中国忠旺控股有限公司*

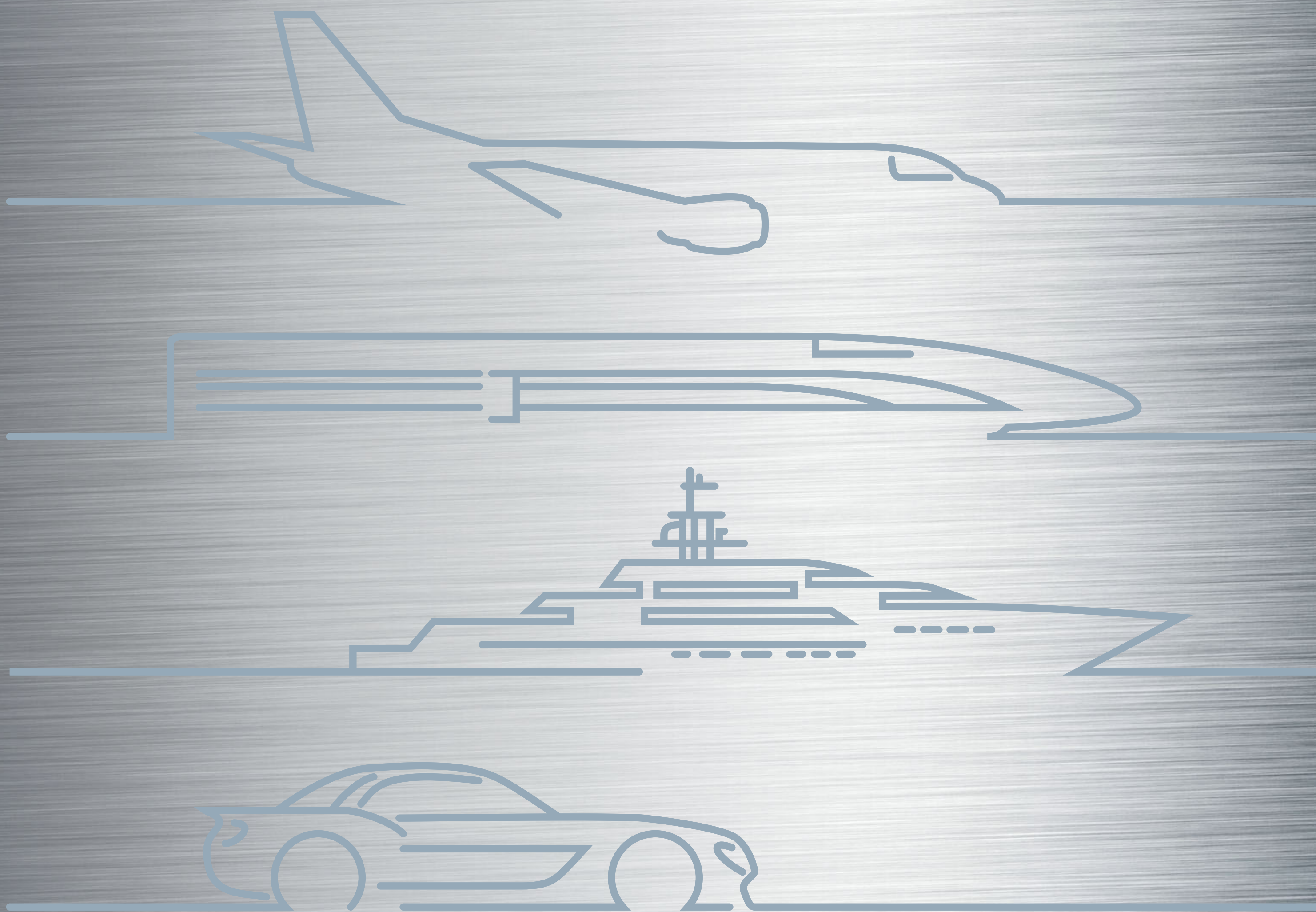
China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 01333

ANNUAL REPORT 2017

A GLOBAL LEADING **FABRICATED ALUMINIUM PRODUCT DEVELOPER AND MANUFACTURER**



* For identification purposes only

AN INTEGRATED LIGHT-WEIGHT SOLUTION PROVIDER

Contents

Corporate Information

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

01333

Executive Directors

Mr. Lu Changqing *(Chairman and president)*
Ms. Ma Qingmei

Non-executive Directors

Mr. Chen Yan
Mr. Liu Zhisheng
Mr. Zhang Hui

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. Lu Changqing
Mr. Shi Ketong

Corporate Governance Committee

Mr. Lo Wa Kei, Roy *(Chairman)*
Mr. Wen Xianjun
Mr. Shi Ketong

Strategy and Development Committee

Mr. Lu Changqing *(Chairman)*
Ms. Ma Qingmei
Mr. Wen Xianjun

Joint Company Secretaries

Mr. Cui Weiye
Ms. Cheung Yuet Fan

Authorised Representatives

Mr. Lu Changqing
Mr. Cui Weiye

Principal Bankers

Bank of China Limited
Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Bank of Communications Corporation Limited
China Development Bank Corporation
Bank of America, N. A.
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) 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

Corporate Information

Place of Business in Hong Kong

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

Legal Advisors

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

As to PRC laws
King & Wood Mallesons
20th Floor, East Tower
World Financial Centre
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing 100020, PRC

Auditor

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Principal Share Registrar in the Cayman Islands

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

Hong Kong Branch Share Registrar

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

Investor and Media Relations Consultant

Cornerstones Communications Ltd.
Unit 1408-10, 14F
Dominion Centre
43-59 Queen's Road East
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 25 May 2018, the register of members of the Company will be closed from Friday, 18 May 2018 to Friday, 25 May 2018 (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.(Hong Kong time) on Thursday, 17 May 2018, being the last share registration date.

Annual General Meeting

The Company's annual general meeting will be held on 25 May 2018, a notice of which is included in the circular to be dispatched to shareholders together with this annual report.

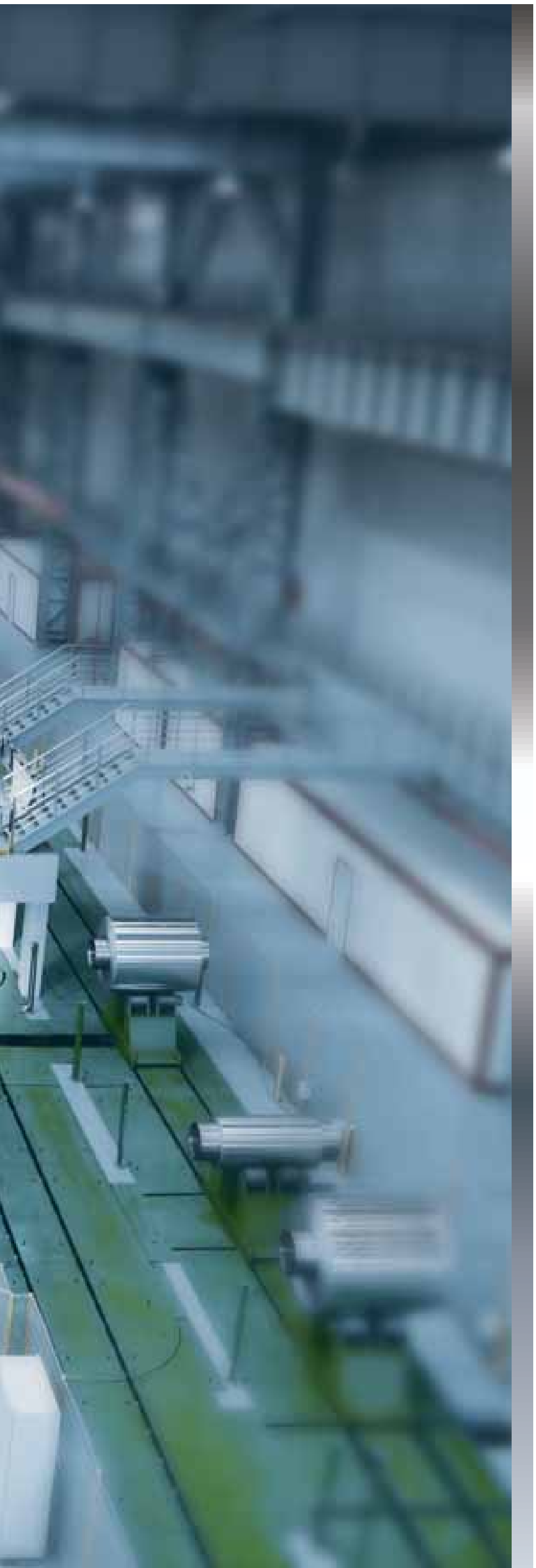
Company Website

www.zhongwang.com

Corporate Profile

A Global Leading **Fabricated Aluminium Product Developer and Manufacturer**

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 "Stock Exchange"). The Group has been primarily focusing on the light-weight development in the ecological construction, transportation, machinery and equipment and electric power engineering downstream sectors through the provision of quality fabricated aluminium products.

The Group was founded in 1993 with its headquarters based in Liaoning Province, China, and is now mainly engaged in aluminium extrusion and deep processing businesses. The Group currently has over 90 aluminium extrusion production lines, including 22 production lines of large-scale aluminium extrusion presses of 75MN or above. Meanwhile, the Group has also built a world-leading aluminium tilt smelting and casting facility which is ancillary to the extrusion production lines, as well as the largest customised industrial aluminium extrusion product die design and manufacturing centre in Asia. The Group has a professional research and development ("R&D") team and was certified by the Chinese government as a "State Accredited Enterprise Technology Centre", a "State CNAS Laboratory" and an "Aviation and Rail Transit Aluminium Processing Technology National-local Collaborated Research Centre". The Group's unique core competitiveness in the industry lies in the comprehensive strength of its four-in-one model, i.e. the integration of smelting and casting, die design, advanced equipment and R&D capability all under one roof.

In order to further enhance its industry chain, the Group is currently developing the high value-added aluminium flat rolling project in Tianjin, the first production line of which is now in operation. Upon completion, the project will become the world's largest one-time planning, and the most advanced aluminium flat rolling production base with state-of-the-art equipment. Furthermore, it will become the Group's third core business complementary to and resources sharing with the existing aluminium extrusion and deep processing businesses and thereby achieving synergies.

Looking forward, the Group will continue to be committed to the R&D and manufacture of high-end aluminium alloy products and focus on light-weight development in the ecological construction, transportation, machinery and equipment and electric power engineering sectors that aims at reducing energy consumption and facilitating low carbon emission. The Group will actively seek to maintain its leading edge in the aluminium extrusion sector, extend its reach to the high-end aluminium flat rolling business and develop aluminium deep processing technologies, working relentlessly to become a leading integrated light-weight solutions provider.

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 Co., Ltd. dated June 2017.

Financial Highlights

	2017 RMB'000	2016 RMB'000
Revenue	**19,458,826**	16,695,543
Gross profit	**6,348,579**	6,288,378
EBITDA (Note 1)	**6,856,350**	5,366,267
Profit for the year	**3,868,195**	2,907,159
Earnings per share (RMB) (Note 2)	**0.50**	0.41
Final dividend per share (HKD)	**0.15**	0.10
Full year dividend per share (HKD)	**0.25**	0.21
Bank balances, financial products and cash (Note 3)	**13,574,912**	14,515,720
Total equity attributable to equity shareholders of the Company	**30,487,891**	28,015,902

	2017	2016
Current ratio (Note 4)	**1.05**	1.26
Inventory turnover in days (Note 5)	**153**	124
Trade receivable turnover in days (Note 6)	**93**	36
Trade payable turnover in days (Note 7)	**187**	176
Gross margin	**32.6%**	37.7%
Gearing ratio (Note 8)	**63.8%**	57.0%
Revenue composition — by business		
Aluminium extrusion business	**87.9%**	85.3%
Aluminium flat rolling business	**8.2%**	—
Deep processing business	**3.7%**	14.6%
Others	**0.2%**	0.1%
Gross profit composition — by business		
Aluminium extrusion business	**95.8%**	83.2%
Aluminium flat rolling business	**2.9%**	—
Deep processing business	**0.7%**	16.5%
Others	**0.6%**	0.3%

Notes:
1. EBITDA = profit before taxation + finance costs + amortisation of prepaid lease payments+depreciation of property, plant and equipment + amortisation of other intangible assets
2. Earnings per share is calculated based on the profit attributable to equity shareholders of the Company for each of the years ended 31 December 2017 and 2016 and on the weighted average number of ordinary shares, convertible preference shares and share options during that year.
3. Bank balances, financial products and cash = cash and cash equivalents + short-term deposits + pledged bank deposits + available-for-sale financial assets
4. Current ratio = current assets/current liabilities
5. 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
6. 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
7. 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, excluding the non-production trade purchase
8. Gearing ratio = total liabilities/total assets* 100%

Financial Highlights

Revenue
(RMB millions)

Gross Profit
(RMB millions)

Profit for the Year
(RMB millions)

Earnings Per Share
(RMB cents)

Revenue Composition
— By Business

We customise light-weight solutions for clients.

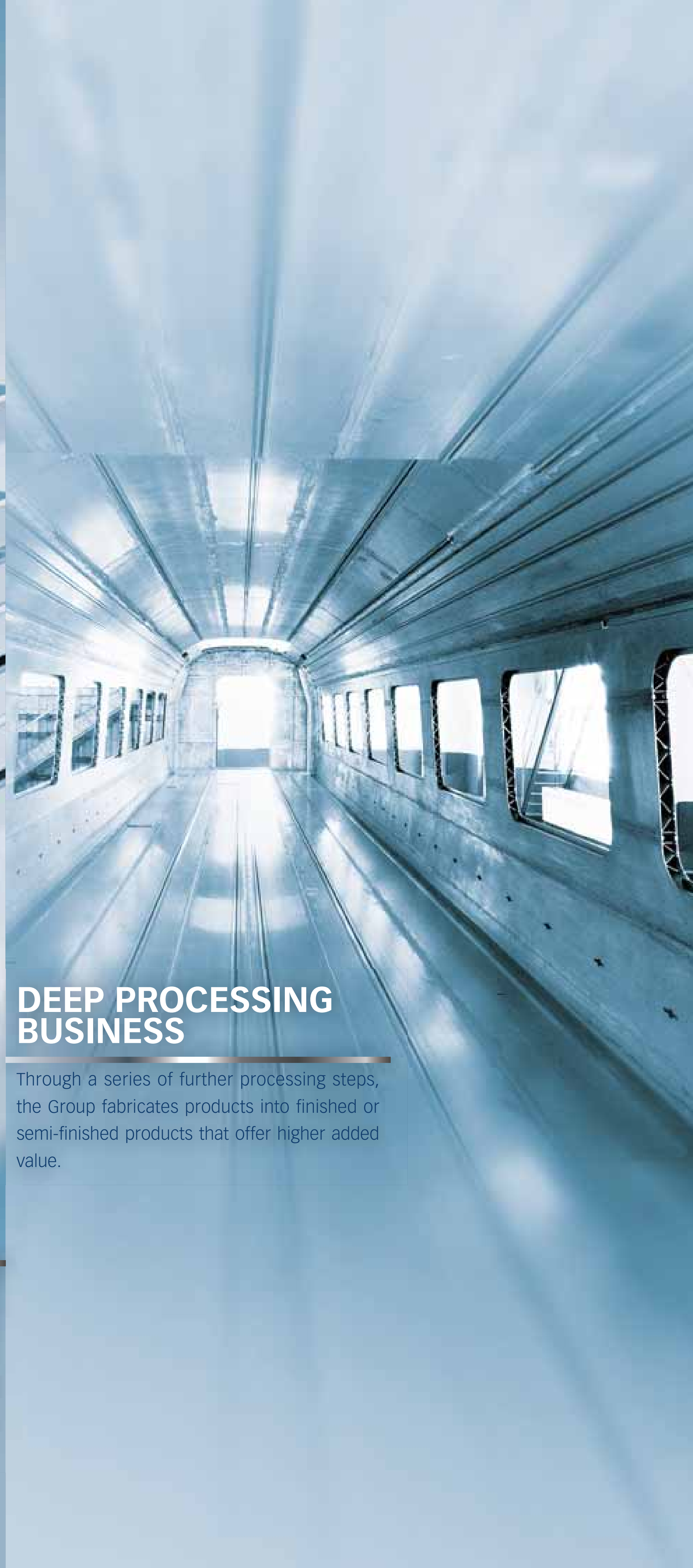
The three core businesses operate on the basis of resource sharing and complementary advantages, thus achieving synergistic development.

ALUMINIUM EXTRUSION BUSINESS

Leveraging the 4-in-1 business model advantages integrating product research and development, die design and manufacturing, smelting and casting and advanced equipment, the Group produces a full range of high-end aluminium extruded products.

ALUMINIUM FLAT ROLLING BUSINESS

The Group's flat rolling plant will become the world's largest one-time planning and top-notch production base upon completion. Equipped with state-of-the-art facilities, the plant is expected to change the current situation of the nation's reliance on import for high-end products.



DEEP PROCESSING BUSINESS

Through a series of further processing steps, the Group fabricates products into finished or semi-finished products that offer higher added value.

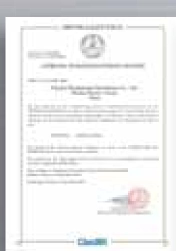
Corporate Milestones

JAN

- The Tianjin-based flat rolling project was awarded the certification of Nadcap for aviation industry.

FEB

- The Tianjin-based flat rolling project passed the accreditations from Det Norske Veritas (DNV), Nippon Kaiji Kyokai (NK), American Bureau of Shipping (ABS) and China Classification Society (CCS).


MAR

- The Tianjin-based flat rolling project passed ISO/TS16949 accreditation for automotive industry.
- The Group was awarded the national-level "High and New Technology Enterprise" Certification.


APR

- The Group received the first recognition as a "National Technology Innovation Model Enterprise".

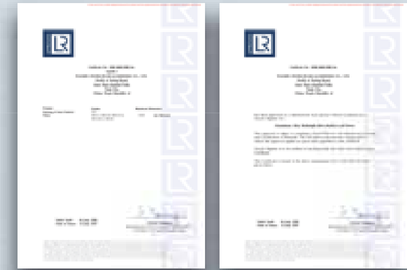
Corporate Milestones

MAY

- The Tianjin-based flat rolling project passed the accreditation of the International Railway Industry Standard (IRIS).
- The Group's production project of high-performance aluminium structural materials for high-speed rail chassis, which is a national-level project, passed completion check.

JUL

- The Tianjin-based flat rolling project passed the accreditation from Lloyd's Register of Shipping (LR).
- The first production line in the Tianjin-based flat rolling project commenced commercial production.



AUG

- China Zhongwang acquired Alunna, the well-established German aluminium extrusion maker with a century of history, completing its first ever overseas acquisition.

OCT

- China Zhongwang acquired Silver Yachts, a superyacht builder.
- One of the two ultra-large 225MN extrusion presses commenced commercial production.

Chairman's Statement

Every improvement to the Group's product mix is the result of the endeavour of our R&D team that pursues excellence in product quality, a team who leverage their bountiful experience to turn good into better while translating their industry knowhow to new possibilities for aluminium application.

Lu Changqing
Chairman

Chairman's Statement

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 audited results for the year ended 31 December 2017 (the "Year under Review") for your perusal.

In 2017, China's economy maintained a sound momentum, facilitated by the strong domestic demand and the adoption of a loose macro-economic policy. The effective implementation of the supply-side structural reform accelerated a healthy development spanning the upstream and downstream along the aluminium industry chain. New applications of aluminium have been springing up, particularly in the high-end sectors, such as ecological construction, transportation and machinery and equipment. With foresight, the Group has been well-prepared in advance in terms of research and development (R&D) as well as production capacity for first-mover advantages, and achieved satisfactory performance in the Year under Review.

Performance Review

By firmly adhering to the strategy of "focusing primarily on China and to a lesser extent on the overseas", the Group gained important achievements in, among others, product mix, business planning and market exploration. During the Year under Review, the overall sales volume of the Group was approximately 737,366 tonnes, maintaining at a similar level in 2016. The increase in average selling price driven by high value-added products significantly boosted the total revenue of the Group by 16.6% to approximately RMB19.46 billion. Profit for the year rose considerably by 33.1% to approximately RMB3.87 billion. Earnings per share was approximately RMB0.50. Overall gross margin was 32.6%.

To reward our shareholders, the Board has proposed a final dividend of HKD0.15 per share for the year ended 31 December 2017. Together with an interim dividend of HKD0.10 per share for the six months ended 30 June 2017, dividend for the year totalled HKD0.25 per share, equivalent to an annual dividend payout ratio of approximately 41.2%.

Optimising product mix with a focus on integrated light-weight solutions

The increasing environmental consciousness among a wide range of industries has facilitated the extensive application of aluminium alloy, an ecological material. The Group's design capability and production techniques in promoting materials upgrade have not only improved our customers' knowledge in the application of aluminium, but also enhanced the R&D efficiency, thus ensuring a win-win cooperation. The Group has offered a diverse high-end product portfolio by fully leveraging its advantages, transforming itself into an integrated light-weight solutions provider through unremitting optimisation of the product mix.

The aluminium alloy formwork launched by the Group in the Year under Review gained prominence and achieved great success. The Group's aluminium alloy formwork was an upgrade version in terms of appearance, performance and fabricating techniques, it was built on conventional products with the features of enhanced quality, durability and construction efficiency as well as lower costs. The light-weight solution provides customers with one-stop services covering design, production and after-sales services, therefore receiving excellent market response and becoming a preferred cooperation model between the Group and the customers. Such cooperation model has also been applied in developing automotive light-weight solutions with automakers as well as formulating materials upgrade solutions with manufacturing enterprises.

Diversifying industry chain extension to gain flexibility in response to market demands

Mid-to-high end application of aluminium has been gaining larger proportion in the overall aluminium consumption in China, notably in the aluminium extruded and flat-rolled products. In recent years, the Group launched a number of initiatives to develop the two businesses and has seen positive progress. The newly purchased extrusion presses are being installed in phases, which is expected to further increase the overall production capacity upon its full operation. Meanwhile, the Tianjin-based aluminium flat rolling project has partially commenced commercial production. Upon completion, the project will become the world's largest top-notch green aluminium flat rolling production base with state-of-the-art equipment, unveiling the new flagship in aluminium fabrication industry in China and the world. In addition, the Group has been identifying locations with concentration of downstream customers for new business opportunities, in response to the changing structure of customer base, so as to provide the customers with the most effective and comprehensive services as part of integrated light-weight solutions.

Gaining synergistic advancements through successive overseas acquisitions

The Group turned a new chapter in its international expansion strategy with its first two overseas acquisitions completed in 2017. The acquisition of Aluminiumwerk Unna AG. ("Alunna"), a high-end seamless aluminium tubes manufacturer, will accelerate the Group's development in high-end aluminium applications in, among others, aviation and automotive industries. In the meantime, the Group has directly tapped into the downstream end-use manufacturing in the marine sector with the acquisition of Silver Yachts Ltd. ("Silver Yachts"), the Australia-based large-scale all-aluminium superyacht builder. The businesses of the above two companies are highly complementary to the Group's existing businesses, therefore will create a mutually beneficial situation for all parties upon the synergies derived from the acquisitions. At present, the reorganisation and consolidation after the acquisitions are underway smoothly. The freshly joined members will inject new and strong vitality into the Group's long-term sustainable development. With a further diversified product portfolio and further fortified comprehensive strength, the Group is set to embark on a new journey.

Being "smart" — as a pioneer in constant innovation

Change in quantity leads to change in quality. Every improvement to the Group's product mix is the result of the endeavour of our R&D team that pursues excellence in product quality, a team who leverage their bountiful experience to turn good into better while translating their industry knowhow to new possibilities for aluminium application. As a result, the Group has always been an industry pioneer in developing new products in terms of quality and quantity, which is the cornerstone of our competitive strength.

Acknowledgements

In my first Chairman's Statement since the appointment as the Chairman of the Board of the Company in November 2017, I would like to express my sincere gratitude to Mr. Liu Zhongtian for his trust in me. The Group has delivered satisfactory results in 2017, attributing to the perseverance of our dedicated staff and the long-term support from our shareholders, business partners, customers and suppliers. On behalf of the Board, I would like to extend my appreciation to all my colleagues for their dedication and efforts. The Group will continue to specialising in fabricated aluminium product development and manufacturing, offering customers with quality products while delivering sustained growth and returns to shareholders.

Lu Changqing
Chairman

Hong Kong, 23 March 2018

CHANGE AMID STABILITY

The Group applies continuous product mix optimisation, entering the downstream end product manufacturing.

Aluminium Alloy Formwork

- Patented alloying and surface treatment techniques
- Light-weight
- Reusable
- Construction efficiency up, cost down
- Recyclable

Electric Vehicle Body

- BIW weight reduction
- Fuel-efficient
- Durable
- Sustainable

High-speed Train Carriage

- Light-weight
- High speed
- Each compartment requires 10-12 tonnes of aluminium extruded products

Management Discussion and Analysis

Aluminium is acknowledged as an ideal material for energy-saving and emission reduction due to its superior qualities of environmental friendliness, light-weight and safety. It has been applied in a large number of segments of manufacturing in China. In particular, the application of aluminium in high-end manufacturing has been expanding.

I. Business Review

During the Year under Review, the Group, by firmly adhering to the principal strategy of "focusing primarily on China and to a lesser extent on the overseas", devoted its efforts to product research and development, as well as on-going improvement and advancement of the production process and progressive upgrade of equipment. Through innovation of high value-added products, the Group has been transforming from a high-end fabricated aluminium products supplier to an integrated light-weight solution provider gradually.

During the Year under Review, total revenue of the Group amounted to approximately RMB19.46 billion, representing an increase of 16.6% from approximately RMB16.70 billion for the year ended 31 December 2016 (the "Year 2016"). Profit for the year amounted to approximately RMB3.87 billion, representing an increase of 33.1% from approximately RMB2.91 billion for the Year 2016.

Aluminium alloy formwork is one of the newly-developed key products of the Group with the features of lighter weight, more convenient application, simpler installation and removal, higher efficiency, and is reusable and recyclable as compared with the traditional formwork. Driven by market demand and favourable policies, aluminium alloy formwork with energy saving and emission reduction features has been expanding its market share. Leveraging on its research on aluminium extruded products, the Group developed a set of aluminium alloy formwork system that targets the global and domestic construction industry. With its professional technical team, top-notch equipment and superb technologies, the Group is able to supply the customers with aluminium alloy formwork solution superior to average market quality. During the Year under Review, sales volume of the Group's aluminium alloy formwork was 259,957 tonnes with revenue of approximately RMB8.93 billion.

Aluminium alloy formwork is the key product of the Group during the Year under Review. With its professional technical team, top-notch equipment and superb technologies, the Group is able to supply the customers with aluminium alloy formwork solution superior to average market quality.

During the Year under Review, sales volume of the Group's industrial aluminium extrusion segment was 333,543 tonnes and the revenue amounted to approximately RMB7.79 billion. The decrease in both the sales volume and revenue as compared with the Year 2016 was mainly due to the fact that during the Year under Review the production of new products occupied some capacity as a result of the Group's optimisation of its product mix and emphasis on developing high value-added products, such as aluminium alloy formwork.

The Group continued to expand its production capacity and optimise its product mix during the Year under Review. One of the two ultra-large 225MN extrusion presses previously ordered has commenced commercial production, and trial production of the other press is underway upon the completion of installation. Several of the 99 extrusion presses the Group ordered in 2016 have been delivered and are ready for installation and trial run, which will enhance the Group's overall capacity upon full operation. With the newly added automatic welding machines, spray coating lines and extrusion presses, the Group will fully unlock the value enhancement derived from the aluminium alloy formwork. The optimisation of production capacity and product mix will continuously consolidate the Group's overall competitiveness, thus elevating its long-term profitability.

During the Year under Review, sales volume of the Group's deep processing business was 29,804 tonnes and the revenue amounted to approximately RMB720 million. The decrease of revenue and sales volume of the Group's deep processing business as compared with the Year 2016 was mainly due to the declined export volume of deep-processed products to the United States of America (the "US") as trade friction in aluminium industry between the US and China heated up during the Year under Review. However, volume of domestic sales of fabricated parts for automobiles, passenger cars as well as railway vehicles climbed continuously during the Year under Review.

Deep-processed products, which require sophisticated technical know-how and therefore are of higher added value, constitute a key business segment of the Group. The Group possesses comprehensive capabilities from independent design to manufacturing and processing. Our new products, which are energy-saving, environmentally friendly, highly efficient and technologically advanced, are ideal for transportation and railway vehicles sectors. During the Year under Review, the Group continued to lead the light-weight development of car body in China. In terms of technology, production technique, quality, product mix optimisation and cost control, the Group is at the top of the class. The Group developed and launched large-sectional aluminium parts for passenger cars and commercial vehicles, which received positive market feedback. The Group has also begun a partnership with FAW Group Corporation to co-develop on the project of "all-aluminium body + all-aluminium chassis" passenger vehicle. The project marks the unprecedented application of aluminium in chassis, making the Group the first among domestic aluminium manufacturers capable of independent design and manufacture of "all-aluminium body + all-aluminium chassis". In addition, as one of the main suppliers, the Group supplied aluminium profiles and deep-processed products for the train body of the high-speed train "Fuxing EMU". The Group has earnestly been expanding its business into the sectors of new energy vehicles and rail transportation, aiming to lift the proportion of high value-added products in its product mix, while deepening the cooperation with its end users.

The first production line of the Group's high value-added aluminium flat rolling project in Tianjin has commenced commercial production. In the initial production period, it has been producing principally high quality standard products for the customers from different sectors, such as manufacturing, transportation and special vehicles. The production volume has been increasing since its official operation in the third quarter of the Year under Review with production efficiency improving. The project has successfully passed the authoritative certification programme Nadcap for international aviation industry, and passed the accreditation from Det Norske Veritas (DNV), Nippon Kaiji Kyokai (NK), American Bureau of Shipping (ABS), China Classification Society (CCS), Lloyd's Register of Shipping (LR) and International Railway Industry Standard (IRIS), all of which are the passport to enter international markets of aviation, vessel and rail transportation sectors. During the Year under Review, the sales volume of the Group's aluminium flat rolling business was 91,401 tonnes with the revenue of approximately RMB1.59 billion. Meanwhile, the installation for the second production line has completed and the trial run is underway.

During the Year under Review, "The State Key Laboratory of Processing of High-end Aluminium Alloy Profiles" of the Group received financial support from the grant of national special funds, recognising the outstanding performance of the Group in new and high technology. The laboratory was jointly established with, among others, Northeastern University, such win-win cooperation further facilitated a closer industry-university collaboration and undertook a number of state-level and provincial-level major technology projects, achieving positive impacts on technology innovation and services in the industry. Currently, the Group has a national-level enterprise technology centre, a national-local collaborated research centre, a national-level post-doctoral workshop and a provincial-level engineering and technological research centre, to name but a few. During the Year under Review, the Group completed a number of patent applications and participated in the formulation of, and amendments to, various national and industry standards. The Group's outstanding R&D capability has enabled it to continuously launch diversified high-end products and optimise its product mix, thereby enhancing its integrated competitiveness.

II. Future Development

Ecological development becomes a national strategy of China in the "new normal" environment with policies introduced increasingly for promoting a low-carbon economy. Due to its superior qualities of environmental friendliness, light-weight and safety, aluminium is generally considered as an ideal material for energy-saving and emission reduction. It has been applied in a large number of segments. In particular, the application of aluminium in high-end manufacturing has been expanding.

With the tightening fuel consumption regulations in China posing new challenges to automobile manufacturers, the development of light-weight transport solution, as an essential part of ecological manufacturing, becomes an opportunity for promoting the application of aluminium. The Phase IV standards of China's "Fuel Consumption Limits of Passenger Cars" set an average fuel consumption target of 5.0 L/100km for domestically manufactured passenger cars sold in 2020, a significant reduction from the average of 6.9 L/100km in 2015. According to the research of the European Aluminium Association, 100 kilogrammes weight reduction of a vehicle means 0.4 litre less fuel usage per 100km. In recent years, lightweight has become one of the major solutions of energy-saving and emission reduction for automobiles, the vigorous development of new energy automobiles has powered the high-end consumption of aluminium. According to the figures from the China Association of Automobile Manufacturers (the "CAAM"), the production volume and sales volume of new energy automobiles in China were approximately 794,000 and 777,000, respectively, in 2017, representing a significant year-on-year increase of 53.8% and 53.3%, respectively. New energy automobiles accounted for 2.7% of the entire automobiles market in China in 2017, representing an increase of 0.9 percentage point over 2016. The CAAM estimates that the sales volume of new energy automobiles will be in excess of 1 million in 2018. In September 2017, with the launch of the "Measures for the Parallel Administration of Average Fuel Consumption and New Energy Vehicle Credits for Passenger Vehicle Enterprises" (「乘用車企業平均燃料消耗量積分」與「新能源汽車積分」並行的「雙積分」制度) by the Ministry of Industry and Information Technology (the "MIIT") and other four national ministries, a "dual-credit" scheme was established to promote the healthy development of the new energy automobiles industry by replacing conventional subsidy policy. The MIIT estimates that the total number of new energy passenger cars in China by 2020 will reach 3.8 million. The light-weight development of automobile will continue to facilitate the growth of high-end consumption of aluminium.

With China's urbanisation converting into a low-carbon model, the government has gradually launched a series of supportive policies for ecological construction. In January 2017, the State Council issued the "Comprehensive Work Plan for Energy Conservation and Emission Reduction in the 13th Five-Year Plan Period" (《「十三五」節能減排綜合工作方案》), indicating the determination of enforcing energy saving in construction with a target of expanding the percentage of urban ecological building sites in new building areas to 50% by 2020. As illustrated by the Ministry of Housing and Urban-Rural Development (the "MOHURD"), environment-friendly construction materials application in China should account for 40% in the newly constructed buildings by 2020. The MOHURD emphasised that the awareness of ecological development shall be extended to all segments of the construction industry as well as every production process along the entire industrial chain. Due to its advantages, such as, environmental friendliness, light weight, high efficiency in construction, high durability and recyclability, aluminium alloy formwork has become the new favourite in the market as environment-friendly construction material. According to the figures compiled by China Nonferrous Metals Industry Association, aluminium alloy formwork was the preferred product in aluminium consumption in China in 2017 with increased proportion in the formwork market. The application of aluminium alloy formwork in China is now at its initial stage, though it has been extensively used in developed countries. Attractive prospects and considerable market scale of aluminium alloy formwork are expected with the advancement of the sustainable economy.

With aluminium alloy being recognised as the most-preferred material for manufacturing railway vehicles, the rapid growth of rail transportation in China has driven huge demand in high-end consumption of aluminium. "Fuxing EMU", a new generation of the China-standard bullet trains, made its debut in June 2017. It will replace "Hexie EMU" in stages upon mass production. As estimated in the "Medium and Long-Term Railway Network Plan" (《中長期鐵路網規劃》), the number of miles of rail in operation of high-speed railway network in China will grow at a compound annual growth rate of 9.57% during the 13th Five-Year Plan period. Meanwhile, urban rail transit in China is mounting to the peak of its development. Figures show that the number of miles of newly developed urban rail in operation in China hit a record high in 2017, surged by 62.5% from that of 2016. As at the end of 2017, proposals of urban rail construction in the near term in 43 cities with over 9,000 km of total planned mileage have been approved by the Chinese government.

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

1. Unlock the value of the Tianjin-based aluminium flat rolling project, adding impetus to the Group's long-term development: The Group shall further improve the product quality and consistency of the first production line to accelerate its capacity ramp-up. Rigorous equipment testing of the second production line shall be conducted with a view towards early commencement of production. In the meantime, the Group shall accelerate the pace of R&D and high-end product certification process to be fully prepared for the optimisation of product mix;

2. Continue to optimise and expand capacities to reinforce the Group's overall competitiveness: The aluminium extrusion equipment purchased by the Group in 2016 will commence commercial production in phases in two to three years from 2018. Such move will reinforce the Group's integrated competitiveness in high-end aluminium fabrication industry; and

3. Enhance the diversity of high-end product offerings and increase the overall added value of our products: The Group shall continue to leverage its strengths in cutting-edge production techniques and ability of its design team to provide its customers with more integrated light-weight solutions. By strengthening its R&D and production techniques, the Group will continue to diversify the product offerings, improve product quality and enhance the overall added value of the products.

The above development strategies will fully capitalise the synergy of the Group's three core businesses, helping the Group tap into the opportunities brought by the industrial upgrade in China with a more competitive product mix and more comprehensive business layout.

III. Financial Review

A comparison of the financial results of the Group for the Year under Review and the Year 2016 is set out as follows.

Revenue

During the Year under Review, total revenue of the Group amounted to approximately RMB19.46 billion, representing an increase of 16.6% from approximately RMB16.70 billion for the Year 2016. During the Year under Review, the Group's revenue was mainly generated from sales in the aluminium extrusion business, aluminium flat rolling business and deep processing business, which amounted to approximately RMB19.42 billion (Year 2016: approximately RMB16.68 billion). Other revenue primarily comprised metal trade agency commission and amounted to approximately RMB38.98 million (Year 2016: approximately RMB18.43 million).

The following sets forth the breakdown by segments of the Group's revenue, sales volume and average selling price of the Group for the Year under Review and the Year 2016:

	For the year ended 31 December								
	2017			2016			Change		
	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue %	Sales volume %	Average selling price %
Aluminium extrusion business	**17,106,175**	**616,161**	**27,763**	14,236,314	675,298	21,082	20.2%	–8.8%	31.7%
Aluminium alloy formwork segment	**8,933,609**	**259,957**	**34,366**	—	—	N/A	N/A	N/A	N/A
Industrial aluminium extrusion segment	**7,789,728**	**333,543**	**23,354**	13,204,307	607,932	21,720	–41.0%	–45.1%	7.5%
Construction aluminium extrusion segment	**382,838**	**22,661**	**16,894**	1,032,007	67,366	15,319	–62.9%	–66.4%	10.3%
Aluminium flat rolling business	**1,590,990**	**91,401**	**17,407**	—	—	N/A	N/A	N/A	N/A
Deep processing business	**722,685**	**29,804**	**24,248**	2,440,800	89,753	27,195	–70.4%	–66.8%	–10.8%
Others	**38,976**	**N/A**	**N/A**	18,429	N/A	N/A	111.5%	N/A	N/A
Total	**19,458,826**	**737,366**	**26,390**	16,695,543	765,051	21,823	16.6%	–3.6%	20.9%

Aluminium alloy formwork is the newly developed product of the Group. As the higher quality of the aluminium alloy formwork product manufactured by the Group, it gained popularity in the market since its launch with increasing sales volume. As such, the aluminium alloy formwork segment of the Group has been presented separately as a single segment during the Year under Review. During the Year under Review, sales amount of the Group's aluminium alloy formwork segment was approximately RMB8.93 billion with sales volume of 259,957 tonnes and average selling price of RMB34,366 per tonne.

Sales volume of the Group's industrial aluminium extrusion segment for the Year under Review was 333,543 tonnes with sales amount of approximately RMB7.79 billion. The decrease in both sales volume and sales amount as compared with the Year 2016 was mainly due to the fact that the production of new products occupied some capacity as a result of the Group's optimisation of its product mix and emphasis on developing high value-added products, such as aluminium alloy formwork. The average selling price of the Group's industrial aluminium extrusion products increased by 7.5% from RMB21,720 per tonne for the Year 2016 to RMB23,354 per tonne for the Year under Review, mainly attributable to the increase in the price of aluminium ingots during the Year under Review.

Revenue, sales volume and average selling price of the above industrial aluminium extrusion segment have eliminated the internal sales between the industrial aluminium extrusion segment and deep processing business as well as aluminium flat rolling business, of which sales volume of raw material to deep processing business was 26,226 tonnes (Year 2016: 91,016 tonnes) with sales amount of approximately RMB430 million (Year 2016: approximately RMB1.37 billion); sales volume of high-precision aluminium raw material to the high value-added aluminium flat rolling project in Tianjin amounted to 166,825 tonnes (Year 2016: 59,755 tonnes) with sales amount of approximately RMB2.05 billion (Year 2016: approximately RMB650 million).

The first production line of the Group's high value-added aluminium flat rolling project in Tianjin has commenced commercial production during the Year under Review. In the initial production period, it has been producing principally high-quality standardised products for the customers from different sectors, such as manufacturing, transportation and special vehicles. For the Year under Review, revenue of the Group's aluminium flat rolling business was approximately RMB1.59 billion (Year 2016: nil) with sales volume of 91,401 tonnes (Year 2016: nil) and average selling price of RMB17,407 per tonne (Year 2016: nil).

For the Year under Review, revenue of the Group's deep processing business was approximately RMB720 million (Year 2016: approximately RMB2.44 billion) with sales volume of 29,804 tonnes (Year 2016: 89,753 tonnes) and average selling price of RMB24,248 per tonne (Year 2016: RMB27,195 per tonne). The decrease of revenue and sales volume of the Group's deep processing business was mainly due to the increasingly heated trade friction in aluminium industry between the US and China during the Year under Review, leading to a decrease in sales volume of deep-processed product exported to the US. However, sales volume of products including deep-processed engineered parts for passenger vehicles and commercial vehicles supplied by the Group to the domestic market has been increasing in the Year under Review resulting from the Group's aggressive expansion of deep processing market in the PRC and greater effort made by the Group in R&D and promotion of high value-added deep-processed products.

Geographically, the Group's overseas customers mainly came from countries and regions including Germany, Malaysia, the United Kingdom and Belgium. For the Year under Review, the Group's revenue from overseas sales amounted to approximately RMB1.48 billion (Year 2016: approximately RMB2.48 billion), accounting for 7.6% of the Group's total revenue (Year 2016: 14.9%).

Cost of Sales

For the Year under Review, the Group's cost of sales increased by 26.0% to approximately RMB13.11 billion as compared to approximately RMB10.41 billion for the Year 2016. Such increase was due to an increase in price of aluminium ingots during the Year under Review; and a significant increase in the number of staff for the expansion of the Group's aluminium alloy formwork business, resulting in an increase in staff costs.

Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB6.35 billion for the Year under Review, representing an increase of 1.0% from approximately RMB6.29 billion for the Year 2016. The gross margin decreased from 37.7% for the Year 2016 to 32.6% for the Year under Review. The following sets forth the segment analysis of gross profit, share in gross profit and gross margin of the Group for the Year under Review and the Year 2016:

	For the year ended 31 December					
	2017			2016		
	Gross profit RMB'000	%	Gross margin %	Gross profit RMB'000	%	Gross margin %
Aluminium extrusion business	**6,082,838**	**95.8%**	**35.6%**	5,232,497	83.2%	36.8%
Aluminium alloy formwork segment	**3,569,235**	**56.2%**	**40.0%**	—	—	N/A
Industrial aluminium extrusion segment	**2,491,544**	**39.3%**	**32.0%**	5,081,969	80.8%	38.5%
Construction aluminium extrusion segment	**22,059**	**0.3%**	**5.8%**	150,528	2.4%	14.6%
Aluminium flat rolling business	**181,039**	**2.9%**	**11.4%**	—	—	N/A
Deep processing business	**46,533**	**0.7%**	**6.4%**	1,038,533	16.5%	42.5%
Others	**38,169**	**0.6%**	**N/A**	17,348	0.3%	N/A
Total	**6,348,579**	**100.0%**	**32.6%**	6,288,378	100.0%	37.7%

The decrease in overall gross margin of the Group as compared to the Year 2016 was principally because the Group's production volume and efficiency of the aluminium flat-rolled products have not reached their optimal level during the Year under Review, and a decrease in sales volume of aluminium extrusion business and deep processing business resulted in an increase in fixed costs per unit.

Investment Income

Investment income, which mainly consists of interest income from bank deposits and interest income from available-for-sale financial assets, increased from approximately RMB250 million for the Year 2016 to approximately RMB420 million for the Year under Review, which was mainly due to the increase in average balance of bank deposits during the Year under Review.

Other Income/(Expenses)

Other Income/(Expenses) increased from a net loss of approximately RMB15.59 million for the Year 2016 to a net gain of approximately RMB990 million for the Year under Review, which was mainly due to the change from an exchange loss of approximately RMB220 million for the Year 2016 to an exchange gain of approximately RMB260 million for the Year under Review arising from the Group's borrowings denominated in foreign currencies, which was caused by the appreciation of Renminbi; and, to a lesser extent, due to an increase in net gain from sales of machinery and equipment from approximately RMB19.91 million for the Year 2016 to approximately RMB350 million for the Year under Review; as well as due to an increase in net gain from sales of scrap materials, consumables and moulds from RMB29.35 million for the Year 2016 to approximately RMB210 million for the Year under Review.

Selling and Distribution Costs

Selling and distribution costs increased from approximately RMB160 million for the Year 2016 to approximately RMB230 million for the Year under Review primarily due to the increase in staff costs resulting from the increase in the number of sales staffs for the Group's expansion of business scope and scale during the Year under Review.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise share option expenses, wages, salaries and benefit expenses, R&D expenditures, amortisation of prepaid lease payments, land use taxes, bank handling fees, rentals, agency fees and depreciation charges of office equipment. Administrative and other operating expenses of the Group for the Year under Review was approximately RMB1.81 billion, which was in line with the Year 2016 of approximately RMB1.84 billion.

Share of Profit of Associates

The Group's share of profit of associates for the Year under Review was approximately RMB170 million (Year 2016: approximately RMB73.90 million), which was the share of profit of the Group's associates recognised using equity method.

Finance Costs

The Group's finance costs increased from approximately RMB930 million for the Year 2016 to approximately RMB1.16 billion for the Year under Review, mainly due to the decrease in the Group's capitalised interest expenses for the Year under Review as compared to that for the Year 2016.

During the Year under Review, the Group's capitalised interest expenses amounted to approximately RMB440 million (Year 2016: approximately RMB860 million) at an average capitalised interest rate of 4.89% per annum (Year 2016: 4.59%).

During the Year 2016 and the Year under Review, the Group's loans carried average interest rates of 4.14% and 4.42% per annum, respectively. During the Year under Review, the debentures carried interest rates ranging from 3.49% to 7.50% per annum (Year 2016: from 3.49% to 7.50% per annum).

Profit before Taxation

The Group's profit before taxation increased from approximately RMB3.68 billion for the Year 2016 to approximately RMB4.73 billion for the Year under Review.

Income Tax

The Group's income tax increased from approximately RMB770 million for the Year 2016 to approximately RMB860 million for the Year under Review.

The Group's effective tax rates for the Year 2016 and the Year under Review were 21.0% and 18.3%, respectively.

Profit for the Year

The Group's profit for the year increased to approximately RMB3.87 billion for the Year under Review from approximately RMB2.91 billion for the Year 2016. The Group's net profit margin increased from 17.4% for the Year 2016 to 19.9% for the Year under Review.

Cash Flows

The following sets forth the Group's cash flows for the Year under Review and the Year 2016:

	For the year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Net cash generated from operating activities	**4,389,760**	4,603,246
Net cash used in investing activities	**(13,180,944)**	(6,065,032)
Net cash generated from/(used in) financing activities	**7,596,514**	(713,753)

Net Current Assets

At 31 December 2017, the Group's net current assets amounted to approximately RMB1.50 billion, which was approximately RMB3.65 billion lower than net current assets of approximately RMB5.15 billion at 31 December 2016. The decrease was mainly due to the fact that the increase in current assets was lesser than the increase in current liabilities.

Liquidity

At 31 December 2017 and 31 December 2016, the Group's cash and cash equivalents amounted to approximately RMB6.83 billion and RMB8.02 billion, respectively; balance of short-term deposits was nil and approximately RMB3.33 billion, respectively; and balance of pledged bank deposits under current assets amounted to approximately RMB3.86 billion and RMB2.90 billion, respectively; and balance of available-for-sale financial assets amount to approximately RMB2.88 billion and RMB270 million, respectively.

Borrowings

At 31 December 2017, the Group's debentures and loans amounted to approximately RMB43.52 billion in aggregate, representing an increase of approximately RMB10.5 billion from approximately RMB33.02 billion at 31 December 2016.

At 31 December 2017, the Group's debentures and loans under current liabilities amounted to approximately RMB11.9 billion (31 December 2016: approximately RMB8.32 billion) and debentures and loans under non-current liabilities amounted to approximately RMB31.62 billion (31 December 2016: approximately RMB24.7 billion). Relevant details have been disclosed in Notes 29 and 30 to the Financial Statements of this annual report.

The Group's gearing ratio was approximately 63.8% and 57.0% at 31 December 2017 and 31 December 2016. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

At 31 December 2017, assets with a total carrying amount of approximately RMB5.86 billion of the Group were pledged, including pledged bank deposits, property, plant and equipment and prepaid lease payments, for financing arrangements (31 December 2016: approximately RMB5.36 billion were pledged, including pledged bank deposits, property, plant and equipment and prepaid lease payments, for financing arrangements).

Contingent Liabilities

At 31 December 2017 and 31 December 2016, the Group had no material contingent liabilities.

Employees

At 31 December 2017, the Group had 32,255 full-time employees responsible for production, R&D, sales and management, representing an increase of 92.6% from 16,750 employees as at 31 December 2016. During the Year under Review, relevant employee costs (including Directors' remuneration) amounted to approximately RMB2.86 billion (including share option charges of approximately RMB110 million), an increase of 101.7% as compared with approximately RMB1.42 billion (including share option charges of approximately RMB200 million) for the Year 2016. The Group's employee costs (excluding share option charges) increased mainly due to the increase in number of employees as a result of the Group's business expansion both in scope and size.

Research and Development

Continuous investment in R&D has helped the Group establish a high-level R&D and technical team. At 31 December 2017, the Group had 2,202 R&D and quality control personnel which accounted for 6.8% of the Group's total number of employees. Apart from possessing strong R&D capability in new materials and new technologies, and operating the largest die design and manufacturing centre in Asia, the Group has also built a first-class product and process design team to meet the ever-increasing demand from clients for the integrated solution from product design to production of light-weight materials. In addition, the Group has entered into cooperation with various leading industrial research institutions as well as scientific research institutes to vigorously upgrade the Group's scientific research level while effectively expanding the downstream scope of application of aluminium products.

Capital Commitments

At 31 December 2017, the Group's capital expenditures in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements amounted to approximately RMB14.28 billion, which was primarily used for the construction of infrastructure used in the Group's growth projects such as high-end aluminium flat rolling project, and for the purchase expenses of equipment relating to the expansion of its production capacity for extrusion. The Group intends to apply funds generated from operating activities, commercial bank loans and other available means to finance the purchase.

Proposed Spin-off

On 22 March 2016, Liaoning Zhongwang Superior Fabrication Investment Limited* (遼寧忠旺精製投資有限公司) ("Zhongwang Fabrication") (an indirect wholly-owned subsidiary of the Company) entered into an assets transfer agreement with CRED Holding Co., Ltd.* (中房置業股份有限公司) ("CRED Holding") (a company incorporated in the PRC and currently listed on the Shanghai Stock Exchange) for the disposal of all the equity interests in Liaoning Zhongwang, among others, a direct wholly-owned subsidiary of Zhongwang Fabrication). The agreement has been approved by the Hong Kong Stock Exchange on 6 June 2016 and was passed with a great majority by shareholders of the Company and CRED Holding on 6 September 2016. On 18 August 2017, Zhongwang Fabrication and CRED Holding entered into a supplemental agreement to the assets restructuring agreements, pursuant to which the long stop date was extended to 21 September 2018 in order to allow more time to complete the PRC regulatory procedures in connection with the assets restructuring and the proposed spin-off. The supplemental agreement was approved at the shareholders' meeting of CRED Holding held on 5 September 2017.

Overseas Acquisitions

In August 2017, Zhongwang Aluminium Deutschland GmbH, an indirect wholly-owned subsidiary of the Company, completed the acquisition of Alunna. The Group holds 98.27% equity interest in Alunna.

Alunna, founded in 1914, is a manufacturer of high-end semi-finished aluminium products, including seamless extruded tubes and porthole extruded tubes as well as other high value-added aluminium alloy extrusion products. Application of the products principally covers, among others, aerospace and automobile industries.

The acquisition of Alunna will substantially improve the Group's capability in seamless tube extrusion and further optimise its product mix. It will also accelerate the business expansion of the Group into, among others, aerospace and automobile industries on the strength of Alunna's product credentials and its experience in customer development, thus enhancing the competitiveness of the Group as a whole.

In October 2017, Hongkong Zhongwang Investment Limited, an indirect wholly-owned subsidiary of the Company, completed the acquisition of Silver Yachts. The Group holds 66.67% equity interest in Silver Yachts.

Silver Yachts is one of the pioneers in designing and building large-sized, all-aluminium, aerodynamic, high-performance and fuel-efficient superyachts. The acquisition of Silver Yachts was a significant step to advance the Group's strategy in the marine sector.

Event after the Reporting Period

The Group had no material events after the reporting period.

Financial Risks

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

Foreign Currency Risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies. During the Year under Review, approximately 92.4% of the Group's revenue was settled in Renminbi and approximately 7.6% was settled in foreign currencies, while approximately 89.1% of the Group's borrowings was denominated in Renminbi and approximately 10.9% was denominated in foreign currencies at 31 December 2017.

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

Interest Rate Risk

As the Group does not have any significant interest-bearing assets, most of the Group's revenue and operating cash flow are not affected by interest rate changes in the market. Interest rate change risk borne by the Group is primarily derived from debentures and loans. The Group has to face the cash-flow interest rate risk on floating-rate loans and fair value interest rate risk on fixed rate loans. At 31 December 2017, the Group's fixed-rate loans were approximately RMB6.19 billion (31 December 2016: approximately RMB5.02 billion).

During the Year 2016, the Group issued unsecured debentures of RMB2.5 billion, RMB500 million and RMB4.0 billion with maturity of 5 years, 1 year and 5 years respectively, which are repayable on 22 March 2021, 8 July 2017 and 26 September 2021, respectively, and with effective interest rates of 4.05%, 3.49% and 3.75% per annum, respectively. The debenture of RMB500 million had been fully settled on its maturity date.

During the year ended 31 December 2015, the Group issued an unsecured debenture of RMB1.2 billion with maturity of three years and repayable on 27 May 2018, and with effective interest rate of 5.40% per annum.

During the year ended 31 December 2014, the Group issued unsecured debentures of RMB100 million and RMB1.1 billion with maturity of three years and six years and repayable on 10 January 2017 and 22 October 2020, respectively, and with effective interest rate of 7.50% and 5.48% per annum, respectively. During the Year under Review, these debentures of totalling RMB1.2 billion were fully repaid.

Price Fluctuation Risk of Aluminium Ingot

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

EVOLUTION AMID INTEGRATION

The Group completed two international acquisitions, marking a milestone for its international business expansion. Integration with remarkable industry players will not only bring in complementary businesses, the synergies derived will also create a win-win situation, adding momentum to the Group’s future sustainable growth.

Alunna

- Established in 1914
- Germany-based
- A manufacturer specialised in seamless extruded tubes
- Serving major players in the international aviation and automobile industries

Silver Yachts

- Australia-based
- The only company in the world capable of building large-scale all-aluminium alloy superyachts of 70+ metres
- Inhouse design, production and assembly
- A pioneer in the new application of aluminium alloy in the marine sector

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 as at the latest practicable date before the publication of this annual report:

Name	Age	Group Position
Executive Directors		
Lu Changqing (路長青)	41	Chairman and president
Ma Qingmei (馬青梅)	40	Chairman of Tianjin Zhongwang (planning and operation and management)
Non-executive Directors		
Chen Yan (陳岩)	38	General manager of Liaoning Zhongwang (planning and operation and management)
Liu Zhisheng (劉志生)	43	Deputy general manager of Liaoning Zhongwang (finance)
Zhang Hui (張輝)	40	Chairman and general manager of Yingkou Zhongwang (planning and operation and management)
Independent Non-executive Directors		
Wong Chun Wa (王振華)	43	Independent non-executive director
Wen Xianjun (文獻軍)	55	Independent non-executive director
Shi Ketong (史克通)	49	Independent non-executive director
Lo Wa Kei, Roy (盧華基)	46	Independent non-executive director

Executive Directors

Mr. LU Changqing (路長青), aged 41, is an executive Director, the chairman and president of the Group. He is primarily responsible for the Group's strategic planning and operation and management. He is also a member of the board of directors of 9 subsidiaries including Liaoning Zhongwang. He has 21 years of experience in investment banking and corporate finance. Before joining the Group in November 2007, Mr. Lu was 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. Mr. Lu has a bachelor's degree in economics. He was appointed as a Director and vice president on 3 April 2008, and was appointed as president on 22 March 2016. He was appointed as a joint company secretary on 30 December 2008 and resigned as a joint company secretary on 22 March 2016. Mr. Lu was appointed as chairman of the Board on 17 November 2017. Mr. Lu was elected as the chairman of J.K. Life Insurance Corporation on 9 March 2017 and was approved by the China Insurance Regulatory Commission on 11 September 2017.

Profiles of Directors and Senior Management

Executive Directors

Ms. MA Qingmei (馬青梅), aged 40, is an executive Director of the Group. She is primarily responsible for the planning, operation and management of Tianjin Zhongwang Aluminium Company Limited ("Tianjin Zhongwang"). She is also a member of the board of directors of 8 subsidiaries including Tianjin Zhongwang. After joining Liaoning Zhongwang in 2007, Ms. Ma worked with the smelting and casting mill of Liaoning Zhongwang. She has been appointed as a deputy general manager of Liaoning Zhongwang since January 2011 and was responsible for extrusion technology and quality management system of Liaoning Zhongwang for the period from April 2016 to September 2017. Ms. Ma was appointed as the chairman of Tianjin Zhongwang in September 2017. Ms. Ma achieved a master degree in Physical Chemistry of Metallurgy from Northeastern University in March 2007 and is studying a doctoral degree in materials processing engineering at Northeastern University. Ms. Ma was appointed as an executive Director on 17 November 2017.

Non-executive Directors

Mr. CHEN Yan (陳岩), aged 38, is a non-executive Director of the Group. He is primarily responsible for the Liaoning Zhongwang's planning and operation and management. He is also a member of the board of directors of 21 subsidiaries including Liaoning Zhongwang and Tianjin Zhongwang. He has 17 years of experience in aluminium processing industry. Mr. Chen has held various positions in financial and operational management since he joined the Group in August 2001, and he has been appointed as a general manager of Liaoning Zhongwang in September 2017. 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 an executive Director on 3 April 2008 and re-designated as non-executive Director on 19 August 2016. Mr. Chen was elected as a director of J.K. Life Insurance Corporation on 23 December 2016 and was approved by the China Insurance Regulatory Commission on 18 July 2017.

Non-executive Directors

Mr. LIU Zhisheng (劉志生), aged 43, is a non-executive Director of the Group. He is primarily responsible for the financial matters of Liaoning Zhongwang. He is also a member of the board of directors of 15 subsidiaries including Liaoning Zhongwang. He has 18 years of experience in aluminium processing industry. After joining Liaoning Zhongwang in August 2000, Mr. Liu Zhisheng held a number of managerial positions in finance and operation. He was appointed as a deputy general manager of Liaoning Zhongwang since March 2006. Mr. Liu Zhisheng received a diploma in computerised accounting from Liaoning Provincial College of Finance in China (中國遼寧財政高等專科學校) in July 2000, and obtained an intermediate accountant certificate from the Ministry of Finance of the People's Republic of China in September 2003. Mr. Liu Zhisheng was appointed as a non-executive Director on 17 November 2017.

Mr. ZHANG Hui (張輝), aged 40, is a non-executive Director of the Group. He is primarily responsible for the planning, operation and management of Yingkou Zhongwang Aluminium Company Limited ("Yingkou Zhongwang"). He is also a member of the board of directors of 15 subsidiaries including Yingkou Zhongwang. After joining Liaoning Zhongwang in 1997, Mr. Zhang has been responsible for the production and sales of aluminium extruded products. He was appointed as a deputy general manager of Liaoning Zhongwang since December 2011 and the chairman and general manager of Yingkou Zhongwang in October 2016. Mr. Zhang achieved a professional certificate of Machinery Electric at Shenyang University of Technology in April 2003. Mr. Zhang was appointed as a non-executive Director on 17 November 2017.

Independent Non-executive Directors

Mr. WONG Chun Wa (王振華), aged 43, is an independent non-executive Director. He established ACT Business Consultants Limited 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 and a supervisor of Maanshan Iron & Steel Company Limited between August 2011 and November 2017. He has been serving as an independent non-executive director of Hong Kong and Shanghai-listed Chongqing Iron & Steel Company Limited since June 2015. 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 an independent non-executive Director on 1 August 2008.

Mr. WEN Xianjun (文獻軍), aged 55, 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 30 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), Suzhou Lopsking Aluminium Co. Ltd. (October 2013 to October 2014) and Jiaozuo Wanfang Aluminium Manufacturing Co., Ltd. (July 2013 to February 2016), these are Shenzhen listed companies. 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 an independent non-executive Director on 1 August 2008.

Independent Non-executive Directors

Mr. SHI Ketong (史克通), aged 49, 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 he gained 17 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. He has been serving as an independent director of Shenzhen-listed Whole Easy Internet Technology Co., Ltd. (previously known as "Kee Ever Bright Decorative Technology Co., Ltd."), since June 2015. Prior to joining Jincheng & Tongda Law Offices, he practised law at King & Capital Law Firm (北京市京都律師事務所) 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 an independent non-executive Director on 12 August 2008.

Mr. LO Wa Kei, Roy (盧華基), aged 46, is an independent non-executive Director. Mr. Lo has over 23 years of experience in auditing, accounting and finance. Mr. Lo is the Managing Partner of SHINEWING (HK) CPA Limited. He has been serving as an independent non-executive director of Sun Hing Vision Group Holdings Limited, Sheen Tai Holdings Group Company Limited, China Oceanwide Holdings Limited (previously known as "Hutchison Harbour Ring Limited") and Xinming China Holdings Limited, since 1999, 2012, 2014 and 2015, and he has been serving as an independent non-executive director of China Oceanwide International Financial Limited (previously known as "Quam Limited"), Wan Kei Group Holdings Limited and G-Resources Group Limited since 2017, all of which are Hong Kong listed companies. He also served as an independent non-executive director of United Photovoltaics Group Limited (previously known as "Time Infrastructure Holdings Limited") and North Mining Shares Company Limited (previously known as "Sun Man Tai Holdings Company 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. Mr. Lo is also the member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference and the founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association and the Divisional Deputy President — Greater China of CPA Australia. He was appointed as an independent non-executive Director on 11 February 2009.

Profiles of Directors and Senior Management

Senior Management

Name	Gender	Age	Group Position
Kot Man Tat (葛文達)	Male	46	Chief financial officer of the Company
Li Pengwei (李鵬偉)	Male	34	Deputy general manager of Liaoning Zhongwang
Cui Weiye (崔維曄)	Male	39	Vice president and joint company secretary of the Company
Tang Yanjie (湯彥杰)	Male	48	Vice president of the Company
Deng Jun (鄧峻)	Male	50	Global legal director of the Company
Li Beibei (李蓓蓓)	Female	37	Vice president of the Company

Mr. KOT Man Tat (葛文達), aged 46, is the chief financial officer of the Company. He is primarily responsible for the Group's finance and accounting. Mr. Kot has over 20 years' experience in accounting and financial management. Mr. Kot graduated from the Chinese University of Hong Kong in 1996 with the degree of bachelor in business administration. He had worked with KPMG and Ernst & Young auditing division, and served as head of corporate finance with Zhongsheng Group Holdings Limited (a company listed on the Stock Exchange). Prior to joining the Group, he served as senior vice president with a private equity firm. Mr. Kot was appointed as a chief financial officer of the Company on 28 June 2016.

Mr. LI Pengwei (李鵬偉), aged 34, is a deputy general manager of Liaoning Zhongwang. He is primarily responsible for Liaoning Zhongwang's research and development. He also serves on the board of Liaoning Zhongwang Science & Technology Company Limited, an indirect wholly-owned subsidiary of the Company. After joining Liaoning Zhongwang in 2007, Mr. Li has been working at its research and development centre and was appointed as a deputy general manager of Liaoning Zhongwang in March 2012. Mr. Li has been serving as a deputy managing director of China Non-Ferrous Metals Industry Association and managing director of the Strategic Alliance for Aluminium Fabrication Industry Technology Innovation of Liaoning Province since 2014 and 2015 respectively. Mr. Li has a bachelor's degree in metal materials engineering from Heilongjiang University of Science and Technology and a master's degree in materials process engineering from the School of Metallurgy, Northeastern University.

Profiles of Directors and Senior Management

Mr. CUI Weiye (崔維曄), aged 39, is a vice president and joint company secretary of the Company. He is primarily responsible for the capital market operations of the Company. He is also a member of the board of directors of 7 subsidiaries including Zhongwang Aluminium Company Limited and Hongkong Zhongwang Investment Limited, the indirect wholly-owned subsidiary of the Company. Mr. Cui worked for China Huiyuan Juice Group Limited before joining the Company. After joining the Company in December 2007, Mr. Cui served as director of capital market department. Mr. Cui has a bachelor's degree in finance from Shandong University and an MBA degree from Capital University of Economics and Business. He was appointed as a joint company secretary of the Company on 28 June 2016 and was appointed as a vice president of the Company on 5 July 2016. Mr. Cui was elected as a director of J.K. Life Insurance Corporation on 23 December 2016 and was approved by the China Insurance Regulatory Commission on 24 February 2017.

Mr. TANG Yanjie (湯彥杰), aged 48, is a vice president of the Company. He is primarily responsible for the development of the Company's overseas businesses and overseas mergers and acquisitions. Before joining the Company, Mr. Tang worked successively at the Ministry of Foreign Affairs, Beijing Foreign Studies University and Encore International, Inc. (Beijing). After joining the Company in July 2010, Mr. Tang served as director of investor relations and director of international business development successively. Mr. Tang has a bachelor's degree in English literature from Beijing Foreign Studies University and a master degree in media and communication regulation from London School of Economics and Political Science. He was appointed as a vice president of the Company on 5 July 2016.

Profiles of Directors and Senior Management

Mr. DENG Jun (鄧峻), aged 50, is the global legal director of the Company. He is primarily responsible for the global legal affairs of the Company. Prior to joining the Company, Mr. Deng worked at the Hong Kong office of Morrison & Foerster as an of counsel, and worked respectively as senior legal counsel at Avenue Capital Group and Chinadotcom during different periods. He joined the Company in January 2017. Mr. Deng has a bachelor's degree in international law from Wuhan University, a master degree in international politics from Villanova University, the United States and an LLM from the Law School of Capital University, the United States.

Ms. LI Beibei (李蓓蓓), aged 37, is a vice president of the Company. She is primarily responsible for global public relations and brand management. Prior to joining the Company, Ms. Li worked for Hill+Knowlton Strategies and UPS. She has extensive experience in public relations, government affairs as well as corporate social responsibility. Ms. Li joined the Company in July 2009 and was formerly director of public relations. She has been responsible for the Company's day-to-day public relations, brand management, company image building, crisis communications, media relations, corporate social responsibility, etc. Ms. Li has double bachelor's degrees in management and English.

Joint Company Secretaries

Mr. CUI Weiye (崔維曄) is a joint company secretary of the Company. He is also the vice president of the Company. His profiles are set out under the paragraph headed "Senior Management" above.

Ms. CHEUNG Yuet Fan (張月芬), aged 52, is a joint company secretary of the Company. She is a director of the Corporate Services Division of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated business, corporate and investor services. She is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Prior to joining Tricor, Ms. Cheung has worked in the role of company secretary and corporate governance area in various Hong Kong listed companies and the company secretarial department of Deloitte Touche Tohmatsu in Hong Kong. She has over 25 years of extensive experience in the corporate secretarial field and has been providing professional corporate services to different clients including listed companies. Ms. Cheung was appointed as a joint company secretary of the Company on 28 June 2016.

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 2017 (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 ecological construction, transportation, 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 developing deep processing business for aluminium products.

For a fair review of the principal activities of the Group during the Year under Review and its likely future development, please refer to Management Discussion and Analysis on pages 18 to 31 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 99 to 104 of this annual report.

The Board recommended to declare a final dividend of HKD0.15 per share for the financial year ended 31 December 2017. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 25 May 2018, the final dividend will be paid on or around Friday, 29 June 2018 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 Wednesday, 6 June 2018.

Should the final dividend distribution proposal be approved by the shareholders, together with an interim dividend of HKD0.10 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 41.2%.

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 172 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 14 to the Financial Statements on page 134 of this annual report.

Bank and Other Loans

Details of bank and other loans are set out in Note 30 to the Financial Statements on pages 146 to 148 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 at 31 December 2017.

On 20 June 2014, the Company 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 USD500 million (the "2014 Facility") for a term of three years. The 2014 Facility was fully repaid on 20 June 2017 by the Company.

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.

On 24 July 2015, Tianjin Zhongwang Aluminium Company Limited ("Tianjin Zhongwang"), an indirect wholly-owned subsidiary of the Company entered into a syndicated facility agreement (the "2015 Facility Agreement") with a group of banks relating to a term loan facility in the principal amount of up to RMB20 billion or its equivalent (the "2015 Facility") for a term of ten years. At 31 December 2017, the outstanding amount owed by Tianjin Zhongwang under the 2015 Facility Agreement was approximately RMB10.88 billion.

Due to the fact that the 2015 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 2015 Facility, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Listing Rules on 24 July 2015. For details of such obligation, please refer to that announcement.

Share Capital

Details of movements in the share capital of the Company during the Year under Review are set out in Note 32 to the Financial Statements on pages 150 to 153 of this annual report.

Convertible Preference Shares

Pursuant to an ordinary resolution passed at a board meeting of the Company on 28 November 2013, the issuance of ordinary shares and/or unlisted convertible preference shares by the Company at a price of HKD2.61 per share on the basis of three new ordinary shares for every ten 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 HKD4.23 billion (approximately RMB3.32 billion) 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 rolling project in Tianjin, PRC. As of 31 December 2017, the net proceeds have been fully applied to the aforementioned purpose.

The convertible preference shares are non-redeemable by the Company and are not listed on the Stock Exchange. 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 following table sets out the dilutive impact on the respective shareholdings of the substantial shareholder of the Company:

	As at 31 December 2017		Upon full conversion of the convertible preference shares	
Name of Shareholder	Number of ordinary shares	% of the relevant class of shares	Number of ordinary shares	% of the relevant class of shares
Mr. Liu Zhongtian ("Mr. Liu")	4,041,500,000	74.16	5,660,455,467	80.08

The earnings per share attributable to equity shareholders of the Company of RMB0.50 has been calculated on a fully-diluted basis.

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 102 and in Note 32 to the Financial Statements on pages 150 to 153 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 at 31 December 2017 amounted to RMB6.31 billion (31 December 2016: RMB8.46 billion).

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
(resigned with effect from 17 November 2017)
Mr. Lu Changqing ("Mr. Lu")
(Chairman, appointed with effect from 17 November 2017, and President)
Mr. Gou Xihui
(resigned with effect from 17 November 2017)
Ms. Ma Qingmei
(appointed with effect from 17 November 2017)

Non-executive Directors

Mr. Chen Yan
Mr. Liu Zhisheng
(appointed with effect from 17 November 2017)
Mr. Zhang Hui
(appointed with effect from 17 November 2017)
Ms. Zhong Hong
(passed away on 16 February 2017)

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 34 to 42 of this annual report.

Directors' Service Contracts

Each of Mr. Lu, an executive Director, and Mr. Chen Yan, a non-executive Director, has entered into a service contract with our Company for a term of three years, which can be terminated by not less than three months' notice in writing served by either the executive Director/non-executive Director or our Company. Ms. Ma Qingmei, an executive Director, and Mr. Liu Zhisheng and Mr. Zhang Hui, the non-executive Directors, were appointed to the board of Directors on 17 November 2017. Each of them has entered into a service contract with our Company for the term commencing from 17 November 2017 to the date of the forthcoming annual general meeting of the Company, which can be terminated by not less than three months' notice in writing served by either the executive Director/non-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. Wen Xianjun, Mr. Lo Wa Kei, Roy and Mr. Chen Yan will retire from the Board by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Further, since Ms. Ma Qingmei, Mr Liu Zhisheng and Mr. Zhang Hui were appointed as directors by the Board on 17 November 2017 pursuant to article 83(3) of the Company's Articles, each of them will hold office until the forthcoming annual general meeting and shall also be subject to re-election thereat.

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 2017 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

At 31 December 2017, 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 at 31 December 2017

Name of Director	Capacity/Nature of Interests	Total number of ordinary shares	% of the relevant class of shares
Mr. Lu	Beneficial owner/Long position	2,000,000	0.04
		42,000,000(1)	0.77
Ma Qingmei	Beneficial owner/Long position	3,800,000(1)	0.07
Chen Yan	Beneficial owner/Long position	42,000,000(1)	0.77
Liu Zhisheng	Beneficial owner/Long position	5,700,000(1)	0.10
	Interest of spouse/Long position	5,600,000(2)	0.10
Zhang Hui	Beneficial owner/Long position	5,700,000(1)	0.10
Lo Wa Kei, Roy	Beneficial owner/Long position	1,600,000(1)	0.03
Shi Ketong	Beneficial owner/Long position	1,600,000(1)	0.03
Wong Chun Wa	Beneficial owner/Long position	1,600,000(1)	0.03
Wen Xianjun	Beneficial owner/Long position	600,000(1)	0.01

(1) Mr. Lu, Ms. Ma Qingmei, Mr. Chen Yan, Mr. Liu Zhisheng, Mr. Zhang Hui, Mr. Lo Wa Kei, Roy, Mr. Shi Ketong, Mr. Wong Chun Wa and Mr. Wen Xianjun hold share options in respect of these underlying shares.

(2) These interests represent share options in respect of these underlying shares held by the spouse of Mr. Liu Zhisheng, which Mr. Liu Zhisheng is deemed under SFO to be interested in.

Save as disclosed above, at 31 December 2017, 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 the 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' and Controlling Shareholders' 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. Details of these related party transactions are disclosed in Note 36 to the Financial Statements on page 161 of this annual report. These transactions were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

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. Eligible employees of our Group members in Germany are members of the Germany state pension fund program Deutsche Rentenversicherung. The Group is required to contribute a specific percentage of each eligible employee’s monthly salary to the Deutsche Rentenversicherung. Eligible employees of our Group members in Australia participate in the superannuation scheme required under Australian law. The Group is required to contribute a specific percentage of each eligible employee’s salary to the selected superannuation fund(s).

The Group’s contributions to the retirement benefits scheme, the MPF Scheme, the Deutsche Rentenversicherung and the relevant superannuation fund(s) in Australia for the Year under Review were RMB154million, RMB0.17 million, RMB6.18 million and RMB1.09 million respectively. Particulars of these retirement plans are set out in Note 35 to the Financial Statement on page 160 of this annual report.

Employees’ Remuneration Policy

The employees’ remuneration comprises of basic salary, performance-based salary and different types of allowances. The performance-based salary is determined based on the performance results of the Group and the performance assessment results of the employees.

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.

Permitted Indemnity Provisions

The Company did not have any arrangement with a term providing for indemnity against liability incurred by the Director during their tenure as such. During the Year under Review, the Company has taken out insurance cover for the Directors.

Equity-linked Agreement

During the Year under Review, the Group did not enter into any equity-linked agreements.

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

At 31 December 2017, 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 at 31 December 2017

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)]	4,041,500,000	74.16
TMF (Cayman) Ltd.	Trustee/Long position[(2)]	4,041,500,000	74.16
Prime Famous Management Limited	Interest of controlled corporation/Long position[(3)]	4,041,500,000	74.16
Radiant Day Holdings Limited	Interest of controlled corporation/Long position[(3)]	4,041,500,000	74.16
Zhongwang International Group Limited ("ZIGL")	Beneficial owner/Long position[(1)]	4,041,500,000	74.16

Long positions in the underlying ordinary shares of the convertible preference shares of the Company at 31 December 2017

Name of Shareholder	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 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, at 31 December 2017, 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

Share Option Scheme

The Company 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. The Share Option Scheme is to provide the participants who have been granted options under the Share Option Scheme to subscribe for Shares with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. The exercise price will be established by the Board at the time the grant of the options is made and shall not be less than the highest of:

(i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date;

(ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the grant date; and

(iii) the nominal value of a share on the grant date.

The amount payable on acceptance of an option under the Share Option Scheme is HKD1.00 (or its equivalent). 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 the Company's 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. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 544,947,314 shares, representing approximately 10% of the number of ordinary shares in issue, and approximately 7.71% of the aggregate number of ordinary shares and convertible preference shares in issue. 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 twelve-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.

The Share Option Scheme is valid and effective for a period of ten years commencing on 17 April 2008 (being the date of adoption of the Share Option Scheme).

Details of valuation of the options are set out in Note 37 to the Financial Statements on pages 161 to 163 of this report.

Report of the Directors

Movements of the options granted under the Share Option Scheme during the year ended 31 December 2017 are as follows:

Name of Grantee	Date of grant	Date of expiry	Exercise price (HKD)	Number of underlying ordinary shares comprised in the options outstanding at 1 January 2017	Number of underlying ordinary shares comprised in the options granted during the twelve months ended 31 December 2017	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2017	Number of underlying ordinary shares comprised in the options exercised during the twelve months ended 31 December 2017	Number of underlying ordinary shares comprised in the options outstanding at 31 December 2017
Directors								
Mr. Lu	22 March 2011	21 March 2021	3.9	2,000,000	—	—	—	2,000,000[1]
	6 January 2016	5 January 2026	3.93	40,000,000	—	—	—	40,000,000[2]
Ma Qingmei	6 January 2016	5 January 2026	3.93	3,800,000	—	—	—	3,800,000[2]
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	—	—	—	2,000,000[1]
	6 January 2016	5 January 2026	3.93	40,000,000	—	—	—	40,000,000[2]
Liu Zhisheng	22 March 2011	21 March 2021	3.9	3,700,000[3]	—	—	—	3,700,000[1]
	6 January 2016	5 January 2026	3.93	7,600,000[3]	—	—	—	7,600,000[2]
Zhang Hui	22 March 2011	21 March 2021	3.9	1,900,000	—	—	—	1,900,000[1]
	6 January 2016	5 January 2026	3.93	3,800,000	—	—	—	3,800,000[2]
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	—	—	—	600,000[1]
	6 January 2016	5 January 2026	3.93	1,000,000	—	—	—	1,000,000[2]
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	—	—	—	600,000[1]
	6 January 2016	5 January 2026	3.93	1,000,000	—	—	—	1,000,000[2]
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	—	—	—	600,000[1]
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	—	—	—	600,000[1]
	6 January 2016	5 January 2026	3.93	1,000,000	—	—	—	1,000,000[2]
Other Past and Present Employees	22 March 2011	21 March 2021	3.9	31,400,000	—	—	—	31,400,000[1]
Other Past and Present Employees	6 January 2016	5 January 2026	3.93	351,800,000	—	—	—	351,800,000[2]
Total				**493,400,000**	**—**	**—**	**—**	**493,400,000**

(1) The options granted on 22 Mach 2011 were vested in five equal tranches on 22 March 2012, 22 March 2013, 22 March 2014, 22 March 2015 and 22 March 2016, respectively. Each tranche is exercisable on or before 21 March 2021.

(2) The options granted on 6 January 2016 are to be vested in five equal tranches. The first two tranche was vested on 6 January 2017 and 6 January 2018, and the rest will be vested on 6 January 2019, 6 January 2020 and 6 January 2021, respectively. Each tranche is exercisable from the date of vesting up to 5 January 2026.

(3) Mr. Liu Zhisheng is deemed to be interested in 11,300,000 shares of the Company, which includes (i) the options granted to him under the Share Option Scheme entitling him to subscribe for 1,900,000 shares of the Company at an exercise price of HKD3.9 per share and 3,800,000 shares of the Company at an exercise price of HKD3.93 per share and (ii) the options granted to his spouse under the Share Option Scheme entitling her to subscribe for 1,800,000 shares of the Company at an exercise price of HKD3.9 per share and 3,800,000 shares of the Company at an exercise price of HKD3.93 per share.

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 Share Option Scheme mentioned above are set out in Note 37 to the Financial Statements on pages 161 to 163 of this annual report and the Sections headed "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 RMB0.2 million.

Compliance with Laws and Regulations

The Board pays close attention to the Group's policies and practices on compliance with legal and regulatory requirements. External compliance and legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable legal framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time.

Environmental Policies and Performance

The Group has strictly complied with the environmental laws and regulations in China and in other operation locations, including but not limited to "The Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution", "Law of the People's Republic of China on Prevention and Control of Water Pollution", "Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution", "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste", "Environmental Impact Assessment Law of the People's Republic of China", "Cleaner Production Promotion Law of the People's Republic of China", "Law of the People's Republic of China on Energy Conservation", "Regulations on the Administration of Construction Project Environmental Protection", "The Directory of National Hazardous Wastes", etc. We understand that all applicable laws and regulations will affect our operational and financial performance, thus we implement and execute all relevant compliance work through internal control, supervision, and training. The Group has obtained all necessary environmental permits for the operations that is currently undertaking. During the Year under Review, the Group had no incidence of non-compliance with the relevant environmental laws and regulations. For more details, please refer to Section "Environmental, Social and Governance Report — Environmental Protection" as set out in pages 79 to 83 of this annual report.

Relationships with Employees

Employees are regarded as one of the most important and valuable assets of the Group, and the Group always treasures their contributions and support. The Group exerts itself to build a harmonious work environment, a sound welfare and compensation system and a reasonable career plan for its employees and offers appropriate trainings and opportunities to assist them with their career development and promotion within the Group. For the relevant details, see Section "Environmental, Social and Governance Report — Our Employee" as set out on pages 76 to 78 and Section "Management Discussion and Analysis — Employees" as set out on page 29 of this annual report.

Relationship with Customers and Suppliers

Maintaining harmonious and good relationships with customers and suppliers is one of the key contributors to the Group's satisfactory results. The Group has established stable long-term cooperative relationships with a number of domestic and foreign customers. The Group closely monitors changes in the market, actively works with its customers in developing new products, and combines research and development with marketing to provide its customers with products of higher quality. The Group also takes active steps to maintain cooperative relationships with its suppliers to assure stable and adequate raw material supply to the Group.

Major Customers and Suppliers

The average length of cooperation between the Group and major customers and suppliers exceeds 5 years. The Group allows an average credit period of 90 to 180 days for domestic sales and an average credit period of 180 days for overseas sales. 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	15.1
Five largest customers in aggregate	40.8

	Percentage of the Group's total purchases (%)
The largest supplier	29.8
Five largest suppliers in aggregate	82.3

None of our Directors or any of their close 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

In respect of the Year under Review, save as disclosed in the Corporate Governance Report on pages 58 to 71 of this annual report, the Company complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group include macro-economic and policy, industry, business and financial risks.

Macro-economic and Policy Risks

Risks of Changes in Economies and Policies

As affected by the global and national macro-economies and policies, social and economic structure and the level of economic development have posed risks and uncertainties to the nonferrous metals industry where the Group operates, including reduction of sales by the Group to certain customers, increase in interest expenses of bank borrowings of the Group or reduction of bank facilities currently available for the Group.

To cope with the risk, the Group will reinforce its research and analysis on international landscape, macro-economies and policies, and timely adjust its corporate strategy, diversify product mix and firmly adhere to the market strategy of "focusing primarily on China and to a lesser extent on the overseas", with an aim to enhance the overall profitability and risk resistance capacity.

Risks of Changes in Tax Laws

In accordance with the current PRC rules on preferential tax treatments of exports, some eligible products of the Group are entitled to a value-added tax rebate at a certain rate. However, as the global economic growth slows down and both international and domestic macro-economic environments change, the PRC government may further reduce the rate of value-added tax rebate or terminate the rules on preferential tax treatments of exports, thus adversely affecting the Group's financial position and operating performance.

To cope with the risk, the Group will reinforce its supervision and research on tax system, timely evaluate the possible risks, adjust product mix promptly and strike a balance between products for domestic market and international markets in order to effectively resist the risks of changes in tax system.

Risks of Changes in Environmental Protection Policy

The PRC government has imposed strict requirements of the laws of production safety and environmental protection for enterprises. Since the PRC government is adopting laws on strengthening environmental protection from time to time and implementing stricter environmental protection standards, it is expected that the Group will have to comply with more regulations in the future. In addition, the Group predicts this trend will continue and additional expenses may be incurred for complying with new regulations, thus increasing the Group's operating costs.

To cope with the risk, not only are we certified with ISO 14001 Environmental Management System, but we have also set up an Environmental Division to monitor and manage the environmental performance of our plants and maintain communication with the Ministry of Environmental Protection. In addition, the Group has been optimising its management system for safety and environmental protection, regularly keeping abreast of the relevant laws and regulations of environmental protection in order to ensure full compliance with local laws of environmental protection.

Industry Risks

Risks of Horizontal Competition

The Group operates in a market full of competition, and has to compete with a number of aluminium processed product manufacturers from the PRC, North America, Europe and other regions in price, lead time and the reliability and stability of product quality. The Group's competitors include major overseas and domestic aluminium processed product manufacturers. The fierce competition has posed challenges to the Group.

To cope with the risk, the Group will continue to adjust product mix, carry out on-going transformation and upgrade, establish a massive customer base, expand sales and distribution network and strengthen research, development and innovation with an aim to further enhance the Group's product and overall competitiveness. In addition, the Group will continue to supervise and analyze industrial policies and competitors in order to formulate and adjust responsive strategies in a timely manner.

Business Risks

Risks of Uncertain Revenues from New Project

The Group plans to develop a number of new projects which require a large amount of investment and a longer period for investment return. As such, higher degree of uncertainty remains in production, sales and market prospects.

To cope with the risk, the Group has sufficiently conducted a market research. With the light-weight development in energy saving, reduction of emission and transportation, the Group has been enhancing its stability of techniques and technologies for new projects, developing relevant markets and monitoring the national policies from time to time in order to better control the development of new projects.

Financial Risks

Foreign Currency Risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies. Exchange rate fluctuations will affect contractual sales revenue denominated in foreign currencies and on borrowings denominated in foreign currencies, which in turn may, to a certain extent, have adverse effects on the Group.

To cope with the risk, the Group has its financial and capital policies in place with an aim to control the foreign currency fluctuation risk and the interest rate fluctuation risk of individual transactions. The management of the Group has been monitoring the exchange rate risk, and will consider hedging against major foreign currency risk when required.

Interest Rate Risk

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. The change of interest rate will increase the uncertainty of the finance costs of the Group, which may exert impact on the operating targets of the Group.

To cope with the risk, the Company will reinforce its analysis and research on interest rate trends and actively explore financing channels to optimise its debt structure and reduce finance costs.

Price Fluctuation Risk of Aluminium Ingot

The Group's principal raw materials in the aluminium processed product business include aluminium ingots, aluminium rods, magnesium ingots, silicone ingots, etc. The prices of raw materials have been mostly affected by policies and economic situation, exerting potential impact on the financial condition and operating results of the Company.

To cope with the risk, the Group's pricing of aluminium products is on a "cost-plus" basis, pursuant to which the selling price for the products are determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. The Group's pricing policy is to pass the price fluctuation risk to its customers. In addition, the Group will reinforce its judgement on market to further enhance its control and management capacity over the risk of market price.

The principal financial risks are set out in the Section "Management Discussion and Analysis — Financial Risks" on pages 30 to 31 of this annual report.

Major Purchase and Sale of Subsidiaries and Associates

There was no major purchase and sale of the subsidiaries and associates of the Company during the Year under Review.

Event after the Reporting Period

The Group had no material events after the reporting period.

Model Code for Securities Transactions

Details of our Directors' compliance with the Model Code for Securities Transactions are set out in Corporate Governance Report on pages 58 to 71 of this annual report.

Auditor

KPMG acted as the auditor of the Company during the period from 1 January 2017 to 18 December 2017. The shareholders of the Company resolved at the extraordinary general meeting held on 18 December 2017 that BDO Limited be appointed as the auditor of the Company. The Consolidated Financial Statements have been audited by BDO Limited, who will retire and, being eligible, offer itself for re-appointment at our forthcoming annual general meeting.

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

By order of the Board
Lu Changqing
Chairman

Hong Kong, 23 March 2018

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 Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "Governance Code") since its listing on the Stock Exchange in 2009. 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 organisational structure and monitoring the business activities and the performance of management so as to protect and maximise 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 2016, the unaudited quarterly results of the periods ended 31 March 2017 and 30 September 2017, the unaudited interim results for the six months ended 30 June 2017, 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 two executive Directors, three non-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[1]	*(Chairman of the Board, Chairman of the Strategy and Development Committee and Member of the Nomination and Remuneration Committee, each from 1 January 2017 to 17 November 2017)*
Mr. Lu[2]	*(Chairman of the Board, Chairman of the Strategy and Development Committee and Member of the Nomination and Remuneration Committee, each from 17 November 2017; Member of the Strategy and Development Committee, from 1 January 2017 to 17 November 2017)*
Ms. Ma Qingmei[3]	*(Member of the Strategy and Development Committee, from 17 November 2017)*
Mr. Gou Xihui[4]	

Non-executive Directors

Mr. Chen Yan
Mr. Liu Zhisheng[5]
Mr. Zhang Hui[5]
Ms. Zhong Hong[6]

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)*

Notes:

1. Mr. Liu resigned as director on 17 November 2017.
2. Mr. Lu was appointed as chairman of the Board on 17 November 2017.
3. Ms. Ma Qingmei was appointed as an executive director on 17 November 2017.
4. Mr. Gou Xihui resigned as director on 17 November 2017.
5. Each of Mr. Liu Zhisheng and Mr. Zhang Hui was appointed as a non-executive director on 17 November 2017.
6. Ms. Zhong Hong passed away on 16 February 2017.

Chairman and Chief Executive Officer

During the period from 1 January 2017 to 17 November 2017, Mr. Liu acted as the chairman of the Board and Mr. Lu acted as the president (i.e. the chief executive) of the Company. Subsequent to Mr. Liu's resignation on 17 November 2017, Mr. Lu was appointed as the chairman of the Board.

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

During the Year under Review, the Company deviated from this provision from 17 November 2017 to 31 December 2017, because Mr. Lu performed both the roles of chairman of the Board and the president (i.e. the chief executive) of the Company. Mr. Lu has joined the Group for a long period of time and was appointed to various important managerial functions in the Group. He does not only have a wealth of experience in the business operation as well as the overall management, but also an extensive knowledge in the industry. As such, the Board believes that this arrangement of Mr. Lu taking up both roles facilitates the Group's strategic development at this stage. The Board considers that this arrangement will not impair the balance of power and authority between the Board and the management of the Company as a majority of the Board members are non-executive Directors and independent non-executive Directors and the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information.

Mr. Lu, 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. Lu also endeavours 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. Lu, 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.

Mr. Lu, as the president of the Company, is also primarily responsible for the Group's strategic planning, operations and management.

During the Year under Review, the chairman of the Board has met once with the non-executive Directors, including 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 comprising 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 so as to fill vacancies due to the resignation of directors or appoint additional directors and making recommendation to the Board in respect of proposal for re-election of retiring directors for approval at the annual general meeting. 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.

On 17 November 2017, Ms. Ma Qingmei was appointed as executive Director and each of Mr. Liu Zhisheng and Mr. Zhang Hui was appointed as non-executive Director pursuant to article 83(3) of the Company's Articles. Therefore, each of them will hold office until the forthcoming annual general meeting and shall also be subject to re-election thereat. Ms. Zhong Hong passed away on 16 February 2017. Mr. Liu and Mr. Gou Xihui resigned as executive Directors on 17 November 2017. Each of the independent non-executive Directors are appointed on a term of three years subject to rotation. Pursuant to the Code Provision A.4.3 of the Governance Code, any further appointment of independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by shareholders. Notwithstanding that each of Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy has served as an independent non-executive Director for more than nine years, (i) the Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in Rule 3.13 of the Listing Rules and affirmed that each of Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy remains independent; (ii) the Nomination and Remuneration Committee of the Company has assessed and is satisfied of the independence of each of Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy; and (iii) the Board considers that each of Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy remains independent of management and free of any relationship which could materially interfere with the exercise of his independent judgment. In view of the aforesaid factors and the experience and knowledge of the relevant individual, the Board would recommend each of Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy for re-election at the Annual General Meeting.

Pursuant to articles 84(1) and (2) of 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. A retiring Director shall be eligible for re-election.

Pursuant to the Articles of the Company, 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 above provisions of the Articles of the Company, Ms. Ma Qingmei, Mr. Liu Zhisheng, Mr. Zhang Hui, Mr. Wen Xianjun, Mr. Lo Wa Kei, Roy and Mr. Chen Yan shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Board Committees

The Board has established the audit committee, nomination and remuneration committee, corporate governance committee and strategy and development committee (collectively, the "Board Committees"). The Board Committees are formed with specific written terms of reference which deal with their authority and duties clearly. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

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

The Audit Committee acts as the key representative body for overseeing the Company's relations with the external auditor and is primarily responsible for the review and supervision of the Group's financial reporting process, 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, five meetings were held by the Audit Committee. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2016, the unaudited quarterly results of the periods ended 31 March 2017 and 30 September 2017, the unaudited interim results for the six months ended 30 June 2017 with the senior management of the Company, and has also reviewed the effectiveness of the risk management and internal control systems as well as the internal audit function 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 terms 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	5
Mr. Wen Xianjun	5
Mr. Shi Ketong	5

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 one executive Director, namely Mr. Lu, and two independent non-executive Directors, namely Mr. Wen Xianjun (chairman) 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 re-appointment 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 of 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 terms 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. Three meetings were held by the Nomination and Remuneration Committee during the Year under Review to discuss the nomination and remuneration of Directors, including the review of the appointment of chairman of the Board and change of Directors during the Year under Review, and to 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	3
Mr. Liu *(resigned on 17 November 2017)*	3
Mr. Lu *(appointed on 17 November 2017)*	0
Mr. Shi Ketong	3

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, 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 disclosure in the corporate governance report 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 during the Year under Review to review the corporate governance function as set out in code provision D.3.1 of the Governance Code. The attendance of Directors at the Corporate Governance Committee meetings held during the Year under Review 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. Lu (chairman), Ms. Ma Qingmei 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 were held by the Strategy and Development Committee during the Year under Review. The attendance of Directors at the Strategy and Development Committee meetings held during the Year under Review was as follows:

Strategy and Development Committee Members	Attendance
Mr. Liu *(resigned on 17 November 2017)*	2
Mr. Lu	2
Ms. Ma Qingmei *(appointed on 17 November 2017)*	0
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 eleven 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 26 May 2017 (the "2017 AGM") and the extraordinary general meeting held on 18 December 2017 (the "EGM") to understand the views of the shareholders.

The attendance of each Director at the Board meetings and the 2017 AGM and the EGM was as follows:

	Attendance		
Members of the Board	**Board Meetings**	**2017 AGM**	**EGM**
Executive Directors			
Mr. Liu *(resigned with effect from 17 November 2017)*	9	1	1
Mr. Lu	11	1	1
Ms. Ma Qingmei *(appointed with effect from 17 November 2017)*	2	0	1
Mr. Gou Xihui *(resigned with effect from 17 November 2017)*	9	1	0
Non-executive Directors			
Mr. Chen Yan	11	1	1
Mr. Liu Zhisheng *(appointed with effect from 17 November 2017)*	2	0	1
Mr. Zhang Hui *(appointed with effect from 17 November 2017)*	2	0	1
Ms. Zhong Hong *(passed away on 16 February 2017)*	0	0	0
Independent Non-executive Directors			
Mr. Wong Chun Wa	11	1	1
Mr. Wen Xianjun	11	1	1
Mr. Shi Ketong	11	1	1
Mr. Lo Wa Kei, Roy	11	1	1

Reasonable notices of Board meetings have been given to the Directors prior to the meetings whereby the Directors can put forward his/her proposed items into the meeting agenda. The meeting procedures of the Board have complied with the Articles of the Company as well as the relevant rules and regulations. The agenda and relevant materials 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 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 eight 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 *(resigned with effect from 17 November 2017)*	Regulatory; corporate governance	8
Mr. Lu	Regulatory; corporate governance; financing	14
Ms. Ma Qingmei *(appointed with effect from 17 November 2017)*	Financing; risk management	6
Mr. Gou Xihui *(resigned with effect from 17 November 2017)*	Regulatory; corporate governance	8
Mr. Chen Yan	Regulatory; corporate governance; financing	14
Mr. Liu Zhisheng *(appointed with effect from 17 November 2017)*	Financing; risk management	6
Mr. Zhang Hui *(appointed with effect from 17 November 2017)*	Financing; risk management	6
Ms. Zhong Hong *(passed away on 16 February 2017)*	—	0
Mr. Wong Chun Wa	Regulatory; corporate governance; financing	14
Mr. Wen Xianjun	Regulatory; industry updates; corporate governance	18
Mr. Shi Ketong	Regulatory; corporate governance; financing	30
Mr. Lo Wa Kei, Roy	Corporate governance; financing	17

Training for Joint Company Secretaries

The joint company secretaries have attended training courses with information regularly provided by the Company or conducted by external professional bodies. 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. Cui Weiye	Corporate governance; merger and acquisition; risk management	57
Ms. Cheung Yuet Fan	Legal and regulatory, taxation and corporate governance	22

The Company considers that the training of the two joint company secretaries was in compliance with the requirements under Rule 3.29 of the Listing Rules. The primary contact person at the Company with Ms. Cheung Yuet Fan of Tricor Services Limited, external service provider, is Mr. Cui Weiye who is a joint company secretary and a vice president of the Company.

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 2017 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, which had reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other comparable companies and prevailing market conditions. Directors and senior management also participate in the share option scheme which are determined in accordance with the performance of the Group and the individual's performance.

The remuneration of the Directors for the Year Under Review has been disclosed in Note 10 to the Financial Statements on pages 129 to 130 of this annual report.

During the Year under Review, the remuneration of the senior management of the Group by band is set out below:

Remuneration Bands	Number of persons
Nil to RMB1,500,000	4
RMB1,500,001 to RMB3,000,000	2

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 pages 93 to 98 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 Directors and Senior Management" on pages 34 to 42 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 acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of the operation of the Group. 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 and corporate management processes;

(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 management monitors the assessment of the risk management and internal controls and has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

The Company has developed and adopted different risk management procedures and guidelines with defined authority. Self-evaluation has been conducted semi-annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings to the Audit Committee.

The Board considered that, for the year ended 31 December 2017, the risk management and internal control systems of the Company are effective and adequate. 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.

The Company has developed its procedures and designated specified persons to provide guidance to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures are implemented and specified persons are designated to ensure that unauthorised access to and use of inside information are strictly prohibited.

Independent Auditor's Appointment and Remuneration

KPMG acted as the auditor of the Company during the period from 1 January 2017 to 18 December 2017. The shareholders of the Company resolved at the extraordinary general meeting held on 18 December 2017 that BDO Limited be appointed as the auditor of the Company, who will retire and, being eligible, offer itself for re-appointment at our forthcoming annual general meeting.

For the Year under Review, the remuneration paid by the Company to KPMG for statutory audit services and non-audit services were nil and RMB3 million respectively. The remuneration payable by the Company to BDO Limited for statutory audit services and non-audit services were RMB3.88 million and RMB3.77 million, respectively, and the non-audit services relate to the spin-off and listing of the Group's aluminium extrusion business on the Shanghai Stock Exchange.

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 disclosable 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 makes 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.

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM. Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 56/F, Bank of China Tower, 1 Garden Road, Hong Kong, for the attention of the Chairman of the Board. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Chairman of the Board will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM. If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company. 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 seven 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 emphasised 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 maximise our shareholders' wealth.

By order of the Board
Lu Changqing
Chairman

Hong Kong, 23 March 2018

Environmental, Social and Governance Report

We are committed to operating in a well-balanced manner that is economically, environmentally and socially sustainable. Internally, we focus on maintaining product quality and cultivating a talented team. Externally, we aim to create a green environment and deliver added value to our society.

About the Report

Reporting Guide

This report is prepared in compliance with the Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited on the Main Board and is in accordance with the actual situation of the Group.

The Board of Directors acknowledges its responsibility to ensure the integrity of this ESG report and to the best of its knowledge this report addresses all relevant material topics and fairly presents the Group's ESG performance and impacts. The Board of Directors, having reviewed and approved this report, confirms the accuracy, truthfulness and completeness of its content.

Scope of the Report

This is the second ESG report of the Group, covering the environmental and safety performance data from the aluminium extrusion and deep processing businesses of the Group at Liaoyang, while the remaining data pertaining to social performance covers the entire Group. The indicators disclosed can be found in the ESG Content Index at the end of the report. This report is published together with the 2017 Annual Report, disclosing the Group's progress on environmental, social and governance aspects from 1 January 2017 to 31 December 2017 ("Year under Review").

Feedback

The report aims to be plain, clear and easy-to-read. We have taken into consideration interests and requirements of different stakeholders to the extent possible in the compilation of this report. The Company shall in the future continue to improve on the content and format of our ESG Report.

We welcome your feedback and suggestions. Please contact us at:

China Zhongwang Holdings Limited
Telephone: +852 2905 3105
Fax: +852 2530 0790
E-mail: corpcomm@zhongwang.com
Address: 56/F, Bank of China Tower, 1 Garden Road, Admiralty, Hong Kong

Chairman's Message

Dear Stakeholders,

I am pleased to present the 2017 Environmental, Social and Governance Report of China Zhongwang Holdings Limited.

Constructing a Greener Future with Light-weight Development

In recent years, China has been progressing towards a green and low-carbon economy. Coupled with its light-weight, recyclable, pollution-free features, aluminium is a sustainable material which has become the ideal material for China's industrial upgrade. As a global leader and innovator in aluminium fabrication industry, China Zhongwang is committed to producing a myriad of high-quality green aluminium products through relentless product research and development, as well as technological innovation. By deepening the cooperation with our customers and suppliers in ecological construction, transportation, machinery and equipment, electric power engineering, etc., we have been making progress in light-weight development of the upstream and downstream along the industry chain.

During the Year under Review, the Group's Tianjin based high value-added aluminium flat rolling project commenced production. Subsequently, the Group acquired Alunna, a manufacturer producing high-end aluminium tubes, and Silver Yachts, an all-aluminium superyacht builder, entering the high-end sectors including automotive, aviation and marine. Such businesses will generate synergetic development with our current aluminium extrusion business and deep processing business, laying a solid foundation for us to further expand our business along the entire industry value chain, and to offer one-stop light-weight solutions for our customers, contributing to the ecological development of the manufacturing in China.

Creating Value for Our Employees

Adhering to our core value of "people-oriented", China Zhongwang values each and every employee. We put occupational health and safety on our top priority and attach great importance to talent management by providing fair career development opportunities and inclusive workplace, focusing on employees' work-life balance, motivating our talents to realise their value.

Striving for Low-carbon Footprint and Emissions Reduction

The Group has been following the applicable environmental protection regulations and policies in People's Republic of China ("PRC"). Through formulating strict production process and supervision system, and conducting self-regulation programs, we aim to improve our environmental performance and mitigate the environmental impact generated by our operation. During the Year under Review, we implemented recycling initiatives on raw materials and water resources with an excellent outcome.

Looking ahead, the Group will actively grasp the opportunities driven by green economy to realise sustainable development. We will take further steps to position environmental, social and governance as the pivotal elements when making major corporate decision, striving to become a corporate citizen with a strong sense of responsibility and conviction, and creating long term value for our stakeholders and the society.

By order of the Board
Lu Changqing
Chairman

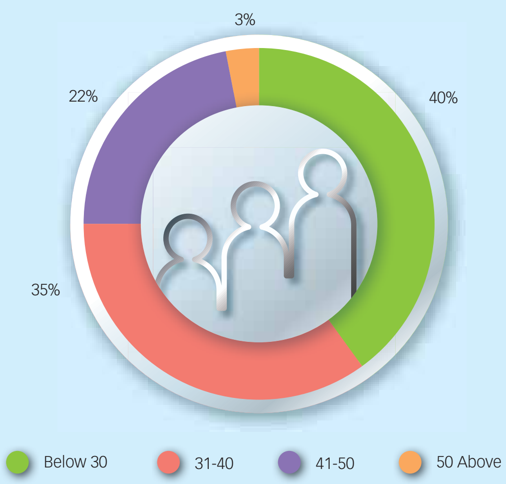
Hong Kong, 23 March 2018

Our Employee

China Zhongwang values talents. With an aim to attract and retain talents for a sustainable development, we have established a well-rounded talent management mechanism. We care about the personal development of each employee, and strive to create a safe, healthy, fair and equal workplace.

China Zhongwang has been actively creating employment opportunities at our locations of operation. As at the end of 2017, the Group has a total of 32,255 employees, with the majority of them distributed across Mainland China. Around 75% of our employees are 40 years old or younger. The number of management staff at the production supervisor level and above was 2,233, comprising 7% of the total workforce.

Employee Profile by Age



Labour Practices

The Group respects human rights and complies with labour standards. Our human resources policy and management system is implemented in compliance with all relevant laws and regulations, including but not limited to the Labour Law and the Contract Law of the PRC.

We are committed to protecting labour rights, eliminating any forms of forced labour and banning the employment of child labour. During the recruitment and employment process, the employees are required to sign contracts which clearly state the position, employee welfare and scope of work, etc. The recruiters of the Group's Human Resources Department also check the legally-valid identity documents of each candidate and new employee. The Group respects the freedom of employees, and strictly prohibits the restriction of their personal freedom or direct forced labour in any forms. During the Year under Review, no incident of child labour or forced labour has occurred at any of the Group's locations.

The Group does not infringe upon the freedom of employees, nor does it discriminate on the bases of race, gender, age and religion. We believe in equal opportunity and strive to provide a diverse and fair working environment. Recruitment and promotion are solely based on merit. During the Year under Review, we did not come across any incidents of non-compliance with laws and regulations relating to employment and labour practices that had a significant impact on the Group.

Welfare and Training

The Group provides attractive remuneration and welfare benefits to employees, including annual leave, maternity leave, and medical and social insurance, in accordance with relevant laws and regulations. Employees with outstanding performance are entitled to bonuses. We make sure that all welfare measures are well protected and implemented.

We treasure our employees and offer them a stimulating environment to achieve their career goals. We actively promote talents through our performance management and training systems. Monitoring employees' performance is not only important for the Group's effective operations but also allows us to understand employees' strengths and needs, in order to offer promotion opportunities and adjust training plans in the most suitable manner.

The training management system is structured and designed according to the different categories, job nature, and seniority of the employees. Apart from focusing on skills training related to the three core businesses, employees are also required to understand the Group's development and industry trends. Training sessions on corporate culture, compliance, ethics and business management etc. are provided. Through seminars and case studies, employees acquire necessary knowledge and skills to perform their duties competently. We seek to strengthen the effectiveness of training. Each department analyses training needs through post-training assessment before drawing training plans and objectives that align with the Group's business strategy.

Employee Care

The Group cares about the employees' physical and mental development. We listen to employees' concerns and protect their right to express opinions and communicate grievances. A drop box has been set up to collect employee feedback. The Human Resources Department makes sure that contents of all complaints and feedback are kept confidential. Cases are handled in a fair and efficient manner with prompt replies on the related suggestions. Relevant policies are also established to prevent any false or unreported cases, and to eradicate behaviours that deprive the right of employees to express their concerns. The Group takes employees' suggestions seriously into consideration and strives to build a fair and just working environment.

Safety First

Occupational health and safety is always our top priority. Following the principles of "Management, Equipment and Training", we take the responsibility to make sure employees' health and safety are not under threat. All our operations comply with, among others, the Production Safety Law of the PRC, Law of the PRC on the Prevention and Treatment of Occupational Diseases and Measures for the Supervision and Administration of Employers' Occupational Health Surveillance. There was no significant incident of safety-related non-compliance during the Year under Review.

The Group's occupational health and safety system has obtained the OHSAS 18001 certification. We manage our safety risks through the implementation of "Compilation of Safety Production System" and "Safe Operation Procedure", where standards and practices in safe production, safe inspections, handling of hazardous materials and emergency plans etc. are clearly specified. Regarding equipment, we have established a set of safety guidelines for each production process and the use of each machinery. Employees are required to obtain the relevant working certificate before they are qualified to carry out the operations.

To protect employees from safety hazards, a management system on personal protective equipment is in place. We monitor and manage procurement, storage and distribution of the equipment, ensuring they are up to standards, are used correctly and are replaced regularly. Under the principle of "safety first, prevention-oriented", we have been making great efforts to enhance the employees' awareness of occupational health and safety, guiding the employees to transform knowledges into practices and cultivating a culture of safety.

At our Liaoyang production base, 253 safety training sessions were held during the Year under Review, with full participation of the entire workforce. All specialised operators possessed the required certification. The Group's work-related injury rate remained at a relative minimum, at 0.031%. There were no work-related fatalities recorded during the Year under Review.

	2017
Total safety training	**253 Sessions**
Employee participation rate	**100%**
Rate of specialised operators with legal working certificate	**100%**
Work-related fatalities	**0**

* Occupational health and safety data includes the aluminium extrusion and deep processing businesses in Liaoyang.

Environmental Protection

With the commitment of becoming an eco-friendly corporation, we have been implementing the concepts of resources recycling and low-carbon production throughout our production process. Through fabricating quality aluminium products, we endeavour to propel light-weight development in the ecological construction, transportation, machinery and equipment and electrical engineering sectors, aiming to create value for the ecological development of the society.

Environmental Management

China Zhongwang attaches significant importance to the responsibility for environmental management at all its production sites. The Group has certified with ISO 14001 Environmental Management System.

Besides, we have set up an Environmental Division for overall coordination, managing the environmental performance, conducting regular monitoring and inspection of factory pollutants at each production plant, meanwhile maintaining communication with the Ministry of Environmental Protection.

We have implemented a systematic management approach for the environmental performance of our plants, requiring all departments to strictly follow the Environmental Protection and Management Guidelines. We have a separate system for projects that need more attention, such as the air pollutants and sewage management systems. Standards and handling procedures for pollution management are clearly specified in these systems. By regularly reviewing related environmental rules and regulations, we ensured our production operations are in full compliance of local laws of environmental protection. During the Year under Review, we did not notice any material non-compliance of laws and regulations that could have had a significant impact related to air and greenhouse gas emissions, discharge into water and land or generation of hazardous and non-hazardous waste.

Resources Consumption

The major types of our energy consumption include electricity and natural gas. With the expansion of our production scale, the consumption of electricity and natural gas increased by 24% and 16% respectively during the Year under Review. We also consume diesel and gasoline as fuels in our production plants, and there was a 34.2% increase in the consumption as the Group's business scale grows. There is no significant change in water consumption, for both industrial and domestic use. The table below indicates the resources consumption during the Year under Review and 2016.

	Unit	2017	2016	Change
Electricity	MWh	**806,339**	650,409	+24.0%
Natural gas	'000 m^3	**54,659**	47,140	+16.0%
Liquified natural gas[(1)]	Tonnes	**8,837**	—	—
Fuel	Tonnes	**5,606**	4,178	+34.2%
Water	'000 Tonnes	**3,941**	3,970	–0.73%

From burning of natural gas, diesel and petrol, the Group generates direct greenhouse gases ("GHG"). Indirect GHG emissions are generated from purchased electricity. The table below indicates the GHG emissions during the Year under Review and 2016.

	Unit	2017	2016	Change
Direct GHG emission	tCO_2e	**158,321**	112,891	—[(2)]
Indirect GHG emission	tCO_2e	**626,445**	543,547	+15.3%

(1) We started to collect and disclose the date of liquified natural gas (LNG) in 2017.
(2) The scope of direct GHG emissions in 2017 includes LNG, and therefore, the figure is incomparable due to different data collection boundary.

Resources Conservation

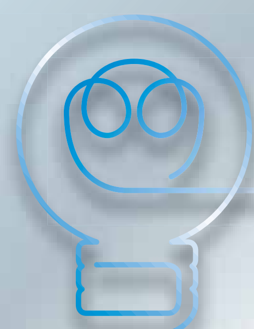
As the scale of the Group's business expands, the demand on natural resources is also on the rise. By constantly innovating technologies and equipment, optimising management model and adopting multiple initiatives to reduce resource consumption, we have been improving the efficiency of resources usage, recycling and reusing resources consumed in daily operations, implementing the resources utilisation model of reduce, reuse and recycle.

Energy Saving

Apart from the daily management of energy consumption, the Group introduces advanced technology to improve the resource usage efficiency.

Case Study: Heat Recovery and Water Reusing in the Production Base in Liaoyang

We have adopted heat recovery technology for exhaust gas at production lines in the Liaoyang plants with the heat recovery rate reached 70% to 90%, which effectively reduced the natural gas consumption by 4.82%. Additionally, heated water used for cooling in production is reused to provide heat in winter at the plants' office, reducing the energy consumption for heating.



Water Conservation

The Group has been working for years to improve water consumption efficiency by reducing the demand for clean water and lowering the amount of sewage discharged. The casting and extrusion mills in Liaoyang production base recycle and reuse wastewater and are installed with clear and wastewater circulation systems respectively. As a result of the comprehensive water circulation treatment, factories in the Liaoyang production base achieved a water reuse rate of 98.5% during the Year under Review.

Reducing Material Consumption

As a priority, we have been working hard to increase the production efficiency so that less materials especially aluminium, are consumed. By applying aluminium dross reuse technology, the metal is extracted in liquid form from the dross generated in the production process, with recovery rate reaching 85% to 95%.

Apart from extracting and recycling aluminium from the dross, we also avoid having unnecessary packaging. We have a guideline for standard profiles packaging (標準型材包裝方案). A and B types of products packaging methods have been simplified as we use paper for dividing the profiles and wrap them with plastic for better protection, while the bare materials (裸材) are not divided or wrapped with other materials. These are the most common packaging methods used by our customers. Without over-packaging, the demand on materials can be reduced.

Emissions Reduction

The Group has strived to minimise the amounts of wastewater, exhaust gas and waste generated during the production processes through establishing several mitigation programs such as "Air Pollution Control Programme" and "Waste Management Program". The aim is to regulate the entire pollutant discharge processes so that our production process can meet all the legal national and local environmental requirements.

Air Emissions

In our daily operations, we generate a certain amount of pollutants from boilers, furnaces, vehicles used within the plants and the canteen. The table below indicates the emission of air pollutants from vehicle used within the plants during the Year under Review.

	Unit	2017
SO_2	Tonnes	**0.008**
NO_x	Tonnes	**2.5**
Particulate matters	Tonnes	**0.24**

Exhaust Gas Treatment

China Zhongwang has set up an "Air Pollution Control Programme" for mitigating and regulating air pollutants emitted at all our plants. Environment Division, Logistics Department, Green Development Department and other relevant departments collaboratively monitor the performance of exhaust gas treatment devices on a daily basis, facilitating inspection and assessment by the local Environmental Department.

Our energy source has been changed from coal to a cleaner one, natural gas. The exhaust gas must be purified and meet the relevant requirements stipulated by the laws and for this, advanced dedusting techniques are used. In case of violation, immediate remedial measures will be taken and the incident will be reported to the supervisors; otherwise, the person-in-charge will be penalised.

Case Study: Exhaust Gas Treatment at the Aluminium Flat Rolling Production Base in Tianjin

We installed a dust separator (袋式除塵器) with a lime spreading system (石灰噴射系統) and a heat recovery system for neutralising acidic dust and recycling the heated gas at wintertime. This helps minimise particulates emissions and mitigate the impact to respiratory system. It complies with the European Union standards.

Effluent and Waste

During the Year under Review, our wastes discharge increased slightly while that of wastewater had no significant change. Effluents are composed of industrial and domestic water, while other wastes include hazardous and non-hazardous waste. Hazardous waste is mostly the residues of fuels and chemicals. Non-hazardous waste mainly consists of the aluminium dross and garbage generated from personal usage in the course of daily lives. The table below summarises the situation of effluent and waste discharge of the Group.

	Unit	2017	2016	Change
Wastewater discharge	'000 Tonnes	**3,547**	3,570	–0.64%
Hazardous waste	Tonnes	**16**	14	+14.3%
Non-hazardous waste	Tonnes	**13,250**	12,580	+5.33%

Wastewater Reuse

We have strictly complied with the Environmental Protection Law, Cleaner Production Promotion Law, Water Pollution Prevention and Control Law, Integrated Wastewater Discharge Standard, etc. A designated department was set up to monitor the wastewater discharge in daily production, to ensure clean production.

The amount of industrial and domestic wastewater discharged and concentration of pollutants are greatly reduced after on-site treatment, recycling and reuse. We have established a sewage treatment plant in the factory for treating chemicals to meet the environmental standard before discharging to municipal sewage pipe network according to regulations.

Besides, through the wastewater reuse devise, the treated wastewater is further filtered to remove contaminants and reuse during the production processes. An online monitoring office has been established at the Liaoyang production base to monitor the wastewater treatment facilities. It is equipped with a data collection device, from which the Environmental Protection Bureau can retrieve effluent data in real time on the amount and concentration of chemical oxygen demand and ammonia nitrogen.

The table below shows the comparison of concentrations of pollutants in wastewater discharged during the Year under Review and that in the Integrated Wastewater Discharge of Liaoyang Province ("Standard concentration").

Pollutants	Standard concentration (mg/L)	2017 (mg/L)	2016 (mg/L)	Changes
Chemical oxygen demand (COD)	300	**22.2**	32.2	–31.1%
Ammonia nitrogen	30	**5.5**	9.6	–42.7%

Case Study: Recycling and Reuse of Wastewater at the Aluminium Flat Rolling Production Base in Tianjin

The domestic and industrial wastewater collected from the plants and dormitories is processed in four separate treatment stations. The treated water should meet the Grade V Surface Water Standard (地表五類水排放標準), and it is used as landscape water, flushing supply, and greenery.

Waste Management

The Group strictly controls waste discharge during the production process to conduct all-rounded resources recycling and reuse. The Environmental Division and the Green Development Department are responsible for categorizing waste under the "Waste Management Programme".

Hazardous wastes, such as those generated from consuming fuels and chemicals, are properly categorised, collected, stored and transported according to the waste types, following the procedure of collecting and handling. Accredited vendors are then commissioned to handle or recycle these hazardous wastes. For non-hazardous wastes, we establish recycling methodologies corresponding to the production process.

Developing a Green Industry

To construct a green production environment, we have established a Green Development Department responsible for managing and conserving the ecological environment within and outside our production sites, including plants and foliage, which help purify air at the production sites and conserve water resources nearby. During the Year under Review, 2,772 trees were planted in Liaoyang.

We have been also proactively responding to the national advocacy on ecological development and low-carbon manufacturing by undertaking technological innovation and product upgrade continually, and expanding the application of aluminium alloy, an eco-friendly material, to reduce energy consumption.

The aluminium alloy formwork newly developed by the Group during the Year under Review is a green building material that has rapidly gained prominence in China in recent years. In response to the guidelines of saving wood by replacing them with aluminium and in accord with the green construction plan advocated by the Ministry of Housing and Urban-Rural Development of PRC, the Group's aluminium alloy formwork project is among the key programmes of the ten new technologies for the construction industry launched in 2017. Aluminium alloy formworks are widely used in large-scale construction projects such as residential projects and urban infrastructure. Compared with traditional wood formwork, plastic formwork and steel formwork, aluminium alloy formwork has unparalleled ecological advantages. Aluminium alloy formworks do not generate any waste on the construction site, thus contributing to a safe, clean and tidy environment for the construction work. In addition, due to the reusability and renewability of aluminium alloy, replacing the traditional wood formwork by aluminium alloy fowmwork helps to reduce tree felling, thereby playing an important role in preventing soil erosion and conserving forest resources.

Operational Practices

China Zhongwang is committed to achieving mutually beneficial development with our customers by providing high-quality products and services. We place strong emphasis on research and development, introduction of new technology and equipment, and stringent quality assurance procedures.

Technological Innovation

We fully understand that innovation is an incentive for the long-term development of corporation. The Group places strong emphasis on innovation to continuously consolidate the Group's overall competitiveness, thus keeping its leading position on cutting-edge equipment and sophisticated technical know-how. The Group have a number of R&D units for handling national, provincial, municipal, and regional science and technology projects related to light-weight development. As at 31 December 2017, the Group had 2,202 R&D and quality control personnel which accounted for 6.8% of the Group's total number of employees.

During the Year under Review, "The State Key Laboratory of Processing of High-end Aluminium Alloy Profiles" of the Group received financial support from the grant of national special funds, undertaking a number of state-level and provincial-level major technology projects, achieving positive impacts on technology development in the industry. The Group has received several state-level certifications including "National Technological Innovation Demonstration Enterprise", "National High and New Technology Enterprises", recognising the outstanding performance of the Group in technological innovation and R&D.

Intellectual Property Protection

As an innovator in the development of light-weight products for different applications, the Group has positioned intellectual property as a key element of its sustainable business strategy for protecting employees' inventions. Our professional team has put a lot of efforts in developing products that are light in weight, innovative in design, environmental-friendly in practice, and competitively priced.

During the Year under Review, we have applied for 567 patents, including 130 inventions. We have established an Intellectual Property Management Division to plan and operate in compliance with relevant governmental laws, to protect innovations emerging from our R&D. This division is responsible for monitoring and applying for patents from different departments.

To motivate innovation from our employees, we have set up a comprehensive reward system. At the same time, placing strong emphasis on intellectual property rights, all employees involved in the innovation process must keep related information confidential. Those who violate the rules are fined or need to bear legal responsibilities.

Supply Chain Management

China Zhongwang has been adhering to the principle of "mutual benefits, risk sharing, and co-development". Our ultimate goal is to establish a first-rate procurement and supply management system to monitor and manage suppliers, maintaining a long-term cooperative relationship for securing stable provision of raw materials.

Suppliers are crucial in our production process. To strengthen operations management and quality control of the suppliers, a supplier management procedure is set up for ensuring all products meet the Group's requirements. There are at least three stable suppliers for each of the raw materials used for technical innovation.

Procurement Department, Quality Department and Technical Center are responsible for evaluating the performance of suppliers and providing feedback. Our suppliers are categorised into three groups according to their impacts on the quality of our products. All of them must be certified under ISO 9001:2015 Quality Management System. For higher level of suppliers, they need to pass IATF 16949 Automotive Quality Management System verification.

During the selection of new suppliers, we test their samples several times, and synthetically evaluate their performance on research and development, quality, cost and productivity, among other aspects. In addition, we undergo monitoring and assessment monthly on all the qualified suppliers to guarantee a smooth procurement process and safeguard the product quality of the Group.

Apart from having a mechanism in place for selecting qualified suppliers, we have also established procedures for handling unqualified suppliers of raw materials and products. Quality Control and Safety Supervision Departments are required to collect all the related information, especially on the critical environmental pollution or safety related issues.

Quality Assurance

High-quality product is key to our operational success. The Group has established a comprehensive quality control system to secure the quality of our products, and continuously produce new products in response to changes of market.

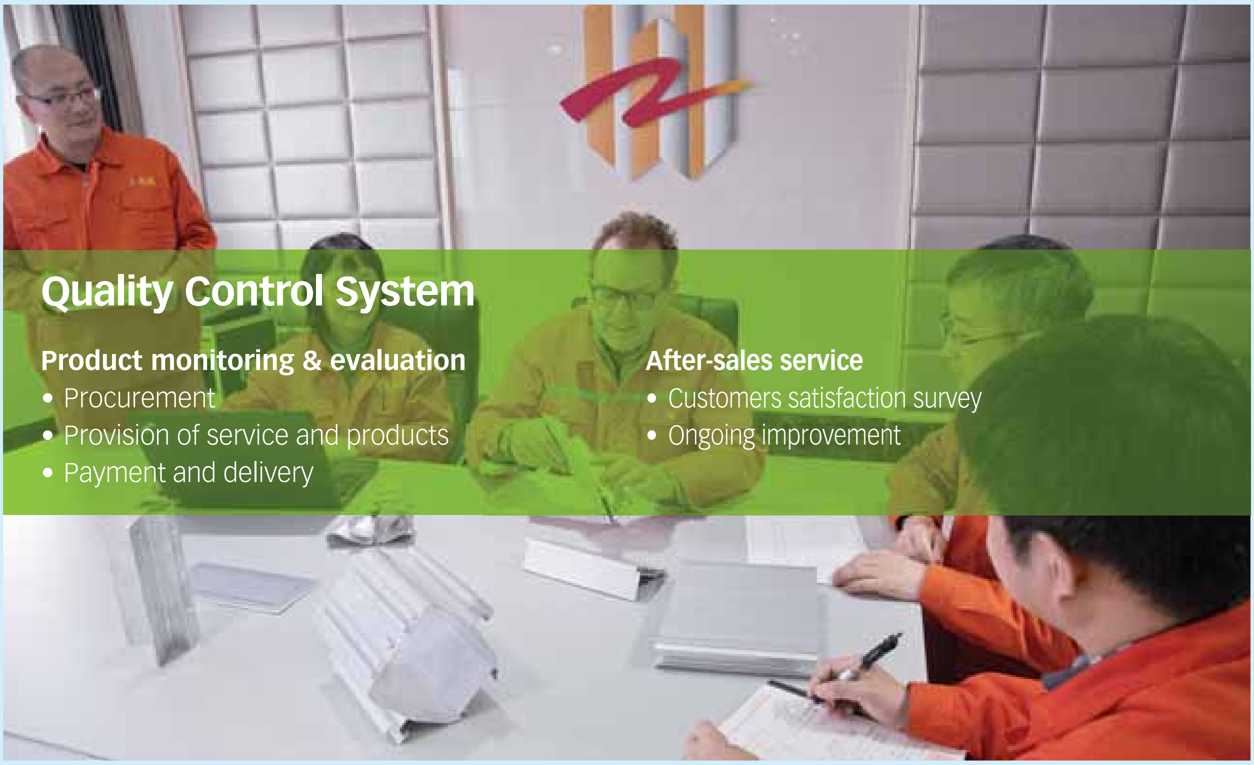
During the Year under Review, no violation to relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress occurred.

Our quality control system consists of two major categories, product monitoring and evaluation as well as after-sales service. The processes of procurement, service and products provision, payment and delivery are carefully monitored and evaluated. Defective products are separately handled, once discovered.

Feedback is collected from the clients as an after-sales service, and we make improvements whenever it is possible.

We re-examined the products and reused and recycled if they are not up to the quality standards. Preventive measures are adopted to secure the quality product.

During the Year under Review, the Group have received a series of authoritative international and national accreditations, including Nadcap, Det Norske Veritas (DNV), Nippon Kaiji Kyokai (NK), American Bureau of Shipping (ABS), China Classification Society (CCS), Lloyd's Register of Shipping (LR) and International Railway Industry Standard (IRIS), all of which are the passport to enter international markets of aviation, vessel and rail transportation sectors for our quality products.



After-sales Service

The Group values its relationship with customers. We are not only providing outstanding products, but also offering excellent services to customers. For this reason, we have set up a quality after-sales service management system for handling complaints and feedback from customers. Sales and Quality Management Departments are responsible for following up with the customers and recording all related information. If the information is not fully recorded without reasonable explanations, the person-in-charge will receive penalty.

Once product recall occurs, Quality Management Department, Technical Center, and production plants will cooperatively analyse the reasons. We have clear and straight forward procedures to process recalls for various reasons. Improvements will be made to maintain quality of products and market competitiveness.

Culture of Probity and Honesty

China Zhongwang closely follows the philosophy of "creating prosperity through cultivating loyalty and dedication", which contribute to the Group's development into a leading light-weight solutions provider.

To create an atmosphere of probity and honesty within the Group, we have established a set of relevant rules stating that unlawful and criminal acts, such as bribery and fraud, are stringently prohibited. Also, we have a whistleblowing policy to encourage employees to report any suspicious cases, whereby their information remains highly confidential. The persons involved are dismissed once the information is found true after investigation. Our employees are expected to refrain from any corrupt behaviours. During the Year under Review, there were no reported cases of corruption in the Group.

Community Contribution

As a responsible enterprise, China Zhongwang has a heart of gratitude and never forget its roots. We are more than delighted to contribute to the community, striving for harmonious development for both corporations and the society.

During the Year under Review, the Group has widened and deepened the fulfillment of social responsibilities. Through initiating and participating in a series of social care and employee care activities, we have gradually built long-term plan on corporate social responsibility.

Within the Group, we have established long-term plan on poverty alleviation. During the Year under Review, we continued with our "Charity Relief Foundation" programme, providing financial assistances to employees and their families who suffer from significant diseases, accident-caused poverty and insufficient education funding for children. Among that, we put great emphasis on the education of employees' children by offering special sponsorships to workers' families with economic difficulties.

The Group spares no effort in giving back to the society. We paid regular visits to children welfare homes and elderly homes, donating daily necessities and showing our care to children who are lack of parental love as well as elderly who deserves comfortable retirement life. Through these volunteering activities, we hope to play our part in improving their livelihood.

We also care about the ecological environment in the local community. We organised staff volunteering activities to collect and dispose rubbish and waste that had been discarded inappropriately. Furthermore, we have been regularly planting trees. The total number of trees planted by the Group in Liaoyang has amounted to 19,759 by the end of 2017.

In Hong Kong, we are concerned about the development of underprivileged groups. Our employees supported the charity dinner organised by the Hong Kong Arthritis & Rheumatism Foundation, who raise funds to help patients with rheumatoid arthritis in medication and spa therapy and organises seminars. We also engaged with a social enterprise named Caritas La Vie Bakery, buying the bakery products made by disabled and ex-mental patients, which eventually supported their occupational training and integration to the society.

Prospects

As a global leader in the aluminium fabrication industry, the Group upholds the corporate mission of "creating value for customers, supporting the well-being of employees, realising returns for shareholders, and shouldering responsibility for the society", striving to balance between corporate development and social development, proactively taking up social responsibilities.

In the future, through improving operating strategies, strengthening innovation and R&D capabilities, we will continue to improve the Group's integrated performance on environmental protection, social care and corporate governance. We will always stay true to our original values, benefiting the society as well as the stakeholders with the achievements of our business development.

Performance Data Summary

		Unit	2017	2016
Workforce Demographics	**Full-time employee**	no. of people	**32,255**	16,750
	By Geographical Distribution (full time)			
	Mainland China	no. of people	**31,830**	/
	Hong Kong	no. of people	**12**	/
	Overseas	no. of people	**413**	/
	By Age			
	Below 30	no. of people	**12,968**	5,951
	31 to 40	no. of people	**11,215**	5,914
	41 to 50	no. of people	**7,246**	4,285
	50 Above	no. of people	**826**	600
	By Gender			
	Male	no. of people	**29,815**	14,903
	Female	no. of people	**2,440**	1,847
	By Educational Background			
	Postgraduate	no. of people	**326**	/
	Degree	no. of people	**4,226**	/
	Diploma or below	no. of people	**27,703**	/
	By Profession Distribution			
	Management*	no. of people	**2,233**	896
	General Staff	no. of people	**30,022**	15,854

		Unit	2017	2016
Health and Safety^	**Safety Performance**			
	Work-related injuries	times	**10**	7
	Lost days due to work injury	days	**244**	/
	Work-related fatalities	no. of people	**0**	0
	Occupational Health and Safety Education			
	Number of OHS training	sessions	**253**	269
	Person-times trained	times	**60,754**	/
	Percentage of safety training		**100%**	100%
	Rate of specialised operator with legal working certificate		**100%**	100%
Environment	**Wastewater**			
	Discharge	'000 tonnes	**3,547**	3,570
	Chemical oxygen demand (COD)			
	Concentration	mg/L	**22.2**	32.2
	Total COD	tonne	**78.8**	114.9
	Ammonia concentration	mg/L	**5.5**	9.6
	Total ammonia	tonne	**19.5**	34.3
	Waste			
	Hazardous	tonne	**16**	14
	Non-hazardous	tonne	**13,250**	12,580
	Recycled	tonne	**13,250**	12,400
	Other means of disposal	tonne	**/**	180
	Energy and Water consumption and conservation			
	Electricity	MWh	**806,339**	650,409
	Natural gas	'000 m^3	**54,659**	47,140
	LNG	tonne	**8,837**	/
	Diesel	tonne	**4,965**	3,841
	Gasoline	tonne	**641**	337
	Water	'000 tonnes	**3,941**	3,970
	Greenhouse gas (GHG) emission			
	Scope 1+	tCO_2e	**158,321**	112,891
	Scope 2<	tCO_2e	**626,445**	543,547
	Environmental benefit			
	Number of trees in total		**19,759**	16,987
	Number of newly planted trees		**2,772**	2,184

^ The OHS and Environmental performances covers the aluminium extrusion and deep processing business of the Company's production base in Liaoyang.
* Management: factory manager or above.
+ Scope 1: Direct GHG emission, including the combustion of natural gas, diesel and petrol.
< Scope 2: Indirect GHG emission, including energy like electricity and petrol consumption.

HKEx ESG Content Index

KPIs	HKEx ESG Reporting Guide Requirements	Page
	A. Environmental	
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	79
KPI A1.1	The types of emissions and respective emissions data.	81-83
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials.	79, 80
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, petrol or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimizing the issuers' significant impact on the environment and natural resources.	83
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

KPIs	HKEx ESG Reporting Guide Requirements	Page
	B. Social	
Aspect B1	**Working conditions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity diversity, anti-discrimination, and other benefits and welfare.	76, 77
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	78
KPI B2.1	Fatality number and rate.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	77
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4	**Labour standards**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	77
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
Aspect B5	**Supply chain management**	
General disclosure	Policies on managing environmental and social risks of the supply chain	
KPI B5.1	Number of suppliers by geographical region.	85
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	

KPIs	HKEx ESG Reporting Guide Requirements	Page
Aspect B6	**Product responsibility**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	84-86
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	
KPI B6.2	Number of products and service related complaints received and how they are dealt with	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
KPI B6.4	Description of quality assurance process and recall procedures	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	
Aspect B7	**Anti-Corruption**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	86
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
Aspect B8	**Community investment**	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	87
KPI B8.1	Focus areas of contribution	
KPI B8.2	Resources contributed to the focus area.	

Independent Auditor's Report

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

Opinion

We have audited the consolidated financial statements of China Zhongwang Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 99 to 171, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Assessment of the impairment of property, plant and equipment and construction in progress in Tianjin ("the Tianjin Project")

Refer to note 14 and the accounting policies in Note 2(m)(ii) to the consolidated financial statements

During the year, the Group was constructing aluminium flat-rolled products machinery in Tianjin. The Tianjin Project consists of two production lines: the first production line is being designed primarily for the production of medium-to-high thickness aluminium alloy plates and the second production line is being designed primarily for the production of aluminium sheets. Substantial parts of the first production line was completed during the year and the relevant costs of construction in progress were transferred to property, plant and equipment. At 31 December 2017, property, plant and equipment and construction in progress relating to the first production line and the second production lines amounted to approximately RMB17.7 billion and RMB11.4 billion respectively.

The Tianjin Project is a new business line for the Group with significant capital investment required. Management considered that there were uncertainties about the future market demand for aluminium as a replacement for traditional metals, for example in the transportation sector, which is a critical factor in accessing whether the Tianjin Project will be able to generate sufficient future cash inflows which exceed the recoverable amounts of the related assets.

Management performed an impairment assessment of the Tianjin Project by estimating the recoverable amounts of the property, plant and equipment and construction in progress based in its value in use by preparing discounted cash flow forecasts for each separately identifiable cash generating unit ("CGU") to which the property, plant and equipment and construction in progress were allocated. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in forecasting selling prices and production volumes and in determining appropriate discount rates.

We identified assessing impairment of the Tianjin Project as a key audit matter because of the significance of the Tianjin Project to the Group's total assets and because of the inherent uncertainties in management's assessment of impairment which could be subject to error or management bias.

Our response:

Our audit procedures to assess impairment of the Tianjin Project included the following:

- evaluating the appropriateness of the management's identification of CGUs and the allocation of assets to each CGU and assessing management's impairment assessment model with reference to the requirements of the prevailing accounting standards;
- comparing data in the discounted cash flow forecasts to the relevant data, including revenue, cost of sales and other operating expenses, in the financial budget which was approved by the directors;
- comparing the estimated costs to complete the construction of the production lines with relevant underlying documents, on a sample basis, including signed contracts relating to the purchase of equipment and construction contracts agreed with contractors;
- engaging valuation specialists to assist us in assessing the discount rates applied in the cash flow forecasts by benchmarking against those of other entities in the same industry;
- obtaining from management sensitivity analyses of the discount rates, projected selling prices and projected production volumes adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and
- considering the disclosures in the consolidated financial statements in relation to the impairment assessments of property, plant and equipment and construction in progress with reference to the requirements of the prevailing accounting standards.

Key Audit Matters (Continued)

Assessment of the impairment of trade and bills receivables

Refer to note 21 and the accounting policies in Note 2(m)(i) to the consolidated financial statements

At 31 December 2017, the Group's gross trade and bill receivables totalled approximately RMB8.1 billion, against which provisions for doubtful debts of approximately RMB22 million were recorded.

The Group's provisions for doubtful debts include a specific element based on individually significant debtors and a collective element for groups of debtors sharing similar risk characteristics, taking into account the credit history of the Group's customers and current market and customer – specific conditions all of which involve a significant degree of management judgement.

We identified assessing the impairment of trade and bills receivables as a key audit matter because the assessment of the level of provisions for doubtful debts requires the exercise of significant management judgement.

Our response:

Our audit procedures to assess the impairment of trade and bills receivables included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, trade and bills receivables collection and making provisions for doubtful debts;
- assessing the classification of individual balances in the trade and bills receivables ageing report by comparing the details in the trade and bills receivables ageing report with relevant underlying documents, including goods delivery notes and payment terms as set out in the contracts with customers, on a sample basis;
- obtaining an understanding of the basis of management's judgements about the recoverability of individual trade and bills receivables, on a sample basis, and evaluating the provisions for doubtful debts made by management for these individual balances with reference to the industry in which the debtors are operating, the ageing of overdue trade and bills receivables, historical and post year-end payment records, and recent correspondence with these customers;
- recalculating the collective allowance for doubtful debts based on the parameters as set out in the Group's policy for making collective allowances for doubtful debts;
- assessing the assumptions and estimates made by management for the provisions for doubtful debts calculated based on a collective assessment by performing a retrospective review of the historical accuracy of these estimates; and
- inspecting cash receipts from customers subsequent to the financial year end relating to trade and bills receivable balances at 31 December 2017, on a sample basis.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2016, were audited by another auditor who expressed an unmodified opinion on those statements on 24 March 2017.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises all the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018
Hong Kong, 23 March 2018

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	**19,458,826**	16,695,543
Cost of sales		**(13,110,247)**	(10,407,165)
Gross profit		**6,348,579**	6,288,378
Investment income	6	**422,528**	254,062
Other income/(expenses)	7	**986,209**	(15,589)
Selling and distribution costs		**(232,693)**	(155,924)
Administrative and other operating expenses		**(1,809,904)**	(1,839,854)
Share of profit of associates		**173,253**	73,904
Finance costs	8	**(1,155,272)**	(925,786)
Profit before taxation	9	**4,732,700**	3,679,191
Income tax	11	**(864,505)**	(772,032)
Profit for the year		**3,868,195**	2,907,159
Attributable to:			
Equity shareholders of the Company		**3,533,431**	2,871,379
Non-controlling interests		**364**	—
Holders of perpetual capital instruments		**334,400**	35,780
Profit for the year		**3,868,195**	2,907,159
Other comprehensive income for the year	12		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements		**42,330**	(8,906)
Cash flow hedge: net movement in the hedging reserve		**—**	2,913
Available-for-sale financial assets: net movements in the fair value reserve		**(195)**	195
Other comprehensive income for the year		**42,135**	(5,798)
Total comprehensive income for the year		**3,910,330**	2,901,361
Total comprehensive income attributable to:			
Equity shareholders of the Company		**3,574,277**	2,865,581
Non-controlling interests		**1,653**	—
Holders of perpetual capital instruments		**334,400**	35,780
Total comprehensive income for the year		**3,910,330**	2,901,361
Earnings per share	13		
Basic (RMB)		**0.50**	0.41
Diluted (RMB)		**0.50**	0.41

Consolidated Statement of Financial Position

as at 31 December 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	14	48,572,054	41,220,504
Prepaid lease payments	15	5,551,327	6,147,647
Goodwill and other intangible assets	16	653,245	—
Interests in associates	18	3,537,452	2,714,922
Deposits for acquisition of property, plant and equipment and prepaid lease	19	5,654,052	4,139,933
Deferred tax assets	31(b)	155,929	118,971
Other non-current assets	22	3,571,362	—
		67,695,421	54,341,977
Current assets			
Inventories	20	7,241,180	3,718,262
Trade and bills receivables	21	8,069,127	1,834,078
Other receivables, deposits and prepayments	22	4,558,451	4,491,610
Available-for-sale financial assets	23	2,882,968	266,981
Prepaid lease payments	15	128,773	136,099
Pledged bank deposits	24	3,862,050	2,897,773
Short-term deposits	25	—	3,326,402
Cash and cash equivalents	25	6,829,894	8,024,564
		33,572,443	24,695,769
Current liabilities			
Trade payables	26	8,389,184	1,610,140
Bills payables	27	3,944,691	4,301,928
Other payables and accrued charges	28	7,355,239	5,065,990
Current tax liabilities	31(a)	479,168	250,039
Debentures	29	1,200,000	600,000
Bank and other loans	30(a)	10,700,374	7,714,354
		32,068,656	19,542,451
Net current assets		1,503,787	5,153,318
Total assets less current liabilities		69,199,208	59,495,295

Consolidated Statement of Financial Position

as at 31 December 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Bank and other loans	30(b)	**25,122,585**	15,903,057
Debentures	29	**6,500,000**	8,800,000
Deferred tax liabilities	31(b)	**886,991**	782,336
		32,509,576	25,485,393
NET ASSETS		**36,689,632**	34,009,902
CAPITAL AND RESERVES			
Share capital	32(c)	**605,397**	605,397
Reserves	32(d)	**29,882,494**	27,410,505
Total equity attributable to equity shareholders of the Company		**30,487,891**	28,015,902
Non-controlling interests		**207,741**	—
Perpetual capital instruments	38	**5,994,000**	5,994,000
TOTAL EQUITY		**36,689,632**	34,009,902

On behalf of the directors

Lu Changqing
Director

Chen Yan
Director

Consolidated Statement of Changes In Equity

for the Year Ended 31 December 2017
(Expressed in RMB)

		Attributable to equity shareholders of the Company														
	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Surplus reserve RMB'000	Enterprise development fund RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Fair value reserve RMB'000	Retained Profits RMB'000	Subtotal RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016		605,397	10,139,457	(2,992,978)	635,898	2,066,192	2,066,192	51,174	(65,034)	(2,913)	—	13,487,613	25,990,998	—	—	25,990,998
Profit for the year		—	—	—	—	—	—	—	—	—	—	2,871,379	2,871,379	35,780	—	2,907,159
Other comprehensive income for the year		—	—	—	—	—	—	—	(8,906)	2,913	195	—	(5,798)	—	—	(5,798)
Total comprehensive income for the year		—	—	—	—	—	—	—	(8,906)	2,913	195	2,871,379	2,865,581	35,780	—	2,901,361
Issuance of perpetual capital instruments, net of issuing expenses		—	—	—	—	—	—	—	—	—	—	—	—	5,994,000	—	5,994,000
Final dividends for the year 2015		—	(364,360)	—	—	—	—	—	—	—	—	—	(364,360)	—	—	(364,360)
Interim dividends for the year 2016		—	(678,425)	—	—	—	—	—	—	—	—	—	(678,425)	—	—	(678,425)
Recognition of share-based payment		—	—	—	—	—	—	202,108	—	—	—	—	202,108	—	—	202,108
Appropriations		—	—	—	—	1,713,289	316,561	—	—	—	—	(2,029,850)	—	—	—	—
Distribution for perpetual capital instruments		—	—	—	—	—	—	—	—	—	—	—	—	(35,780)	—	(35,780)
		—	(1,042,785)	—	—	1,713,289	316,561	202,108	—	—	—	(2,029,850)	(840,677)	5,958,220	—	5,117,543
At 31 December 2016		605,397	9,096,672	(2,992,978)	635,898	3,779,481	2,382,753	253,282	(73,940)	—	195	14,329,142	28,015,902	5,994,000	—	34,009,902

		Attributable to equity shareholders of the Company														
	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Surplus reserve RMB'000	Enterprise development fund RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017		605,397	9,096,672	(2,992,978)	635,898	3,779,481	2,382,753	253,282	(73,940)	—	195	14,329,142	28,015,902	5,994,000	—	34,009,902
Profit for the year		—	—	—	—	—	—	—	—	—	—	3,533,431	3,533,431	334,400	364	3,868,195
Other comprehensive income for the year		—	—	—	—	—	—	—	41,041	—	(195)	—	40,846	—	1,289	42,135
Total comprehensive income for the year		—	—	—	—	—	—	—	41,041	—	(195)	3,533,431	3,574,277	334,400	1,653	3,910,330
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	—	—	—	—	—	206,088	206,088
Final dividends for the year 2016		—	(613,484)	—	—	—	—	—	—	—	—	—	(613,484)	—	—	(613,484)
Interim dividends for the year 2017		—	(600,976)	—	—	—	—	—	—	—	—	—	(600,976)	—	—	(600,976)
Recognition of share-based payment		—	—	—	—	—	—	112,172	—	—	—	—	112,172	—	—	112,172
Appropriations		—	—	—	—	782,940	—	—	—	—	—	(782,940)	—	—	—	—
Distribution for perpetual capital instruments		—	—	—	—	—	—	—	—	—	—	—	—	(334,400)	—	(334,400)
		—	(1,214,460)	—	—	782,940	—	112,172	—	—	—	(782,940)	(1,102,288)	(334,400)	206,088	(1,230,600)
At 31 December 2017		605,397	7,882,212	(2,992,978)	635,898	4,562,421	2,382,753	365,454	(32,899)	—	—	17,079,633	30,487,891	5,994,000	207,741	36,689,632

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Profit before taxation		**4,732,700**	3,679,191
Adjustments for:			
Finance costs		**1,155,272**	925,786
Depreciation of property, plant and equipment		**837,207**	622,358
Share-based payment expenses		**112,172**	202,108
(Gain)/Loss on disposal of property, plant and equipment		**(414)**	5,734
Bank deposits interest income		**(414,342)**	(205,584)
Interest income from available-for-sale financial assets		**(10,793)**	(48,478)
Loss on disposal of subsidiaries		**1,309**	—
Loss on disposal of an associate		**1,298**	—
Amortisation of prepaid lease payments		**130,149**	138,932
Amortisation of other intangible assets		**1,022**	—
Share of profit of associates		**(173,253)**	(73,904)
Impairment losses on trade and bills receivables		**5,651**	16,180
Operating cash flows before movements in working capital		**6,377,978**	5,262,323
Increase in inventories		**(1,865,180)**	(391,861)
Increase in trade and bills receivables		**(7,214,599)**	(416,594)
(Increase)/decrease in other receivables, deposits and prepayments		**(382,036)**	397,450
Increase/(decrease) in trade payables		**6,635,175**	(795,663)
(Decrease)/increase in bills payable		**(129,868)**	1,176,794
Increase/(decrease) in other payables and accrued charges		**1,603,133**	(37,568)
Cash generated from operations		**5,024,603**	5,194,881
Income tax paid	31(a)	**(634,843)**	(591,635)
Net cash generated from operating activities		**4,389,760**	4,603,246
Cash flows from investing activities			
Withdrawal/(placement) in short-term deposits		**3,326,402**	(3,300,483)
(Placement)/withdrawal in pledged bank deposits		**(959,341)**	371,407
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		**(905,986)**	—
Payments for capital injection of associates		**(700,000)**	(80,000)
Disposals of subsidiaries (net of cash and cash equivalents disposed)		**(263)**	1,700,000
Disposals of associates		**—**	135,000
Purchases of property, plant and equipment and prepaid lease payments		**(11,649,111)**	(6,374,526)
Interest received from bank deposits		**313,238**	253,809
Dividends received from associates		**185**	103,035
Purchases of available-for-sale financial assets		**(3,075,000)**	(975,000)
Proceeds from disposals of available-for-sale financial assets		**465,000**	2,055,000
Interest received from available-for-sale financial assets		**3,932**	46,726
Net cash used in investing activities		**(13,180,944)**	(6,065,032)

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Proceeds from bank and other loans	41	20,431,975	19,258,784
Repayments of bank and other loans	41	(7,928,611)	(27,534,817)
Proceeds from debentures issued		—	7,000,000
Repayments of debentures	41	(1,700,000)	(2,500,000)
Interest paid for bank and other loans	41	(1,654,596)	(1,875,697)
Dividends paid to equity shareholders of the Company and holders of convertible preference shares		(1,214,460)	(1,042,785)
Net proceeds from issuance of perpetual capital instruments		—	5,994,000
Interest paid for perpetual capital instruments		(337,794)	(13,238)
Net cash generated/(used in) from financing activities		7,596,514	(713,753)
Net decrease in cash and cash equivalents		(1,194,670)	(2,175,539)
Cash and cash equivalents at beginning of year		8,024,564	10,200,103
Cash and cash equivalents at the end of year		6,829,894	8,024,564

Notes to the Financial Statements

(Expressed in RMB)

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"). 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.

At 31 December 2017, the directors consider the immediate parent and ultimate controlling party of the Group to be Zhongwang International Group Limited ("ZIGL") and Prime Famous Management Limited, respectively, both of which are incorporated in the British Virgin Islands.

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 requirements of the Hong Kong Companies Ordinance. These 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. These polices have been consistently applied to all the years presented.

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 financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and the Group's interest in associates.

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 (Note 2(h)); and

— derivative financial instruments (Note 2(i)).

The preparation of 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.

2. Significant Accounting Policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

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 the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented, although an amendment to IAS 7 statement of cash flow has resulted in a reconciliation of liabilities arising from financing activities disclosed for the first time in Note 41.

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

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(e) Subsidiaries and non-controlling interests

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 profits but only to the extent that there is no evidence of impairment.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity instruments issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

2. Significant Accounting Policies (Continued)

(e) Subsidiaries and non-controlling interests (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(p) depending on the nature of liability.

When the Group loses control of a subsidiary, gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate.

2. Significant Accounting Policies (Continued)

(f) Investment in associates

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 equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under 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 (Note 2(m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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

Unrealised profits and losses resulting from transactions between the Group and its associates 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 statement of comprehensive income.

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

(g) Intangible assets

Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit ("CGUs") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 2(m)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

2. Significant Accounting Policies (Continued)

(g) Intangible assets (Continued)

Intangible assets (other than goodwill)

(i) Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses.

Intangible assets of the Group are design and engineering packages of yachts, which are amortised on a unit-of-production basis. Amortisation expense is recognised in profit or loss.

(ii) Internally generated intangible assets (research and development costs)

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. Amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 2(m)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

2. Significant Accounting Policies (Continued)

(h) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity 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, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the consolidated statement of comprehensive income as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated statement of comprehensive income. The net gain or loss recognised in the consolidated statement of comprehensive income does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Note 2(w) (iii).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (Note 2(m)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. 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 fair value reserve in equity. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (Note 2(m)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in the consolidated statement of comprehensive income in accordance with the policies set out in Note 2(w)(iii), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in the consolidated statement of comprehensive income.

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

(i) 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 statement of comprehensive income, 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(j).

(j) 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 statement of comprehensive income.

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

2. Significant Accounting Policies (Continued)

(k) Property, plant and equipment

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

Construction in progress ("CIP") 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. The CIP 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 (Note 2(z)).

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 25 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 estimated useful life of an asset and estimated residual value are reviewed annually. No depreciation is provided in respect of CIP until it is completed and ready for its intended use.

(l) 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 statement of comprehensive income 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 statement of comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated statement of comprehensive income 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 (Note 2(m)). Amortisation is charged to the consolidated statement of comprehensive income on straight-line method over the period of the lease term.

2. Significant Accounting Policies (Continued)

(m) Impairment of assets

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

Investments 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 investments in associates accounted for under the equity method in the consolidated financial statements (Note 2(f)), impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(m)(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(m)(ii).

— For trade and other current receivables and other financial assets carried at amortised cost, 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. 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.

2. Significant Accounting Policies (Continued)

(m) Impairment of assets (Continued)

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

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 statement of comprehensive income. A reversal of 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 statement of comprehensive income. The amount of the cumulative loss that is recognised in the consolidated statement of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in the consolidated statement of comprehensive income.

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 statement of comprehensive income.

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, 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 statement of comprehensive income.

(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 CGU).

2. Significant Accounting Policies (Continued)

(m) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

— Recognition of impairment losses

An impairment loss is recognised in the consolidated statement of comprehensive income if the carrying amount of an asset, or the CGU 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 statement of comprehensive income in the year in which the reversals are recognised.

(n) 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.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using effective interest method, less allowance for impairment of doubtful debts (Note 2(m)), 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.

(p) 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 statement of comprehensive income over the period of the borrowings, together with any interest and fees payable, using effective interest method.

2. Significant Accounting Policies (Continued)

(q) Perpetual capital instruments

Perpetual capital instruments are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any interests and distributions are discretionary. Interest and distributions on perpetual capital instruments classified as equity are recognised as distributions within equity.

(r) 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.

(s) 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.

(t) Employee benefits

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

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

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using 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 statement of comprehensive income 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 profit).

2. Significant Accounting Policies (Continued)

(u) 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 statement of comprehensive income 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.

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.

2. Significant Accounting Policies (Continued)

(u) Income tax (Continued)

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.

(v) 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)

(w) 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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 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 statement of comprehensive income 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 statement of comprehensive income over the useful life of the asset by way of reduced depreciation expense.

2. Significant Accounting Policies (Continued)

(x) Translation of foreign currencies

The financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

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 statement of comprehensive income.

Non-monetary assets and liabilities that are measured at 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 statement of comprehensive income when the profit or loss on disposal is recognised.

(y) Research and development expenditure

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

(z) 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.

(aa) 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.

2. Significant Accounting Policies (Continued)

(aa) Related parties (Continued)

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(ab) 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 33 and 37 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) Impairment of 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.

(b) 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 statement of comprehensive income 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 judgement in determining the probability of insolvency or significant financial difficulties of the debtor.

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line method over the estimated economic useful lives of the relevant assets, after taking into account their estimated residual values. The Group reviews the estimated economic useful lives and residual values 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.

4. 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 metal trade agency commission. The amount of each significant category of revenue recognised during the year is as follows:

	2017 RMB'000	2016 RMB'000
Sales of aluminium products		
— aluminium alloy formworks	**8,933,609**	—
— industrial aluminium extrusion products	**7,789,728**	13,204,307
— construction aluminium extrusion products	**382,838**	1,032,007
— aluminium flat-rolled products	**1,590,990**	—
— deep-processed products	**722,685**	2,440,800
Metal trade agency commission	**38,976**	18,429
	19,458,826	16,695,543

5. Segment Reporting

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has the following reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— aluminium alloy formworks ("Aluminium Alloy Formwork")

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

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

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

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

Segment revenue and results

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

Segment revenue

	2017 RMB'000	2016 RMB'000
Aluminium Alloy Formwork	8,933,609	—
Industrial		
— Revenue from external customers	7,789,728	13,204,307
— Inter-segment sales	2,478,484	2,018,358
Construction	382,838	1,032,007
Flat-rolled	1,590,990	—
Deep-processed	722,685	2,440,800
Others	38,976	18,429
	21,937,310	18,713,901
Elimination of inter-segment revenue	(2,478,484)	(2,018,358)
Total	19,458,826	16,695,543

5. Segment Reporting (Continued)

Segment revenue and results (Continued)

Segment results

	2017 RMB'000	2016 RMB'000
Aluminium Alloy Formwork	3,569,235	—
Industrial	2,453,013	5,302,521
Construction	22,059	150,528
Flat-rolled	206,433	—
Deep-processed	56,386	825,942
Others	38,169	17,348
	6,345,295	6,296,339
Elimination of unrealised inter-segment losses/(profits)	3,284	(7,961)
Total	6,348,579	6,288,378
Investment income and other income, net	1,408,737	238,473
Selling and distribution costs	(232,693)	(155,924)
Administrative and other operating expenses	(1,809,904)	(1,839,854)
Share of profit of associates	173,253	73,904
Finance costs	(1,155,272)	(925,786)
Profit before taxation	4,732,700	3,679,191
Income tax	(864,505)	(772,032)
Profit for the year	3,868,195	2,907,159

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.

5. Segment Reporting (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets by reportable and operating segment:

	2017 RMB'000	2016 RMB'000
Aluminium Alloy Formwork	**5,204,772**	—
Industrial	**25,138,875**	19,435,894
Construction	**229,249**	231,688
Flat-rolled	**43,212,970**	35,668,412
Deep-processed	**2,310,326**	1,547,358
Unallocated assets		
— Property, plant and equipment	**2,111,628**	2,200,925
— Prepaid lease payments	**215,650**	54,885
— Goodwill	**379,000**	—
— Interest in associates	**3,537,452**	2,714,922
— Deferred tax assets	**155,929**	118,971
— Inventories	**752,249**	2,226,619
— Other receivables, deposits and prepayments	**4,444,852**	322,352
— Available-for-sale financial assets	**2,882,968**	266,981
— Pledged bank deposits	**3,862,050**	2,897,773
— Short-term deposits	**—**	3,326,402
— Cash and cash equivalents	**6,829,894**	8,024,564
Total assets	**101,267,864**	79,037,746

5. Segment Reporting (Continued)

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

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

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

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

Other segment information

Amounts included in the measure of segment results or segment assets for the year ended 31 December 2017:

	Aluminium Alloy Formwork RMB'000	Industrial RMB'000	Construction RMB'000	Flat-rolled RMB'000	Deep-processed RMB'000	Unallocated RMB'000	Total RMB'000
Additions to property, plant and equipment	412,234	4,751,393	—	2,930,913	635,473	27,535	8,757,548
Additions to other intangible assets	—	275,267	—	—	—	—	275,267
Additions to prepaid lease payments	482,740	70,277	—	103,505	231,035	—	887,557
Additions to deposits for acquisition of property, plant and equipment and prepaid lease	6,642	190,690	—	2,775,953	506,205	17,714	3,497,204
Depreciation of property, plant and equipment	3,774	527,628	5,538	178,304	10,436	111,527	837,207
Amortisation of other intangible assets	—	1,022	—	—	—	—	1,022
Amortisation of prepaid lease payments	53,222	39,317	—	24,739	6,094	6,777	130,149
Impairment loss/(gain) on trade receivables, net	191	5,925	785	—	(1,250)	—	5,651
Gain on disposals of property, plant and equipment	—	414	—	—	—	—	414

5. Segment Reporting (Continued)

Other segment information (Continued)

Amounts included in the measure of segment results or segment assets for the year ended 31 December 2016:

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

Geographic information

The Group's revenues from external customers are divided into the following geographical areas:

	2017 RMB'000	2016 RMB'000
Peoples' Republic of China ("PRC")	17,981,271	14,211,311
Germany	234,171	83,186
Malaysia	202,014	8,686
United Kingdom	122,428	67,221
Belgium	111,925	75,479
Others	807,017	2,249,660
	19,458,826	16,695,543

The geographical location of revenue is based on the location of customers.

The geographical location of non-current assets is based on the physical location of the assets. Nearly all non-current assets of the Group are located in the PRC.

5. Segment Reporting (Continued)

Information about major customers

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

	2017 RMB'000	2016 RMB'000
Customer A*	**2,940,902**	Note
Customer B*	**1,984,013**	Note
Customer C**	**Note**	1,903,216

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

* Revenue from Aluminium Alloy Formwork segment

** Revenue from Industrial and Deep-processed segment

6. Investment Income

	2017 RMB'000	2016 RMB'000
Bank deposits interest income	**414,342**	205,584
Interest income from available-for-sale financial assets	**10,793**	48,478
Loss on disposals of subsidiaries	**(1,309)**	—
Loss on disposals of an associate	**(1,298)**	—
	422,528	254,062

7. Other Income/(Expenses)

	2017 RMB'000	2016 RMB'000
Profit of sales of equipment	**351,834**	19,906
Exchange gain/(loss), net	**259,007**	(219,834)
Gain on sales of scrap materials, consumables and moulds	**209,503**	29,346
Government subsidies (Note)	**165,451**	160,577
Gain/(Loss) on disposals of property, plant and equipment	**414**	(5,734)
Rental income	**—**	150
	986,209	(15,589)

Note: The amounts mainly represent subsidies received from the Finance Bureau and other government departments of Liaoyang City, Yingkou 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.

Notes to the Financial Statements
(Expressed in RMB)

8. Finance Costs

	2017 RMB'000	2016 RMB'000
Interests on bank loans and other borrowings	**1,591,779**	1,761,413
Less: Interest expense capitalised into property, plant and equipment, and deposits for acquisition of property, plant and equipment*	**(436,507)**	(855,103)
Interest rate swaps: cash flow hedges, reclassified from equity (Note 12(b))	**—**	19,476
	1,155,272	925,786

* Borrowing costs have been capitalised at an average interest rate of 4.89% per annum (2016: 4.59%).

9. Profit Before Taxation

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

	2017 RMB'000	2016 RMB'000
Auditor's remuneration		
— Audit services	**3,880**	8,000
— Other services	**6,770**	426
Total auditor's remuneration	**10,650**	8,426
Staff costs (including directors' emoluments):		
— Salaries and other benefits	**2,589,354**	1,121,106
— Contributions to defined contribution retirement plan	**161,637**	93,484
— Equity-settled share-based payment expenses	**112,172**	202,108
Total employee benefit expenses	**2,863,163**	1,416,698
Costs of inventories recognised as expenses*	**13,110,247**	10,407,165
Depreciation of property, plant and equipment*	**837,207**	622,358
Amortisation of other intangible assets*	**1,022**	—
Amortisation of prepaid lease payments*	**130,149**	138,932
Impairment losses on trade receivables	**5,651**	16,180
Operating lease charges in respect of office premises	**56,816**	49,548
Research and development costs	**593,084**	532,059

* Cost of inventories recognised as an expense includes approximately RMB2,876,283,000(2016: RMB1,116,756,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above.

10. Directors' Emoluments

The aggregate amounts of the emoluments paid or payable to the directors are as follows:

	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
For the year ended 31 December 2017				
Executive directors				
Mr. Liu Zhongtian (Note (iii))	**1,840**	**6**	**—**	**1,846**
Mr. Lu Changqing	**1,564**	**51**	**9,971**	**11,586**
Ms. Ma Qingmei (Note (ii))	**84**	**1**	**79**	**164**
Mr. Gou Xihui (Note (iii))	**1,382**	**6**	**9,140**	**10,528**
Non-executive directors				
Mr. Chen Yan	**1,507**	**6**	**9,971**	**11,484**
Mr. Liu Zhisheng (Note (ii))	**84**	**1**	**79**	**164**
Mr. Zhang Hui (Note (ii))	**84**	**1**	**79**	**164**
Ms. Zhong Hong (Note (iv))	**252**	**—**	**1,662**	**1,914**
Independent non-executive directors				
Mr. Wong Chun Wa	**200**	**—**	**249**	**449**
Mr. Wen Xianjun (Note (v))	**—**	**—**	**—**	**—**
Mr. Shi Ketong	**200**	**—**	**249**	**449**
Mr. Lo Wa Kei, Roy	**200**	**—**	**249**	**449**
	7,397	**72**	**31,728**	**39,197**
For the year ended 31 December 2016				
Executive directors				
Mr. Liu Zhongtian	2,025	6	—	2,031
Mr. Lu Changqing	1,556	47	17,942	19,545
Mr. Gou Xihui	1,549	25	17,957	19,531
Non-executive directors				
Ms. Zhong Hong (Note (vi))	1,515	—	17,942	19,457
Mr. Chen Yan (Note (vi))	1,520	6	17,942	19,468
Independent non-executive directors				
Mr. Wong Chun Wa	200	—	455	655
Mr. Wen Xianjun (Note (v))	—	—	7	7
Mr. Shi Ketong	200	—	455	655
Mr. Lo Wa Kei, Roy	200	—	455	655
	8,765	84	73,155	82,004

10. Directors' Emoluments (Continued)

Note:

(i) 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(t)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 37.

(ii) Ms. Ma Qingmei, Mr. Liu Zhisheng and Mr. Zhang Hui have been appointed as executive director, non-executive director and non-executive director on 17 November 2017 respectively.

(iii) Mr. Liu Zhongtian and Mr. Gou Xihui resigned from the position of executive directors on 17 November 2017.

(iv) Ms. Zhong Hong passed away on 16 February 2017.

(v) The Company's independent non-executive director Mr. Wen Xianjun has waived his salaries and other benefits amounting to RMB200,000 for each of the years ended 31 December 2017 and 2016.

(vi) Ms. Zhong Hong and Mr. Chen Yan retired from the position of executive directors on 19 August 2016 and were re-designated as non-executive directors on 19 August 2016.

For each of the years ended 31 December 2017 and 2016, all five highest paid individuals are the directors of the Company whose emoluments are included in the disclosure set out above.

During each of the years ended 31 December 2017 and 2016, no emoluments were 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.

11. Income Tax

The amount of taxation in the consolidated statement of comprehensive income represents:

	2017 RMB'000	2016 RMB'000
Current tax		
— Provision for the year	863,984	656,072
— Over-provision in respect of prior years	(12)	—
— Withholding tax on intra-group interest income	—	2,258
	863,972	658,330
Deferred taxation (Note 31(b))	533	113,702
Total income tax	864,505	772,032

11. Income Tax (Continued)

Income tax expense for the year can be reconciled to the profit before taxation in the consolidated statement of comprehensive income as follows:

	2017 RMB'000	2016 RMB'000
Profit before taxation	**4,732,700**	3,679,191
Notional tax on profit before taxation, calculated at the PRC income tax rate of 25% (2016: 25%)	**1,183,175**	919,798
Effect of different tax rates of subsidiaries operating in other jurisdictions (Note (i))	**(207,856)**	182,015
Effect of PRC preferential tax rate (Note (ii))	**(401,278)**	(325,256)
Tax effect of non-deductible expenses	**236,240**	50,198
Tax effect of non-taxable income	**(77,234)**	(18,476)
Tax relief related to additional tax deduction on research and development costs incurred	**(70,492)**	(65,480)
Tax effect of tax losses not recognised	**202,274**	57,809
Tax effect of utilisation of previously unrecognised tax losses	**(312)**	(22,770)
Tax effect of intra-group interest income	**—**	(5,806)
Over-provision in respect of prior years	**(12)**	—
Actual tax expense	**864,505**	772,032

Note:

(i) 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 33% pursuant to the rules and regulations of their respective countries of incorporation.

(ii) On 11 November 2013, Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang") was recognised as a High and New Technology Enterprise ("HNTE") by Liaoning provincial government. This entitled Liaoning Zhongwang to pay PRC income tax at a 15% preferential income tax rate for a period of three years from 2013 to 2015. The HNTE certificate needs to be renewed every three years so as to enable Liaoning Zhongwang to enjoy the preferential tax rate of 15%. On 30 November 2016, Liaoning Zhongwang obtained its latest renewed certificate of HNTE with an effective period of three years ended 31 December 2018. Therefore, income tax expense of Liaoning Zhongwang for each of the years ended 31 December 2017 and 2016 were calculated based on income tax rate of 15%.

12. Other Comprehensive Income

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

	2017 Before-tax amount RMB'000	2017 Tax benefits/ (expenses) RMB'000	2017 Net-of-tax amount RMB'000	2016 Before-tax amount RMB'000	2016 Tax benefits/ (expenses) RMB'000	2016 Net-of-tax amount RMB'000
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of financial statements	**42,330**	**—**	**42,330**	(8,906)	—	(8,906)
Cash flow hedge: net movement in hedging reserve	**—**	**—**	**—**	2,913	—	2,913
Available-for-sale financial assets: net movement in the fair value reserve	**(229)**	**34**	**(195)**	229	(34)	195
Other comprehensive income	**42,101**	**34**	**42,135**	(5,764)	(34)	(5,798)

(b) Reclassification adjustments relating to components of other comprehensive income

	2017 RMB'000	2016 RMB'000
Cash flow hedge:		
Effective portion of changes in fair value of hedging instruments recognised during the year	**—**	(16,563)
Reclassification adjustments for amounts transferred to the consolidated statement of comprehensive income (Note 8)	**—**	19,476
Net movement in the hedging reserve during the year recognised in other comprehensive income	**—**	2,913
Available-for-sale financial assets:		
Changes in fair value recognised during the year	**(229)**	229
Net deferred tax credited/(debited) to other comprehensive income (Note 31(b))	**34**	(34)
Net movement in the fair value reserve during the year recognised in other comprehensive income	**(195)**	195

13. 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 2017 and 2016 on the number of shares as follows:

	2017 RMB'000	2016 RMB'000
Profit for the year attributable to equity shareholders of the Company	**3,533,431**	2,871,379

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,449,473**	5,449,473
Weighted average number of convertible preference shares for the purposes of basic earnings per share	**1,619,125**	1,619,125
Weighted average number of shares for the purposes of basic and diluted earnings per share	**7,068,598**	7,068,598
Earnings per share		
Basic (RMB)	**0.50**	0.41
Diluted (RMB)	**0.50**	0.41

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 2017 and 2016.

Notes to the Financial Statements
(Expressed in RMB)

14. Property, Plant and Equipment

	Buildings RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	CIP RMB'000	Total RMB'000
Cost						
At 1 January 2016	2,080,059	9,938,553	126,228	96,956	22,871,679	35,113,475
Transfer in/(out)	8,272	361,475	6,412	18,324	(394,483)	—
Additions	41	123,447	10,818	31,420	6,153,464	6,319,190
Transfer from deposits for acquisition of property, plant and equipment	—	—	—	—	4,362,391	4,362,391
Disposals	—	(30,000)	(2,170)	—	—	(32,170)
At 31 December 2016 and 1 January 2017	2,088,372	10,393,475	141,288	146,700	32,993,051	45,762,886
Transfer in/(out)	2,695,823	8,903,927	79,954	92	(11,679,796)	—
Additions	6,940	443,626	68,937	75,502	5,162,083	5,757,088
Transfer from deposits for acquisition of property, plant and equipment	—	—	—	—	2,586,556	2,586,556
Disposals	—	(537)	(1,531)	(144)	—	(2,212)
Additions through acquisition of subsidiaries (Note 39)	434,333	738,219	863	33,591	—	1,207,006
Disposals of subsidiaries (Note 40)	—	—	(3,270)	(192)	(565,205)	(568,667)
At 31 December 2017	**5,225,468**	**20,478,710**	**286,241**	**255,549**	**28,496,689**	**54,742,657**
Accumulated depreciation and impairment						
At 1 January 2016	390,628	3,424,298	78,950	47,391	—	3,941,267
Charged for the year	92,971	500,790	16,190	12,407	—	622,358
Written back on disposals	—	(19,400)	(1,843)	—	—	(21,243)
At 31 December 2016 and 1 January 2017	483,599	3,905,688	93,297	59,798	—	4,542,382
Charged for the year	141,468	646,175	20,170	29,394	—	837,207
Written back on disposals	—	(620)	(320)	—	—	(940)
Additions through acquisition of subsidiaries (Note 39)	132,589	631,324	629	28,560	—	793,102
Disposals of subsidiaries (Note 40)	—	—	(1,073)	(75)	—	(1,148)
At 31 December 2017	**757,656**	**5,182,567**	**112,703**	**117,677**	**—**	**6,170,603**
Net book value						
At 31 December 2017	**4,467,812**	**15,296,143**	**173,538**	**137,872**	**28,496,689**	**48,572,054**
At 31 December 2016	1,604,773	6,487,787	47,991	86,902	32,993,051	41,220,504

At 31 December 2017, certain of the Group's machineries with a carrying amount of approximately RMB4,470,130,000 (2016: RMB3,444,617,000) were used to secure the Group's borrowings (Note 30(b)).

15. Prepaid Lease Payments

	2017 RMB'000	2016 RMB'000
Cost		
At 1 January	6,884,826	6,500,468
Additions	561,533	378,300
Transfer from deposits for acquisition of prepaid lease	326,024	6,058
Decrease through disposal of subsidiaries	(1,543,914)	—
At 31 December	6,228,469	6,884,826
Accumulated amortisation		
At 1 January	601,080	462,148
Charged for the year	130,149	138,932
Decrease through disposal of subsidiaries	(182,860)	—
At 31 December	548,369	601,080
Net book value		
At 31 December	5,680,100	6,283,746
Analysed for reporting purpose:		
Current assets	128,773	136,099
Non-current assets	5,551,327	6,147,647
	5,680,100	6,283,746

At 31 December 2017 and 2016, prepaid lease payments comprise interests in leasehold land held for own use under operating leases located in the PRC.

At 31 December 2017, certain of the Group's land use rights with a carrying amount of approximately RMB1,379,400,000 (2016: RMB1,410,459,000) were used to secure the Group's borrowings (Note 30(b)).

16. Goodwill and Other Intangible Assets

	Goodwill (Note(i)) RMB'000	Design and engineering packages (Note(ii)) RMB'000	Total RMB'000
Cost			
At 1 January 2017	—	—	—
Addition through business combinations (Note 39)	379,000	307,330	686,330
At 31 December 2017	379,000	307,330	686,330
Accumulated amortisation and impairment			
Addition through acquisition of subsidiaries (Note 39)	—	32,063	32,063
Provided for the year	—	1,022	1,022
At 31 December 2017	—	33,085	33,085
Net book value			
At 31 December 2017	379,000	274,245	653,245

Note:

(i) Goodwill is allocated to the Group's CGU, a summary of which is presented below:

	2017 RMB'000	2016 RMB'000
Silver Yachts Ltd. (Note 39(a))	225,002	—
Aluminiumwerk Unna AG. (Note 39(b))	153,998	—
	379,000	—

The recoverable amount for the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management. For Aluminiumwerk Unna AG., the cash flow projection covers a 5-year period; for Silver Yachts Ltd., the cash flow projection covers an 11-year period, a longer projection period reflecting long build-up time for superyachts. Cash flows beyond the projection period are extrapolated using the estimated growth rates as zero. The growth rate does not exceed the long-term average growth rate for the industrial aluminium extrusion business in which the CGU operates. The discount rates used for value-in-use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

Key assumptions used for value-in-use calculations are as follows:

	Pre-tax discount rate	
	2017	2016
Silver Yachts Ltd.	8.96%	N/A
Aluminiumwerk Unna AG.	12.82%	N/A

Apart from the considerations described above in determining the value-in-use of the CGU, management is not aware of any other probable changes that would necessitate changes in the key assumptions. Management determines that the CGU containing goodwill does not suffer any impairment.

(ii) Design and engineering packages represented the results of research and development of super yacht foundation designs acquired by the Group through acquisition of a subsidiary. These designs are fundamental in the design of future projects.

(Expressed in RMB)

17. Investments in Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Form of business structure	Place of operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Issued and fully paid share capital/ registered capital	Principal activities
Liaoning Zhongwang Superior Fabrication Investment Limited* 遼寧忠旺精製投資有限公司	The PRC	Wholly foreign owned enterprise	The PRC	100%	—	100%	USD2,433,000,000	Investment holding, consulting and research & development
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%	USD2,233,000,000	Manufacturing of aluminium products
Liaoyang Zhongwang Superior Aluminium Fabrication Company Limited* 遼陽忠旺精製鋁業有限公司	The PRC	Wholly foreign owned enterprise	The PRC	100%	—	100%	USD200,000,000	Manufacturing of aluminium products and investment consulting
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
Liaoning Zhongwang Aluminium Company Limited* 遼寧忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB20,650,000,000	Investment holding and manufacturing of aluminium products
Yingkou Zhongwang Aluminium Company Limited* 營口忠旺鋁業有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Panjin Zhongwang Aluminium Company Limited* 盤錦忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Tianjin Zhongwang Aluminium Company Limited* 天津忠旺鋁業有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB20,000,000,000	Manufacturing of aluminium products

Notes to the Financial Statements
(Expressed in RMB)

17. Investments 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
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
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 Zhongwang Special Vehicle Manufacturing Company Limited* 遼寧忠旺特種車輛製造有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of Special Vehicle and Parts
Liaoning Zhongwang Mould Company Limited* 遼寧忠旺模具有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Designing and manufacturing of aluminium extrusion mould

(Expressed in RMB)

17. Investments 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
Liaoning Zhongwang Aluminium Formwork Manufacturing Company Limited* 遼寧忠旺鋁模板製造有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Designing and manufacturing of aluminium alloy formwork
Liaoning Zhongwang Aluminium Vehicle Compartment Manufacturing Company Limited* 遼寧忠旺鋁合金車體製造有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Designing and manufacturing of aluminium vehicle compartment
Liaoning Zhongwang Vehicle Manufacturing Company Limited* 遼寧忠旺汽車有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of vehicle compartment
Zhongwang Advanced Fabrication Panjin Aluminium Company Limited* 忠旺高精盤錦鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Liaoning Zhongwang Aluminium Trade Company Limited* 遼寧忠旺鋁合金貿易有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB100,000,000	Trading of aluminium products and other materials

(Expressed in RMB)

17. Investments 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
Zhongwang (Yingkou) Advanced Fabrication Aluminium Company Limited* 忠旺（營口）高精鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Anhui Zhongwang Advanced Aluminium Alloy Company Limited* 安徽忠旺鋁合金精深加工有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB100,000,000	Manufacturing of aluminium products
Liaoning Zhongwang Aluminium Intelligent Furniture Technology Company Limited* 遼寧忠旺全鋁智能家具科技有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Trading and manufacturing of aluminium furniture
Hanseatic Marine Engineering Pty Limited	Australia	LLC	Australia	66.67%	—	66.67%	AUD1,000	Designing and manufacturing of aluminium vessel
Silver Yachts Limited	Cayman Islands	LLC	Cayman Islands	66.67%	—	66.67%	USD50,000	Designing and manufacturing of aluminium vessel
Aluminiumwerk Unna AG.	Germany	Company Limited	Germany	98.27%	—	98.27%	EUR3,105,000	Manufacturing of aluminium products

* 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 2017

(Expressed in RMB)

18. Interests in Associates

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

			Proportion of ownership interest			
Name of company	Place of establishment and business	Form of business structure	Group's Effective interest	Held by a subsidiary	Registered Capital	Principal activities
Beijing Zhongwang Huarong Investment Company Limited* ("Zhongwang Huarong") 北京忠旺華融投資有限公司	The PRC	DLLC	20%	20%	RMB3,100,000,000	Investment holding (Note (i))
Beijing Zhongwang Xinda Investment Company Limited* ("Zhongwang Xinda") 北京忠旺信達投資有限公司	The PRC	DLLC	20%	20%	RMB2,800,000,000	Investment holding (Note (i))
Zhongwang Group Finance Limited* ("Zhongwang Finance Company") 忠旺集團財務有限公司	The PRC	DLLC	48%	35%	RMB5,000,000,000	Financial institution (Note (i))
Liaoning Wanning Import & Export Trade Company Limited* ("Liaoning Wanning") 遼寧萬寧進出口貿易有限公司	The PRC	DLLC	30%	30%	RMB500,000,000	Trading of metals (Note (ii))

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

Note:

(i) Zhongwang Huarong, Zhongwang Xinda and Zhongwang Finance Company are strategic partners for the Group in developing the financial service business.

(ii) The investment in Liaoning Wanning enables the Group to widen its customer base in metals trading market.

All of the above associates are accounted for using equity method in the consolidated financial statements.

18. Interests in Associates (Continued)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Zhongwang Huarong		Zhongwang Xinda		Zhongwang Finance Company		Liaoning Wanning	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Gross amounts of the associates'								
Current assets	**1,719,434**	1,719,519	**1,429,166**	1,531,210	**25,265,028**	23,014,117	**1,535,958**	19,158,190
Non-current assets	**2,337,319**	1,560,736	**2,185,370**	1,417,019	**1,512,799**	14,747	**—**	1,562,203
Current liabilities	**790,814**	130,809	**653,696**	100,264	**21,272,920**	19,877,241	**513,027**	19,676,013
Non-current liabilities	**—**	—	**—**	—	**—**	—	**520,000**	542,000
Equity	**3,265,939**	3,149,446	**2,960,840**	2,847,965	**5,504,907**	3,151,623	**502,931**	502,380
Revenue	**—**	—	**—**	—	**702,524**	322,550	**2,952,103**	6,678,503
Profit for the year	**116,493**	49,446	**112,875**	47,965	**353,284**	151,623	**551**	1,604
Total comprehensive income	**116,493**	49,446	**112,875**	47,965	**353,284**	151,623	**551**	1,604
Reconciled to the Group's interests in the associates								
Gross amounts of net assets of the associate	**3,265,939**	3,149,446	**2,960,840**	2,847,965	**5,504,907**	3,151,623	**502,931**	502,380
Group's interest in the associate	**20%**	20%	**20%**	20%	**35%***	35%*	**30%**	30%
Group's share of net assets of the associate	**653,188**	629,889	**592,168**	569,593	**1,926,717**	1,103,068	**150,879**	150,714
Carrying amount in the consolidated financial statements	**653,188**	629,889	**592,168**	569,593	**1,926,717**	1,103,068	**150,879**	150,714

* The Group held 13% (2016: 13%) effective interest through Zhongwang Huarong and Zhongwang Xinda in the equity of Zhongwang Finance Company as at 31 December 2017.

Aggregate information of associates that are not individually material:

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**214,500**	261,658
Aggregate amounts of the Group's share of those associates'		
Profit for the year	**3,564**	873
Total comprehensive income	**3,564**	873

19. Deposits for Acquisition of Property, Plant and Equipment and Prepaid Lease

	2017 RMB'000	2016 RMB'000
Deposits for acquisition of property, plant and equipment	**4,955,390**	3,753,822
Deposits for acquisition of prepaid lease	**698,662**	386,111
	5,654,052	4,139,933

20. Inventories

	2017 RMB'000	2016 RMB'000
Raw materials	**3,182,006**	2,398,849
Work-in-progress	**2,708,510**	956,947
Finished goods	**1,350,664**	362,466
	7,241,180	3,718,262

21. Trade and Bills Receivables

	2017 RMB'000	2016 RMB'000
Trade and bills receivables	**8,090,958**	1,850,258
Less: Impairment losses	**(21,831)**	(16,180)
	8,069,127	1,834,078

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

	2017 RMB'000	2016 RMB'000
0 to 90 days	**6,742,659**	1,610,193
91 to 180 days	**1,133,746**	72,413
Over 180 days	**192,722**	151,472
	8,069,127	1,834,078

For the year ended 31 December 2017, the Group allows an average credit period of 90—180 days (2016: 90 days) for domestic sales and an average credit period of 180 days (2016: 180 days) for overseas sales. Further details on the Group's credit policy are set out in Note 33(a).

21. Trade and Bills Receivables (Continued)

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

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**7,858,509**	1,620,118
Less than 3 months past due	**25,706**	67,760
More than 3 months but less than 12 months past due	**114,503**	106,616
Over 12 months past due	**70,409**	39,584
	210,618	213,960
	8,069,127	1,834,078

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

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

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

	2017 RMB'000	2016 RMB'000
At 1 January	**16,180**	—
Impairment loss recognised	**13,629**	17,057
Reversal of impairment losses	**(7,978)**	(877)
At 31 December	**21,831**	16,180

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.

As at 31 December 2017, amounts due from associates and amount due from related parties of approximately RMB1,779,000 and RMB636,000 respectively included in above trade receivables.

22. Other Receivables, Deposits and Prepayments

At 31 December 2017, included in other receivables, deposits and prepayments of the Group are deductible input value added tax ("VAT receivables"), purchase prepayments, receivables from disposal of assets, interest receivables, etc, including amounts due from associates of approximately RMB49,430,000. The amounts are unsecured, interest-free and repayable on demand.

At 31 December 2017, VAT receivables amounting to approximately RMB5,341,777,000 (2016: RMB4,240,041,000) of which approximately RMB3,571,362,000 (2016: nil) is expected to be deducted after one year and is classified as "Other non-current assets" in the financial statement.

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

23. Available-for-sale Financial Assets

	2017 RMB'000	2016 RMB'000
Unlisted financial products, at fair value (Note 33(e))	**2,882,968**	266,981

At 31 December 2017, the financial products held by the Group generate expected annual return rate ranged from 2.45% to 4.60% (2016: 2.45%).

24. Pledged Bank Deposits

The Group pledged bank deposits as collateral in respect of issuance of bills (Note 27) and letters of credit by the Group and to secure the Group's bank loans (Note 30(b)). These pledged bank deposits will be released upon the settlement of relevant payables and bank loans.

25. Short-term Deposits and Cash and Cash Equivalents

Short-term deposits are fixed deposits with banks 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 with an original maturity of three months or less.

26. Trade Payables

All 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:

	2017 RMB'000	2016 RMB'000
0 to 90 days	**8,294,147**	1,562,217
91 to 180 days	**65,376**	23,852
181 days to 1 year	**29,661**	24,071
	8,389,184	1,610,140

27. Bills Payables

At 31 December 2017, all the bills payables are repayable within 365 days (2016: 365 days) and are denominated in Renminbi.

At 31 December 2017, bills payables amounting to RMB444,662,000 (2016: RMB651,928,000) were secured by deposits placed in banks with an aggregate carrying value of RMB444,662,000 (2016: RMB651,928,000).

28. Other Payables and Accrued Charges

All 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, there were approximately RMB4,014,395,000 (2016: RMB3,704,450,000) owed to production machineries suppliers and construction services contractors.

As at 31 December 2017, amounts due to related parties and amount due to an associate of approximately RMB199,000 and RMB50,059,000 respectively included in other payables. The amounts are unsecured, interest-free and repayable on demand.

29. Debentures

During the year ended 31 December 2014, the Group issued unsecured debentures of RMB100,000,000 and RMB1,100,000,000 with maturities of three years and six years and repayable on 10 January 2017 and 22 October 2020, respectively, and with effective interest rates of 7.50% and 5.48% per annum, respectively. During the year, these debentures of totalling RMB1,200,000,000 were all fully repaid.

During the year ended 31 December 2015, the Group issued an unsecured debenture of RMB1,200,000,000 with maturity of three years and repayable on 27 May 2018, with effective interest rate of 5.40% per annum.

During the year ended 31 December 2016, the Group issued unsecured debentures of RMB2,500,000,000, RMB500,000,000 and RMB4,000,000,000 with maturities of five years, one year and five years, which are repayable on 22 March 2021, 8 July 2017 and 26 September 2021, respectively, and with effective interest rates of 4.05%, 3.49% and 3.75% per annum, respectively. During the year, the debenture of RMB500,000,000 was fully repaid on its maturity date.

30. Bank and Other Loans

(a) Short-term bank and other loans are analysed as follows:

	2017 RMB'000	2016 RMB'000
Bank loans		
— Guaranteed by subsidiaries	**593,489**	697,710
— Unguaranteed and unsecured	**5,145,096**	2,459,925
	5,738,585	3,157,635
Add:		
— Current portion of long-term bank and other loans	**4,961,789**	4,556,719
	10,700,374	7,714,354

30. Bank and Other Loans (Continued)

(b) Long-term bank and other loans are analysed as follows:

	2017 RMB'000	2016 RMB'000
Bank loans		
— Secured by bank deposits (Note (i))	—	500,000
— Secured by property, plant and equipment (Note (ii))	74,947	—
— Guaranteed by subsidiaries	980,130	4,509,050
— Guaranteed by subsidiaries and secured by prepaid lease payments and property, plant and equipment (Note (iii))	10,880,436	11,021,013
— Guaranteed by related parties	2,153,420	2,193,700
— Guaranteed by a related party and secured by property, plant and equipment (Note (iv))	385,197	525,351
— Unguaranteed and unsecured	2,113,664	330,000
Other loans		
— Secured by property, plant and equipment (Note (v))	2,413,451	1,380,662
— Unguaranteed and unsecured (Note (vi))	11,083,129	—
	30,084,374	20,459,776
Less:		
— Current portion of long-term bank and other loans	(4,961,789)	(4,556,719)
	25,122,585	15,903,057

Note:

(i) At 31 December 2016, current portion of long-term bank loan with notional principal of RMB500,000,000 was secured by pledged bank deposits of RMB500,000,000 (Note 24). Such loan was fully repaid during the year.

(ii) At 31 December 2017, certain long-term loans from bank were secured by certain property, plant and equipment of the Group (Note 14). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB135,944,000 at 31 December 2017 (2016: Nil).

(iii) At 31 December 2017, a long-term bank loan was guaranteed by subsidiaries and secured by certain land use rights and property, plant and equipment of the Group (Note 14 and Note 15). The aggregate carrying value of the secured land use rights and property, plant and equipment amounted to approximately RMB1,379,400,000 and RMB174,317,000, respectively, at 31 December 2017 (2016: RMB1,410,459,000 and RMB176,290,000, respectively).

(iv) At 31 December 2017, a long-term bank loan was guaranteed by a related party and secured by certain property, plant and equipment of the Group (Note 14). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB786,619,000 at 31 December 2017 (2016: RMB915,600,000).

(v) At 31 December 2017, certain long-term loans from financial leasing institutions were secured by certain property, plant and equipment of the Group (Note 14). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB3,373,250,000 at 31 December 2017 (2016: RMB2,352,727,000).

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.

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 is disclosed in Note 14.

(vi) At 31 December 2017, a long term loan was from a related party of the Group. It was interest-free, unsecured and repayable on 1 August,2019.

30. Bank and Other Loans (Continued)

(b) Long-term bank and other loans are analysed as follows: (Continued)

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

	2017 RMB'000	2016 RMB'000
Within one year or on demand	**4,961,789**	4,556,719
More than one year, but not exceeding two years	**14,772,676**	4,551,986
More than two years, but not exceeding five years	**9,194,743**	7,237,938
After five years	**1,155,166**	4,113,133
	30,084,374	20,459,776

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.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's balance sheet ratios, shareholdings of the Company or remaining listed in major stock exchange, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand.

The Group regularly monitors its compliance with these covenants, 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 2017 and 2016, none of the covenants relating to drawn down facilities had been breached.

Details of the Group's management of liquidity risk are set out in Note 33(b).

31. Income Tax in the Consolidated Statement of Financial Position

(a) Current tax liabilities in the consolidated statement of financial position represent:

	2017 RMB'000	2016 RMB'000
At 1 January	**250,039**	183,344
Current tax (Note 11)	**863,972**	658,330
Income tax paid	**(634,843)**	(591,635)
At 31 December	**479,168**	250,039

Notes to the Financial Statements
(Expressed in RMB)

31. Income Tax in the Consolidated Statement of Financial Position (Continued)

(b) Deferred tax assets/liabilities recognised:

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

Deferred tax assets/(liabilities) arising from:	Impairment of property, plant and equipment RMB'000	Tax value of losses carried forward RMB'000	Government subsidies RMB'000	Impairment of trade receivables RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Capitalisation of borrowing costs RMB'000	PRC withholding tax RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Net movement in the fair value of available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2016	4,923	57,136	15,263	—	(179,207)	(367,250)	(50,000)	(30,494)	—	(549,629)
(Charged)/credited to profit for the year (Note 11)	(4,923)	23,527	19,000	4,045	(53,123)	(103,536)	—	1,308	—	(113,702)
Charged to other comprehensive income (Note 12)	—	—	—	—	—	—	—	—	(34)	(34)
At 31 December 2016	—	80,663	34,263	4,045	(232,330)	(470,786)	(50,000)	(29,186)	(34)	(663,365)
At 1 January 2017	—	80,663	34,263	4,045	(232,330)	(470,786)	(50,000)	(29,186)	(34)	(663,365)
Acquisition of subsidiaries	—	—	—	—	—	—	—	(67,198)	—	(67,198)
(Charged)/credited to profit for the year (Note 11)	—	(29,134)	64,679	1,413	(39,991)	—	—	2,500	—	(533)
Charged to other comprehensive income (Note 12)	—	—	—	—	—	—	—	—	34	34
At 31 December 2017	—	51,529	98,942	5,458	(272,321)	(470,786)	(50,000)	(93,884)	—	(731,062)

(ii) Reconciliation to the consolidated statement of financial position

	2017 RMB'000	2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**155,929**	118,971
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(886,991)**	(782,336)
	(731,062)	(663,365)

(c) Deferred tax assets not recognised

At 31 December 2017, the Group had estimated unused tax losses of approximately RMB1,118,117,000 (2016: RMB608,386,000) 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 RMB36,946,000, RMB78,051,000, RMB112,761,000, RMB213,150,000 and RMB537,180,000 will expire in 2018, 2019, 2020, 2021 and 2022, respectively. The remaining tax losses do not expire under current tax legislation.

31. Income Tax in the Consolidated Statement of Financial Position (Continued)

(d) Deferred tax liabilities not recognised

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 RMB11,711,518,000 (2016: RMB13,473,051,000) as the Company controls the dividend policy of such subsidiary and it has been determined that it is probable that these 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.

(e) 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.

32. 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 2016	605,397	10,139,457	51,174	(2,913)	(991,173)	9,801,942
Changes in equity for 2016:						
Profit for the year	—	—	—	—	356,461	356,461
Realised loss on cashflow hedges	—	—	—	2,913	—	2,913
Final dividends for the year 2015	—	(364,360)	—	—	—	(364,360)
Interim dividends for the year 2016	—	(678,425)	—	—	—	(678,425)
Recognition of share-based payment	—	—	202,108	—	—	202,108
At 31 December 2016 and 1 January 2017	605,397	9,096,672	253,282	—	(634,712)	9,320,639
Changes in equity for 2017:						
Loss for the year	—	—	—	—	(934,947)	(934,947)
Final dividends for the year 2016	—	(613,484)	—	—	—	(613,484)
Interim dividends for the year 2017	—	(600,976)	—	—	—	(600,976)
Recognition of share-based payment	—	—	112,172	—	—	112,172
At 31 December 2017	605,397	7,882,212	365,454	—	(1,569,659)	7,283,404

32. Capital, Reserves and Dividends (Continued)

(b) Dividends

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

	2017 RMB'000	2016 RMB'000
Interim dividend declared and paid of HKD0.10 per ordinary share and convertible preference share (2016: HKD0.11)	**600,976**	678,425
Final dividend proposed after the end of the reporting period of HKD0.15 per ordinary share and convertible preference share (2016: HKD0.10)	**853,639**	626,631

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.

(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:

	2017 RMB'000	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.10 per ordinary share and convertible preference share (2016: HKD0.06)	**613,484**	364,360

(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 2016, 1 January 2017 and 31 December 2017	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2016, 1 January 2017 and 31 December 2017	5,449,473,140	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2016, 1 January 2017 and 31 December 2017	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2016, 1 January 2017 and 31 December 2017	1,619,125,180	161,913	127,296

32. Capital, Reserves and Dividends (Continued)

(c) Share capital (Continued)

(i) Authorised and issued share capital (Continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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.

32. Capital, Reserves and Dividends (Continued)

(d) Nature and purpose of reserves

(i) Surplus reserve

The Articles of Association of the subsidiaries of the Group established in the PRC (excluding Hong Kong) state that they may make an appropriation of 10% of their 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 their paid-in capital. The surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of their 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 years 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 (Notes 30 and 29) respectively, perpetual capital instruments (Note 38) and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and accumulated profits.

The Company's board of directors reviews the capital structure on a continuous basis. As 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.

33. 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 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 the Group's credit risk is significantly reduced.

The Group's bank balances and cash are deposited with banks with either good reputation or with strong financial backgrounds. In this regard, the directors of the Company consider the credit risk on liquid funds is limited.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each bank and each customer rather than the industry or country in which the banks or customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual bank or customer.

During the year ended 31 December 2017, the Group had daily average bank balances and cash amounted to RMB13,624,409,000 (2016: RMB13,947,484,000) deposited in Liaoyang Rural Commercial Bank, which represented 51% (2016: 66%) of the Group's daily average balance of bank balances and cash. At 31 December 2017, Zhongwang Huarong and Zhongwang Xinda, two of the Group's associates (Note 18), held 23.64% and 18.60% equity interests of Liaoyang Rural Commercial Bank, respectively.

At 31 December 2017, 13% of the Group's trade and bills receivables were due from the Group's largest customer, which is within the Aluminium Alloy Formwork segment (2016: 37% of the Group's trade and bills receivables were due from the Group's largest customer, which is within the Deep-processed segment).

At 31 December 2017 and 2016, the Group did not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables are set out in Note 21.

33. Financial Risk Management and Fair Values of Financial Instruments (Continued)

(b) Liquidity risk

The Group's liquidity position is monitored on a daily basis by the management and is reviewed monthly by the directors of the Company. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities 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.

	Contractual and undiscounted cash flow						
	Weighted Average interest rate %	Within 1 year or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amounts RMB'000
At 31 December 2017							
Non-interest bearing		**19,652,464**	**17,501**	**—**	**—**	**19,669,965**	**19,669,965**
Bank and other loans	**4.42**	**11,560,711**	**15,305,058**	**10,702,221**	**1,392,716**	**38,960,706**	**35,822,959**
Debentures	**4.22**	**1,516,050**	**251,250**	**7,002,500**	**—**	**8,769,800**	**7,700,000**
		32,729,225	**15,573,809**	**17,704,721**	**1,392,716**	**67,400,471**	**63,192,924**
At 31 December 2016							
Non-interest bearing	—	10,846,624	—	—	—	10,846,624	10,846,624
Bank and other loans	4.31	8,612,724	5,203,530	8,335,908	4,335,159	26,487,321	23,617,411
Debentures	4.27	1,001,280	1,576,330	8,474,310	—	11,051,920	9,400,000
		20,460,628	6,779,860	16,810,218	4,335,159	48,385,865	43,864,035

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

33. Financial Risk Management and Fair Values of Financial Instruments (Continued)

(c) Interest rate risk

(i) Interest rate profile

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

	2017		2016	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	0-5.50	17,269,098	2.65-5.01	5,019,052
Debentures	3.49-5.40	7,700,000	3.49-7.50	9,400,000
		24,969,098		14,419,052
Variable rate borrowings:				
Bank and other loans	0.42-6.53	18,553,861	2.17-5.18	18,598,359
Total borrowings		43,522,959		33,017,411
Fixed rate borrowings as a percentage of total borrowings		57.4%		43.7%

(ii) Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. 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 (2016: 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 before tax for the year ended 31 December 2017 would decrease or increase by approximately RMB73,981,000 (2016: RMB92,992,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit before tax 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 variable-rate borrowings 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 before tax 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 2016.

33. Financial Risk Management and Fair Values of Financial Instruments (Continued)

(d) Currency risk

(i) Exposure to currency risk

The Group has certain receivables, payables, bank balances and bank loans denominated in foreign currencies, which exposes 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 arises.

The carrying amount of the Group'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.

	2017 RMB'000	2016 RMB'000
Trade receivables		
USD	227,132	792,843
EUR	21,314	—
GBP	3,592	—
Other receivables		
USD	145,368	38,600
EUR	153	—
Bank balances		
HKD	726	126,746
USD	33,812	282,881
EUR	10,456	—
Trade payables		
USD	84	—
Other payables		
HKD	1,144,745	—
USD	86,544	119,761
EUR	10,251	—
GBP	2,807	—
Bank loans		
HKD	593,489	1,010,785
USD	4,068,520	7,970,613
EUR	—	—

33. Financial Risk Management and Fair Values of Financial Instruments (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The Group is mainly exposed to the change in HKD and USD exchange rates against RMB.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The sensitivity analysis is performed on the same basis for 2016.

Results of the analysis as presented in the following table represent an aggregation of the instantaneous effects on each of the Group entities' profit before tax measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes. A positive number below indicates an increase in profit before tax where RMB strengthen 5% (2016: 5%) against relevant foreign currencies. For a 5% (2016: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before tax.

	2017 Increase in profit before tax RMB'000	2016 Increase in profit before tax RMB'000
RMB against HKD impact	**86,875**	44,202
RMB against USD impact	**156,200**	348,803

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

33. Financial Risk Management and Fair Values of Financial Instruments (Continued)

(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, categorised 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.

	Fair value at 31 December 2017	**Fair value measurements as at 31 December 2017 categorised into**		Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into	
		Level 2	**Level 3**		Level 2	Level 3
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Recurring fair value measurements:						
Assets:						
Available-for-sale financial assets	**2,882,968**	**2,882,968**	**—**	266,981	266,981	—

During the years ended 31 December 2017 and 2016, 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.

The fair value of available-for-sale financial assets is determined by discounting the contractual future cash flows using interest rates of bank deposits with similar duration.

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

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.

34. Commitments

(a) Capital commitments

	2017 RMB'000	2016 RMB'000
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**14,275,476**	9,650,432

(b) Operating lease commitments

The Group as lessee

At 31 December 2017 and 2016, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**52,915**	37,746
After 1 year but within 5 years	**38,290**	9,436
	91,205	47,182

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.

35. Retirement Benefit Plan

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 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 Group participates Deutsche Rentenversicherung for all qualifying employees in Germany. The monthly contribution amounts to 18.6% of the gross salary and is payable in equal parts by the employees and the Group. The monthly contributions are calculated up to gross salary of EUR6,500.

The employees of the subsidiaries operated in Australia are members of superannuation arrangement required under Australian law. The Group's contribution rate is currently 9.5% and it is compulsory for the Group to make these contributions for their employees on top of the employees' wages and salaries.

The amounts of contributions made by the Group in respect of the retirement benefit schemes during each of the years ended 31 December 2017 and 2016 are disclosed in Note 9.

36. Material 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 10.

(b) Material related party transactions

Particulars of significant related party transactions during the years ended 31 December 2017 and 2016 are as follows:

	2017 RMB'000	2016 RMB'000
Provision of guarantees by related parties	**2,538,617**	2,719,051
A long-term loan obtained from a related party	**11,083,129**	—
Short-term deposits and cash and cash equivalents deposited in an associate	**—**	340,670
Proceeds received from disposal of investments to associates	**49,000**	1,835,000
Sales of goods to an associate	**218**	7,781
Sales of goods to related parties	**615**	—
Dividend received from an associate	**185**	103,035

37. Share-based Payments

Pursuant to an ordinary resolution of the board of directors passed on 17 April 2008, a share option scheme (the "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. On 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 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 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.

(Expressed in RMB)

37. Share-based Payments (Continued)

(a) The terms and conditions of the grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to directors:			
— on 22 March 2011	2,340,000	One year after the date of grant	10 years
— on 22 March 2011	2,340,000	Two years after the date of grant	10 years
— on 22 March 2011	2,340,000	Three years after the date of grant	10 years
— on 22 March 2011	2,340,000	Four years after the date of grant	10 years
— on 22 March 2011	2,340,000	Five years after the date of grant	10 years
— on 6 January 2016	32,600,000	One year after the date of grant	10 years
— on 6 January 2016	32,600,000	Two years after the date of grant	10 years
— on 6 January 2016	32,600,000	Three years after the date of grant	10 years
— on 6 January 2016	32,600,000	Four years after the date of grant	10 years
— on 6 January 2016	32,600,000	Five years after the date of grant	10 years
Options granted to employees:			
— on 22 March 2011	6,800,000	One year after the date of grant	10 years
— on 22 March 2011	6,800,000	Two years after the date of grant	10 years
— on 22 March 2011	6,800,000	Three years after the date of grant	10 years
— on 22 March 2011	6,800,000	Four years after the date of grant	10 years
— on 22 March 2011	6,800,000	Five years after the date of grant	10 years
— on 6 January 2016	57,400,000	One year after the date of grant	10 years
— on 6 January 2016	57,400,000	Two years after the date of grant	10 years
— on 6 January 2016	57,400,000	Three years after the date of grant	10 years
— on 6 January 2016	57,400,000	Four years after the date of grant	10 years
— on 6 January 2016	57,400,000	Five years after the date of grant	10 years
Total share options granted	495,700,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2017		2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HKD3.93**	**493,400,000**	HKD3.90	45,000,000
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	HKD3.90	(1,600,000)
Granted during the year	—	—	HKD3.93	450,000,000
Outstanding at the end of the year	**HKD3.93**	**493,400,000**	HKD3.93	493,400,000
Exercisable at the end of the year	**HKD3.92**	**133,400,000**	HKD3.90	43,400,000

The options outstanding at 31 December 2017 had an exercise price of HKD3.90 or HKD3.93 (2016: HKD3.90 or HKD3.93) and a weighted average remaining contractual life of 7.6 years (2016: 8.6 years).

(Expressed in RMB)

37. Share-based Payments (Continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions	Granted on 22 March 2011	Granted on 6 January 2016
Fair value at measurement date	**HKD0.97**	HKD1.15
Share price	**HKD3.83**	HKD3.92
Exercise price	**HKD3.90**	HKD3.93
Expected volatility	**53%**	41.15%
Option life	**10 years**	10 years
Expected dividend yield	**5.9%**	4.98%
Risk-free interest rate	**2.75%**	1.49%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

38. Perpetual Capital Instruments

(a) Perpetual note

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

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

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

During the year ended 31 December 2017, profit attributable to the holders of perpetual note, based on the applicable distribution rate, was RMB90,000,000 (2016: RMB16,027,000).

38. Perpetual Capital Instruments (Continued)

(b) Perpetual trust loans

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

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

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

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

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

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

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

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

During the year ended 31 December 2017, profit attributable to the holders of perpetual trust loans, based on the applicable distribution rate, was RMB244,400,000 (2016: RMB19,753,000).

39. Business Combination

(a) Acquisition of Silver Yachts Ltd.

In October 2017, Hong Kong Zhongwang Investment Limited, an indirect wholly-owned subsidiary of the Company acquired 200 ordinary shares of Silver Yachts Ltd. ("Silver Yachts") from the independent third party with the consideration of EUR40 million and further subscribed 200 ordinary shares newly issued by Silver Yachts with the subscription price of EUR40 million. At the completion of the acquisition and the subscription, Hong Kong Zhongwang Investment Limited holds 66.67% of equity interests in Silver Yachts. Silver Yachts and its subsidiaries are Australia-based all-aluminium superyacht builder. The acquisition has been accounted for using acquisition method.

39. Business Combination (Continued)

(a) Acquisition of Silver Yachts Ltd. (Continued)

Details of net assets acquired were as follows:

	RMB'000
Purchase consideration — cash paid	622,120
Fair value of net assets acquired (see below)	(397,118)
Goodwill (Note 16)	225,002
Purchase consideration settled in cash	(622,120)
Cash and cash equivalents acquired	299,761
Cash outflow on acquisition of subsidiaries	(322,359)

Fair value of assets and liabilities arising from this acquisition were as follows:

	RMB'000
Property, plant and equipment	11,009
Other intangible assets	275,267
Inventories	402,112
Trade and other receivables	5,579
Cash and cash equivalents	299,761
Other assets	23,329
Trade and other payables	(93,266)
Other liabilities	(328,144)
Net assets	595,647
Non-controlling interests (33.33%)	(198,529)
Fair value of the net assets acquired	397,118

Goodwill comprised the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The Group has elected to measure non-controlling interests in the acquisition at proportionate share of the acquiree's identifiable net assets.

The fair value of trade and other receivables at the date of acquisition amounted to RMB5,579,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, Silver Yachts and its subsidiaries had contributed revenue of RMB30,639,000 and profit of RMB1,151,000 to the Group. If the acquisition had occurred on 1 January 2017, the Group's revenue and profit for the year would have been RMB19,606,063,000 and RMB3,881,252,000 respectively for the year ended 31 December 2017. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future performance.

39. Business Combination (Continued)

(b) Acquisition of Aluminiumwerk Unna Beteiligungs GmbH ("AWU Bet")

In August 2017, Zhongwang Aluminium Deutschland GmbH, an indirect wholly-owned subsidiary of the Company subscribed new shares of AWU Bet with subscription price of EUR54,865,180, together with the payment of EUR2,605,000 to settle certain debts of the original shareholder of AWU Bet as a condition for completion. After the subscription, Zhongwang Aluminium Deutschland GmbH holds 98% equity interests in AWU Bet. Prior to the subscription, AWU Bet holds 72.73% equity interests in Aluminiumwerk Unna AG. ("Alunna"). Zhongwang Aluminium Deutschland GmbH also acquired 26.99% equity interests in Alunna with the consideration of EUR16,679,820 from independent third parties. At the completion of subscription and acquisition, Zhongwang Aluminium Deutschland GmbH effectively holds 98% equity interests in AWU Bet and 98.27% equity interests in Alunna. AWU Bet and its subsidiaries are Germany-based aluminium products producers. The acquisition has been accounted for using acquisition method.

Details of net assets acquired were as follows:

	RMB'000
Purchase consideration — cash paid	583,627
Fair value of net assets acquired (see below)	(429,629)
Goodwill (Note 16)	153,998
Purchase consideration settled in cash	(583,627)
Cash and cash equivalents acquired	—
Cash outflow on acquisition of subsidiaries	(583,627)

Fair value of assets and liabilities arising from this acquisition were as follows:

	RMB'000
Property, plant and equipment	402,895
Inventories	100,810
Trade and other receivables	190,862
Other assets	4,921
Bank borrowings	(93,413)
Trade and other payables	(73,418)
Other liabilities	(95,469)
Net assets	437,188
Non-controlling interests (1.73%)	(7,559)
Fair value of the net assets acquired	429,629

39. Business Combination (Continued)

(b) Acquisition of Aluminiumwerk Unna Beteiligungs GmbH ("AWU Bet") (Continued)

Goodwill comprised the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The Group has elected to measure non-controlling interests in the acquisition at proportionate share of the acquiree's identifiable net assets.

The fair value of trade and other receivables at the date of acquisition amounted to RMB190,862,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, AWU Bet and its subsidiaries have contributed revenue of RMB173,974,000 and profit of RMB1,324,000 to the Group. If the acquisition had occurred on 1 January 2017, the Group's revenue and profit for the year would have been RMB19,814,251,000 and RMB3,877,262,000 respectively for the year ended 31 December 2017. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future performance.

40. Disposal of Subsidiary

In September 2017, the Group disposed of its subsidiary Daqing Zhongwang Aluminium Company Limited* (大慶忠旺鋁業有限公司). The net assets of Daqing Zhongwang Aluminium Company Limited at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	567,519
Prepaid lease payments	1,361,054
Deposit for acquisition of property, plant and equipment and prepaid lease	192
Other receivables, deposits and prepayments	38
Cash and cash equivalents	252
Other payables and accrued charges	(20,878)
Amounts due to subsidiaries	(1,907,131)
Net assets disposed of	1,046
Loss on disposal of Daqing Zhongwang Aluminium Company Limited:	1,046
Satisfied by:	
Cash	—
Net cash outflow arising on disposal:	
Cash consideration	—
Cash and bank balances disposed of	(252)
	(252)

40. Disposal of Subsidiary (Continued)

In September 2017, the Group disposed of its subsidiary Zhongwang Aluminium Japan Corporation, which is engaged in trading of aluminium products in Japan. The net assets of Zhongwang Aluminium Japan Corporation at the date of disposal were as follows:

	RMB'000
Other receivables, deposits and prepayments	252
Cash and cash equivalents	11
Net assets disposed of	263
Loss on disposal of Zhongwang Aluminium Japan Corporation:	263
Satisfied by:	
Cash	—
Net cash outflow arising on disposal:	
Cash consideration	—
Cash and bank balances disposed of	(11)
	(11)

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

41. Notes to Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities:

	Bank and other loans (Note 30) RMB'000	Debentures (Note 29) RMB'000	Interest payables RMB'000	Total RMB'000
At 1 January 2017	23,617,411	9,400,000	249,654	33,267,065
Changes from financing cash flows:				
Proceeds from new bank and other loans	20,431,975	—	—	20,431,975
Repayment of bank and other loans	(7,928,611)	—	—	(7,928,611)
Repayment of debentures	—	(1,700,000)	—	(1,700,000)
Interest paid	—	—	(1,654,596)	(1,654,596)
Total changes from financing cash flows	12,503,364	(1,700,000)	(1,654,596)	9,148,768
Other changes:				
Exchange difference	(391,229)	—	—	(391,229)
Interest expenses (Note 8)	—	—	1,155,272	1,155,272
Capitalised interest expenses (Note 8)	—	—	436,507	436,507
Addition through acquisition of subsidiaries (Note 39)	93,413	—	—	93,413
At 31 December 2017	35,822,959	7,700,000	186,837	43,709,796

Notes to the Financial Statements
(Expressed in RMB)

42. Company-level Statement of Financial Position

	Note	**2017 RMB'000**	2016 RMB'000
Non-current assets			
Interest in subsidiaries		**16,623,661**	17,615,378
Current assets			
Other receivables, deposits and prepayments		**917**	11,694
Cash and cash equivalents		**2,764**	129,102
		3,681	140,796
Current liabilities			
Other payables and accrued charges		**883,185**	28,391
Amount due to subsidiaries		**6,887,134**	2,887,309
Bank loans		**1,573,619**	4,479,285
		9,343,938	7,394,985
Net current liabilities		**(9,340,257)**	(7,254,189)
Total assets less current liabilities		**7,283,404**	10,361,189
Non-current liabilities			
Bank loans		**—**	1,040,550
NET ASSETS		**7,283,404**	9,320,639
CAPITAL AND RESERVES	32(a)		
Share capital		**605,397**	605,397
Reserves		**6,678,007**	8,715,242
TOTAL EQUITY		**7,283,404**	9,320,639

On behalf of the directors

Lu Changqing
Director

Chen Yan
Director

(Expressed in RMB)

43. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2017

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards[1]
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business combinations[2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangement[2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income taxes[2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing costs[2]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)[1]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 28	Long-term Interests in Associates and Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. Information on new or amended IFRSs that are expected to have an impact on the Group's accounting policies is provided below.

IFRS 9 — Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

43. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2017 (Continued)

IFRS 9 — Financial Instruments (Continued)

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 — Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments IFRS 15 — Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

IFRS 16 — Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Five-year Financial Summary

Results

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	**19,458,826**	16,695,543	16,171,246	15,971,218	14,306,751
Profit for the year attributable to:					
Equity shareholders of the Company	**3,533,431**	2,871,379	2,804,981	2,477,020	2,126,625
Non-controlling interests	**364**	—	—	—	—
Holders of perpetual capital instruments	**334,400**	35,780	—	—	—

Assets and liabilities

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Total assets	**101,267,864**	79,037,746	71,400,726	53,769,415	40,353,143
Total liabilities	**64,578,232**	45,027,844	45,409,728	29,440,823	20,714,251
Total equity attributable to:					
Equity shareholders of the Company	**30,487,891**	28,015,902	25,990,998	24,328,592	19,638,892
Non-controlling interests	**207,741**	—	—	—	—
Holders of perpetual capital instruments	**5,994,000**	5,994,000	—	—	—

www.zhongwang.com