, industrial aluminium extrusion, deep processing and aluminium flat rolling. The three core businesses operate together on the basis of upstream and downstream resource-sharing and benefit from advantages of each other.

Contents

Corporate Information

Place of Listing
The Stock Exchange of Hong Kong Limited

Stock Code
01333

Executive Directors
Mr. Liu Zhongtian *(Chairman)*

Mr. Lu Changqing

Mr. Chen Yan

Ms. Zhong Hong

Mr. Gou Xihui

Independent Non-executive Directors
Mr. Wong Chun Wa

Mr. Wen Xianjun

Mr. Shi Ketong

Mr. Lo Wa Kei, Roy

Audit Committee
Mr. Wong Chun Wa *(Chairman)*

Mr. Wen Xianjun

Mr. Shi Ketong

Nomination and Remuneration Committee
Mr. Wen Xianjun *(Chairman)*

Mr. Liu Zhongtian

Mr. Shi Ketong

Corporate Governance Committee
Mr. Lo Wa Kei, Roy *(Chairman)*

Mr. Wen Xianjun

Mr. Shi Ketong

Strategy and Development Committee
Mr. Liu Zhongtian *(Chairman)*

Mr. Lu Changqing

Mr. Wen Xianjun

Joint Company Secretaries
Mr. Cheung Lap Kei

Mr. Lu Changqing

Authorised Representatives
Mr. Cheung Lap Kei

Mr. Lu Changqing

Principal Bankers
Bank of America, N. A., Hong Kong Branch

The Hong Kong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

Standard Chartered Bank (Hong Kong) Limited

Bank of China Limited

Agricultural Bank of China Limited

Industrial and Commercial Bank of China Limited

Registered Office
Cricket Square, Hutchins Drive

P. O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Head Office and Principal Place of Business in the PRC
No. 299, Wensheng Road

Liaoyang City

Liaoning 111003

PRC

42/F China World Tower

No. 1 Jianguomenwai Avenue

Beijing 100004

PRC

Place of Business in Hong Kong

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

Legal Advisors

As to Hong Kong laws

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

As to PRC laws

Haiwen & Partners
20th Floor, Fortune Financial Centre
5 Dong San Huan Central Road
Chaoyang District
Beijing 100020, PRC

Auditor

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

Principal Share Registrar in the Cayman Islands

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

Hong Kong Branch Share Registrar

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

Investor Relations Consultant

Cornerstones Communications Ltd.
19/F, Oriental Crystal Commercial Building
46 Lyndhurst Terrace, Central
Hong Kong

Media Relations Consultant

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

Closure of Register of Members

For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 15 May 2015, the register of members of the Company will be closed from Monday, 11 May 2015 to Friday, 15 May 2015 (both days inclusive), during which period no transfer of shares will be effected. All instruments of transfers (including relevant share certificates and transfer forms) must be lodged at the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 8 May 2015.

Annual General Meeting

The Company's annual general meeting will be held on 15 May 2015, a notice of which is included in the circular to be dispatched to shareholders together with this annual report.

Company Website

www.zhongwang.com

ALUMINIUM PROPERTIES & APPLICATIONS

1st

IN TERMS OF PRODUCTION AMONGST NON-FERROUS METALS

- Aluminium production exceeds that of copper, lead, tin and other non-ferrous metals combined

2nd

MOST WIDELY USED METAL AFTER STEEL

- Extensive applications due to light-weight, corrosion-resistant, and good electrical and thermal conductivity qualities
- Weighs about $^{1}/_{3}$ of steel or copper
- Electricity conductivity is twice as good as copper given the same weight

Source of information: International Aluminium Institute

3 rd

MOST ABUNDANT ELEMENT IN THE EARTH'S CRUST

- Accounts for 7.3% of the Earth's crust, 3rd most abundant element in the Earth's crust

With a history of 200 years, aluminium displays many remarkable properties such as light weight, corrosion resistance, excellent thermal conductivity and electrical conductivity. When other metals are added to aluminium, the newly formed aluminium alloy becomes even higher in strength and tenacity. This is why aluminium alloy products are nowadays extensively used in different sectors, such as transportation, electrical engineering, machinery and equipment and infrastructure, etc.

ALUMINIUM EXTRUSION BUSINESS

4-IN-1 BUSINESS MODEL

The Group's comprehensive competitiveness lies in the integration of its four core strengths, i.e. product research and development, die design and manufacturing, smelting and casting and advanced equipment all under one roof, providing it with the capability to produce the full range of high quality products.

DEEP PROCESSING BUSINESS

LIGHT-WEIGHT TRANSPORTATION PRODUCTS SHOWCASE TECHNOLOGY AND CORE COMPETITIVENESS


The Group has successfully developed a series of light-weight transportation solutions based on aluminium alloys that effectively enhance the fuel efficiency, attracting the attention of many potential customers. During the Year under Review, we commenced the formal production of batches of large-sized aluminium alloy compartment parts and other auxiliary parts for rail transport customers, taking a major step forward in the development of the deep processing business.

Corporate Profile

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

The Group was founded in 1993 with its headquarters based in Liaoning Province, China. After 20 years of dedicated development, the Group currently has 93 internationally advanced aluminium extrusion production lines (including 21 production lines of large-scale aluminium extrusion presses of 75MN or above) with an aggregate annual production capacity of over 1 million tonnes. In addition, the Group has ordered two ultra-large 225MN extrusion presses, which are the largest and most advanced presses in the world, to be gradually put into operation in 2015. The operation of 225MN extrusion presses will reinforce the Group's leading edge in the production of high precision, complex large-section industrial aluminium extrusion products. Meanwhile, we have also built a world-leading aluminium tilt smelting and casting facility which is closely linked with the industry chain, as well as the largest customized industrial aluminium extrusion product die design and manufacturing centre in Asia. In 2012, the Group was certified by the Chinese government as a "State Accredited Enterprise Technology Centre". The Group's unique core competitiveness in the industry lies in the comprehensive strength of our four-in-one model, i.e. the integration of smelting and casting, die design, advanced equipment and research and development capability all under one roof.

Moreover, the Group actively develops its deep processing business. On the back of advanced production facilities in its newly built deep-processing centre and the strength of the Group's research and development centre, the Group has developed a range of high value-added deep-processed products with promising market potentials, such as industrial aluminium pallets, aluminium semi-trailers, aluminium fire trucks, oil tank trucks and aluminium high-speed train carriages suitable for alpine cold regions. Deep-processed products have enhanced the Group's overall profitability and are becoming an increasingly important driver of profit growth for the Group.

The Group's high value-added aluminium flat rolled product project is progressing steadily as planned. With a total designed annual production capacity of 3 million tonnes, the project is scheduled for development in two phases. Phase I has two production lines with a designed annual production capacity of 1.8 million tonnes. At present, plant construction has been completed and equipment installation and testing is currently underway, to be immediately followed by trial operation. The Group's high value-added aluminium flat rolled product project will become our third core business complementary to and synergistic with the existing industrial aluminium extrusion and deep processing businesses. The Company expects the investment for phase II of the project to be completed by 2018, by which time the total designed annual production capacity of 3 million tonnes will have been realized.

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

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

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


igm
12500吨双动铝挤压机

Financial Highlights

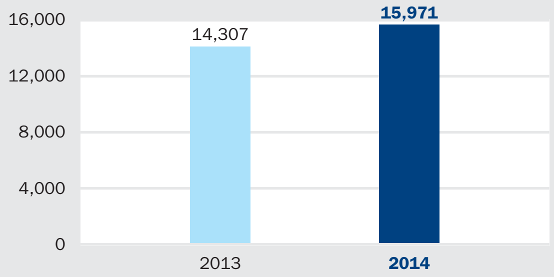
	2014 RMB'000	2013 RMB'000
Revenue	**15,971,218**	14,306,751
Gross profit	**4,467,169**	3,841,051
Profit before taxation	**2,970,328**	2,555,166
Profit attributable to equity shareholders	**2,477,020**	2,126,625
Earnings per share (RMB) (note 1)	**0.36**	0.39
Final dividend per share (RMB)	**0.06**	0.10
Full year dividend per share (RMB)	**0.13**	0.10
Bank balances and cash (note 2)	**11,230,801**	10,885,509
Net assets	**24,328,592**	19,638,892
Total assets	**53,769,415**	40,353,143

	2014	2013
Current ratio (note 3)	**1.11**	1.17
Inventory turnover in days (note 4)	**110**	135
Trade receivable turnover in days (note 5)	**17**	18
Trade payable turnover in days (note 6)	**96**	124
Gross margin	**28.0%**	26.8%
Gearing ratio (note 7)	**54.8%**	51.3%
Revenue composition — by product		
Industrial segment	**93.1%**	93.5%
Construction segment	**6.5%**	6.4%
Others	**0.4%**	0.1%
Gross profit composition — by product		
Industrial segment	**96.8%**	97.3%
Construction segment	**1.9%**	2.4%
Others	**1.3%**	0.3%

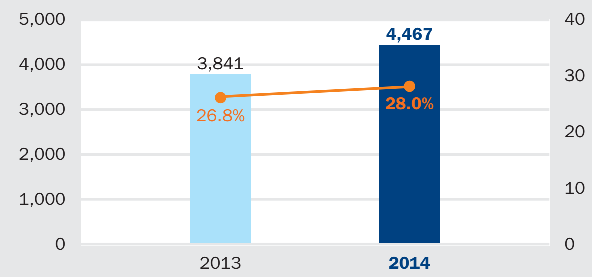
Notes:

1. The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company for each of the year ended 31 December 2014 and 2013 and on the weighted average of ordinary shares, convertible preference shares and share options during that year.
2. Bank balances and cash = cash and cash equivalents + short-term deposits + pledged bank deposits
3. Current ratio = current assets/current liabilities
4. Inventory turnover in days = 365 * ((inventory balance at the beginning of the year + inventory balance at the end of the year)/2)/cost of sales for the year
5. Trade receivable turnover in days = 365 * ((trade and bills receivables balance at the beginning of the year + trade and bills receivables balance at the end of the year)/2)/sales for the year
6. Trade payable turnover in days = 365 * ((trade and bills payables balance at the beginning of the year + trade and bills payables balance at the end of the year)/2)/cost of sales for the year
7. Gearing ratio = total liabilities/total assets * 100%

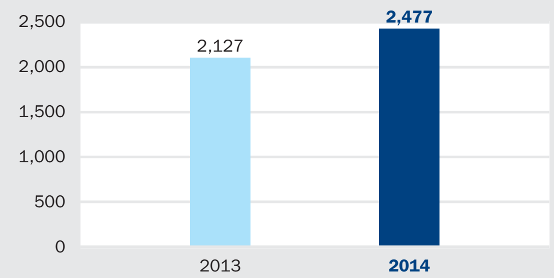
REVENUE
(RMB millions)



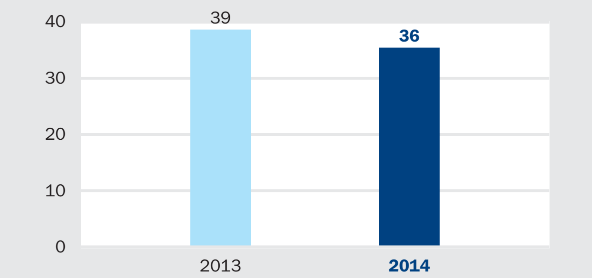
GROSS PROFIT/GROSS MARGIN
(RMB millions)



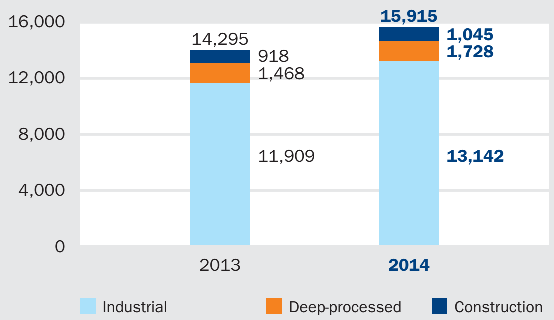
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS
(RMB millions)



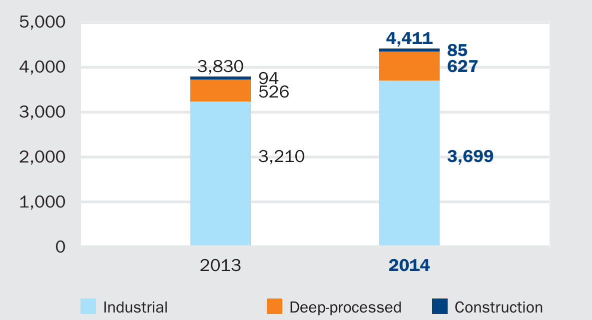
EARNINGS PER SHARE (BASIC)
(RMB cents)



REVENUE COMPOSITION
— Extrusion Business/By Product
(RMB millions)



GROSS PROFIT COMPOSITION
— Extrusion Business/By Product
(RMB millions)



Core Businesses

INDUSTRIAL ALUMINIUM EXTRUSION BUSINESS

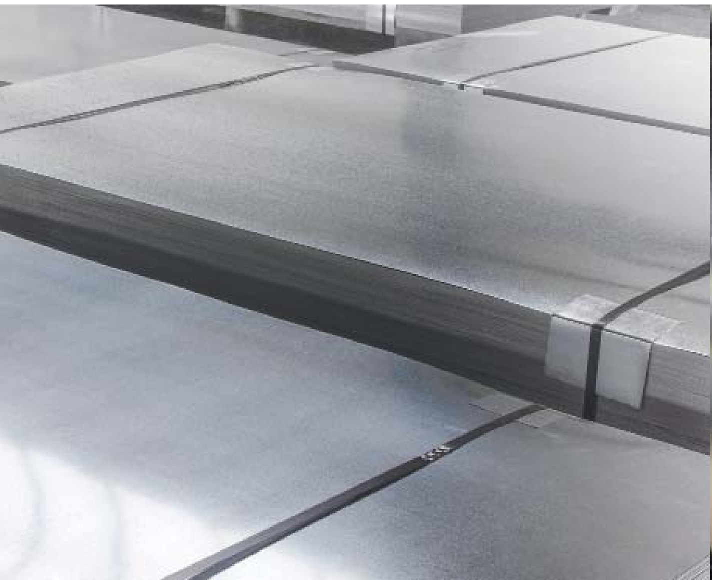
The Group has 93 internationally advanced aluminium extrusion production lines (including 21 production lines of large-scale aluminium extrusion presses of 75MN or above). Our production base is equipped with research and development, smelting and casting, die development and advanced extrusion equipment with an aggregate annual production capacity of over 1 million tonnes. In addition, the Group has ordered two ultra-large 225MN extrusion presses, which are the largest and most advanced presses in the world. The equipment will further reinforce the Group's leading edge in the production of high precision, complex large-section industrial aluminium extrusion products.

ALUMINIUM FLAT ROLLING BUSINESS

The Group's high value-added aluminium flat rolled product project is progressing steadily as planned. Phase I has two production lines with a designed annual production capacity of 1.8 million tonnes. Featured products of the first production line include medium-to high-thickness plates that are used in aerospace and aviation, vessels, rail transportation and chemical containers, while the second production line is aimed at aluminium sheets for transportation, can stocks and other sectors.

DEEP PROCESSING BUSINESS

Deep processing business is the extension of the aluminium extrusion business. The Group turns aluminium extrusion products into finished or semi-finished products ready for use by customers through further processing steps such as cutting, welding, polishing and surface treatment. Successfully developed products are aluminium alloy transportation vehicles with improved fuel efficiency, such as aluminium-intensive fire trucks, high-speed train carriage bodies suitable for alpine cold regions, semi-trailers and oil tankers. These products had been delivered to customers for testing and inspection, with expectations of commercial orders in coming years. The newly established product and process design team can provide downstream customers with tailor-made light-weight solutions, which has become an important force of the Group to venture in new markets and win new customers.



Corporate Milestones

January

- Successfully raised approximately HK$4.23 billion through an open offer of ordinary shares and/or unlisted convertible preference shares. All proceeds have been used for the Group's high value-added flat rolled product project.

April

- Won the first "Liaoning Industry Grand Award" by Liaoning Federation of Industrial Economics

May

- Selected as a "Innovation and Practice Base for Post-doctoral Researchers in Liaoning Province" by Liaoning Provincial Bureau of Human Resources and Social Security.

June

- Passed the annual audit on quality management system certification and obtained approval for expansion in aluminium alloy extrusions certified by China Classification Society
- Passed the annual audit on AS9100C quality management system certification

July

- The Company's 2013 annual report received Industry Silver Award, Regional Top 80 Honors, and Best Annual Report Cover by the League of American Communications Professional.
- Signed a formal cooperation agreement with Dalian University of Technology to establish long-term comprehensive strategic cooperation between the two sides in areas of R&D platform building, product development, technological exchange and talent cultivation.

- Pass the annual audit for the International Railway Industry Standards (IRIS) certification.

August

- Three new technologies won Liaoyang Municipal Scientific Technology Awards: "7N01 aluminium alloy component processing technology for high-speed train corbels" and "manufacturing technology of LC13-071 die for 7xxx alloy large extrusions" were awarded the first prize, and "welding technology for aluminium compartment bodies of high-speed trains" received the second prize.

October

- Received recognition of "2012–2013 National Contract-observing and Creditworthy Enterprise" for the second year in a row from the State Administration of Industry & Commerce for our creditworthy operations.

November

- "Aluminium Alloy Extrusions for Engine Cylinder" independently developed by the Group won Liaoning Outstanding New Products award.

December

- Ranked 194 in "2014 Top 500 Private Enterprises in China" and 131 in "2014 Top 500 Private Enterprises of Manufacturing Industry in China" by All-China Federation of Industry and Commerce.
- Passed the annual audit on ISO/TS16949 certification for the automotive industry.

Chairman's Statement

Liu Zhongtian
Chairman

"During the Year under Review, despite slackened global economic recovery and continuing downward pressure on China's economy, the aluminium processing industry was presented with a favourable operating environment, due in part to the Chinese government's efforts in driving structural economic reforms and promoting industry upgrade, and to the accelerated pace of the light-weight development in the global transportation sector. During the Year under Review, the Group achieved sustainable growth in line with the nation's development direction through multi-faceted progress in product research, equipment upgrading, market development and extension of the industry chain."

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited ("China Zhongwang" or the "Company," together with its subsidiaries, the "Group"), I am pleased to present the annual report on the results of the Group for the year ended 31 December 2014 (the "Year under Review") for your review.

Results Highlights

During the Year under Review, despite slackened global economic recovery and continuing downward pressure on China's economy, the aluminium processing industry was presented with a favourable operating environment, due in part to the Chinese government's efforts in driving structural economic reforms and promoting industry upgrade, and to the accelerated pace of the light-weight development in the global transportation sector. During the Year under Review, the Group achieved sustainable growth in line with the nation's development direction through multi-faceted progress in product research, equipment upgrading, market development and extension of the industry chain. The Group's revenue and profit attributable to equity shareholders during the Year under Review increased by 11.6% and 16.5% year-on-year respectively to approximately RMB15.97 billion and RMB2.48 billion.

To reward shareholders for their longstanding support, the Board has recommended a final dividend of HK$0.08 (approximately RMB0.06) per share for the financial year ended 31 December 2014. Together with an interim dividend of HK$0.08 (approximately RMB0.06) per share for the period ended 30 June 2014, the total dividend payout ratio for 2014 would amount to approximately 36.2%.

Business Review

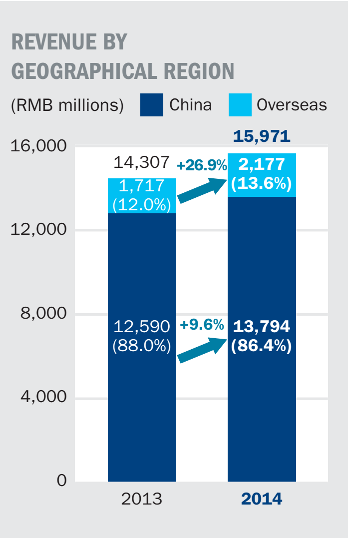
Three Core Businesses

2014 was the year that saw China Zhongwang build on its strength and forge ahead with new undertakings. The Group continued to focus on expanding its three core businesses: industrial aluminium extrusion, deep processing and aluminium flat rolling. During the Year under Review, the Group continued to leverage its combined strengths in respect of research and development, alloy smelting and casting, die design and development, and advanced extrusion equipment, particularly its technical and capacity advantages in the manufacturing of sophisticated large-section industrial aluminium extrusion products, in its effort to drive the high-end development of its industrial aluminium extrusion business. These initiatives yielded stable growth in product sales and profitability.

As for the deep processing business, while strengthening the existing product portfolio, the Group stepped up its work in product R&D and design to tap into new end-markets for aluminium alloy products. The newly established product and process design team had provided customized light-weight solutions for a number of downstream customers. Certain newly developed products had been delivered to customers for testing and inspection, with expectation of commercial orders for those products in the coming year. In addition, the Group accelerated the development of aluminium-intensive commercial vehicles and the related capacity building in order to embrace the rapid growth that will soon emerge in this market segment in China.

The Group continued to actively advance the construction of its high value-added aluminium flat rolled product project. During the Year under Review, plant and infrastructure construction for the first production line of Phase I of the project was completed. Equipment installation and testing is now underway and trial operation will be carried out immediately upon completion of installation and testing.

Market Development



China is a major aluminium processing country and ranks the first in the world in terms of both annual production capacity and consumption. As China intensifies its efforts in reducing air pollution and raising the awareness of energy conservation, emission reduction and environmental protection, market demand for aluminium products is expected to rise considerably. In recent years, the Group has worked vigorously to develop the China market. While strengthening partnerships with existing customers and jointly developing with them high-end aluminium extrusion products tailored to their needs, the Group has increased its marketing efforts to secure new customers, thereby capitalizing on the rising opportunities in the China market.

As far as overseas markets are concerned, notwithstanding the various forms of trade restrictions in the US, Canada, Australia and other countries against imports of Chinese aluminium extrusion products, which adversely affect Chinese enterprises on their international expansion paths, the Group has never ceased its efforts in developing overseas markets. During the Year under Review, as part of our drive to tap overseas markets outside the US, we set up subsidiaries in Japan and Germany respectively. The new subsidiaries will focus on developing the aluminium product market in relevant countries, laying the foundation for the Group's long-term growth. During the Year under Review, export sales of the Group, driven by rise in deep-processed product sales, increased by 26.9% year-on-year to approximately RMB2.18 billion. The share of the overseas markets in the total revenue mix rose slightly to 13.6%.

Technology and Product Research and Development

During the Year under Review, the Group continued to strengthen its internal R&D capabilities, broaden exchanges and cooperation with external institutions, and integrate fundamental research with market trend analysis to effectively enhance its overall competitiveness. During the Year under Review, the Group participated in the drafting and/or amendment of six national industry standards, two of which were headed by the Group and four with the Group's active participation in the process. It also won five science and technology awards at or above provincial level, obtained the national, provincial or municipal authorities' approvals for seven science and technology projects and was granted more than 20 patents.

In addition, to further promote downstream applications of aluminium alloys and develop the market for fabricated aluminium products, the Group set up in early 2014 a designated product and process design team made up of first-rate industry experts. The team assists existing and new customers in gaining in-depth knowledge about the properties and strengths of aluminium alloy products and provides them with customized light-weight solutions based on aluminium alloy applications. During the Year under Review, the product and process design team provided a number of light-weight solutions including aluminium-body designs for new types of electric buses to multiple customers. It has become an important force of the Group to explore new product application markets and winning new customers.

Outlook

In recent years, China has invested heavily in industry upgrades and has introduced, towards the objective of "securing steady growth, pursuing structural change, and benefitting the people", successive moderate stimulus policies that cover, amongst others, many downstream sectors closely related to aluminium processing, such as the new generation of railway transportation, land transportation, wind power generation, photovoltaic power generation, as well as other clean energy and infrastructure projects. Moreover, China's continuous push for new urbanization plans, together with the implementation of its "high-speed rail diplomacy" and "One belt, One road" strategy, will further drive up China's demand for aluminium alloy products.

Against the backdrop of these development opportunities in the industry, the Group will spare no efforts in advancing the synergistic development of its three core businesses, strengthen its fundamental research and development capabilities in alloy and processing technologies, improve the technology design capabilities for new products, promote downstream applications of aluminium alloys and accelerate the related capacity building to be the first to seize upon those market opportunities.

In 2015, two large extrusion presses of 225MN ordered by the Group, the largest in the world, will be ready for installation and testing. Once the equipment becomes operational, the Group's competitiveness in the production of large and ultra large high-precision industrial aluminium extrusion products will be further strengthened.

As for the deep processing business, the Group will focus on developing new potential markets for deep-processed products and is building up its production capacity, talent pool and technology reserves to satisfy the expected rapid growth of market demands.

We are presently working at full throttle on equipment installation and testing for the first production line of phase I of our high value-added aluminium flat rolled product project, to be immediately followed by trial operation. Measures taken by the Chinese government to actively promote energy efficiency, energy reservation and emission reduction have provided great potentials for the growth of the target market for our high value-added aluminium flat rolled product project. The commencement of operation of the project will complete the Group's industry chain and gradually reverse the current situation in China's high-end aluminium plate and sheet sector of prolonged reliance on imports to satisfy domestic demands as a result of serious lack of commercial capacity.

Acknowledgements

The achievements and progress of the Group in the Year under Review are attributable to the hard work of all employees and the long-term trust and support of all shareholders and business partners. On behalf of the Board, I would like to extend my sincere gratitude to all my colleagues for their dedicated hard work, and shareholders and business partners for their longstanding trust and support. Growing together, we will continue to join forces in building China Zhongwang into the world's most competitive integrated developer and manufacturer of high-end aluminium products while striving to deliver better returns to our shareholders and serve the society in greater capacities.

Thank you!

Liu Zhongtian
Chairman

Hong Kong, 17 March 2015

Management Discussion and Analysis

Steel, the traditional material of the transportation industry, is being gradually replaced by advanced aluminium alloys. The use of aluminium has made vehicles lighter and more energy efficient, making aluminium the material of choice for the light-weight development of transportation. As the Group further intensifies its efforts, through the unfolding of its deep processing business, to develop the rail transport, commercial vehicles and special vehicles sectors, the Group will firmly seize the opportunities brought by the light-weight development in the transportation sector.

I. Business Review

Against the background of a fragile recovery in the global economy and the slowing growth of China's economy under the "New Normal" mode, the Group, during the Year under Review, adhered to the main strategies of "focusing primarily on China and to a lesser extent on the overseas", improved product structure through technology innovation and scored encouraging achievements in product upgrading, research and innovation, and market development. Overall performance of the Group made steady progress and the business objectives of 2014 have been basically achieved.

During the Year under Review, our total revenue increased by 11.6% from approximately RMB14,306,751,000 for the year ended 31 December 2013 (the "Year 2013") to approximately RMB15,971,218,000. Profit attributable to equity shareholders of the Company was approximately RMB2,477,020,000 for the Year under Review, representing an increase of 16.5% from approximately RMB2,126,625,000 for the Year 2013. The total product sales volume from our aluminium extrusion business amounted to 744,802 tonnes for the Year under Review, representing an increase of 14.0% from 653,077 tonnes for the Year 2013. During the Year under Review, the Group continued to strengthen its overall profitability by optimizing product structure, upgrading production efficiency and controlling production cost, which enabled the Group's overall gross margin of aluminium extrusion business to slightly increase from 26.8% for the Year 2013 to 27.7% for the Year under Review.

The industrial aluminium extrusion business is one of the Group's core businesses, which is presently the most important source of income of the Group. During the Year under Review, the Group's industrial aluminium extrusion products realized sales of 617,662 tonnes, generating revenue of approximately RMB13,142,032,000. During the Year under Review, the Group's gross margin of industrial aluminium extrusion products was 28.1%. As the aluminium processing enterprise that currently houses the biggest number of large aluminium extrusion presses in the world, the Group owns 21 fully operational large extrusion presses of 75MN or above (including 4 extrusion presses of 125MN) and has ordered two ultra-large extrusion presses of 225MN, which are scheduled to be delivered one after another at our factory for installation in 2015. Large extrusion presses enable products with large and complex sections to be formed in one take, avoiding wastes and losses from the welding process, reducing unit costs, and making many new application designs possible. Such a number of advanced large extrusion presses has given the Group unparalleled capacity and efficiency advantages over its peers in the fabrication of high precision, complex large-section industrial aluminium extrusion products, further enhancing the Group's comprehensive competitiveness in high-end aluminium extrusion products.

Compared with industrial aluminium extrusion products, deep-processed products command higher added value because of higher technology content and are a high-priority business segment under the Group's product portfolio optimization strategy. During the Year under Review, sales of deep-processed products reached 63,359 tonnes, generating revenue of approximately RMB1,727,539,000 at a gross margin of 36.3%. Currently, the main product of the Group's deep processing business is aluminium industrial pallets sold mainly to overseas markets. Other products include large parts and components of rail carriages and structural body parts of electric buses supplied to the domestic market. During the Year under Review, the Group made necessary expansions in both the plants and equipment of the deep processing business and set up a first-rate product and process design team to offer integrated solutions from product design to production services that cater to our customers' demands for light-weight development. During the Year under Review, the Group's product and process design team provided light-weight solutions to a number of customers. Some of the prototypes had been delivered to customers for testing and inspection. Those products are expected to turn into customer orders and start commercial production in 2015.

The high value-added aluminium flat rolled product project currently under construction is another important undertaking of the Group aimed at completing its industry layout and enhancing its comprehensive competitiveness. The commissioning of the project will help China overcome its lack of capacity for commercial production of high-end aluminium plates and sheets and meet China's growing needs for such products, which not only generates new source of revenue for the Group, but also solidifies the Group's overall strength in aluminium processing. Thanks to the management's careful planning and effective execution, phase I of the project has begun to take shape. Phase I is located in Wuqing District, Tianjin and consists of two production lines, the first one of which completed plant construction during the Year under Review. Equipment installation and testing is now underway and trial operation will follow immediately. The first production line is designed primarily for the production of medium-to high-thickness aluminium alloy plates, which can be applied in such sectors as transportation (aviation and aerospace, shipbuilding, commercial vehicles and railway) and chemical vessels. During the Year under Review, several batches of core technical staff had returned to China after receiving training in Germany and other countries and global recruitment of international industry experts had also basically completed, providing human talent guarantee for the Group's high value-added aluminium flat rolled product project. Meanwhile, an experienced and highly specialized aluminium plate and sheet sales team has been set up and has been vigorously engaged in the development of downstream markets, making an all-out effort to approach existing and potential customers in building up customer resources for the official operation of the first production line.

Attention to and investment in research and development are important safeguards of the Group to achieve the above results. During the Year under Review, the Group's expenditures on research and development amounted to approximately RMB507,689,000. The Group was granted over twenty patents and eight science and technology awards. Seven science and technology projects of the Group were approved at national, provincial and municipal levels. Excellent research and development capabilities not only enable early entries by the Group in new markets, but also facilitate the Group's launching of a wide range of high-end products and its constant optimization of the product structure. During the Year under Review, as a High and New Technology Enterprise, Liaoning Zhongwang Group Company Limited continued to enjoy the preferential rate of 15% for corporate income tax.

II. Industry Analysis

Macroeconomic Review

During the Year under Review, a number of countries around the world remained dragged down by the lingering effects of the financial crisis, facing the threat of huge debts and high unemployment. The global economy was still in the process of a slow and fragile recovery. Structural shortcomings of the Euro zone caused stress to economic activities and offset the favourable impact on the economy of the Anglo-American economic upturn, falling fuel prices and other positive factors. Due to weak external demand, falling domestic demand, real estate cyclical adjustment and other factors, the growth of the Chinese economy slowed down. According to the preliminary accounting of the National Bureau of Statistics (the "NBS"), China's annual GDP was approximately RMB63,646.3 billion, representing an increase of 7.4% over 2013 based on comparable price. The added value of industrial enterprises above designated size in China during the Year under Review increased by 8.3% over the previous year based on comparable price, showing that industrial enterprises remained on the track of healthy development.

During the Year under Review, the Chinese government put forward the concept of "New Normal" as a keyword for its new concept of governance. China's economic growth under the "New Normal" will have the following characteristics: economic growth will turn from high speed to medium- to high-speed, economic structure will be constantly optimized and growth driver will be innovation instead of production factors and investment. The "New Normal" is sending out a clear message, i.e., Chinese economy development will follow the path of making progress while maintaining stability. This "New Normal" has also established a favourable environment for solid and sustainable growth of technology-oriented industries such as high-end aluminium products.

Industry Review of Aluminium Extrusion in China

Because of its light weight, good electric conduction and heat transfer, corrosion resistance, recyclability, and low level of energy consumption in recycling, aluminium is an ideal environmental friendly industrial material. As China's urbanization rate continues its growth and the structure of its national economy and the quality of its citizens' life enjoy further improvement, the trend of "substituting steel and copper with aluminium" is taking place in such sectors as machinery and equipment, electrical engineering and transportation. Aluminium is increasingly becoming a major force behind the nation's goal of achieving sustainable development. According to the data of the NBS, the annual aluminium output of China in 2014 reached approximately 48.46 million tonnes, representing an increase of 22.3% year-on-year. The growth rate is much higher than that of the overall economy, proving that the Chinese aluminium industry is still a fast-growing sunrise industry.

Aluminium extrusion accounts for the largest share of China's aluminium processing market. According to the estimates by Beijing Antaike Information Development Co., Ltd., the annual consumption of aluminium extrusion products in China rose 9.2% from 13.96 million tonnes in 2013 to 15.25 million tonnes in 2014, among which, the consumption of industrial aluminium extrusion products increased by about 10.9% from 4.69 million tonnes in 2013 to 5.20 million tonnes in 2014, representing 34.1% of the aluminium extrusion market. In terms of core equipment, die manufacturing, basic technologies and production processes, and quality inspection, Chinese aluminium extrusion enterprises currently have on the whole reached above the world's average level. However, due to a late start, there is still a gap between the world's leading enterprises and the Chinese ones in terms of smelting and casting, product research and development, high-end high-precision extrusion and deep processing. Moreover, an excessive number of enterprises, low concentration of production capacity and serious product homogeneity all come together to present challenges to the development of the industry.

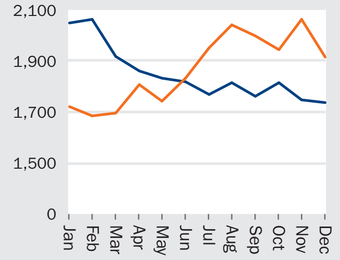
However the huge size and great potentials of the China market provide an opportunity for Chinese aluminium processing industry, including the aluminium extrusion industry, to meet the challenges, narrow the gap and achieve leapfrog development. In recent years, the government has introduced a number of policies, reflecting the government's gradual move toward specific implementation plans from policies aimed at promoting aluminium applications. This is more evident in the transportation sector. In the beginning of the Year under Review, the Ministry of Industry and Information Technology (the "MIIT") introduced the revised national standards of *Maximum Fuel Consumption of Passenger Vehicles*, which explicitly stipulates that the average fuel consumption of domestic passenger vehicles shall be reduced to 6.9 liters and 5.0 liters per hundred kilometers by 2015 and 2020 respectively. Experience in North America and other regions has proven that the light-weight development of vehicles as a result of more application of aluminium parts is the best solution to achieving lower fuel consumption. In macro environment, China's urbanization rate has exceeded 50% and keeps rising. Commercial and special utility vehicles play an important role in the promotion of urbanization. *Promotion Program of New Energy Vehicles in Public Transport and Other Public Services in Beijing, Tianjin and Hebei Province* jointly issued by seven ministries, including the MIIT, the National Development and Reform Commission (the "NDRC") and the National Energy Administration (the "NEA"), aims at the introduction of 20,222 new energy vehicles, including more than 7,000 new-energy buses and 2,700 new-energy taxis, to achieve the carbon emission reduction target of 185,000 tonnes by the end of 2015. During the Year under Review, the Ministry of Transport formulated regulations on recommending models of freight vehicles for drop and pull transport that are more in line with environmental requirements. In addition, fixed investment in national railway exceeded RMB800 billion in 2014, the second highest in history. "One Belt, One Road" plan is now being deliberated and reviewed and is expected to be formally released. All these factors above have driven the development of aluminium products in commercial vehicles, passenger cars, buses, rail transportation and other fields. These related products tend to have sophisticated structure, are difficult to manufacture and have higher requirements on engineers and technology. Quite a few aluminium processing enterprises have made early plans for the transformation and have made critical breakthroughs ahead of others. During the Year under Review, the aluminium-intensive commercial vehicles and special vehicles developed by some aluminium processing enterprises had gradually achieved sales on a small scale, which will help to fully demonstrate to downstream customers the unique advantages of aluminium-intensive vehicles as compared with traditional vehicles in raising economic benefit and achieving energy conservation and emission reduction. This will cause a snowballing effect on the growth of demand for aluminium-intensive vehicles in the Chinese market, which in turn will facilitate the rapid growth of China's aluminium processing industry.

Management Discussion and Analysis

Price Trends of Aluminium Ingots

LONDON METAL EXCHANGE

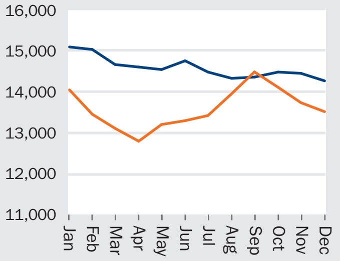
(US$/tonne)



Source: London Metal Exchange

SHANGHAI FUTURES EXCHANGE

(RMB/tonne)



Source: Shanghai Futures Exchange

Monthly average price of aluminium ingots 2013
Monthly average price of aluminium ingots 2014

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

During the Year under Review, the global economy continued to be sluggish. But the relatively better recovery of the British and US economies, the accelerated light-weight development of light vehicle in North America in particular, had been driving the improvement of demand for aluminium. Aided further by capacity reduction by overseas primary aluminium manufacturers, aluminium ingot prices at the London Metal Exchange (the "LME") got stabilized and started to rise throughout the year. The monthly average price rose from about US$1,700 per tonne at the beginning of the year to about US$1,900 per tonne by the end of 2014, reaching US$2,029 per tonne in August. The annual average price was US$1,866 per tonne, a slight increase over the average price of US$1,846 per tonne in 2013. With the implementation of quantitative-easing policy in the Euro zone, demand in this area for aluminium products is expected to grow slightly. As the US economy continues its recovery and especially as some aluminium-intensive light vehicles officially start their commercial production and sales in 2015 in North America, global aluminium demand might be pushed up. One cannot thus rule out the possibility that the LME ingot price might once again rise above US$2,000 per tonne in 2015.

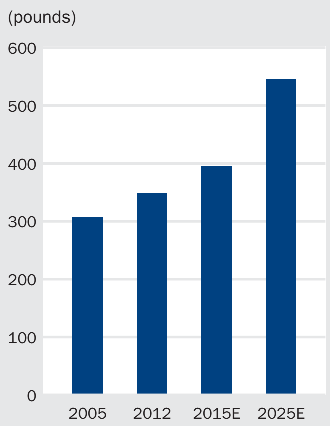
During the Year under Review, China's domestic aluminium ingot prices declined after some gentle fluctuations. The annual average price was RMB13,604 per tonne, a decrease of 6.6% over the average annual price of RMB14,561 per tonne in 2013. Domestic ingot prices continued the decline in early 2014, a trend that started in 2013, with the average prices dropped from approximately RMB14,000 per tonne in January to the lowest monthly average of about RMB12,800 per tonne in April. As China's economy began to recover a bit in the second quarter, domestic aluminium ingot prices rose slightly in mid-year, supported in part by the successive stimulus policies that the government introduced for more aluminium applications. Domestic monthly average ingot price reached the height of about RMB14,500 per tonne in September in tandem with global aluminium price movement. However, under the dual pressure of the overall slowdown of China's economic growth as well as the severe overcapacity of primary aluminium, the price of aluminium ingot in China closed at the low point of about RMB13,500 per tonne and is expected to remain low in 2015.

III. Future Development

The advantages of aluminium in industrial application have inspired ongoing exploration. With the increasing maturity of manufacturing technologies, aluminium alloy products, which feature unrivalled 100% percent recyclability, are being applied in various industrial sectors. Light-weight aluminium offers the best solution for light-weight transportation. Corrosion-resistant aluminium is used to produce containers in different shapes, while aluminium with excellent electrical conduction performance has proved to be an ideal material for electric power engineering. As the Chinese authority vigorously promote energy conservation, emission reduction and sustainable development, aluminium is gradually replacing traditional metals, ushering in a new era of environmental protection through material upgrading.

According to the data of the NBS, urbanisation rate in China reached 54.77% in 2014, and is forecast to follow an upward path in the coming years. Driven by greater investment in infrastructure and centralised purchasing by governmental authorities, logistics, construction and other related industries have been experiencing rapid development. Compared with conventional models, aluminium-intensive cargo vehicles come with enhanced load capacity, lower fuel consumption and fewer carbon emissions. Such models are not only cleaner by environmental protection standards, but also more economically productive. As a result, they are becoming more popular in the China market. The Chinese government has also increased relevant guidance and support. During the Year under Review, the MIIT issued the *Notice on Demonstrative Application for Consolidating Industrial Base 2014*, which includes

THE ALUMINIUM CONTENT PER LIGHT VEHICLE IN NORTH AMERICA



Source: Ducker Worldwide

demonstrated application of the use of aluminium in the transportation sector and promotes the application of aluminium in the automotive industry, especially heavy-duty vehicles. In the future, aluminium-intensive special vehicles, such as vans, insulated/refrigerated trucks, trailer vans, concrete mixer trucks, sanitation trucks, will be more and more common in the logistics and transport industry as well as on construction sites and city streets. According to statistics, in 2013, the output of China's special vehicles reached 2.05 million, of which less than 1,000 were aluminium-intensive. In view of the above, there is vast room for future substitution and growth[2]. In respect of passenger vehicles, with the implementation of the latest national standard of *Maximum Fuel Consumption by Passenger Vehicles*, the manufacturing of passenger vehicles will follow the trend of light-weight development. According to the data and forecast by Ducker Worldwide, the average aluminium content per light vehicle in North America had increased to 350 pounds (around 159 kilogrammes) in 2012 from 306 pounds (around 139 kilogrammes) in 2005, and is expected to further increase to over 394 pounds (around 179 kilogrammes) and 547 pounds (around 248 kilogrammes) in 2015 and 2025, respectively. A clear gap exists between China and the developed countries in terms of the aluminium content per light vehicle, as China is expected to raise its level of aluminium content per light vehicle to around 156 kilogrammes at most in 2025. This gap has provided market opportunities for aluminium processing companies and will benefit those early birds in the industry.

At the end of 2014, the NDRC, the Ministry of Finance, the MIIT and several other departments and institutions jointly issued the *Implementation Plan for Upgrading of Critical Materials*, which clearly set the goal of promoting large-scale and stable production and application by 2016 of approximately 20 critical new materials including high-performance aluminium alloy drill pipes, casing tubes and high-quality aluminium auto sheets. The number of critical new materials highlighted for priority support will be expanded to more than 50 by 2020, covering a multitude of sectors closely associated with high-end aluminium products such as aerospace and aviation, advanced rail transport, marine engineering, and new-energy vehicles etc. Electrical engineering market is also showing positive trends, and will maintain its growth momentum with the support of favourable policies. During the Year under Review, the NEA issued the *Notice on Further Implementation of Policies on Distributed PV Power Generation*, which clearly stated government's support for investment in distributed PV power generation projects, with a view to achieving the targeted level of newly installed capacity. These favorable policies and growth in market demand will provide tremendous driving force to the development of the country's high-end aluminium processing industry across transportation, machinery and equipment and electric power engineering sectors. As a leader in the industry, China Zhongwang should take full advantage of the various opportunities arising from materials upgrading and new materials industrialization. In view of the above, the management of our Group has established the following development strategies:

1. Continue to actively implement the high value-added aluminium flat rolled product project, with a view to providing new impetus for the Group's long term growth: the implementation of the Group's high value-added aluminium flat rolled product project has entered a crucial stage. Trial operation will begin immediately once equipment installation and testing of the first production line is completed. The Group intends to mobilise all resources available to ensure the successful operation of the first production line. Meanwhile, the Group will endeavour to ensure that construction process of the plants and ancillary facilities for the second production line will proceed as scheduled with attainable quality. Production of the Group's high value-added aluminium flat rolled product project is set to be an important driving force for the Group's future development;

2 Source: Internal research report of the Company prepared in April 2014 — "Analysis of China's Special Utility Vehicle Market 2014"; interviews with industry experts, etc.

2. Steadily expand the production capacity of deep processing business, diversify the categories of deep-processed products and raise the proportion of deep processing business: the Group is optimistic about the vast development potential of the deep-processing market. The Group intends to steadily expand the production capacity in response to downstream market developments, and fully capitalize on its customer resources as well as its research and development edge. Continuous efforts will be made to diversify the categories of deep-processed products, improve its business operation models and vigorously develop downstream application markets. Through these efforts, the Group aims to raise the proportion of contribution made by high value-added deep-processed products to the Group's total sales and profit;

3. Continue to implement the production capacity optimisation and expansion plan for industrial aluminium extrusion products so as to consolidate our leading position in industrial aluminium extrusion: the Group will commence the installation of two mega-sized 225MN extrusion presses it has ordered upon their respective deliveries in 2015 and strive to complete the installation and trial operation as scheduled, with a view to furthering the Group's unparalleled strength in the production of high precision, large cross-section industrial aluminium extrusion products. The implementation of the Group's plan to introduce indirect extrusion presses shall be expedited in order to make up for our lack of indirect extrusion capacity as early as possible. Investment in aluminium alloy smelting and casting facilities and equipment shall increase for further improvement in our smelting and casting production level and capacity, so as to satisfy the capacity needs for aluminium processing after the Group's expansion; and

4. Enhance our basic research and promote technology innovation so as to improve our comprehensive strengths: the Group will unremittingly increase financial and human resources investment in our own research and development team. Through diversified and multi-party cooperation with industry players, institutions of higher learning and research institutes, we aim to enhance our basic research of aluminium and aluminium alloys, vigorously promote innovation in technology and processes and accelerate the industrialisation of products and services, so as to improve the Group's comprehensive competitive strengths.

The Group believes that the steadfast implementation of these development strategies will enable the synergistic development of its three resource-sharing and complementary core businesses, namely industrial aluminium extrusion, deep processing and aluminium flat rolling, thus further enriching the portfolio of the Group's products and services, diversifying its profit sources, facilitating sustainable development and providing higher and longer-term returns for shareholders.

IV. Financial Review

During the Year under Review, the Group's revenue amounted to approximately RMB15,971,218,000, representing an increase of 11.6% over the Year 2013. Profit attributable to equity shareholders of the Company amounted to approximately RMB2,477,020,000, representing an increase of 16.5% over the Year 2013. Earnings per share was RMB0.36 for the Year under Review (Year 2013: RMB0.39).

A comparison of the financial results for the Year under Review and the Year 2013 is set out as follows.

Revenue

During the Year under Review, the Group's total revenue amounted to approximately RMB15,971,218,000 (Year 2013: approximately RMB14,306,751,000), representing a growth of 11.6%. Our major revenue was generated from sales in the aluminium extrusion business which amounted to approximately RMB15,914,705,000 (Year 2013: approximately RMB14,295,281,000), representing 99.6% of the total revenue of the Group. Other revenue comprised primarily metal trade agency fees, amounting to approximately RMB56,513,000 (Year 2013: approximately RMB11,470,000).

The following sets forth the breakdown of the Group's revenue, sales volume and average selling price by aluminium extrusion business segments and products for the Year under Review and the Year 2013.

	For the year ended 31 December											
	2014					2013					Change	
	Revenue		**Sales volume**		**Average selling price**	Revenue		Sales volume		Average selling price	Revenue	Sales volume
	RMB'000	**%**	**tonnes**	**%**	**RMB/tonne**	RMB'000	%	tonnes	%	RMB/tonne	%	%
Aluminium extrusion business												
Industrial segment	**14,869,571**	**93.4%**	**681,021**	**91.4%**	**21,834**	13,377,531	93.6%	600,681	92.0%	22,271	11.2%	13.4%
Industrial aluminium extrusion products	**13,142,032**	**82.5%**	**617,662**	**82.9%**	**21,277**	11,908,952	83.3%	547,380	83.8%	21,756	10.4%	12.8%
Deep-processed products	**1,727,539**	**10.9%**	**63,359**	**8.5%**	**27,266**	1,468,579	10.3%	53,301	8.2%	27,553	17.6%	18.9%
Construction segment	**1,045,134**	**6.6%**	**63,781**	**8.6%**	**16,386**	917,750	6.4%	52,396	8.0%	17,516	13.9%	21.7%
Total	**15,914,705**	**100.0%**	**744,802**	**100.0%**	**21,368**	14,295,281	100.0%	653,077	100.0%	21,889	11.3%	14.0%

Revenue from the Group's aluminium extrusion business amounted to approximately RMB15,914,705,000 for the Year under Review, representing an increase of 11.3% over the Year 2013. The Group's total product sales volume in the aluminium extrusion business was 744,802 tonnes for the Year under Review, representing a growth of 14.0% over the Year 2013. The average selling price of the Group's aluminium extrusion products was RMB21,368 per tonne for the Year under Review, representing a decrease of 2.4% over the Year 2013. The decrease was primarily due to lower aluminium ingot prices during the Year under Review. The Group typically prices its aluminium extrusion products 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. The average aluminium ingot price (tax-inclusive) in China for the Year under Review was RMB13,604 per tonne, representing a decrease of 6.6% over the average aluminium ingot price (tax-inclusive) of RMB14,561 per tonne over the Year 2013[3].

Revenue from the Group's industrial segment increased by 11.2% over the Year 2013 to approximately RMB14,869,571,000 for the Year under Review. Total sales volume of the Group's industrial segment increased by 13.4% over the Year 2013 to 681,021 tonnes for the Year under Review.

Revenue from the Group's industrial aluminium extrusion products amounted to approximately RMB13,142,032,000 for the Year under Review, representing an increase of 10.4% over the Year 2013, mainly because our enhanced efforts in market development and the commissioning of newly-added large extrusion presses led to a 12.8% increase of the Group's sales volume of industrial aluminium extrusion products from 547,380 tonnes in the Year 2013 to 617,662 tonnes for the Year under Review. The average selling price of the Group's industrial aluminium extrusion products dropped by 2.2% over the Year 2013 to RMB21,277 per tonne for the Year under Review mainly because of lower aluminium ingot prices during the Year under Review.

Deep-processed products are an important driver of profit growth that the Group has been vigorously developing. Sales volume of our deep-processed products was 63,359 tonnes for the Year under Review, an increase of 18.9% over the Year 2013, principally because the Group stepped up its efforts to develop the domestic market for deep-processed products while continuing its active development of the overseas markets. The Group's revenue from deep-processed products increased by 17.6% over the Year 2013 to approximately RMB1,727,539,000 for the Year under Review. The average selling price of the Group's deep-processed products was RMB27,266 per tonne for the Year under Review, which was basically in line with that of the Year 2013.

3 The calculation of the average aluminium ingot prices (tax-inclusive) in China for the Year under Review and the Year 2013 was based on the relevant information from the website of the Shanghai Futures Exchange.

Revenue from the Group's construction segment increased by 13.9% over the Year 2013 to approximately RMB1,045,134,000 for the Year under Review, which was mainly attributable to an increase in sales volume of our construction segment. The sales volume of the Group's construction segment increased by 21.7% over the Year 2013 to 63,781 tonnes for the Year under Review, mainly because the Group, while ensuring the satisfaction of the demands of the industrial segment, increased the production volume of the construction segment and hence the sales volume as a result of greater demands during the Year under Review. The average selling price of the Group's construction segment decreased by 6.5% over the Year 2013 to RMB16,386 per tonne for the Year under Review primarily because of the competition in the market and a decline in the price of aluminium ingots during the Year under Review.

Geographically, the Group's overseas clients mainly came from countries and regions such as the United States (the "US") and Germany. For the Year under Review, our revenue from overseas sales amounted to approximately RMB2,177,598,000 (Year 2013: approximately RMB1,716,596,000), representing 13.6% (Year 2013: 12.0%) of the Group's total revenue.

The following sets forth the breakdowns of our revenue by geographical regions for the Year under Review and the Year 2013:

	For the year ended 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
PRC	**13,793,620**	**86.37%**	12,590,155	88.00%
US	**1,864,181**	**11.67%**	1,688,487	11.80%
Germany	**109,393**	**0.68%**	3,913	0.03%
Others	**204,024**	**1.28%**	24,196	0.17%
Total	**15,971,218**	**100.00%**	14,306,751	100.00%

For the Year under Review, the Group's domestic revenue amounted to approximately RMB13,793,620,000, an increase of 9.6% over the Year 2013. The Group's overseas revenue grew by 26.9% over the Year 2013 to approximately RMB2,177,598,000 for the Year under Review, of which approximately RMB1,864,181,000 was revenue from exports to the US, an increase of 10.4% over the Year 2013. Currently, the Group's product sales to the US comprise mostly deep-processed products. The significant growth in exports to the US for the Year under Review was attributable to the Group's vigorous efforts in expanding its production scale for deep-processed products to tap the US market in response to increasing demand for these products in the US. Meanwhile, the Group proactively developed overseas market other than the US during the Year under Review, which led to the substantial growth of sales volume for Germany and other countries and regions.

Cost of Sales

Our cost of sales was approximately RMB11,504,049,000 for the Year under Review (Year 2013: approximately RMB10,465,700,000), representing an increase of 9.9% over the Year 2013. The increase was mainly due to growth in aluminium extrusion product sales during the Year under Review. The cost of sales of our aluminium extrusion business increased by 9.9% to approximately RMB11,503,873,000 for the Year under Review (Year 2013: approximately RMB10,465,578,000). The Group's unit cost of aluminium extrusion products decreased by 3.6% to RMB15,446 per tonne for the Year under Review from RMB16,025 per tonne in the Year 2013, primarily due to the decline of aluminium ingot prices during the Year under Review.

Gross Profit and Gross Margin

The Group's gross profit increased by 16.3% over 2013 to approximately RMB4,467,169,000 for the Year under Review. The increase was mainly due to an increase in sales volume of aluminium extrusion products for the Year under Review. The following sets forth the analysis of our gross profit, share in gross profit and gross margin by aluminium extrusion business segments and products for the Year under Review and the Year 2013:

	For the year ended 31 December					
	2014			2013		
	Gross profit		**Gross margin**	Gross profit		Gross margin
	RMB'000	**%**	**%**	RMB'000	%	%
Aluminium extrusion business						
Industrial segment	**4,325,380**	**98.1%**	**29.1%**	3,736,023	97.6%	27.9%
Industrial aluminium extrusion products	**3,698,507**	**83.9%**	**28.1%**	3,210,437	83.9%	27.0%
Deep-processed products	**626,873**	**14.2%**	**36.3%**	525,586	13.7%	35.8%
Construction segment	**85,452**	**1.9%**	**8.2%**	93,680	2.4%	10.2%
Total	**4,410,832**	**100.0%**	**27.7%**	3,829,703	100.0%	26.8%

Our gross profit from the aluminium extrusion business increased by 15.2% over the Year 2013 to approximately RMB4,410,832,000 for the Year under Review. Our overall gross margin for aluminium extrusion business increased to 27.7% for the Year under Review from 26.8% in the Year 2013. The increase was primarily attributable to the increase in gross margin of our industrial aluminium extrusion products which accounted for the largest share of our aluminium extrusion business.

The Group's overall gross profit from the industrial segment increased by 15.8% over the Year 2013 to approximately RMB4,325,380,000 for the Year under Review. The overall gross margin of the industrial segment increased to 29.1% for the Year under Review from 27.9% in the Year 2013.

Our gross profit from industrial aluminium extrusion products increased by 15.2% over the Year 2013 to approximately RMB3,698,507,000 for the Year under Review. The increase was mainly due to the increase in sales volume of industrial aluminium extrusion products of the Group. The gross margin of our industrial aluminium extrusion products increased to 28.1% for the Year under Review from 27.0% in the Year 2013, primarily because of the decline of aluminium ingot price during the Year under Review.

The Group's gross profit from deep-processed products increased by 19.3% over the Year 2013 to approximately RMB626,873,000 for the Year under Review primarily because of the increase in sales volume of the Group's deep-processed products. The gross margin of our deep-processed products for the Year under Review was 36.3%, substantially in-line with the gross margin of 35.8% in the Year 2013.

The Group's gross profit from the construction segment decreased by 8.8% over the Year 2013 to approximately RMB85,452,000 for the Year under Review and the gross margin of the construction segment decreased from 10.2% in the Year 2013 to 8.2% for the Year under Review, primarily because of the decrease in the average selling price as a result of market competition.

Investment Income

Investment income consists of interest income from bank deposits and interest income from available-for-sale financial assets. Investment income increased by 30.1% from approximately RMB132,178,000 in the Year 2013 to approximately RMB171,923,000 for the Year under Review, which was primarily attributable to the following factors:

(i) bank deposits interest income decreased from approximately RMB131,119,000 in the Year 2013 to approximately RMB120,474,000 for the Year under Review primarily because of a smaller proportion of fixed deposits with higher interest rates; and

(ii) Interest income from available-for-sale financial assets increased to approximately RMB51,449,000 for the Year under Review from approximately RMB1,059,000 in the Year 2013. Interest income from available-for-sale financial assets is mainly from financial products invested by the Group. In addition to placing surplus funds as fixed-term deposits with banks, the Group also invests in certain low-risk and principal-protected financial products of some financial institutions to help preserve the Group's liquidity and increase interest income.

Other Income/Expenses and Other Gains

Other income/expenses and other gains recorded net gains of approximately RMB238,358,000 for the Year under Review, representing a decrease of 27.5% from approximately RMB328,864,000 in the Year 2013. This was principally due to the facts that:

(i) there was a decrease in government subsidies from approximately RMB246,460,000 in the Year 2013 to approximately RMB179,251,000 for the Year under Review. 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) exchange gains increased from approximately RMB7,106,000 in the Year 2013 to approximately RMB21,279,000 for the Year under Review, which was mainly attributable to the exchange gains from new borrowings denominated in foreign currency;

(iii) net income from the sales of machinery and equipment decreased from approximately RMB63,232,000 in the Year 2013 to approximately RMB20,569,000 for the Year under Review. The Group launched the manufacturing and sales business of machinery and equipment since the Year 2013, providing mostly machines and equipment related to metal processing to our customers; and

(iv) net gains from other items, such as gains from disposal of scrap materials, consumables and moulds, increased to approximately RMB17,259,000 for the Year under Review from approximately RMB12,066,000 for the Year 2013.

Selling and Distribution Costs

Our selling and distribution costs primarily consist of advertising expenses, transportation costs and salaries of sales staff. These costs increased by 5.9% from approximately RMB147,033,000 in the Year 2013 to approximately RMB155,733,000 for the Year under Review, which was primarily attributable to the following factors:

(i) a decrease in advertising expenses to approximately RMB88,886,000 in the Year under Review from approximately RMB103,525,000 in the Year 2013;

(ii) an increase in transportation and export costs to approximately RMB36,228,000 for the Year under Review from approximately RMB22,267,000 in the Year 2013, primarily due to increases in relevant transportation and export costs as a result of increased export sales of our deep-processed products;

(iii) an increase in salaries of sales staff to approximately RMB23,577,000 during the Year under Review from approximately RMB17,707,000 in the Year 2013, primarily due to increase in number of sales staff for further market expansion; and

(iv) an increase in other selling expenses to approximately RMB7,042,000 in the Year under Review from approximately RMB3,534,000 in the Year 2013.

Administrative and Other Operating Expenses

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

The administrative and other operating expenses increased by 21.2% to approximately RMB1,261,089,000 for the Year under Review from approximately RMB1,040,200,000 in the Year 2013. The increase was primarily attributable to the facts that:

(i) the Group's research and development expenditures under administrative and other operating expenses increased to approximately RMB507,689,000 for the Year under Review from approximately RMB427,723,000 for the Year 2013. The research and development expenditures of the Group were mainly used for the research and development of aluminium extrusion structural parts with large and complex cross-sections and the related complete sets of technologies for transportation equipment in sectors such as aviation and aerospace, railway vehicles, commercial vehicles, passenger cars and special vehicles;

(ii) the Group's amortization expenses of land use rights and land use taxes arising from the acquisitions of land use rights in Liaoning Province, Heilongjiang Province and Tianjin Municipality in China increased from approximately RMB312,401,000 in the Year 2013 to approximately RMB350,393,000 for the Year under Review;

(iii) the Group's wages, salaries and benefits under administrative and other operating expenses increased to approximately RMB145,462,000 for the Year under Review from approximately RMB80,578,000 for the Year 2013, primarily due to an increase in number of employees as a result of production capacity expansion, the development of our deep processing business and the flat rolled aluminium product project as well as certain increase in average wages;

(iv) the Group's bank fees under administrative and other operating expenses increased to approximately RMB67,290,000 for the Year under Review from approximately RMB37,813,000 for the Year 2013, primarily due to increase in borrowings by the Group for the Year under Review; and

(v) other administrative and operating related expenses, comprising mainly rentals, intermediary fees and depreciation charges of office equipment, increased to approximately RMB190,255,000 for the Year under Review from approximately RMB181,685,000 for the Year 2013.

Share of Profit of an Associate

The Group's share of profit of an associate for the Year under Review was approximately RMB3,687,000 (Year 2013: approximately RMB3,796,000), which was the share of profit recognized using the equity method accounting for the investment in CR Zhongwang Aluminium Company Limited, an associate company that the Group holds 49.0% of the equity.

Finance Costs

Our finance costs decreased by 12.3% from approximately RMB563,490,000 for the Year 2013 to approximately RMB493,987,000 for the Year under Review. The decrease mainly resulted from a decrease in the average annual interest rate on the Group's borrowings as a result of the Group's debt structure optimization during the Year under Review.

For the Year under Review, the interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment of the Group amounted to approximately RMB306,657,000 (Year 2013: approximately RMB201,628,000) at an annualized capitalization rate of 4.19% (Year 2013: 4.55%).

During the Year 2013 and the Year under Review, the Group's loans carried average interest rates of 4.96% and 4.44% per annum, respectively; the debentures carried interest rates ranged from 4.47% to 7.50% per annum (Year 2013: ranged from 4.47% to 6.90% per annum).

Profit before Taxation

Our profit before taxation increased by 16.2% from approximately RMB2,555,166,000 for the Year 2013 to approximately RMB2,970,328,000 for the Year under Review, which was primarily attributable to the factors described above in this section.

Management Discussion and Analysis

Income Tax Expense

Our income tax expense increased by 15.1% to approximately RMB493,308,000 for the Year under Review from approximately RMB428,541,000 for the Year 2013 mainly because of the increase in profit before taxation. The Group's effective tax rates for the Year 2013 and the Year under Review were 16.8% and 16.6%, respectively.

Profit Attributable To Equity Shareholders

The Company's profit attributable to equity shareholders increased by 16.5% to approximately RMB2,477,020,000 for the Year under Review from approximately RMB2,126,625,000 for the Year 2013. Our net profit margin increased to 15.5% for the Year under Review from 14.9% for the Year 2013, which was primarily attributable to the factors described above in this section.

Cash Flows

Cash flows of the Group for the Year under Review and the Year 2013 are as follows:

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Net cash generated from operating activities	**1,787,956**	3,784,848
Net cash used in investing activities	**(11,021,151)**	(5,805,433)
Net cash generated from financing activities	**9,379,482**	3,447,496

Net Current Assets

As at 31 December 2014, the Group had net current assets of approximately RMB1,894,886,000, 8.9% lower than net current assets of approximately RMB2,080,684,000 as at 31 December 2013. The decrease was mainly due to the fact that the increase in our current assets was outpaced by the increase in current liabilities:

(i) As at 31 December 2014, the Group's current assets amounted to approximately RMB19,004,413,000, an increase of approximately RMB4,812,552,000 over approximately RMB14,191,861,000 as at 31 December 2013. This was primarily due to increases in available-for-sale financial assets, pledged bank deposits, and deductible value added tax of the imported equipment for our high value-added aluminium flat rolled product project; and

(ii) As at 31 December 2014, the Group's current liabilities amounted to approximately RMB17,109,527,000, an increase of approximately RMB4,998,350,000 from approximately RMB12,111,177,000 as at 31 December 2013. The increase was primarily due to increases in bank and other loans as well as payables for equipment acquisition and project construction during the Year under Review.

Liquidity

As at 31 December 2014 and 31 December 2013, the Group had cash and cash equivalents of approximately RMB9,463,342,000 and RMB9,317,055,000, respectively, short-term deposits of approximately RMB126,059,000 and nil, respectively, and balances of pledged bank deposits under the current assets were approximately RMB1,181,400,000 and RMB36,454,000, respectively.

Borrowings

As at 31 December 2014, our debentures and loans amounted to approximately RMB23,886,233,000 in aggregate, an increase of approximately RMB7,986,090,000 from approximately RMB15,900,143,000 as at 31 December 2013.

As at 31 December 2014, the Group's debentures and loans shown under current liabilities amounted to approximately RMB11,898,417,000 (31 December 2013: approximately RMB7,508,500,000) and debentures and loans shown under non-current liabilities amounted to approximately RMB11,987,816,000 (31 December 2013: approximately RMB8,391,643,000). Further details are disclosed in notes 27 and 28 to the consolidated financial statements of this annual report.

The Group's gearing ratio was approximately 54.8% as at 31 December 2014, while it was approximately 51.3% as at 31 December 2013. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

As at 31 December 2014, save for pledged bank deposits and certain available-for-sale financial assets, the Group had machinery equipment of a total carrying amount of approximately RMB3,909,866,000 which are pledged assets for financing arrangements (31 December 2013: approximately RMB983,701,000).

The Group has entered into several arrangements with financial leasing institutions according to which the Group sold certain equipment to these institutions and then leased back with scheduled lease payments. The Group has an option to buy back these equipment at token prices at the end of each lease term, i.e. the bargain purchase option.

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

Accordingly, this indicates that these arrangements do not, in substance, involve a lease under IAS 17. Instead, the sales and leaseback transactions are closely interrelated and shall be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The substance of these arrangements are cash borrowings, secured by the underlying assets and repayable in instalments over the lease term. The information of the underlying assets and the secured loans are disclosed in Note 13 and 27(b)(iii) to the consolidated financial statements of this annual report.

Contingent Liabilities

As at 31 December 2014 and 31 December 2013, the Group had no material contingent liabilities.

Employees

As at 31 December 2014, the Group had 9,793 full-time employees responsible for, inter alia, production, research and development, sales and management, representing an increase of 44.9% from 6,758 employees as at 31 December 2013. During the Year under Review, relevant employee costs (including Directors' remuneration) were approximately RMB781,062,000 (including share option charges of approximately RMB5,514,000), an increase of 46.1% as compared with approximately RMB534,603,000 (including share option charges of approximately RMB10,935,000) in the Year 2013. 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 the deep processing business and the high value-added flat rolled aluminium product project. Besides, the increase was also attributable to the Group's efforts of ensuring the attractiveness of its employee remuneration packages and granting performance-based bonuses in accordance with general standards set out in the Group's remuneration policy.

Research and Development

During the Year under Review, the Group continued to increase its investment in research and development and the expenditures increased from approximately RMB427,723,000 in the Year 2013 to approximately RMB507,689,000 for the Year under Review. The share of our research and development expenditures in sales revenue for the Year under Review was approximately 3.2%, substantially the same as that for the Year 2013.

Continuous investment in the research and development has helped the Group build up a high-level R&D and technical team. As at 31 December 2014, the Group had 885 research and development and quality control personnel, accounting for 9.0% of the Group's total number of employees. We not only have strong research and development capabilities in new materials and new technologies, operate the largest die design and manufacturing centre in Asia, but also specially set up in the Year under Review a first-rate product and process design team to offer integrated solutions from product design to production services that cater to our customers' demands for light-weight development. In addition, the Group carried out cooperation with various leading industrial and academic research institutions which greatly improved its own level of scientific research level and effectively contributed to the expansion of the downstream application scope for aluminium products.

Capital Commitments

As at 31 December 2014, 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 RMB15.9 billion, which was primarily used for purchasing aluminium flat rolling equipment. We intend to apply funds generated from operating activities of the Company, commercial bank loans and other available means of the Company to finance the purchase. As at 31 December 2014, capital commitments in respect of the aluminium flat rolling equipment already contracted for amounted to approximately RMB12.9 billion.

Open Offer of Shares

On 28 November 2013, the Group announced an open offer (the "Open Offer") of ordinary shares and/or unlisted restricted voting non-redeemable convertible preference shares (the "Convertible Preference Shares") on the basis of 3 new ordinary shares for every 10 existing ordinary shares held by qualifying shareholders as at close of business on the record date (Tuesday, 7 January 2014) at the subscription price of HK$2.61 per ordinary share or Convertible Preference Share. Zhongwang International Group Limited ("ZIGL"), the controlling shareholder of the Company, acted as the underwriter on no commission basis.

The Open Offer was completed on 28 January 2014. At the completion, a total of 2,703,583 new ordinary shares and 1,619,188,337 Convertible Preference Shares were issued, of which a total of 1,618,955,467 Convertible Preference Shares were issued and allotted to ZIGL. The Open Offer raised net proceeds of approximately HK$4,225,400,000 and the Group applied the net proceeds in full to fund the Group's high value-added aluminium flat rolled product project.

Market Risks

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

Foreign Currency Risk

Most of our businesses are settled in Renminbi. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies.

During the Year under Review, approximately 86.4% of the revenue of the Group was settled in Renminbi and approximately 13.6% was settled in foreign currencies, while approximately 64.3% of the borrowings of the Group was denominated in Renminbi and approximately 35.7% was denominated in foreign currencies as at 31 December 2014.

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

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

Interest Rate Risk

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

Interest rate change risk borne by the Group is primarily derived from debentures and loans. The Group has to face the cash-flow interest rate risk on floating-rate loans and fair value interest rate risk on fixed-rate loans. As at 31 December 2014, our fixed-rate loans were approximately RMB6,028,451,000 (31 December 2013: approximately RMB304,845,000).

During the Year under Review, the Group issued unsecured debentures of RMB100,000,000 and RMB1,100,000,000 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 2013, the Group issued two unsecured debentures each of RMB1,000,000,000, with maturity of one year and repayable on 13 March 2014 and 8 May 2014, respectively, and with effective interest rate of 4.47% and 4.58% per annum, respectively, these debentures were fully repaid on their maturity dates. The Group also issued an unsecured debenture of RMB500,000,000 with maturity of three years and repayable on 8 October 2016, with effective interest rate of 6.90% per annum.

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

During 2011, the Group issued an unsecured debenture of RMB1,200,000,000 with maturity of three years and repayable on 17 May 2014, with effective interest rate of 5.68% per annum. The Group fully repaid the debenture on 17 May 2014.

Interest rate swaps, denominated in Hong Kong dollars, have been entered into to reduce the risk of changes in market interest rates. At 31 December 2014, the Group had interest rate swaps with a notional contract amount of HKD1,486,248,000 (2013: nil), which it has designated as cash flow hedges of the interest rate risk inherent in its variable rate bank borrowings.

The swaps mature over the next two years matching the maturity of the related loans and have fixed swap rates of 1.94% and 3.40% respectively (2013: nil). The net fair value of swaps entered into by the Group at 31 December 2014 was approximately RMB13,710,000 (2013: nil). These amounts are recognised as derivative financial instruments. The information are disclosed in Note 29, 32(b) and 32(c) to the consolidated financial statements of this annual report.

Aluminium Ingot Price Fluctuation Risk

The Group's principal raw materials in the aluminium extrusion product business include aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc., which accounted for 84.3% and 86.9% of the Group's cost of sales of aluminium extrusion products for the Period under Review and in 2013, respectively. Generally, our pricing of aluminium extrusion products is on a "cost-plus" basis, pursuant to which the selling price for our products are determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. Our pricing policy is to pass the price fluctuation risk to our customers. However, we may not be able to pass the entire cost of price increases to customers or completely offset the effect of increases in raw material prices, thus the profitability of the Group may be slightly affected. The Group has not entered into any aluminium ingot forward contracts to hedge against aluminium ingot price fluctuation risk.

Details of other risks are set out in Note 32 to the consolidated financial statements of this annual report on pages 124 to 131.

Profiles of Directors and Senior Management

Directors

The Board consists of nine directors (the "Directors"), including four independent non-executive Directors. The following table sets forth certain information relating to our Directors:

Name	Age	Group Position
Executive Directors		
Liu Zhongtian (劉忠田)	51	Chairman and president
Lu Changqing (路長青)	38	Vice president (capital operation and management)
Chen Yan (陳岩)	35	Vice president (internal auditing)
Zhong Hong (鍾宏)	50	Vice president (production)
Gou Xihui (勾喜輝)	47	Vice president (production and operational management)
Independent Non-executive Directors		
Wong Chun Wa (王振華)	40	Independent non-executive directors
Wen Xianjun (文獻軍)	52	Independent non-executive directors
Shi Ketong (史克通)	46	Independent non-executive directors
Lo Wa Kei, Roy (盧華基)	43	Independent non-executive directors

Executive Directors

Mr. LIU Zhongtian ("Mr. Liu") (**劉忠田**), aged 51, is the chairman of the Board and the founder and president of our Group. He is primarily responsible for our Group's overall strategic planning and business management. He is also a member of the board of directors of three subsidiaries including Liaoning Zhongwang Group Company Limited. He has 22 years of experience in business management and development in the aluminium processing industry. Before founding our Group in 1993, he established Liaoyang City Aluminium Profile Manufacturing Factory, Liaoyang Futian Chemical Co., Ltd. and Liaoning Chengcheng Plastics Co., Ltd.. Mr. Liu received a diploma in administrative management from Liaoning Radio and TV University (遼寧廣播電視大學), China in 2002. He is an economist (經濟師) and is a member of the 10th and 11th National People's Congress, the executive committee member of All-China Federation of Industry and Commerce (中華全國工商業聯合會) and the vice chairman of Liaoning Federation of Industry & Commerce. He was awarded the "Top Model Worker of Liaoning Province (遼寧省特等勞動模範)" by the People's Government of Liaoning Province (遼寧省人民政府) and the "National May Day Medal (全國五•一勞動獎章)" by the All-China Federation of Trade Unions (中華全國總工會) in 1999, the "National Model Worker (全國勞動模範)" by the State Council of the People's Republic of China (the "PRC") (中華人民共和國國務院) in 2000 and the "Constructor of Socialism with Chinese Characteristics (中國特色社會主義事業建設者)" by the Central Committee of the Communist Party of China (中國共產黨中央委員會), the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會), the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部), State Administration for Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局) and the All-China Federation of Industry and Commerce in 2004. He was appointed as a Director on 29 January 2008 and chairman of our Board on 1 August 2008.

Profiles of Directors and Senior Management

Mr. LU Changqing (**路長青**), aged 38, is an executive Director and a vice president of our Group. He is primarily responsible for the Group's strategic planning and capital operation and management. He is also a member of the board of directors of 11 subsidiaries including Liaoning Zhongwang Group Company Limited and Tianjin Zhongwang Aluminium Company Limited. He has 18 years of experience in investment banking and corporate finance. Before joining our Group in November 2007, Mr. Lu was a senior manager of the investment banking department of Tiantong Securities Company Limited from 1997 to 1999, the general manager of the merger and acquisition department of China Technology Innovation Company Limited from 2000 to 2003 and an executive director and joint company secretary of China Huiyuan Juice Group Limited, a listed company on the Main Board of the Stock Exchange of Hong Kong, from 2003 to 2007. Mr. Lu has a bachelor's degree in economics. He was appointed as a Director on 3 April 2008.

Mr. CHEN Yan (**陳岩**), aged 35, is an executive Director and a vice president of our Group. He is primarily responsible for the Group's internal auditing. He is also a member of the board of directors of 11 subsidiaries including Liaoning Zhongwang Group Company Limited and Tianjin Zhongwang Aluminium Company Limited. He has 14 years of experience in the aluminium processing industry. Mr. Chen has held various positions in financial and operation management since he joined our Group in August 2001. Mr. Chen received a diploma in accounting computerization from Liaoning Taxation College (遼寧稅務高等專科學校), China in 2001 and a certificate for intermediate-level accountant from the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in 2005. He was appointed as a Director on 3 April 2008.

Ms. ZHONG Hong (**鍾宏**), aged 50, is an executive Director and a vice president of our Group. She is primarily responsible for the Group's production management. She is also a member of the board of directors of four subsidiaries including Liaoning Zhongwang Group Company Limited and Panjin Zhongwang Aluminium Company Limited. She has 19 years of experience in the aluminium processing industry. Before joining us, she worked at Liaoning Fushun Feili Aluminium Products Co., Ltd. (遼寧撫順飛利鋁材有限公司) from 1996 to 2003. She joined our Group in September 2003. Ms. Zhong received a diploma in chemical engineering from Liaoning Radio and TV University (遼寧廣播電視大學), China in 1987. She was appointed as a Director on 3 April 2008.

Mr. GOU Xihui (**勾喜輝**), aged 47, is an executive Director and a vice president of our Group. He is primarily responsible for production and operational management. He is also a member of the board of directors of seven subsidiaries including Liaoning Zhongwang Group Company Limited and Tianjin Zhongwang Aluminium Company Limited. He has 25 years of experience in the aluminium processing industry. Before joining us in 1996, he worked at Changchun Crane Factory (長春起重機廠) and Liaoning Anshan Haicheng Hua Zi Yu Aluminium Product Factory (遼寧省鞍山市海城華子峪鋁材廠) from 1990 to 1996. Mr. Gou received a bachelor's degree in machinery and manufacture from Harbin Electrotechnics College (哈爾濱電工學院), China in 1990. He was appointed as a Director on 1 August 2008.

Independent Non-executive Directors

Mr. WONG Chun Wa (王振華), aged 40, is an independent non-executive Director. He established ACT Business Consultants Ltd. and RIW C.P. A. Limited in December 2006 and April 2008, respectively, and has been a director of these entities since then. He acted as an independent non-executive director and the chairman of the audit committee of Maanshan Iron & Steel Company Limited, a company listed in Hong Kong and Shanghai between August 2005 and August 2011. He has been a supervisor of Maanshan Iron & Steel Company Limited since August 2011. He worked at KPMG from 1999 to 2001 and Ernst & Young from 2001 to 2004. He received a bachelor's degree in accounting from the Hong Kong Polytechnic University, Hong Kong in 1996. Mr. Wong Chun Wa is a certified public accountant in Hong Kong and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He was appointed as a Director on 1 August 2008.

Mr. WEN Xianjun (文獻軍), aged 52, is an independent non-executive Director. Since April 2008, Mr. Wen has been a member of the party committee (常委) and the vice chairman (副會長) of China Nonferrous Metals Industry Association (中國有色金屬工業協會). He has over 20 years' experience in the nonferrous metals industry. Mr. Wen served as an independent director of Henan Zhongfu Industrial Co., Ltd., a Shanghai listed company (October 2009 to November 2014), and an independent director of Ningxia Orient Tantalum Industry Co., Ltd. (April 2011 to October 2014), and Suzhou Lopsking Aluminium Co. Ltd. (October 2013 to October 2014), both of which are Shenzhen listed companies. He has been serving as an independent director of Shenzhen-listed Jiaozuo Wanfang Aluminium Manufacturing Co., Ltd., since July 2013. Mr. Wen was the vice president and general secretary of the aluminium branch of, and the director of the aluminium department of, China Nonferrous Metals Industry Association from 2006 to 2008. He was the director of the Industry Administration Department of the State Nonferrous Metals Industry Administration of China (中國國家有色金屬工業局工業管理司) from 1998 to 2000. He served as an engineer in the technology bureau, and deputy director of the investment and operation department, of China Nonferrous Metals Industry Corporation (中國有色金屬工業總公司) from 1990 to 1992 and from 1996 to 1998, respectively. From 1992 to 1996, Mr. Wen was a deputy director of the Development and Exchange Centre of China Nonferrous Metals Industry Technology (中國有色金屬技術開發交流中心). He served as an assistant engineer in Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院) from 1984 to 1987. Mr. Wen received a bachelor's degree in metallic materials from Central South University (中南大學) (formerly known as Central South Institute of Mining and Metallurgy (中南礦冶學院)), China in 1984 and a master's degree in metallic materials from Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院), China in 1990. He received the title of professor-level senior engineer (教授級高級工程師) from China Nonferrous Metals Industry Association in 2007. He was appointed as a Director on 1 August 2008.

Profiles of Directors and Senior Management

Mr. SHI Ketong (**史克通**), aged 46, is an independent non-executive Director. Mr. Shi is a senior partner of the Beijing office of Jincheng & Tongda Law Offices (金誠同達律師事務所) where he has been a full-time lawyer since 2001 and has gained 14 years of experience in practicing PRC corporate and securities law and in advising clients in matters related to merger and acquisition transactions and corporate restructuring. Prior to joining Jincheng & Tongda Law Offices, he practised law at King & Capital Law Firm (北京京都律師事務所) in Beijing from 2000 to 2001 and at Shandong Luzhong Law Offices (山東魯中律師事務所) from 1994 to 2000. Mr. Shi received a bachelor's degree in economic law from China University of Political Science and Law (中國政法大學), China in 1992. He was appointed as a Director on 12 August 2008.

Mr. LO Wa Kei, Roy (**盧華基**), aged 43, is an independent non-executive Director. Mr. Lo has 22 years of experience in auditing, accounting and finance. Mr. Lo is a Managing Partner of SHINEWING (HK) CPA Limited. He has been serving as an independent non-executive director of Sun Hing Vision Group Holdings Limited, North Mining Shares Company Limited (previously known as "Sun Man Tai Holdings Company Limited"), Sheen Tai Holdings Group Company Limited and China Oceanwide Holdings Limited (previously known as "Hutchison Harbour Ring Limited"), all of which are Hong Kong listed companies, since 1999, 2004, 2012 and 2014, respectively. He also served as an independent non-executive director of United Photovoltaics Group Limited (previously known as Time Infrastructure Holdings Limited). Mr. Lo received a bachelor's degree in business administration from the University of Hong Kong in 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in 2000. He is a certified public accountant, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. With his extensive professional knowledge, Mr. Lo was also appointed as a Committee Member of TianjinYouth Federation (Hong Kong and Macau Region) (天津市青聯港澳區特邀委員). He was appointed as a Director on 11 February 2009.

Senior Management

Name	Gender	Age	Group Position
Cheung Lap Kei (張立基)	Male	43	Chief financial officer and joint company secretary
Zhou Mi (周密)	Male	65	Chief engineer

Mr. CHEUNG Lap Kei (**張立基**), aged 43, is the chief financial officer and a joint company secretary of our Company. He is primarily responsible for the Group's finance and accounting. He has approximately 21 years of experience in auditing and accounting fields. Mr. Cheung served as the chief financial officer, qualified accountant, authorized representative and company secretary of United Photovoltaics Group Limited (previously known as Time Infrastructure Holdings Limited), a Hong Kong listed company, from June to December 2008. He served as the financial controller, qualified accountant, authorized representative and company secretary of China Ruifeng Galaxy Renewable Energy Holdings Limited (previously known as Galaxy Semi-Conductor Holdings Limited), a Hong Kong listed company, from 2005 to 2008. He has been serving as an independent non-executive director of Austar Lifesciences Limited, a Hong Kong listed company, since October 2014. Prior to 2005, he worked in several international accounting firms. Mr. Cheung received a bachelor's degree in commerce from Australian National University in 1994, and a master's degree in business administration from Deakin University, Australia in 2006. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia. Mr. Cheung was appointed as the chief financial officer and a joint company secretary of our Company on 30 December 2008.

Mr. ZHOU Mi (周密), aged 65, is the chief engineer of our Group. He is primarily responsible for production and research and development of industrial aluminium extrusion products. He has over 30 years of experience in technical development in the aluminium industry, 17 years of which were focused on technical development in aluminium extrusion. Before joining our Group, he worked at certain subsidiaries and plants of Reynolds Metals Company as a metallurgist and quality assurance manager from 1978 to 1996 and as a quality assurance manager from 1998 to 2000. From 1996 to 1997, Mr. Zhou worked at Bohai Aluminium Company as a quality assurance manager. He worked at certain subsidiaries and plants of Alcoa, Inc. as a cast house manager and director of casting plant from 2000 to 2005. Mr. Zhou received a master's degree in materials engineering from Virginia Polytechnic Institute and State University, the United States in 1978. He joined our Group in April 2005.

Joint Company Secretaries

Mr. CHEUNG Lap Kei (張立基) is a joint company secretary of our Company. He is also the chief financial officer of our Company. His profiles are set out under the paragraph headed "Senior Management" above.

Mr. LU Changqing (路長青) was appointed as a joint company secretary of our Company on 30 December 2008. He is also an executive director and a vice president of our Group. His profiles are set out under the paragraph headed "Executive Directors" above.

Report of the Directors

The Board hereby presents this annual report together with the audited consolidated financial statements (the "Consolidated Financial Statements") of the Group for the year ended 31 December 2014 (the "Year under Review").

Principal Activities

The Company was incorporated in the Cayman Islands on 29 January 2008 as an exempted company with limited liability. The Group's operations are substantially conducted through its subsidiaries in the PRC. The Group is principally engaged in the production and sales of high precision, large-section and high value-added industrial aluminium extrusion products which are widely used in transportation (including railway passenger compartments and cargo carriages, metropolitan subway and light rail, automobiles, heavy trucks, vessels, aviation, aerospace, etc.), machinery and equipment and electric power engineering sectors. At the same time, to further leverage our Group's existing advantage in the industry, we are extending our reach to the high-end aluminium flat rolled product segment and develop deep processing business for aluminium products.

Analysis of the principal activities of the Group during the Year under Review is set out in the Consolidated Statement of Comprehensive Income on page 76 of this annual report.

Results and Appropriations

The results of the Group for the Year under Review are set out in the Consolidated Financial Statements on pages 76 to 82 of this annual report.

The Board recommended to declare a final dividend of HK$0.08 (approximately equivalent to RMB0.06) per share for the financial year ended 31 December 2014. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 15 May 2015, the final dividend will be paid on Thursday, 18 June 2015 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 Tuesday, 26 May 2015.

Should the final dividend distribution proposal be approved by the shareholders, together with an interim dividend of HK$0.08 (approximately equivalent to RMB0.06) 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 36.2%.

Five-year Financial Summary

A summary of our financial results and of the assets and liabilities of the Group for the last five financial years, as extracted from the Group's Consolidated Financial Statements, is set out on page 136 of this annual report.

Property, Plant and Equipment

Details of movements in the Group's property, plant and equipment during the Year under Review are set out in Note 13 to the Consolidated Financial Statements on page 106 of this annual report.

Bank and Other Loans

Details of bank and other loans are set out in Note 27 to the Consolidated Financial Statements on pages 114 to 117 of this annual report.

Disclosure Pursuant to Rule 13.18 of the Listing Rules

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 31 December 2014.

On 16 January 2013, the Company entered into a facility agreement (the "2013 Facility Agreement") with a group of banks and financial institutions (collectively, the "Lenders") relating to a term loan facility in the principal amount of US$200,000,000 (the "2013 Facility") for a term of three years. As at 31 December 2014, the outstanding amount owed by the Company under the 2013 Facility Agreement was US$200,000,000.

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

On 20 June 2014, the Company also entered into a facility agreement (the "2014 Facility Agreement") with a group of banks and financial institutions relating to a term loan facility in the principal amount of US$500,000,000 (the "2014 Facility") for a term of three years. As at 31 December 2014, the outstanding amount owed by the Company under the 2014 Facility Agreement was US$500,000,000.

Due to the fact that the 2014 Facility Agreement contains a condition imposing specific performance obligations on the controlling shareholder of the Company and that breach of such obligation will cause a default in respect of the 2014 Facility, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Listing Rules on 23 June 2014. For details of such obligation, please refer to that announcement.

Share Capital

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

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

The Open Offer was completed on 28 January 2014. At the completion, a total of 2,703,583 new ordinary shares and 1,619,188,337 Convertible Preference Shares were issued and allotted of which a total of 1,618,955,467 Convertible Preference Shares were issued and allotted to ZIGL. The Open Offer raised net proceeds of approximately HK$4,225,400,000 and the Company applied the net proceeds in full to fund the Group's high value-added aluminium flat rolled product project.

Details of movements in the share capital of the Company during the Year under Review are set out in Note 31 to the Consolidated Financial Statements on pages 120 to 123 of this annual report.

Reserves

Details of movements in the reserves of the Group and the Company during the Year under Review are set out in the Consolidated Statement of Changes in Equity on page 80 and in Note 31 to the Consolidated Financial Statements on page 120 to 123 of this annual report.

Distributable Reserves of the Company

Pursuant to the relevant rules of the Cayman Islands, the Company's reserves available for distribution to shareholders as at 31 December 2014 amounted to RMB9,939,070,000 (31 December 2013: RMB7,984,923,000).

Sufficiency of Public Float

Based on information that is publicly available to our Company and to the knowledge of our Directors, our Company has maintained the prescribed minimum percentage of public float approved by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as at the date of this annual report.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles or applicable laws of the Cayman Islands where the Company is incorporated.

Directors

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

Executive Directors

Mr. Liu Zhongtian *(Chairman)*

Mr. Lu Changqing

Mr. Chen Yan

Ms. Zhong Hong

Mr. Gou Xihui

Independent Non-executive Directors

Mr. Wong Chun Wa

Mr. Wen Xianjun

Mr. Shi Ketong

Mr. Lo Wa Kei, Roy

Directors' Profiles

Details of the Directors' profiles are set out in the "Profiles of Directors and Senior Management" on pages 39 to 43 of this annual report.

Directors' Service Contracts

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

In accordance with the Company's Articles, Mr. Wong Chun Wa, Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy will retire from the Board by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Confirmation of Independence from the Independent Non-executive Directors

We have received from each of the independent non-executive Directors, namely Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. Our Corporate Governance Committee has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors had been independent from the date of their appointment to 31 December 2014 and remain independent as at the date of this annual report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests and short positions of our Directors and chief executive in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the ordinary shares of the Company as at 31 December 2014

Name of Director	Capacity/Nature of Interests	Total number of ordinary shares	% of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/Long position	4,044,600,000[(1)]	74.22
Gou Xihui	Beneficial owner/Long position	3,300,000[(2)]	0.06
Lu Changqing	Beneficial owner/Long position	2,000,000[(2)]	0.04
		2,000,000	0.04
Chen Yan	Beneficial owner/Long position	2,000,000[(2)]	0.04
Zhong Hong	Beneficial owner/Long position	2,000,000[(2)]	0.04
Lo Wai Kei, Roy	Beneficial owner/Long position	600,000[(2)]	0.01
Shi Ketong	Beneficial owner/Long position	600,000[(2)]	0.01
Wen Xianjun	Beneficial owner/Long position	600,000[(2)]	0.01
Wong Chun Wa	Beneficial owner/Long position	600,000[(2)]	0.01

Long positions in the underlying ordinary shares of the Convertible Preference Shares of the Company as at 31 December 2014

Name of Director	Capacity/Nature of Interests	Total number of Convertible Preference Shares	% of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/Long position[(1)]	1,618,955,467[(1)]	99.99

(1) As at 31 December 2014, ZIGL had interests in these shares under the SFO. The entire issued share capital of ZIGL is held by a trust the beneficiaries of which are members of the family of Mr. Liu, who is an executive Director and the chairman of the Company, as well as a director of ZIGL.

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

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed herein, at no time during the Year under Review was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Purchase, Sale or Redemption of the Listed Securities

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

Directors' Interests in Competing Business

For the Year under Review, none of the Directors or controlling shareholders (as defined under the Listing Rules) of the Company was interested in any business which competes or is likely to compete with the businesses of the Group.

We have received an annual written confirmation from Mr. Liu in respect of the compliance by Mr. Liu and his associates with the provisions of the non-competition deed entered into between our Company and Mr. Liu on 17 April 2009 (the "Non-competition Deed").

Our independent non-executive Directors have reviewed the compliance with the Non-competition Deed based on information and confirmation provided by or obtained from Mr. Liu and his associates (as defined under the Listing Rules), and were satisfied that Mr. Liu and his associates have duly complied with the Non-competition Deed.

Connected Transactions and Continuing Connected Transactions

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

Related Party Transactions

During the Year under Review, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in Note 35 to the Consolidated Financial Statements on page 132 of this annual report.

Directors' Interests in Contracts of Significance

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

Directors' Remuneration

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

Retirement Schemes

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

The Group's contributions to the retirement benefits scheme and the MPF Scheme for the Year under Review were RMB42,938,000 and RMB98,000, respectively. Particulars of these retirement plans are set out in Note 34 to the Consolidated Financial Statement on page 132 of this annual report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year under Review.

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

As at 31 December 2014, to the best knowledge of the Directors and the senior management of the Company, the table below lists out the persons (other than the Directors or chief executives of our Company), who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the ordinary shares of the Company as at 31 December 2014

Name of Shareholder	Capacity/Nature of Interests	Total number of ordinary shares	% of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/Long position[1]	4,044,600,000	74.22
TMF (Cayman) Ltd.	Trustee/Long position[2]	4,044,600,000	74.22
Prime Famous Management Limited	Interest of controlled corporation/Long position[3]	4,044,600,000	74.22
Radiant Day Holdings Limited	Interest of controlled corporation/Long position[3]	4,044,600,000	74.22
ZIGL	Beneficial owner/Long position[1]	4,041,500,000	74.16
	Security interest in shares/Long position	3,100,000	0.06

Long positions in the underlying ordinary shares of the Convertible Preference Shares of the Company as at 31 December 2014

Name of Director	Capacity/Nature of Interests	Total number of Convertible Preference Shares	% of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/Long position(1)	1,618,955,467	99.99
TMF (Cayman) Ltd.	Trustee/Long position(2)	1,618,955,467	99.99
Prime Famous Management Limited	Interest of controlled corporation/Long position(3)	1,618,955,467	99.99
Radiant Day Holdings Limited	Interest of controlled corporation/Long position(3)	1,618,955,467	99.99
ZIGL	Beneficial owner/Long position(1)	1,618,955,467	99.99

(1) The entire issued share capital of ZIGL is held by a trust the beneficiaries of which are members of the family of Mr. Liu, who is an executive Director and the chairman of the Company, as well as a director of ZIGL.

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

(3) Both of Prime Famous Management Limited and Radiant Day Holdings Limited are companies incorporated in the British Virgin Islands and owned by the Liu Family Trust.

Save as disclosed above, as at 31 December 2014, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share-based Incentive Schemes

(a) Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted a pre-IPO share option scheme on 17 April 2008 (the "Pre-IPO Share Option Scheme"). According to the Pre-IPO Share Option Scheme, four Directors and 70 other employees (including two senior management members) of our Group were given the rights to subscribe for ordinary shares of the Company at the subscription price of HK$2.00 per share. The total number of the ordinary shares subject to the Pre-IPO Share Option Scheme is 40,400,000 shares, equivalent to approximately 0.74% of the relevant issued share capital of the Company as at 31 December 2014. Since no further options can be granted under the Pre-IPO Share Option Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Pre-IPO Share Option Scheme.

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

As at 31 December 2014, all options granted under the Pre-IPO Share Option Scheme had been exercised and no further options had been granted under the Pre-IPO Share Option Scheme.

Movements of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2014 are as follows:

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

(1) The weighted average closing price of the Company's ordinary shares immediately before the date on which the share options were exercised on 7 May 2014 was HK$2.41 per share.

(b) Share Option Scheme

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

The maximum number of ordinary shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the ordinary shares in issue upon the Listing (the Company may refresh this 10% limit under certain conditions) or 30% of the ordinary shares in issue from time to time where there are options to be granted and yet to be exercised. The total number of ordinary shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed 1% of the ordinary shares in issue. Any further grant of options which would result in the number of ordinary shares exceeding 1% requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

Movements of the options granted under the Share Option Scheme during the year ended 31 December 2014 are as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying ordinary shares comprised in the options outstanding as at 1 January 2014	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2014	Number of Underlying ordinary shares comprised in the options exercised during the twelve months ended 31 December 2014	Number of underlying ordinary shares comprised in the options outstanding as at 31 December 2014
Directors							
Gou Xihui	22 March 2011	21 March 2021	3.9	3,300,000	—	—	3,300,000
Lu Changqing	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Zhong Hong	22 March 2011	21 March 2021	3.9	2,000,000	—	—	2,000,000
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	—	—	600,000
48 Other Employees (including 2 senior management members) of our Group	22 March 2011	21 March 2021	3.9	33,300,000	—	—	33,300,000
Total				**45,000,000**	**—**	**—**	**45,000,000**

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

Further particulars of the Pre-IPO Share Option Scheme and the Share Option Scheme mentioned above are set out in Note 36 to the Consolidated Financial Statements on pages 133 to 135 of this annual report and the sections headed "Statutory and General Information — Other Information — Pre-IPO Share Option Scheme" and "Statutory and General Information — Other Information — Share Option Scheme" of the prospectus of the Company issued on 24 April 2009.

Charitable Donations

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

Major Customers and Suppliers

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

	Percentage of the Group's total sales (%)
The largest customer	11.6%
Five largest customers in aggregate	47.7%

	Percentage of the Group's total purchases (%)
The largest supplier	30.7%
Five largest suppliers in aggregate	91.3%

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

Compliance with the Code on Corporate Governance Practices

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

In respect of the Year under Review, save as disclosed in the Corporate Governance Report on pages 55 to 64 of this annual report, all the code provisions set out in the Governance Code were met by the Company.

Model Code for Securities Transactions

Details of our Directors' compliance with the Model Code for Securities Transactions are set out in the Corporate Governance Report on pages 55 to 64 of this annual report.

Auditor

On 28 June 2012, the shareholders of the Company passed an ordinary resolution at the annual general meeting to appoint KPMG as the new auditor of the Group and to hold office until the conclusion of the next annual general meeting of the Company. KPMG has been re-appointed as our external auditor at the annual general meetings held on 15 May 2013 and 15 May 2014 respectively. The Consolidated Financial Statements have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at our forthcoming annual general meeting.

A resolution to re-appoint KPMG as our external auditor will be submitted for shareholders' approval at our forthcoming annual general meeting.

By order of the Board

Liu Zhongtian

Chairman

Hong Kong, 17 March 2015

Corporate Governance Report

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. The principle of the Company's corporate governance is to promote effective risk management and internal control measures and to increase the transparency and accountability of the Board to all shareholders.

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

In respect of the Year under Review, save as disclosed in this report, all the code provisions set out in the Governance Code were met by the Company.

Compliance with the Model Code by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding its Directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Year under Review and up to the date of this annual report.

The Board of Directors

Responsibilities of the Board

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management.

During the Year under Review, the Board, among others, considered and approved the annual budget, management results and performance update against annual budget, together with business reports from the management, reviewed and approved the audited annual results for the year ended 31 December 2013, the unaudited quarterly results of the periods ended 31 March 2014 and 30 September 2014, the unaudited interim results for the six months ended 30 June 2014, as well as matters relating to implementing an open offer of ordinary shares and/or unlisted convertible preference shares on the basis of 3 new ordinary shares for every 10 existing ordinary shares which was approved by the Board and commenced in 2013, supervised the Group's critical business operations and assessed the risk management and internal control and financial matters of the Group.

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

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

Board Composition

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

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

Executive Directors

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

Independent Non-executive Directors

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

Chairman and Chief Executive Officer

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

The Company deviates from this provision because Mr. Liu performs both the roles of chairman of the Board and the president (i.e. the chief executive) of the Company. Mr. Liu is the founder of the Group and has extensive experience in the enterprise operation and management in general. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances.

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

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

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

Independent Non-executive Directors

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

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

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

Appointment, Re-election and Removal of Directors

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

No non-executive Director has been appointed to the Board of our Company. Each of the independent non-executive Directors are appointed on a term of three years subject to rotation. Independent non-executive Directors serving up to the maximum term of 9 years is only eligible for reappointment by separate shareholders' resolution. None of the independent non-executive Directors has served more than 9 years.

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

In compliance with the provisions of the Articles of the Company, Mr. Wong Chun Wa, Mr. Wen Xianjun, and Mr. Lo Wa Kei, Roy shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for reelection.

Board Committees

The Board has established Audit Committee, Nomination and Remuneration Committee, Corporate Governance Committee and Strategy and Development Committee (collectively, the "Board Committees"). The Board Committees are formed with specific written terms of reference which deal with their authority and duties clearly. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The audit committee of the Company ("Audit Committee") comprises three members who are all independent nonexecutive Directors, namely, Mr. Wong Chun Wa (chairman), Mr. Wen Xianjun and Mr. Shi Ketong. None of them is a member of the former or existing auditors of the Company.

The Audit Committee acts as the key representative body for overseeing the Company's relations with the external auditor and is primarily responsible for the review and supervision of the Group's financial reporting process, risk management and internal controls and review of the Company's financial statements. The Audit Committee meets regularly with the Company's external auditor to discuss the audit procedures and accounting issues. The Audit Committee should meet at least twice a year. In the Year under Review, four meetings were held by the Audit Committee. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2013, the unaudited quarterly results of the periods ended 31 March 2014 and 30 September 2014, the unaudited interim results for the six months ended 30 June 2014 with the senior management of the Company, and has also reviewed the risk management and internal control and financial reporting matters of the Group.

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

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

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

Audit Committee Members	Attendance
Mr. Wong Chun Wa	4
Mr. Wen Xianjun	4
Mr. Shi Ketong	4

Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee is responsible for nomination-related duties, including, without limitation, reviewing the structure, size, diversity and composition of the Board, determining nomination policy for Directors, making recommendations of suitable candidates to the Board for directorships, assessing independence of the independent non-executive Directors, and making recommendations to the Board on the appointment and reappointment of Directors and succession planning for Directors. The Nomination and Remuneration Committee regards increased diversity at the Board level as an important means to enhance Board effectiveness and corporate governance. In reviewing the composition of the Board and making recommendations of suitable candidates to the Board for directorships, the Nomination and Remuneration Committee takes a balanced view towards the consideration of a number of factors, including but not limited to gender, ethnicity, age, cultural and educational background, or professional knowledge, skills and experience.

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

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

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

Nomination and Remuneration Committee Members	Attendance
Mr. Wen Xianjun	2
Mr. Liu	2
Mr. Shi Ketong	2

Corporate Governance Committee

We have established a corporate governance committee ("Corporate Governance Committee"). Members of the Corporate Governance Committee consist of three independent non-executive Directors of the Company, namely Mr. Lo Wa Kei, Roy (chairman), Mr. Wen Xianjun and Mr. Shi Ketong.

The Corporate Governance Committee is primarily responsible for developing, reviewing and monitoring the Company's policies and practices on corporate governance matters and on compliance with the Governance Code and other relevant legal and regulatory requirements. It is also responsible for reviewing and monitoring the training and continuous professional development of the Directors and senior management and compliance with the code of conduct applicable to the employees and Directors.

The Corporate Governance Committee should meet at least four times a year. Four meetings were held by the Corporate Governance Committee in 2014. The attendance of Directors at the Corporate Governance Committee meetings held in 2014 was as follows:

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

Strategy and Development Committee

We have established a strategy and development committee ("Strategy and Development Committee"). Members of the Strategy and Development Committee comprise Mr. Liu (chairman), Mr. Lu Changqing and Mr. Wen Xianjun. The primary functions of the Strategy and Development Committee are to review and formulate strategic positioning, development plans, market development and operation strategies, and strategies on its material projects, business expansion, capital expenditure, and asset restructuring of our Group.

The Strategy and Development Committee should meet at least once a year. Two meetings was held by the Strategy and Development Committee in 2014. The attendance of Directors at the Strategy and Development Committee meetings held in 2014 was as follows:

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

Board Meetings and General Meeting

The Board conducts meetings on a regular basis to discuss the overall strategy as well as the operation and financial performance of the Group. During the Year under Review, the Board held 15 meetings based on the needs of the operation and business development of the Group. Besides, the Directors also attended the annual general meeting held on 15 May 2014 (the "2014 AGM") to understand the views of the shareholders.

The attendance of each Director at the Board meetings and the 2014 AGM was as follows:

Members of the Board	Board Meetings	2014 AGM
Executive Directors		
Mr. Liu	15	1
Mr. Lu Changqing	15	1
Mr. Chen Yan	15	1
Ms. Zhong Hong	15	1
Mr. Gou Xihui	15	1
Independent Non-executive Directors		
Mr. Wong Chun Wa	15	1
Mr. Wen Xianjun	15	1
Mr. Shi Ketong	15	1
Mr. Lo Wa Kei, Roy	15	1

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

Training for Directors

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

Name of Director	Area(s) of training	Hours of training
Mr. Liu	Regulatory; capital market	12
Mr. Lu Changqing	Regulatory; accounting; capital market	16
Mr. Chen Yan	Regulatory; accounting; capital market	12
Ms. Zhong Hong	Regulatory; accounting; capital market	12
Mr. Gou Xihui	Regulatory; accounting; capital market	12
Mr. Wong Chun Wa	Regulatory; accounting; taxation; capital market	16.5
Mr. Wen Xianjun	Regulatory; accounting; industry updates	12
Mr. Shi Ketong	Law and regulatory	9
Mr. Lo Wa Kei, Roy	Regulatory; accounting; internal control; corporate governance	21

Training for Company Secretary

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

Name of Company Secretary	Area(s) of training	Hours of training
Mr. Cheung Lap Kei	Regulatory; accounting; capital market	24.5
Mr. Lu Changqing	Regulatory; accounting; capital market	16

Supply of and Access to Information

All Directors have full and timely access to all relevant information as well as advice and services of the joint company secretaries, with a view to ensuring that the meeting procedures of the Board and all applicable rules and regulations are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions. The chairmen of the Board committees also regularly report at Board meetings on their recommendations and activities. The external auditor attended the 2014 AGM and will be invited to attend the forthcoming annual general meeting to answer questions about the conduct of the audit, preparation and content of the auditors' reports, accounting policies, and auditors' independence.

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

Remuneration of Senior Management

The remuneration policy of the senior management has been recommended, reviewed and approved by our Nomination and Remuneration Committee. The remuneration of the senior management whose names appear in the section headed "Profiles of Directors and Senior Management" in this annual report has been disclosed in Note 9 to the Consolidated Financial Statements on page 103 of this annual report.

Directors' and Auditor's Responsibility for the Financial Statements

The Directors of the Company acknowledge their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim results. In preparing the Consolidated Financial Statements for the Year under Review, the Directors have selected appropriate accounting policies and applied them consistently, adopted appropriate International Financial Reporting Standards, and made prudent and reasonable judgments and estimates, and have prepared the Consolidated Financial Statements on an ongoing basis. The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Consolidated Financial Statements for the Year under Review is set out in the section headed "Independent Auditor's Report" on page 75 of this annual report.

Management Function

The Company's Articles set out matters which are specifically reserved to the Board for its decision. The management team of the Company holds meetings regularly to review and discuss with executive Directors on daily operational issues, financial and operating performance as well as to monitor and ensure the management properly implement the directions and strategies set by the Board. The responsibilities of the senior management members are set out in their respective biographies in the section headed "Profiles of the Directors and Senior Management" on pages 39 to 43 of this annual report.

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

Risk Management and Internal Control

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

(i) effectiveness and efficiency of operations;

(ii) reliability of financial reporting; and

(iii) compliance with applicable laws and regulation.

Through the Audit Committee, the Board has reviewed the risk management and internal control mechanism in respect of financial, operational and compliance matters of the Group and its subsidiaries and has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board will conduct periodical review on the relevant improvement and enhancement procedures in order to strengthen the risk management and internal control measures of the Group.

Independent Auditor's Appointment and Remuneration

The Company's independent auditor is KPMG. At the annual general meeting on 15 May 2014, the shareholders of the Company passed an ordinary resolution to re-appoint KPMG as the auditor of the Group to hold office until the conclusion of the next annual general meeting of the Company.

For the Year under Review, the remuneration payable by the Company to KPMG for statutory audit services and non-audit services were RMB4,800,000 and RMB200,000, respectively.

Communications with Shareholders and Investor Relations Department

We adhere to the principle of good faith and strictly comply with and implement the Listing Rules to disclose discloseable information on a true, accurate, complete and timely basis and all other information that might have significant impact on the decisions of shareholders and other stakeholders in an active and timely manner. In addition, the Company takes efforts in ensuring that all shareholders have equal access to information and are familiar with the detailed procedures for voting by poll. As such, the Company has honestly performed its statutory obligation in respect of information disclosure.

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

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

Our senior management is dedicated to maintaining an open dialogue with the investment community to ensure thorough understanding of our Company and our business as well as strategies. The Company has established a shareholder communication policy to ensure effective communication between our shareholders and the Company. Since the Listing, we have emphasized the importance of investor relations by establishing and developing a highly effective investor relations department (the "Investor Relations Department"). The main function of the Investor Relations Department is to make fair, consistent and transparent disclosures and maintain appropriate communications with global investors.

For future investor relations, the Company will actively organise activities relating to investor relations and strengthen corporate responsibilities in order to ensure that our operating strategies, financial performance and development prospects are fully known to and understood by global investors.

A summary of the major investor relations activities of the Company in the Year under Review is set forth as follows:

Continual Communications with Shareholders, Investors and Analysts

The Board has adopted a shareholder communication policy to ensure effective communication between our shareholders and the Company. The Investor Relations Department has strictly followed our policies and relevant regulations in treating all shareholders, investors and research analysts in a fair and transparent manner. During the Year under Review, we held a number of meetings and telephone conferences with investors and research analysts to promote and establish effective channels for dual communications between the Company and investors. In addition, we responded promptly to investors' enquiries through telephone or email.

Site Visits

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

Media Relations

We strive to establish more solid and closer relationship with the media through press releases, press meetings and management interviews in order to communicate our operating strategies and financial performance to the general public by much faster and effective means.

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

By order of the Board

Liu Zhongtian

Chairman

Hong Kong, 17 March 2015

Corporate Social Responsibility Report

The Group always adheres to the basic management principle of pursuing sustainable development both at the corporate and the community level. Over the years, the Group has devoted considerable efforts in safeguarding the interests of its employees, environmental protection, relationship with clients and partners and community welfare initiatives. During the Year under Review, the Group continued to carry out activities beneficial to its staff, clients, the environment as well as the community. We offered development platforms to our employees for the pursuit of their career goals and aspirations along with the growth and development of the corporation, and shared with our employees the fruits of the corporation's development, while providing diversified and high-quality products as well as establishing a faithful and win-win cooperation relationship with our clients. Apart from our contribution to the community, as a firm promoter and executor of the philosophy of "green aluminium", we have been playing a positive role in promoting energy saving, emission reduction and environmental protection.

A Quality Work Environment

The Group has been committed to a people-oriented approach by establishing a mechanism for hiring, training, task assignment and motivation of talents. We are dedicated to creating a favorable development environment for our staff and providing them with a competitive remuneration system and an effective training model. We also placed emphasis on production safety and safeguarding the benefits of our employees and played an active role in creating a harmonious work environment, as well as continuously strengthening the sense of belonging and achievement of our employees.

Protecting Employees' Vital Interests and Fostering a Harmonious Work Environment

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

The Group has provided staff with competitive remuneration as well as ensured annual leave entitlements in accordance with the requirements of the Labor Law. The Group strictly observes national social security laws and regulations. The Group made contributions to social insurance programs such as pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident funds for all employees. The Group introduced the most comprehensive employee medical insurance system in the region. The Group not only secured full-time staff members' salary benefits and career development, but also offered job opportunities to university graduates. The Group made available a number of graduate trainee jobs with a retention rate of no less than 87%. In addition to training offered to trainees, investment has also been increased to raise trainees' salaries and benefits. In addition to standard subsidies stipulated by policies, the Group also provides job-specific subsidies to trainees.

The Group actively creates employment opportunities for local residents. As at 31 December 2014, the Group had a staff headcount of 9,793. We added 3,925 new employees during the Year under Review. Our employees came from mainland China, Hong Kong and overseas. The proportions are as follows: 99.8% from mainland China, and 0.2% from Hong Kong and overseas. For gender composition, we have 8,344 male employees, accounting for 85.2% of the total headcount, and 1,449 female employees, accounting for 14.8% of the total headcount.

During the Year under Review, 890 employees left the Group, representing a staff turnover rate of 8.3%. Turnover rate of employees aged 20 to 30 was 8.7%; aged 30 to 40 was 6.6%; aged 40 to 50 was 11.1% and aged over 50 was 12.8%.

Gender Breakdown of Employees

	As at 31 December 2014	
		%
Male employee	**8,344**	**85.2**
Female employee	**1,449**	**14.8**

Geographical Breakdown of Employees

	As at 31 December 2014	
		%
Mainland China	**9,777**	**99.8**
Hong Kong and overseas	**16**	**0.2**

Emphasis on Production Safety and Fulfillment of Social Responsibility

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

During the Year under Review, the Group carried out monthly comprehensive inspections with the participation of all production units and relevant department heads. An overhaul was conducted to fix individual equipment and areas in our plants with safety hazards to further reinforce production safety. Moreover, we introduced initiatives such as the Safe Production Month and production safety contests to continuously improve the safety awareness of employees and allow them to gain experience in safe operation.

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

Safe production education for all employees

Group photo of prize-winners in the Safety Games

During the Year under Review, the Group revised several sets of regulation systems, including the “Compilation of Safe Production Systems”, “Regulations for Safe Operation for Different Functions”, “Emergency Response and Preventative Measures”, and prepared the “Safety Management System for Dangerous Operation” to regulate safety operations. We organized 167 production safety training programs involving specialized operators such as crane workers, electricians, welders, fitters, riveters, etc., and all specialized operators held corresponding certificates.

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

One of the key concerns of the Group is lifelong learning and career development of our employees, combining talent development with corporate development effectively. In line with our emphasis on sustainable development and vocational education and training, our Group has made significant efforts to improve their ability to coordinate, execute and innovate in production and the quality of their business, providing employees support and security in career development. We implemented a strategy of building corporate strengths on the basis of high-caliber personnel in our three core businesses: industrial aluminium extrusion, deep processing and aluminium flat rolling.

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

During the Year under Review, the Group strictly implemented the certificate-for-job system for all staff positions. We organized training programs with a total participation of 27,470 person-times and all staff enrolled. General-grade employees made up of 25,917 person-times or 94.3% of the total enrollment, while management personnel accounted for 1,553 person-times or 5.7%.

During the Year under Review, the Group was awarded the titles of “May Day” Medal and “Workers’ Vanguard” by Liaoyang City Federation of Labor Unions for the excellent performance of its employees.

Corporate Social Responsibility Report

Compliance with Labor Standards to Safeguard Employees' Rights

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

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

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

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

Helping Employees Through Difficulties with Poverty Relief and Schooling Assistance

Over the years, the Group has been consistently engaged in poverty relief activities with the aim of "providing genuine aid to the genuinely impoverished," and has established a long-term poverty relief mechanism that provides assistance in general livelihood, schooling and medical care. The "Charity Relief Foundation" has been set up to provide financial assistance to employees and their families who were in difficulties, with a view to turning the notion of care for employees and consideration for the public into action, as well as to further improve our staff administration regime. During the Year under Review, the Group continued to implement the guidelines for the Charity Relief Foundation. The "Charity Relief Foundation" includes four principle funds, i.e., major disease assistance fund, relief fund for accident-caused poverty, schooling fund and livelihood assistance fund, basically covering all difficulties our staff members may face.

For the past 9 years, the Group has organized an "Assembly for Poverty Relief" every year around the end or beginning of the year. This initiative has assisted a lot of employees in resolving problems in work and life. Moreover, the Group is committed to improving its aid to staff in difficulties as it introduces innovative means of assistance from time to time. During the Year under Review, the Group launched a "one-on-one" assistance campaign to enhance communications with employees in difficulties, gain timely insight into their living conditions and offer assistance. Through our trade union, specific funds were allocated to show our care for employees in serious difficulties. The "Golden Autumn Schooling Assistance" campaign was also conducted to provide education funds for children of employees in difficulties.

Poverty relief meeting

Environmental Protection

Environmental protection is a top priority of the Group's operation. As an environmental-friendly enterprise, the concept of low-carbon development has become an integral guideline for our production and operation. The Group places great importance on energy savings and emission reduction in order to provide green products for clients and promote low-carbon economic development. Meanwhile, the Group maintains strict standards and systems for the implementation of environmental management, which cover a wide range of procedures from industrial water consumption, pollutant discharge, raw materials selection to production and processing. In addition, the Group also has a long-term commitment to various sectors, such as transportation, mechanical equipment and electric power engineering, with the aim of reducing energy consumption and achieving a low carbon emission light-weight development.

Energy Conservation, Low Pollution and Effective Resource Conservation

The Group vigorously promotes the use of clean energy by relying on its own technical superiority and advanced equipment. As natural gas is a high quality, efficient, and clean energy which has extremely low emission of pollutants such as dust, exhaust gas, etc., its carbon emissions are much lower than that of standard coal and it does not generate any solid waste such as slag. Since March 2012 onwards, the Group has completely replaced high energy-consuming, high-pollution coal with natural gas as our production fuel, and implemented the "Diesel to Natural Gas Project" for the homogenizing furnaces in its smelting and casting plants in 2013. The Group has installed the world's advanced multi-point gas detection equipment in our production plant areas to ensure safe use of the clean energy.

The Group practices full recycling and processing of industrial waste water in strict compliance with national environmental policies. During the Year under Review, the Group's industrial water consumption amounted to 3,570,000 tonnes (Year 2013: 3,066,000 tonnes), waste water under treatment amounted to 3,392,000 tonnes (Year 2013: 2,913,000 tonnes) and chemical oxygen demand amounted to 143.7 tonnes (Year 2013: 84.1 tonnes). The concentration rate of the emission of chemical oxygen demand was 42 mg/liter (Year 2013: 29mg/liter), far less than the national standard of 150mg/liter. Solid waste from the production of the Group includes general solid waste and hazardous waste. During the Year under Review, we generated approximately 88 tonnes (Year 2013: 72 tonnes) of general solid waste and approximately 26.6 tonnes (Year 2013: 40.6 tonnes) of hazardous waste, and we have appointed a certified agency to process all of the hazardous waste. The Group has slight increases in industrial water consumption, waste water under treatment, chemical oxygen demand and general solid waste due to the increase in production volume of the Group during the Year under Review. The Group's initiatives, including "Coal to Natural Gas" and "Diesel to Natural Gas", have significantly reduced the emission and discharge of slag, polluted air and dust.

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

As the most environmental-friendly green metal which can be recycled indefinitely, aluminium is a driver for low-carbon economy. Approximately 75% of the aluminium materials commercially produced since 1888 are still in use today, which means that the aluminium applications have contributed to significant reductions in greenhouse gas emissions and solid-liquid waste discharge. This is precisely why this sector in which the Group operates has been designated for key support under the national "12th Five-Year Plans".

In fact, energy consumption required for aluminium scrap recycling represents only 5% of total energy consumption required for bauxite mining, alumina extraction, electrolysis of primary aluminium and aluminium ingot casting. Moreover, savings of 10 tonnes of water and 11 tonnes of solid materials and emission reduction of 0.8 tonne of carbon dioxide and 0.6 tonne of sulfur dioxide emissions can be achieved.

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

During the Year under Review, the "Leading Group on Energy Saving and Emission Reduction" set up by the Group continued to play an important role in deliberating and making decisions on environmental protection operations, formulate environmental protection measures and energy saving measures and exercise stringent total process management over energy consumption and pollution emissions, in a move to implement the "Environmental Responsibility System" in persistent compliance with the "Environmental Protection Law", "Clean Production Promotion Law" and other relevant PRC laws and regulations.

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

As a result of its diligent efforts to realize the harmonious development between the production and ecological environment of the enterprise, the Group as a whole has passed ISO14001 Environmental Management System Certification and has established a garden-style ecological factory.

Operating Practices

The Group has been striving to achieve mutual growth with its partners, and to foster a culture of honest business practices through mechanism and platform and system and process. Based on the fundamental principle of "product quality", the Group continued to step up its efforts in technology innovation to maintain the leading position in the industry. In addition, the Group has also fulfilled the demands of relevant stakeholders to realize maximum comprehensive benefits.

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

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

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

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

Delivering Quality through Technological Innovations and Building Brand Names through Creditworthy Operations

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

The Group was certified as the "National High and New Technology Enterprise" in 2013. During the Year under Review, the Group ranked the 194th on the list of Top 500 private enterprises in China, and the 131th on the list of Top 500 private enterprises in the country's manufacturing industry. It was also awarded a number of accolades including "Innovation and Practice Base for Post-doctoral Researchers in Liaoning Province" and also "Liaoning Industrial Awards" in its first year.

During the Year under Review, the Group's construction aluminium alloy extrusion products under the "Zhongwang" brand was granted the title of "Liaoning Prestigious Product".

During the Year under Review, the projects of “Rail Transit and Aviation Industrial Aluminium Extrusion Processing Research Center in Liaoning Province” and the “Aluminium Extrusion Deep Processing Industry Expertise Innovation Platform in Liaoning Province” were approved by relevant provincial governmental authorities and commenced construction.

During the Year under Review, the Group continued to undertake a number of technology projects at national, provincial, municipal or district levels, including the National Strategic Product Innovation Project, Key New Products Program, the 863 Program and the Project for Foundation Enhancement Through Industrial Transformation & Upgrade. We have also obtained approvals for seven national, provincial and municipal new technology projects. The Group also received several awards on technological advancement and innovation, such as China Nonferrous Metals Industry Science and Technology Award, National Nonferrous Metals Technology Standards Excellence Award, Liaoning Science and Technology Award, Liaoning Excellent New Product and Liaoyang Science and Technology Award, and obtained 21 patents, including 7 invention patents and 14 utility model patents. Currently, the Group has been awarded international accreditations from various sectors such as railway, automobile, shipbuilding, aviation, etc., including Det Norske Veritas certification, IRIS certification, EN15085 certification, TS16949 certification, AS9100C certification etc. We obtained 320 patents in total, which demonstrates our leading technology and unique exemplary role in the industry.

Since its inception, the Group has attached great importance to technology innovation. In adherence to the principle of “technology as the herald and innovation as the driving force”, we emphasize proprietary research and joint development characterized by the combination of production, knowledge, research and applications. Currently, we have formed a complementary system of technological innovations for the industry chain. We have successively undertaken several R&D tasks in respect of national-level projects, including a major special project commissioned by the Ministry of Industry and Information Technology — 200MN extrusion press for hard alloys with poor formability; the Project for Foundation Enhancement Through Industrial Transformation and Upgrade — 7XXX High Performance Aluminium Alloys for Chassis of High-speed Train; the National Science & Technology Support Program — large and complex cross-section aluminium alloy extrusions; the National Torch Program — industrialization of large and complex cross-section aluminium alloy extrusions with applications in transportation equipment and research for the industrialization of aluminium alloy train compartment and components for urban rail and high-speed passenger rail; and the 863 Program — high-quality broad-width aluminium alloy structural components, Key New Products Program — 6005A large and complex cross-section aluminium alloy extrusions, 6082 aluminium alloy extrusions for high-speed MUs and 2024 aluminium alloy rod products for aviation applications. We also own a number of proprietary technologies in developing new materials, technologies and processes for aluminium alloys.

The Group regards product quality as fundamental for its survival and has developed accordingly a full-fledged quality management system to continuously enhance the standard of its quality management and its product quality. As at 31 December 2014, the Group employed 501 (Year 2013: 355), a year-on-year increase of 41.1%, dedicated quality inspectors, who are responsible for ensuring product safety and improving product quality through quality inspection and testing procedures such as stress tests, fatigue tests and metal crack detection. The Group has established a regime for regular disclosure of product quality information and its quality assurance ability has been steadily improved. Its quality, surveying and laboratory systems are subject to supervision and examination by accreditation authorities on an annual basis. Administration systems for the collection, compilation, transmission, analysis, feedback and decision-making in respect of product quality information have been put into operation, and a stringent procedure for product recall has been formulated. During the Year under Review, we passed the powder spraying certification of the Europe QUALICOAT, the AS9100C quality system certification, and the annual assessment and audit of the CCS quality system. Our testing center has been recognized by and registered with the Liaoning Province entry-exit inspection and quarantine laboratory. In addition, the Group has also been granted a number of awards, such as the “Mayor Quality Award of Liaoyang”.

During the Year under Review, none of our products sold or delivered were involved in any recall due to safety and health reasons, nor did we receive any complaint about our products sold or services rendered.

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

The Group has been committed to establishing credit management mechanism to further improve the contract management organization and linkage management system. The Group will also abide by the tenet of "honesty and trustworthiness" and keep the execution and performance of contract in strict accordance with management responsibilities and authorized scope. In recognition of our outstanding performance in its corporation and brand awareness, soundness of contract management system, regulation on contract behaviors, operational efficiency and degree of social reputation, as at 31 December 2014, the Group has also been recognized as state-level "Contract-Observing and Creditworthy Enterprise" by the State Administration of Industry and Commerce for twelve consecutive years.

Community Involvement

While focusing on the delivery of economic benefits for the community, the Group adheres to the philosophy of "community involvement and contributions". Based on our core capabilities and advantages, we have been exploring strategic public welfare projects and make continuous contributions to the local community. The Group actively led its staff to show their care by giving back to the community and to provide practical assistance to the groups that need help. Since 2011, the Group has invested approximately RMB3.2 million in the development of community welfare programs.

Commitment to Community Services in a Genuine Effort to Repay the Society

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

The Group is devoted in particular to the welfare of underprivileged groups such as children and senior citizens. Children are the hope and the future of the nation. Caring about and improving the livelihood of children is the responsibility and obligation of all parties of the society. Since 2011, as part of the Group's essential activities, the Group has paid regular visits to municipal children's welfare homes and homes for disabled veterans, and donated a diversity of daily necessities to improve their livelihood.

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

In 2015, the Group will continue to increase its emphasis on human values, environments, consumers and the society. Based on the Guidance on Social Responsibility as per ISO26000, we will also continue to optimize our corporate social responsibility management system.

As a responsible corporate citizen, we recognize the fulfilment of social responsibility as our obligation and the basic principle of our long-term development. The Group will continue to explore and surpass, intensifying its efforts in fulfilling social responsibilities in order to pursue sustainable development in terms of the corporate, environment and society.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA ZHONGWANG HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Zhongwang Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 76 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
17 March 2015

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	4	**15,971,218**	14,306,751
Cost of sales		**(11,504,049)**	(10,465,700)
Gross profit		**4,467,169**	3,841,051
Investment income	5	**171,923**	132,178
Other income/(expenses) and other gains	6	**238,358**	328,864
Selling and distribution costs		**(155,733)**	(147,033)
Administrative and other operating expenses		**(1,261,089)**	(1,040,200)
Share of profit of an associate	16	**3,687**	3,796
Finance costs	7(a)	**(493,987)**	(563,490)
Profit before taxation	7	**2,970,328**	2,555,166
Income tax	8	**(493,308)**	(428,541)
Profit for the year attributable to equity shareholders of the Company	10	**2,477,020**	2,126,625
Other comprehensive income	11		
Items that may be reclassified subsequently to the consolidated income statement:			
— Exchange differences arising on translation to presentation currency		**24**	(6,651)
— Cash flow hedge: net movement in the hedging reserve		**(1,213)**	—
Total comprehensive income for the year attributable to equity shareholders of the Company		**2,475,831**	2,119,974
Earnings per share			
Basic (RMB)	12	**0.36**	0.39
Diluted (RMB)	12	**0.36**	0.39

The notes on pages 83 to 135 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 31(b).

Consolidated Statement of Financial Position

as at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	13	**19,124,175**	7,272,504
Prepaid lease payments	14	**5,115,292**	4,827,695
Interest in an associate	16	**60,494**	56,807
Deposits for acquisition of property, plant and equipment and prepaid lease	17	**9,263,325**	12,441,056
Pledged bank deposits	21	**460,000**	1,532,000
Available-for-sale financial assets	22	**701,160**	—
Deferred tax assets	30(b)	**40,556**	31,220
		34,765,002	26,161,282
Current assets			
Inventories	18	**3,192,409**	3,736,578
Trade and bills receivables	19	**818,100**	660,844
Other receivables, deposits and prepayments	20	**2,508,968**	273,906
Available-for-sale financial assets	22	**1,602,382**	—
Current tax assets	30(a)	**—**	64,279
Prepaid lease payments	14	**111,753**	102,745
Pledged bank deposits	21	**1,181,400**	36,454
Short-term deposits	23	**126,059**	—
Cash and cash equivalents	23	**9,463,342**	9,317,055
		19,004,413	14,191,861
Current liabilities			
Trade payables	24	**753,862**	1,482,195
Bills payable	25	**1,539,430**	2,291,520
Other payables and accrued charges	26	**2,814,329**	828,962
Current tax liabilities	30(a)	**89,779**	—
Debentures	28	**3,000,000**	3,200,000
Bank and other loans	27(a)	**8,898,417**	4,308,500
Derivative financial instruments	29	**13,710**	—
		17,109,527	12,111,177
Net current assets		**1,894,886**	2,080,684
Total assets less current liabilities		**36,659,888**	28,241,966

Consolidated Statement of Financial Position

as at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Bank and other loans	27(b)	**10,287,816**	4,891,643
Debentures	28	**1,700,000**	3,500,000
Deferred tax liabilities	30(b)	**343,480**	211,431
		12,331,296	8,603,074
NET ASSETS		**24,328,592**	19,638,892
CAPITAL AND RESERVES			
Share capital	31(c)	**605,397**	474,675
Reserves	31(d)	**23,723,195**	19,164,217
TOTAL EQUITY		**24,328,592**	19,638,892

Approved and authorised for issue by the board of directors on 17 March 2015.

Lu Changqing
Director

Chen Yan
Director

The notes on pages 83 to 135 form part of these consolidated financial statements.

Statement of Financial Position

as at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Interests in subsidiaries	15	**19,713,198**	10,118,169
Current assets			
Other receivables, deposits and prepayments	20	**50,912**	17,105
Cash and cash equivalents	23	**10,905**	4,133
		61,817	21,238
Current liabilities			
Other payables and accrued charges	26	**60,709**	11,450
Amount due to subsidiaries		**24,263**	144,134
Bank loans	27(c)	**3,998,566**	304,845
Derivative financial instruments	29	**13,710**	—
		4,097,248	460,429
Net current liabilities		**(4,035,431)**	(439,191)
Total assets less current liabilities		**15,677,767**	9,678,978
Non-current liabilities			
Bank loans	27(d)	**5,133,300**	1,219,380
NET ASSETS		**10,544,467**	8,459,598
CAPITAL AND RESERVES			
Share capital	31(c)	**605,397**	474,675
Reserves	31(a), 31(d)	**9,939,070**	7,984,923
TOTAL EQUITY		**10,544,467**	8,459,598

Approved and authorised for issue by the board of directors on 17 March 2015.

Lu Changqing
Director

Chen Yan
Director

The notes on pages 83 to 135 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 31(d)(iv))	Other reserve RMB'000 (Note 31(d)(iii))	Surplus reserve RMB'000 (Note 31(d)(i))	Enterprise development fund RMB'000 (Note 31(d)(ii))	Share option reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013		474,675	9,039,698	(2,992,978)	635,898	1,332,679	1,332,679	137,237	2,082	—	7,546,013	17,507,983
Changes in equity for 2013:												
Profit for the year		—	—	—	—	—	—	—	—	—	2,126,625	2,126,625
Other comprehensive income for the year		—	—	—	—	—	—	—	(6,651)	—	—	(6,651)
Total comprehensive income for the year		—	—	—	—	—	—	—	(6,651)	—	2,126,625	2,119,974
Recognition of share-based payment	36(b)	—	—	—	—	—	—	10,935	—	—	—	10,935
Appropriations		—	—	—	—	202,275	202,275	—	—	—	(404,550)	—
		—	—	—	—	202,275	202,275	10,935	—	—	(404,550)	10,935
At 31 December 2013 and 1 January 2014		**474,675**	**9,039,698**	**(2,992,978)**	**635,898**	**1,534,954**	**1,534,954**	**148,172**	**(4,569)**	**—**	**9,268,088**	**19,638,892**
Changes in equity for 2014:												
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,477,020**	**2,477,020**
Other comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**24**	**(1,213)**	**—**	**(1,189)**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**24**	**(1,213)**	**2,477,020**	**2,475,831**
Shares issued under open offer		**127,514**	**3,194,526**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,322,040**
Final dividends for the year 2013		**—**	**(729,723)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(729,723)**
Interim dividends for the year 2014		**—**	**(448,148)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(448,148)**
Exercise of share option		**3,208**	**166,204**	**—**	**—**	**—**	**—**	**(105,226)**	**—**	**—**	**—**	**64,186**
Recognition of share-based payment	36(b)	**—**	**—**	**—**	**—**	**—**	**—**	**5,514**	**—**	**—**	**—**	**5,514**
Appropriations		**—**	**—**	**—**	**—**	**239,090**	**239,090**	**—**	**—**	**—**	**(478,180)**	**—**
		130,722	**2,182,859**	**—**	**—**	**239,090**	**239,090**	**(99,712)**	**—**	**—**	**(478,180)**	**2,213,869**
At 31 December 2014		**605,397**	**11,222,557**	**(2,992,978)**	**635,898**	**1,774,044**	**1,774,044**	**48,460**	**(4,545)**	**(1,213)**	**11,266,928**	**24,328,592**

The notes on pages 83 to 135 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		**2,970,328**	2,555,166
Adjustments for:			
Finance costs		**493,987**	563,490
Depreciation of property, plant and equipment		**483,155**	396,342
Share-based payment expenses		**5,514**	10,935
Gains on disposal of property, plant and equipment		**(736)**	(327)
Bank deposits interest income		**(120,474)**	(131,119)
Interest income from available-for-sale financial assets		**(51,449)**	(1,059)
Amortisation of prepaid lease payments		**112,360**	104,858
Share of profit of an associate		**(3,687)**	(3,796)
Impairment losses on trade and bills receivables		**—**	325
Reversal of impairment losses on trade and bills receivables		**(9,436)**	(1,050)
Operating cash flows before movements in working capital		**3,879,562**	3,493,765
Decrease in inventories		**544,169**	251,910
(Increase)/decrease in trade and bills receivables		**(147,820)**	124,737
(Increase)/decrease in other receivables, deposits and prepayments		**(894,710)**	6,702
Decrease in trade payables		**(728,333)**	(1,789,009)
(Decrease)/increase in bills payable		**(752,090)**	2,228,520
Increase/(decrease) in other payables and accrued charges		**103,715**	(31,881)
Cash generated from operations		**2,004,493**	4,284,744
Income tax paid	30(a)	**(216,537)**	(499,896)
Net cash generated from operating activities		**1,787,956**	3,784,848

Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Investing activities			
Placement in short-term deposits		**(126,059)**	—
(Placement)/withdrawal in pledged bank deposits		**(72,946)**	96,694
Payment for the purchases of property, plant and equipment and prepaid lease payments		**(8,759,776)**	(5,958,073)
Bank deposits interest received		**189,723**	54,887
Payment for the purchases of financial investments		**(3,960,600)**	(9,585,000)
Proceeds from disposal of financial investments		**1,687,000**	9,585,000
Interest from financial investments received		**21,507**	1,059
Net cash used in investing activities		**(11,021,151)**	(5,805,433)
Financing activities			
Proceeds from new bank and other loans		**13,117,863**	7,950,843
Repayment of bank borrowings		**(3,273,142)**	(5,118,172)
Proceeds from debentures issued		**1,200,000**	2,500,000
Repayment of debentures		**(3,200,000)**	(1,200,000)
Net proceeds from open offer		**3,322,040**	—
Interest paid		**(673,594)**	(685,175)
Dividends paid		**(1,177,871)**	—
Net proceeds from exercise of share options		**64,186**	—
Net cash generated from financing activities		**9,379,482**	3,447,496
Net increase in cash and cash equivalents		**146,287**	1,426,911
Cash and cash equivalents at 1 January		**9,317,055**	7,890,144
Cash and cash equivalents at 31 December		**9,463,342**	9,317,055

The notes on pages 83 to 135 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

1 Corporate information

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

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

2 Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale (see Note 2(f)); and

— derivative financial instruments (see Note 2(g)).

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

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

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

2 Significant accounting policies (Continued)

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new interpretation 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 consolidated financial statements:

— Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

— Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

— Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

— IFRIC 21, *Levies*

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.

(d) Subsidiaries

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

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

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

(e) Investment in an associate

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

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

2 Significant accounting policies (Continued)

(e) Investment in an associate (Continued)

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

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

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

(f) Investments in available-for-sale financial assets

Investments in debt securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

Investments in debt securities which do not fall into categories of investments in securities held for trading and held-to-maturity are classified as available-for-sale financial assets. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the consolidated income statement in accordance with the policy set out in Note 2(t)(iii).

When the investments are derecognised or impaired (see Note 2(k)), the cumulative gain or loss recognised in equity is reclassified to the consolidated income statement. Investments in debt securities are recognized/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss is in accordance with Note 2(h).

(h) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statement.

The associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the liability assumed affects the consolidated income statement (such as when interest expense is recognised).

2 Significant accounting policies (Continued)

(i) Property, plant and equipment

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

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

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

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

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

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

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

(j) Operating lease charges

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

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

2 Significant accounting policies (Continued)

(k) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

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

— For available-for-sale financial assets, the cumulative loss that has been recognised in the fair value reserve is reclassified to the consolidated income statement. The amount of the cumulative loss that is recognised in the consolidated income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in the consolidated income statement.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the consolidated income statement.

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

2 Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets

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

— property, plant and equipment;

— prepaid lease payments; and

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

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

2 Significant accounting policies (Continued)

(l) Inventories

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

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

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

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

(m) Trade and other receivables

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

(n) Interest-bearing borrowings

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

(o) Trade and other payables

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

(p) Cash and cash equivalents

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

(q) Employee benefits

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

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

2 Significant accounting policies (Continued)

(q) Employee benefits (Continued)

(ii) Share-based payments

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

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

(r) Income tax

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

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

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

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

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

2 Significant accounting policies (Continued)

(r) Income tax (Continued)

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

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

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

2 Significant accounting policies (Continued)

(t) Revenue recognition

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

(i) Sale of goods

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

(ii) Rental income from operating leases

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

(iii) Interest income

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

(iv) Government grants

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

(u) Translation of foreign currencies

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

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

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

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

(v) Research and development expenditure

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

2 Significant accounting policies (Continued)

(w) Borrowing costs

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

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

(x) Related parties

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

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

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

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

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

(y) Segment reporting

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

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

3 Accounting judgement and estimates

Notes 32 and 36 contain information about the assumptions and their risk factors relating to fair value of financial instruments and share options granted. Other key sources of estimation uncertainty are as follows:

(a) Depreciation

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

(b) Impairment on property, plant and equipment

Determining whether its property, plant and equipment are impaired requires an estimation of their recoverable amounts. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from those assets and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. In the opinion of directors of the Company, no impairment loss on property, plant and equipment is necessary for the year ended 31 December 2014 and 2013.

(c) Impairment of receivables

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

(d) Secured borrowings

The Group has entered into several arrangements with financial leasing institutions in which the Group sold certain equipment to these institutions and then leased back with scheduled lease payments. The Group has an option to buy back these equipment at a token price at the end of each lease term, i.e. the bargain purchase option. The aggregate carrying value of these equipment amounted to approximately RMB3,909,866,000 at 31 December 2014 (2013: RMB983,701,000).

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

Accordingly, this indicates that these arrangements do not, in substance, involve a lease under IAS 17, instead, the sales and leaseback transaction is closely interrelated and shall be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The substance of these arrangements are cash borrowings, secured by the underlying assets and repayable in instalments over the lease term. The information of the underlying assets and the secured loans are disclosed in Note 13 and Note 27(b)(iii).

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:

	2014 RMB'000	2013 RMB'000
Sales of aluminium products		
— for industry use	14,869,571	13,377,531
— for construction use	1,045,134	917,750
Others	56,513	11,470
	15,971,218	14,306,751

(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 and aluminium flat rolled products). Each type of product has different client base and requires different production technology. The Group's operating segments under IFRS 8 are as follows:

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

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	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Industrial	**14,869,571**	13,377,531	**4,325,380**	3,736,023
Construction	**1,045,134**	917,750	**85,452**	93,680
Others	**56,513**	11,470	**56,337**	11,348
Total	**15,971,218**	14,306,751	**4,467,169**	3,841,051
Investment income and other income/(expenses) and other gains			**410,281**	461,042
Selling and distribution costs			**(155,733)**	(147,033)
Administrative and other operating expenses			**(1,261,089)**	(1,040,200)
Share of profit of an associate			**3,687**	3,796
Finance costs			**(493,987)**	(563,490)
Profit before taxation			**2,970,328**	2,555,166
Income tax			**(493,308)**	(428,541)
Profit for the year			**2,477,020**	2,126,625

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

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

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(ii) Segment assets

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

	2014 RMB'000	2013 RMB'000
Industrial	**12,945,541**	9,979,131
Construction	**246,477**	320,645
Flat-rolled	**19,734,800**	13,350,456
Unallocated assets		
— Property, plant and equipment	**1,801,527**	1,894,806
— Prepaid lease payments	**58,626**	59,700
— Available-for-sale financial assets	**2,303,542**	—
— Interest in an associate	**60,494**	56,807
— Deferred tax assets	**40,556**	31,220
— Inventories	**2,838,083**	3,436,684
— Other receivables, deposits and prepayments	**2,508,968**	273,906
— Current tax asset	**—**	64,279
— Pledged bank deposits	**1,641,400**	1,568,454
— Short-term deposits	**126,059**	—
— Cash and cash equivalents	**9,463,342**	9,317,055
Total assets	**53,769,415**	40,353,143

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 an associate, deferred tax assets, certain raw materials and certain work in progress included in inventories, other receivables, deposits and prepayments, current tax asset, 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 receivables and bills receivables that can be identified to a particular operating segment.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(ii) Segment assets (Continued)

Part of 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, and derivative financial instruments cannot be allocated either. As a result, no segment liability is presented.

(iii) Other segment information

Amounts included in the measure of segment profit or segment assets for the year ended 31 December 2014:

	Industrial RMB'000	Construction RMB'000	Flat-rolled RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	**2,562,876**	**—**	**9,739,501**	**33,290**	**12,335,667**
Additions to prepaid lease payments	**408,965**	**—**	**—**	**—**	**408,965**
Additions to deposits for acquisition of property, plant and equipment and prepaid lease	**392,723**	**—**	**2,870,385**	**—**	**3,263,108**
Depreciation of property, plant and equipment	**285,744**	**55,258**	**—**	**142,153**	**483,155**
Amortisation of prepaid lease payments	**80,227**	**—**	**31,059**	**1,074**	**112,360**
Reversal of impairment losses on trade receivables	**—**	**9,436**	**—**	**—**	**9,436**
Gains on disposal of property, plant and equipment	**—**	**—**	**—**	**736**	**736**

Amounts included in the measure of segment profit or segment assets for the year ended 31 December 2013:

	Industrial RMB'000	Construction RMB'000	Flat-rolled RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	731,955	—	412,810	291,091	1,435,856
Additions to prepaid lease payments	585,551	—	103,750	—	689,301
Additions to deposits for acquisition of property, plant and equipment and prepaid lease	565,449	—	4,061,364	—	4,626,813
Depreciation of property, plant and equipment	212,767	55,258	—	128,317	396,342
Amortisation of prepaid lease payments	73,761	—	30,023	1,074	104,858
Reversal of impairment losses on trade receivables	77	973	—	—	1,050
Impairment losses on trade receivables	—	325	—	—	325
Gains on disposal of property, plant and equipment	—	—	—	327	327

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:

	2014 RMB'000	2013 RMB'000
People's Republic of China ("PRC")	**13,793,620**	12,590,155
United States of America ("US")	**1,864,181**	1,688,487
Germany	**109,393**	3,913
Others	**204,024**	24,196
	15,971,218	14,306,751

Included in the sales above, approximately RMB1,848,782,000 (2013: RMB1,664,336,000) which are categorised under sales to the US for the year ended 31 December 2014 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:

	2014 RMB'000	2013 RMB'000
Customer A*	**1,848,782**	1,664,336
Customer B*	**1,626,298**	1,481,413

* Revenue from Industrial segment.

5 Investment income

	2014 RMB'000	2013 RMB'000
Bank deposits interest income	**120,474**	131,119
Interest income from available-for-sale financial assets	**51,449**	1,059
	171,923	132,178

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

6 Other income/(expenses) and other gains

	2014 RMB'000	2013 RMB'000
Other income		
Government subsidies (Note)	**179,251**	246,460
Sales of equipment	**173,911**	420,590
Rental income	**160**	150
	353,322	667,200
Other expenses		
Cost of sales of equipment	**(153,342)**	(357,358)
Other gains		
Gains on sales of scrap materials, consumables and moulds	**16,363**	11,589
Gains on disposal of property, plant and equipment	**736**	327
Exchange gains	**21,279**	7,106
	38,378	19,022
	238,358	328,864

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

7 Profit before taxation

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

	2014 RMB'000	2013 RMB'000
(a) Finance costs		
Interests on borrowings wholly repayable within five years:		
— Bank and other loans	531,688	430,274
— Debentures	245,073	334,844
Interests on other borrowings	11,386	—
Less: Interest expense capitalised into deposits for acquisition of property, plant and equipment*	(306,657)	(201,628)
	481,490	563,490
Interest rate swaps: cash flow hedges, reclassified from equity (Note 11(b))	12,497	—
Total finance costs	493,987	563,490

* The borrowing costs have been capitalised at an average interest rate of 4.19% per annum (2013: 4.55%).

	2014 RMB'000	2013 RMB'000
(b) Staff costs#		
Staff costs (including directors' remunerations):		
— Salaries and other benefits	732,512	493,909
— Contributions to defined contribution retirement plan	43,036	29,759
— Equity-settled share-based payment expenses	5,514	10,935
	781,062	534,603
(c) Other items		
Amortisation of prepaid lease payments (Note 14)#	112,360	104,858
Depreciation of property, plant and equipment (Note 13)#	483,155	396,342
Impairment losses on trade receivables (Note 19(b))	—	325
Reversal of impairment losses on trade receivables (Note 19(b))	(9,436)	(1,050)
Operating lease charges in respect of office premises	45,884	25,284
Auditors' remuneration		
— Audit services	4,800	4,800
— Other services	200	—
Research and development costs	507,689	427,723
Cost of inventories#	11,504,049	10,465,700

Cost of inventories includes approximately RMB945,785,000 (2013: RMB743,296,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these type of expenses.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

8 Income tax

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

	2014 RMB'000	2013 RMB'000
Current tax — PRC tax		
Provision for the year	357,792	321,238
Under-provision in respect of prior years	9	—
Withholding tax on intra-group interest income	12,794	8,089
	370,595	329,327
Deferred taxation (Note 30(b))	122,713	99,214
Total income tax	493,308	428,541

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

	2014 RMB'000	2013 RMB'000
Profit before taxation	2,970,328	2,555,166
Taxation at the PRC income tax rate of 25%	742,582	638,792
Tax effect of differential tax rate (Note (i))	31,993	25,831
Effect of PRC preferential tax rate (Note (ii))	(234,298)	(202,613)
Tax effect of non-deductible expenses	2,556	6,946
Tax effect of non-taxable income	(922)	(949)
Tax relief related to additional tax deduction on research and development costs incurred	(63,461)	(53,465)
Tax effect of tax losses not recognised	49,111	27,141
Tax effect of utilisation of previously unrecognised tax losses	(1,363)	—
Tax effect of intra-group interest income	(32,899)	(20,800)
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note 30(b))	—	7,658
Under-provision in respect of prior years	9	—
Actual tax expense	493,308	428,541

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 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.

9 Directors' and senior managements' remuneration

	2014 RMB'000	2013 RMB'000
Directors' remuneration		
Salaries and other benefits	**8,844**	8,837
Retirement benefit scheme contributions	**29**	24
Employee share option benefits	**1,435**	2,715
	10,308	11,576

The remunerations of the two (2013: two) senior managements are within the following bands:

	2014 Number of individuals	2013 Number of individuals
RMB1,500,001 – RMB2,000,000	**2**	2

Directors' remuneration during each of the years ended 31 December 2014 and 2013 are analysed as follows:

	2014				2013			
	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Name of directors			(Note)				(Note)	
Executive directors:								
Mr. Liu Zhongtian	**2,004**	**6**	**—**	**2,010**	2,003	5	—	2,008
Ms. Zhong Hong	**1,504**	**6**	**245**	**1,755**	1,503	5	498	2,006
Mr. Chen Yan	**1,504**	**6**	**245**	**1,755**	1,503	5	498	2,006
Mr. Lu Changqing	**1,528**	**5**	**245**	**1,778**	1,525	4	498	2,027
Mr. Gou Xihui	**1,504**	**6**	**404**	**1,914**	1,503	5	737	2,245
Independent non-executive directors:								
Mr. Wong Chun Wa	**200**	**—**	**74**	**274**	200	—	121	321
Mr. Wen Xianjun	**200**	**—**	**74**	**274**	200	—	121	321
Mr. Shi Ketong	**200**	**—**	**74**	**274**	200	—	121	321
Mr. Lo Wa Kei, Roy	**200**	**—**	**74**	**274**	200	—	121	321
Total	**8,844**	**29**	**1,435**	**10,308**	8,837	24	2,715	11,576

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(q)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 36.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

9 Directors' and senior managements' remuneration (Continued)

For each of the years ended 31 December 2014 and 2013, all five highest paid individuals are the directors of the Group whose remunerations are included in the disclosure set out above.

During each of the years ended 31 December 2014 and 2013, no remunerations was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remunerations during each of the years ended 31 December 2014 and 2013.

10 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of approximately RMB127,787,000 (2013: a loss of RMB289,710,000) which has been dealt with in the financial statements of the Company (see Note 31(a)).

11 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2014 RMB'000	2013 RMB'000
Exchange differences arising on translation to presentation currency (before and after tax)	**24**	(6,651)
Cash flow hedge: net movement in hedging reserve (before and after tax)	**(1,213)**	—
Other comprehensive income	**(1,189)**	(6,651)

(b) Components of other comprehensive income, including reclassification adjustments

	2014 RMB'000	2013 RMB'000
Cash flow hedge:		
Effective portion of changes in fair value of hedging instruments recognised during the year	**(13,710)**	—
Reclassification adjustments for amounts transferred to the consolidated income statement (Note 7(a))	**12,497**	—
Net movement in the hedging reserve during the year recognised in other comprehensive income	**(1,213)**	—

12 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 2014 and 2013 and on the number of shares as follows:

	2014 RMB'000	2013 RMB'000
Profit attributable to equity shareholders of the Company	**2,477,020**	2,126,625

	2014 '000	2013 '000
Number of shares		
Weighted average number of ordinary shares	**5,435,176**	5,406,306
Weighted average number of convertible preference shares	**1,494,946**	—
Weighted average number of shares for the purpose of basic earnings per share	**6,930,122**	5,406,306
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**4,484**	9,088
Weighted average number of shares for the purpose of diluted earnings per share	**6,934,606**	5,415,394
Earnings per share		
Basic (RMB)	**0.36**	0.39
Diluted (RMB)	**0.36**	0.39

The computation of diluted earnings per share does not assume the exercise of certain share options because they are antidilutive for each of the years ended 31 December 2014 and 2013.

13 Property, plant and equipment

The Group

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2013	834,166	6,395,434	95,396	50,722	1,461,493	8,837,211
Transfer in/(out)	253,842	1,148,197	—	—	(1,402,039)	—
Additions	—	42,051	11,780	5,392	1,376,633	1,435,856
Disposals	—	(50,994)	(553)	(2)	—	(51,549)
At 31 December 2013	1,088,008	7,534,688	106,623	56,112	1,436,087	10,221,518
At 1 January 2014	1,088,008	7,534,688	106,623	56,112	1,436,087	10,221,518
Transfer in/(out)	74,634	237,174	—	—	(311,808)	—
Additions	—	108,828	14,830	10,708	12,201,301	12,335,667
Disposals	—	—	(2,285)	—	—	(2,285)
At 31 December 2014	**1,162,642**	**7,880,690**	**119,168**	**66,820**	**13,325,580**	**22,554,900**
Accumulated depreciation and impairment						
At 1 January 2013	228,047	2,301,645	37,606	30,719	—	2,598,017
Charge for the year	38,168	336,987	15,711	5,476	—	396,342
Written back on disposals	—	(44,954)	(390)	(1)	—	(45,345)
At 31 December 2013	266,215	2,593,678	52,927	36,194	—	2,949,014
At 1 January 2014	266,215	2,593,678	52,927	36,194	—	2,949,014
Charge for the year	51,322	409,496	16,763	5,574	—	483,155
Written back on disposals	—	—	(1,444)	—	—	(1,444)
At 31 December 2014	**317,537**	**3,003,174**	**68,246**	**41,768**	**—**	**3,430,725**
Net book value						
At 31 December 2014	**845,105**	**4,877,516**	**50,922**	**25,052**	**13,325,580**	**19,124,175**
At 31 December 2013	821,793	4,941,010	53,696	19,918	1,436,087	7,272,504

At 31 December 2014, certain of the Group's machineries with a carrying amount of approximately RMB3,909,866,000 (2013: RMB983,701,000) were used to secure the Group's borrowings (see Note 3(d) and Note 27(b)(iii)).

14 Prepaid lease payments

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

	The Group	
	2014 RMB'000	2013 RMB'000
Cost		
At 1 January	**5,137,234**	4,447,933
Additions	**408,965**	689,301
At 31 December	**5,546,199**	5,137,234
Accumulated amortisation		
At 1 January	**206,794**	101,936
Charge for the year	**112,360**	104,858
At 31 December	**319,154**	206,794
Net book value		
At 31 December	**5,227,045**	4,930,440
Analysed for reporting purpose:		
Current assets	**111,753**	102,745
Non-current assets	**5,115,292**	4,827,695

15 Interests in subsidiaries

	The Company	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**1,360,328**	1,360,328
Amounts due from subsidiaries*	**18,352,870**	8,757,841
	19,713,198	10,118,169

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

15 Interests in subsidiaries (Continued)

Particulars of the Company's subsidiaries as at 31 December 2014 and 31 December 2013 are as follows, the class of shares held is ordinary unless otherwise stated.

				Proportion of ownership interest				
Name of company	**Place of incorporation/ establishment**	**Form of business structure**	**Place of operation**	**Group's effective interest**	**Held by the Company**	**Held by subsidiaries**	**Issued and fully paid share capital/ registered capital**	**Principal activities**
Liaoning Zhongwang Group Company Limited* 遼寧忠旺集團有限公司	The PRC	Wholly foreign owned enterprise	The PRC	100%	—	100%	USD2,084,000,000	Manufacturing of aluminium products
Zhongwang China Investment Limited	British Virgin Islands	Incorporated	Hong Kong	100%	100%	—	USD2.00	Investment holding
Zhongwang China Investment (HK) Limited	Hong Kong	Incorporated	Hong Kong	100%	—	100%	HKD2.00	Investment holding and trading of aluminium products
Zhongwang Aluminium Company Limited* 忠旺鋁業有限公司	The PRC	Domestic Limited Liability Company ("DLLC")	The PRC	100%	—	100%	RMB300,000,000	Investment holding and trading of aluminium products and other materials
Beijing Zhongwang Huarong Investment Company Limited* 北京忠旺華融投資有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB100,000,000	Investment holding
Beijing Zhongwang Xinda Investment Company Limited* 北京忠旺信達投資有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Investment holding
Liaoning Zhongwang Aluminium Company Limited* 遼寧忠旺鋁業股份有限公司**	The PRC	Incorporated	The PRC	100%	—	100%	RMB20,650,000,000	Investment holding and manufacturing of aluminium products
Daqing Zhongwang Aluminium Company Limited* 大慶忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB230,000,000	Manufacturing of aluminium products
Yingkou Zhongwang Aluminium Company Limited* 營口忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products

(Expressed in Renminbi)

15 Interests in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Form of business structure	Place of operation	Proportion of ownership interest Group's effective interest	Held by the Company	Held by subsidiaries	Issued and fully paid share capital/ registered capital	Principal activities
Panjin Zhongwang Aluminium Company Limited* 盤錦忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Tianjin Zhongwang Aluminium Company Limited* 天津忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB20,000,000,000	Manufacturing of aluminium products
Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited* 遼寧忠旺機械設備製造有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB50,000,000	Manufacturing of machinery
Liaoning Zhongwang Import & Export Trade Company Limited* 遼寧忠旺進出口貿易有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB100,000,000	Trading of aluminium products, ingots, rods and other materials
Liaoning Zhongwang Science & Technology Company Limited* 遼寧忠旺科技有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB10,000,000	Research and development
Zhongwang Import & Export Trade Company Limited* 忠旺進出口有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB1,000,000,000	Trading of aluminium ingots, rods and other materials
Liaoning Zhongwang Advanced Aluminium Alloy Processing Company Limited* 遼寧忠旺鋁合金精深加工有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Liaoning Jiaxiang Machinery Manufacturing Company Limited* 遼寧嘉翔機械製造有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB50,000,000	Manufacturing of machinery
Shengyang Zhongwang Advanced Aluminium Alloy Processing Company Limited* 沈陽忠旺鋁合金精深加工有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB50,000,000	Manufacturing of aluminium products
Zhongwang Aluminium Japan Corporation	Japan	Incorporated	Japan	100%	—	100%	Japanese Yen ("JPY") 10,000,000	Trading of aluminium products and other materials
Zhongwang Aluminium Europe GmbH	Germany	Incorporated	Germany	100%	—	100%	EURO300,000	Trading of aluminium products and other materials
Zhongwang Group Finance Limited* 忠旺集團財務有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB3,000,000,000	Financial information consulting

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

** These companies have not commenced operation at 31 December 2014.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

16 Interest in an associate

	The Group	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**49,000**	49,000
Share of profits	**11,494**	7,807
	60,494	56,807

As at 31 December 2014, the Group had interest in the following associate:

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

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

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

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

	2014 RMB'000	2013 RMB'000
Total assets	**124,748**	117,163
Total liabilities	**(1,291)**	(1,230)
Net assets	**123,457**	115,933
The Group's share of net assets	**60,494**	56,807
Revenue	**1,416,778**	2,391,881
Profit for the year	**7,524**	7,747
The Group's share of profit for the year	**3,687**	3,796

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

	The Group	
	2014 **RMB'000**	2013 RMB'000
Deposits for acquisition of property, plant and equipment (Note)	**8,932,875**	12,194,701
Deposits for acquisition of prepaid lease	**330,450**	246,355
	9,263,325	12,441,056

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 RMB7,301,248,000 (2013: RMB10,993,638,000).

18 Inventories

	The Group	
	2014 **RMB'000**	2013 RMB'000
Raw materials	**2,319,109**	2,947,211
Work in progress	**580,733**	409,945
Finished goods	**292,567**	379,422
	3,192,409	3,736,578

19 Trade and bills receivables

	The Group	
	2014 **RMB'000**	2013 RMB'000
Trade and bills receivables	**818,100**	670,280
Less: Impairment losses	**—**	(9,436)
	818,100	660,844

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

	The Group	
	2014 **RMB'000**	2013 RMB'000
0 to 90 days	**653,307**	536,742
91 to 180 days	**69,870**	25,663
Over 180 days	**94,923**	98,439
	818,100	660,844

For the year ended 31 December 2014, the Group allows an average credit period of 90 days (2013: 90 days) for domestic sales and an average credit period of 180 days (2013: 180 days) for overseas sales. Further details on the Group's credit policy are set out in Note 32(a).

19 Trade and bills receivables (Continued)

(b) Impairment of trade and bills receivables

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

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

	The Group	
	2014 RMB'000	2013 RMB'000
At 1 January	**9,436**	10,497
Impairment loss recognised	**—**	325
Reversal of impairment losses	**(9,436)**	(1,050)
Uncollectible amounts written off	**—**	(336)
At 31 December	**—**	9,436

At 31 December 2014, no trade and bills receivables was individually determined to be impaired (2013: RMB9,436,000). Consequently, no specific allowances of doubtful debts was recognised (2013: RMB9,436,000).

At 31 December 2014, the concentration of credit risk is limited due to the customer base being large and unrelated. At 31 December 2013, there were concentration of credit risks on trade receivables due from three customers located in the PRC amounting to approximately RMB376,032,000.

(c) Trade and bills receivables that are not impaired

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

	The Group	
	2014 RMB'000	2013 RMB'000
91 to 180 days	**49,784**	25,360
181 to 365 days	**54,795**	51,072
Over 365 days	**40,128**	47,367
	144,707	123,799

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

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

20 Other receivables, deposits and prepayments

At 31 December 2014, included in other receivables, deposits and prepayments of the Group are deductible value added tax amounting to approximately RMB1,492,382,000 (2013: RMB82,782,000).

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

21 Pledged bank deposits

The Group pledged bank deposits as collateral in respect of issuance of bills and letters of credit by the Group and to secure the Group's bank loans (see Note 27(a)). The pledged bank deposits will be released upon the settlement of relevant payables and bank loans.

22 Available-for-sale financial assets

	The Group	
	2014 RMB'000	2013 RMB'000
Financial products, at fair value (Note)	**2,303,542**	—
Analysed for reporting purpose:		
Current assets	**1,602,382**	—
Non-current assets	**701,160**	—
	2,303,542	—

Note: At 31 December 2014, the financial products held by the Group are principal-protected and generate annual target return rate ranged from 3.80% to 6.05% (2013: nil).

At 31 December 2014, certain of the Group's available-for-sale financial assets with a carrying amount of approximately RMB1,495,388,000 (2013: nil) were used to secure the Group's bank loans (see Note 27(a) and Note 27(b)).

23 Short-term deposits and cash and cash equivalents

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

Cash and cash equivalents comprise cash held by the Group and the Company, and bank deposits with an original maturity of three months or less. At 31 December 2014, included in cash and cash equivalents of the Group were fixed deposits of RMB138,004,000 (2013: nil) with an original maturity of three months or less.

24 Trade payables

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

	The Group	
	2014 RMB'000	2013 RMB'000
0 to 90 days	**133,729**	1,481,293
91 to 180 days	**241,784**	759
181 days to 1 year	**378,349**	143
	753,862	1,482,195

25 Bills payable

At 31 December 2014, all the bills payable are repayable within 180 days (2013: 180 days) and are denominated in Renminbi.

At 31 December 2014, bills payable amounting to RMB592,430,000 (2013: RMB1,529,050,000) was secured by deposits placed in banks with an aggregate carrying value of RMB192,430,000 (2013: RMB35,160,000).

26 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 RMB2,318,904,000 (2013: RMB356,708,000) owed to certain suppliers who have supplied production machineries and certain contractors who have provided construction services to the Group.

27 Bank and other loans

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

	2014 RMB'000	2013 RMB'000
Bank loans:		
— Secured by certain financial assets of the Group (Note (i))	**1,223,800**	—
— Guaranteed by the Company	**—**	306,618
— Guaranteed by subsidiaries	**305,949**	—
— Unguaranteed and unsecured	**3,934,520**	2,304,845
Other loans:		
— Unguaranteed and unsecured	**—**	780,000
	5,464,269	3,391,463
Add:		
— Current portion of long-term bank and other loans	**2,261,647**	917,037
— Non-current portion of long-term bank loans repayable on demand (see Note (ii) and Note 27(b))	**1,172,501**	—
	8,898,417	4,308,500

Note:

(i) At 31 December 2014, a short-term bank loan with notional principle of United States Dollars ("USD")200,000,000 (equivalent to approximately RMB1,223,800,000) (2013: nil) is secured by bank deposits of RMB518,950,000 and available-for-sale financial assets of RMB794,228,000 (see Note 21 and Note 22).

(ii) Some of the Group's long-term bank loans with principle amount of Hong Kong Dollars ("HKD")1,486,248,000 (equivalent to approximately RMB1,172,501,000) contain clauses which give the lenders unconditional rights to demand immediate repayment of the loans at any time. At 31 December 2014, the carrying value of these loans was RMB1,172,501,000, none of which is repayable within one year (2013: nil).

27 Bank and other loans (Continued)

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

	2014 RMB'000	2013 RMB'000
Bank loans:		
— Secured by bank deposits (Note (i))	**446,113**	—
— Secured by certain financial assets of the Group (Note (ii))	**726,388**	—
— Guaranteed by subsidiaries	**4,283,300**	1,219,380
— Guaranteed by related parties	**2,111,900**	1,500,000
— Unguaranteed and unsecured	**2,390,000**	1,810,000
Other loans:		
— Secured by property, plant and equipment (Note (iii))	**2,964,263**	479,300
— Unguaranteed and unsecured	**800,000**	800,000
	13,721,964	5,808,680
Less:		
— Current portion of long-term bank and other loans	**(2,261,647)**	(917,037)
— Non-current portion of long-term bank loans repayable on demand (see Note 27(a))	**(1,172,501)**	—
	10,287,816	4,891,643

Note:

(i) At 31 December 2014, a long-term bank loan with notional principle of HKD565,488,000 (approximately RMB446,113,000) (2013: nil) is secured by pledged bank deposits of RMB460,000,000 (see Note 21).

(ii) At 31 December 2014, a long-term bank loan with notional principle of HKD920,760,000 (approximately RMB726,388,000) (2013: nil) is secured by available-for-sale financial assets of RMB701,160,000 (see Note 22).

(iii) At 31 December 2014, the long-term loans from financial leasing institutions are secured by certain property, plant and equipment of the Group (see Note 3(d) and Note 13). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB3,909,866,000 at 31 December 2014 (2013: RMB983,701,000).

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

	2014 RMB'000	2013 RMB'000
Within 1 year	**2,261,647**	917,037
After 1 year but within 2 years	**4,857,733**	2,049,419
After 2 years but within 5 years	**6,602,584**	2,842,224
	13,721,964	5,808,680

27 Bank and other loans (Continued)

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

All of the long-term bank and other loans, including the non-current portion of long-term bank loans repayable on demand, are carried at amortised cost and are not expected to be settled within one year.

Some of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's balance sheet ratios, shareholdings of the Company or remaining listed in major stock exchange, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. In addition, as disclosed in Note 27(a), some of the Group's long-term bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, the Group is up to date with the scheduled repayments of the long-term bank loans and does not consider it probable that the banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. At 31 December 2014, none of the covenants relating to drawn down facilities had been breached (2013: nil).

Details of the Group's management of liquidity risk are set out in Note 32(b).

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

	2014 RMB'000	2013 RMB'000
Bank loans:		
— Guaranteed by subsidiaries	**305,949**	—
— Unguaranteed and unsecured	**2,520,116**	304,845
	2,826,065	304,845
Add:		
— Non-current portion of long-term bank loans repayable on demand (see Note 27(a))	**1,172,501**	—
	3,998,566	304,845

27 Bank and other loans (Continued)

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

	2014 RMB'000	2013 RMB'000
Bank loans:		
— Secured by bank deposits (see Note 27(b)(i))	**446,113**	—
— Secured by certain financial assets of the Group (see Note 27(b)(ii))	**726,388**	—
— Guaranteed by subsidiaries	**4,283,300**	1,219,380
— Unguaranteed and unsecured	**850,000**	—
	6,305,801	1,219,380
Less:		
— Non-current portion of long-term bank loans repayable on demand (see Note 27(a))	**(1,172,501)**	—
	5,133,300	1,219,380

The long term bank loans are repayable as follows:

	2014 RMB'000	2013 RMB'000
After 1 year but within 2 years	**2,396,301**	—
After 2 years but within 5 years	**3,909,500**	1,219,380
	6,305,801	1,219,380

28 Debentures

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

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

During the year ended 31 December 2013, the Group issued two unsecured debentures each of RMB1,000,000,000, with maturity of one year and repayable on 13 March 2014 and 8 May 2014, respectively, and with effective interest rate of 4.47% and 4.58% per annum, respectively, these debentures were fully repaid on their maturity dates. The Group also issued an unsecured debenture of RMB500,000,000 with maturity of three years and repayable on 8 October 2016, with effective interest rate of 6.90% per annum.

During the year ended 31 December 2014, the Group issued unsecured debentures of RMB100,000,000 and RMB1,100,000,000 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.

29 Derivative financial instruments

	The Group and the Company	
	2014 RMB'000	2013 RMB'000
Interest rate swap	**13,710**	—

The Group uses interest rate swaps to reduce the risk of changes in market interest rates (Note 32(c)). The interest rate swaps entered into by the Group for swapping floating interest rates, usually referenced to HIBOR, into fixed rates are accounted for as cash flow hedges. At 31 December 2014, the notional amount of the outstanding interest rate swap agreements was approximately RMB1,172,501,000 (2013: nil). These agreements will expire in 2016.

30 Income tax in the consolidated statement of financial position

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

	The Group	
	2014 RMB'000	2013 RMB'000
At 1 January	**(64,279)**	106,290
Current tax (Note 8(a))	**370,595**	329,327
Income tax paid	**(216,537)**	(499,896)
At 31 December	**89,779**	(64,279)

(b) Deferred tax assets/liabilities recognised:

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

The Group

Deferred tax assets/ (liabilities) arising from:	**Impairment of property, plant and equipment RMB'000**	**Tax value of losses carried forward RMB'000**	**Depreciation allowances in excess of the related depreciation RMB'000**	**Capitalisation of borrowing costs RMB'000**	**PRC withholding tax RMB'000 (Note 30(d))**	**Total RMB'000**
At 1 January 2013	26,219	6,505	(21,157)	(42,564)	(50,000)	(80,997)
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note 8(b))	(7,658)	—	—	—	—	(7,658)
(Charged)/credited to the consolidated income statement	(4,546)	10,700	(47,303)	(50,407)	—	(91,556)
At 31 December 2013	14,015	17,205	(68,460)	(92,971)	(50,000)	(180,211)
At 1 January 2014	**14,015**	**17,205**	**(68,460)**	**(92,971)**	**(50,000)**	**(180,211)**
(Charged)/credited to the consolidated income statement (Note 8(a))	**(4,545)**	**13,881**	**(55,385)**	**(76,664)**	**—**	**(122,713)**
At 31 December 2014	**9,470**	**31,086**	**(123,845)**	**(169,635)**	**(50,000)**	**(302,924)**

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

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

(ii) Reconciliation to the consolidated statements of financial position

	The Group	
	2014 **RMB'000**	2013 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**40,556**	31,220
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(343,480)**	(211,431)
	(302,924)	(180,211)

(c) At 31 December 2014, the Group had estimated unused tax losses of approximately RMB385,900,000 (2013: RMB189,456,000) available for offset against future profits, deferred tax asset has not been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax value of these losses carried forward of approximately RMB47,180,000, RMB33,712,000, RMB108,564,000 and RMB196,444,000 will expire in 2016, 2017, 2018 and 2019, respectively.

(d) Under the relevant tax rules and regulations of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation of RMB50,000,000 has been provided for in the consolidated financial statements in respect of temporary difference arising from the withholding tax on accumulated profits of a PRC subsidiary generated during the year ended 31 December 2008.

(e) No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences relating to the undistributed profits of a PRC subsidiary amounting to approximately RMB11,210,497,000 (2013: RMB9,297,778,000) as the Company controls the dividend policy of such subsidiary and it is probable that the profits will not be distributed in the foreseeable future. At the end of the reporting period, the Group had no other significant unprovided deferred taxation.

31 Capital, reserves and dividends

(a) Movements in components of equity

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

The Company

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Hedging reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	474,675	9,039,698	137,237	—	(913,237)	8,738,373
Changes in equity for 2013:						
Loss for the year	—	—	—	—	(289,710)	(289,710)
Recognition of share-based payment	—	—	10,935	—	—	10,935
At 31 December 2013 and 1 January 2014	**474,675**	**9,039,698**	**148,172**	**—**	**(1,202,947)**	**8,459,598**
Changes in equity for 2014:						
Loss for the year	**—**	**—**	**—**	**—**	**(127,787)**	**(127,787)**
Unrealised loss on cashflow hedges	**—**	**—**	**—**	**(1,213)**	**—**	**(1,213)**
Shares issued under open offer	**127,514**	**3,194,526**	**—**	**—**	**—**	**3,322,040**
Final dividends for the year 2013	**—**	**(729,723)**	**—**	**—**	**—**	**(729,723)**
Interim dividends for the year 2014	**—**	**(448,148)**	**—**	**—**	**—**	**(448,148)**
Exercise of share option	**3,208**	**166,204**	**(105,226)**	**—**	**—**	**64,186**
Recognition of share-based payment	**—**	**—**	**5,514**	**—**	**—**	**5,514**
At 31 December 2014	**605,397**	**11,222,557**	**48,460**	**(1,213)**	**(1,330,734)**	**10,544,467**

(b) Dividends

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

	2014 RMB'000	2013 RMB'000
Interim dividend declared and paid of HKD0.08 (approximately equivalent to RMB0.06) per ordinary share and convertible preference share (2013: nil)	**448,148**	—
Final dividend proposed after the end of the reporting period of HKD0.08 (approximately equivalent to RMB0.06) per ordinary share and convertible preference share (2013: HKD0.13)	**448,715**	723,715

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.

31 Capital, reserves and dividends (Continued)

(b) Dividends (Continued)

(ii) 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:

	2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.13 (approximately equivalent to RMB0.10) per ordinary share and convertible preference share (2013: nil)	729,723	—

(c) Share capital

(i) Authorised and issued share capital

	No. of shares	Share capital	
		HKD'000	RMB'000
Ordinary share of HKD0.10 each:			
Authorised:			
At 1 January 2013	8,000,000,000	800,000	N/A
Increase in authorised share capital	12,000,000,000	1,200,000	N/A
At 31 December 2013 and 31 December 2014	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2013 and 31 December 2013	5,406,306,400	540,631	474,675
Shares issued under open offer	2,703,583	270	213
Shares issued under share option scheme (Note 31(c)(iii))	40,400,000	4,040	3,208
Shares issued pursuant to conversion of convertible preference share	62,317	6	5
At 31 December 2014	5,449,472,300	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2013	—	—	N/A
Increase in authorised share capital	10,000,000,000	1,000,000	N/A
At 31 December 2013 and 31 December 2014	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2013 and 31 December 2013	—	—	—
Shares issued under open offer	1,619,188,337	161,919	127,301
Conversion of convertible preference share	(62,317)	(6)	(5)
At 31 December 2014	1,619,126,020	161,913	127,296

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

31 Capital, reserves and dividends (Continued)

(c) Share capital (Continued)

(i) Authorised and issued share capital (Continued)

By the special resolution of extraordinary general meeting of the Company held on 27 December 2013, the Company's authorised share capital was increased from HKD800,000,000 divided into 8,000,000,000 shares of HKD0.10 each to HKD3,000,000,000 divided into 30,000,000,000 shares of HKD0.10 each, including 10,000,000,000 unissued shares were redesignated into 10,000,000,000 restricted voting non-redeemable convertible preference shares, and 20,000,000,000 issued and unissued shares were redesignated into 20,000,000,000 ordinary shares.

Pursuant to an ordinary resolution passed at a board meeting of the Company on 28 November 2013, an issue of ordinary shares and/or unlisted convertible preference shares by the Company at a price of HKD2.61 per share on the basis of 3 new ordinary shares for every 10 existing ordinary shares then held by the qualifying shareholders on the record date and payable in full on the acceptance (the "Open Offer") was approved. The Open Offer was completed and 2,703,583 new ordinary shares and 1,619,188,337 convertible preference shares were issued on 28 January 2014, resulting in net proceeds of approximately HKD4,225,400,000 (approximately RMB3,322,040,000) to the Company. The Company intends to apply the net proceeds of the Open Offer in full to fund the capital commitments of high value-added aluminium flat rolled project in Tianjin, PRC.

The convertible preference shares are non-redeemable by the Company. The holders of the convertible preference shares ("Convertible Preference Shareholders") may request the Company to convert one convertible preference share into one ordinary share from the date of allotment and issue of the convertible preference shares. The conversion is subject to the condition that the Convertible Preference Shareholders shall not exercise the conversion rights if upon the conversion, the percentage of the ordinary shares held by the public would drop below the minimum public float requirements under the listing rules applicable to the Company.

The Convertible Preference Shareholders are entitled to participate pari passu in any dividends payable to the holders of the ordinary shares on a pro rata as-if-converted basis. On return of capital on winding up or otherwise, the assets of the Company available for distribution shall be applied towards repayment of an amount equal to the aggregate of nominal amounts of the convertible preference shares, and the Convertible Preference Shareholders shall not have preference to participate in any remaining assets.

The Convertible Preference Shareholders shall not be entitled to vote at general meetings of the Company unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed at a general meeting which if passed would vary, modify or abrogate the rights and privileges of the convertible preference shares.

The convertible preference shares are not listed on the Stock Exchange.

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

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

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 36 to the consolidated financial statements.

On 7 May 2014, the share options under pre-IPO share option scheme were exercised and 40,400,000 new ordinary shares were issued.

31 Capital, reserves and dividends (Continued)

(c) Share Capital (Continued)

(iii) Shares issued under share option scheme

On 7 May 2014, the share options under pre-IPO share option scheme were exercised to subscribe for 40,400,000 ordinary shares in the Company at a consideration of RMB64,186,000 of which RMB3,208,000 was credited to share capital and the balance of RMB60,978,000 was credited to the share premium account. RMB105,226,000 has been transferred from the share option reserve to the share premium account in accordance with policy set out in note 2(q)(ii).

(d) Nature and purpose of reserves

(i) Surplus reserve

The Articles of Association of Liaoning Zhongwang state that it may make an appropriation of 10% of its profit for the year (prepared in accordance with Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the PRC) each year to the surplus reserve until the balance reaches 50% of its paid-in capital. The surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of its production and operation.

(ii) Enterprise development fund

Pursuant to the PRC Company Law, Liaoning Zhongwang may make an allocation to the enterprise development fund from its profit for the year (prepared in accordance with ASBE) at a rate determined by directors. The enterprise development fund can be used for making good losses and capitalisation into paid-in capital. Both the surplus reserve and the enterprise development fund form part of the shareholders' equity but are non-distributable other than in liquidation.

(iii) Other reserve

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

(iv) Special reserve

Special reserve arising from a corporate reorganisation in 2008 represents (i) the difference between the 40% of the registered capital of Liaoning Zhongwang as well as the entire issued share capital of other subsidiaries and the nominal value of the shares of the Company issued for the acquisition and (ii) the consideration paid by a subsidiary of the Company for acquiring 60% equity interest in Liaoning Zhongwang.

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes bank and other loans and debentures as disclosed in Notes 27 and 28 respectively and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and accumulated profits.

The Group's board of directors reviews the capital structure on a continuous basis. As a part of this review, the board of directors considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issuance of new shares, dividend payment, raising of new debts or repayment of existing debts. The Group's overall strategy remains unchanged from last year.

32 Financial risk management and fair values of financial instruments

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

(a) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at the end of reporting period, other than concentration of credit risks disclosed in Note 19(b), the Group does not have any other significant concentration of credit risk.

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

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and ageing analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The management closely monitors the subsequent settlement of the counterparties. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

(b) Liquidity risk

The Group's liquidity position is monitored on a daily basis by the management and is reviewed monthly by the directors of the Company. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are at variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

For the bank loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lender was to invoke its unconditional rights to call the loan with immediate effect.

32 Financial risk management and fair values of financial instruments (Continued)

(b) Liquidity risk (Continued)

The Group

		Contractual and undiscounted cash flow							
	Weighted average interest rate %	On demand or less than 90 days RMB'000	91 to 180 days RMB'000	181 days to 1 year RMB'000	1 to 2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amounts RMB'000
At 31 December 2014									
Non-interest bearing	—	3,614,371	951,699	418,163	—	—	—	4,984,233	4,984,233
Bank and other loans	4.19	802,916	4,436,123	3,144,379	4,044,030	6,821,862	—	19,249,310	18,013,732
Long-term bank loans subject to repayment on demand clauses-scheduled repayment	2.39	6,993	6,993	13,985	1,187,425	—	—	1,215,396	1,172,501
Debentures	5.47	7,800	2,098,600	1,148,280	602,580	288,340	1,160,280	5,305,880	4,700,000
Interest rate swaps held as cash flow hedging instruments (Note 29)		(4,773)	19,700	(10,840)	9,703	—	—	13,790	13,710
		4,427,307	7,513,115	4,713,967	5,843,738	7,110,202	1,160,280	30,768,609	28,884,176
Adjustments to disclose cash flows on long-term bank loans based on lender's right to demand repayment		1,165,508	(6,993)	(13,985)	(1,187,425)	—	—	(42,895)	
		5,592,815	7,506,122	4,699,982	4,656,313	7,110,202	1,160,280	30,725,714	
At 31 December 2013									
Non-interest bearing	—	4,328,869	151,981	26,785	—	—	—	4,507,635	4,507,635
Bank and other loans	4.08	563,094	1,186,562	2,918,560	2,234,080	2,901,722	—	9,804,018	9,200,143
Debentures	4.99	1,009,188	2,289,628	61,216	3,186,600	534,500	—	7,081,132	6,700,000
		5,901,151	3,628,171	3,006,561	5,420,680	3,436,222	—	21,392,785	20,407,778

The amounts included above for variable interest rate instruments for non-derivative financial liabilities and derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

32 Financial risk management and fair values of financial instruments (Continued)

(c) Interest rate risk

(i) Hedging

Interest rate swaps, denominated in Hong Kong dollars, have been entered into to reduce the risk of changes in market interest rates. At 31 December 2014, the Group and the Company had interest rate swaps with a notional contract amount of HKD1,486,248,000 (2013: nil), which it has designated as cash flow hedges of the interest rate risk inherent in its variable rate bank borrowings.

The swaps mature over the next two years matching the maturity of the related loans (see Note 32(b)) and have fixed swap rates of 1.94% and 3.40% respectively (2013: nil). The net fair value of swaps entered into by the Group and the Company at 31 December 2014 was HKD17,379,000 (2013: nil). These amounts are recognised as derivative financial instruments (Note 29).

(ii) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments (see Note 32(c)(i)):

	The Group			
	2014		2013	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	**1.94–5.40**	**6,028,451**	2.95	304,845
Debentures	**4.93–7.50**	**4,700,000**	4.47–6.90	6,700,000
		10,728,451		7,004,845
Variable rate borrowings:				
Bank and other loans	**1.76–6.15**	**13,157,782**	2.75–7.38	8,895,298
Total borrowings		**23,886,233**		15,900,143
Fixed rate borrowings as a percentage of total borrowings		**44.9%**		44.1%

(iii) Sensitivity analysis

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

A 50 basis points (2013: 50 basis points) increase or decrease in variable-rate bank borrowings represents management's assessment of the reasonably possible change in interest rates. If interest rate increases or decreases by the aforesaid basis point, and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2014 would decrease or increase by approximately RMB58,904,000 (2013: RMB37,042,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits assuming that the change in interest rates had occurred at the end of the respective reporting periods and had been applied to re-measure those non-derivative financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the respective reporting periods. The impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rates. The analysis is performed on the same basis for 2013.

32 Financial risk management and fair values of financial instruments (Continued)

(d) Currency risk

(i) Exposure to currency risk

The Group have certain receivables, payables, bank balances and bank loans denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group has not entered into any forward contracts or derivatives to hedge against its foreign currency exposure. However, the management of the Group will consider to hedge these balances should the need arise.

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

The Group

	2014 RMB'000	2013 RMB'000
Trade receivables		
USD	281,456	296,956
EURO	50,695	3,265
Great Britain Pound ("GBP")	8,785	—
Other receivables		
HKD	1,315	—
USD	152,929	24,310
EURO	17,717	17,246
JPY	684	—
Bank balances and cash		
HKD	534,112	16,057
USD	52,170	766,154
Other payables		
HKD	14,092	—
USD	31,429	14,003
EURO	2,179	234
GBP	687	—
Bank loans		
HKD	1,172,501	—
USD	7,349,470	1,830,843

32 Financial risk management and fair values of financial instruments (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

The Company

	2014 RMB'000	2013 RMB'000
Bank balances and cash		
HKD	1,473	3,133
USD	8,376	170
Other payables		
HKD	14,092	102,434
USD	23,842	28,887
Bank loans		
HKD	1,172,501	—
USD	5,109,365	1,524,225

(ii) Sensitivity analysis

The Group entities are mainly exposed to USD, HKD and EURO against RMB. The following table details the Group and the Company's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against relevant foreign currencies. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2013: 5%) change in foreign currency rates. A positive number below indicates an increase in profit after tax and retained profits where RMB strengthen 5% (2013: 5%) against relevant foreign currencies. A negative number below represents a decrease in profit after tax and retained profits. For a 5% (2013: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after tax and retained profits.

The Group

	2014 Increase/ (decrease) in profit after tax and retained profits RMB'000	2013 (Decrease)/ increase in profit after tax and retained profits RMB'000
RMB against HKD impact	39,216	(666)
RMB against USD impact	326,655	24,595
RMB against EURO impact	(2,556)	(811)
RMB against GBP impact	(312)	—
RMB against JPY impact	(29)	—

32 Financial risk management and fair values of financial instruments (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The Company

	2014 Increase in profit after tax and retained profits RMB'000	2013 (Decrease)/ increase in profit after tax and retained profits RMB'000
RMB against HKD impact	**59,190**	(357,938)
RMB against USD impact	**253,762**	17,103

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year ended exposure does not reflect the exposure during the year.

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group and the Company which expose the Group and the Company to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group and the Company's presentation currency. The sensitivity analysis is performed on the same basis for 2013.

(e) Fair value measurement of financial instruments

(i) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

32 Financial risk management and fair values of financial instruments (Continued)

(e) Fair value measurement of financial instruments (Continued)

(i) Financial instruments carried at fair value (Continued)

Fair value hierarchy (Continued)

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted available-for-sale debt securities which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2014 RMB'000	Fair value measurements as at 31 December 2014 categorised into	
		Level 2 RMB'000	Level 3 RMB'000
Group recurring fair value measurements			
Assets:			
Financial products classified as available-for-sale financial assets	2,303,542	—	2,303,542
Liabilities:			
Interest rate swaps	(13,710)	(13,710)	—

During the years ended 31 December 2013 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of financial products classified as available-for-sale financial assets are determined using discounted cash flow method and the significant unobservable input used in the fair value measurement is risk spread. The fair value measurement is negatively correlated to the risk spread. For the year ended 31 December 2014, it is estimated that with all other variables held constant, an increase/decrease in the risk spread by 1% would have no material impact on the Group's other comprehensive income.

32 Financial risk management and fair values of financial instruments (Continued)

(e) Fair value measurement of financial instruments (Continued)

(i) Financial instruments carried at fair value (Continued)

Reconciliation of Level 3 fair value measurements of financial instruments:

	2014 RMB'000	2013 RMB'000
Unlisted available-for-sale financial assets:		
At 1 January	—	—
Payment for purchases	3,960,600	—
Net unrealised gains or losses recognised in the consolidated income statement during the period	29,942	—
Proceeds from disposal	(1,687,000)	—
At 31 December	2,303,542	—

(ii) Fair values of financial instruments carried at other than fair value

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

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

33 Commitments

(a) Capital commitments

	The Group	
	2014 RMB'000	2013 RMB'000
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	15,850,342	17,147,566

(b) Operating lease commitments

The Group as lessee

At 31 December 2014 and 2013, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	42,031	41,189
After 1 year but within 5 years	52,913	95,000
	94,944	136,189

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

34 Retirement benefit plan

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes each month at the lesser of HKD1,500 or 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

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

The amounts of contributions made by the Group in respect of the retirement benefit schemes during each of the years ended 31 December 2014 and 2013 are disclosed in Note 7(b).

35 Related party transactions

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

(a) Key management personnel remuneration

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

(b) Related party transactions

During the years ended 31 December 2014 and 2013, the Group entered into the following related party transactions:

	2014 RMB'000	2013 RMB'000
Goods purchased from a related company	**17**	24
Rental income from an associate	**150**	150
Goods sold to an associate	**20,789**	1,336
Guarantees obtained from related companies	**2,111,900**	1,500,000

(c) Related party balances

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

	The Group	
	2014 RMB'000	2013 RMB'000
Amounts due to a related party	**17**	—
Amounts due from a related party	**3,743**	825

(Expressed in Renminbi)

36 Share-based payments

(a) Pre-IPO share option scheme

Pursuant to an ordinary resolution of the board of directors passed on 17 April 2008, a pre-IPO share option scheme (the "Scheme") was conditionally approved and adopted to provide grantees with the opportunity to acquire proprietary interest in the Company and to recognise the contribution of certain members of the senior management and employees of the Group.

The exercise of the pre-IPO share options is conditional on:

(i) the listing committee granting approval for the listing of and permission to deal in the shares of the Company which may fall to be issued pursuant to the exercise of the options granted under the Scheme; and

(ii) the commencement of the dealings in the shares of the Company on the Stock Exchange and is subject to the vesting conditions set out below.

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

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

The subscription price per share under the Scheme is HKD2.00. Since no further options can be granted under the Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Scheme.

Details of the Scheme is as follows:

Grantees	Grant date	Exercisable period	Exercise price HKD	Number of share options granted on grant date, and exercised on 7 May 2014
Category:	17 April 2008	8 May 2009 to 7 May 2014	2.00	
— Directors				8,300,000
— Employees				32,100,000
				40,400,000

All of the options granted under the Scheme were exercised on 7 May 2014.

(Expressed in Renminbi)

36 Share-based payments (Continued)

(b) Share option scheme

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

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

Details of the Share Option Scheme is as follows:

Grantees	Grant date	Exercisable period	Exercise price HKD	Number of share options granted on grant date	Forfeited during the years	Outstanding as at 31 December 2014
Category:	22 March 2011	22 March 2012 to 21 March 2021	3.90			
— Directors				**11,700,000**	**—**	**11,700,000**
— Employees				**34,000,000**	**(700,000)**	**33,300,000**
				45,700,000	**(700,000)**	**45,000,000**

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

	Scheme	Share Option Scheme
Estimated share price at grant date	HKD4.70	HKD3.83
Exercise price	HKD2.00	HKD3.90
Expected volatility	58%	53%
Expected life	5.6 years	10 years
Risk-free interest rate	2.2%	2.75%
Expected dividend yield	2.5%	5.9%

Expected volatility was determined by using the historical volatility of the price return of the ordinary shares of comparable companies. Because the binominal option price model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimation.

(Expressed in Renminbi)

36 Share-based payments (Continued)

(b) Share option scheme (Continued)

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

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

Type of option	Outstanding as at 1 January 2014	Exercised during the year	Outstanding as at 31 December 2014	Exercisable as at 31 December 2014	Exercisable as at 31 December 2013
Scheme	40,400,000	(40,400,000)	—	—	40,400,000
Share Option Scheme	45,000,000	—	45,000,000	27,000,000	18,000,000
	85,400,000	(40,400,000)	45,000,000	27,000,000	58,400,000

During the year ended 31 December 2014, there was no share-based payment expenses recognised (2013: RMB1,754,000) in relation to the Scheme, as the granted share options were fully amortised in the prior year; share-based payment expenses of approximately RMB5,514,000 (2013: RMB9,181,000) in relation to the Share Option Scheme are recognised in the consolidated income statement.

37 Immediate and ultimate controlling party

At 31 December 2014, the directors consider the immediate parent and ultimate controlling party of the Group to be Zhongwang International Group Limited and Prime Famous Management Limited, respectively, both of which are incorporated in the British Virgin Islands.

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 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 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

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.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Five-year Financial Summary

Results

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	**15,971,218**	14,306,751	13,497,170	10,305,694	10,521,948
Profit for the year attributable to equity shareholders of the Company	**2,477,020**	2,126,625	1,806,783	1,105,027	2,595,867

Assets and liabilities

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Total assets	**53,769,415**	40,353,143	33,649,698	27,774,599	24,639,885
Total liabilities	**29,440,823**	20,714,251	16,141,715	12,097,070	9,066,279
Total equity attributable to equity shareholders of the Company	**24,328,592**	19,638,892	17,507,983	15,677,529	15,573,606