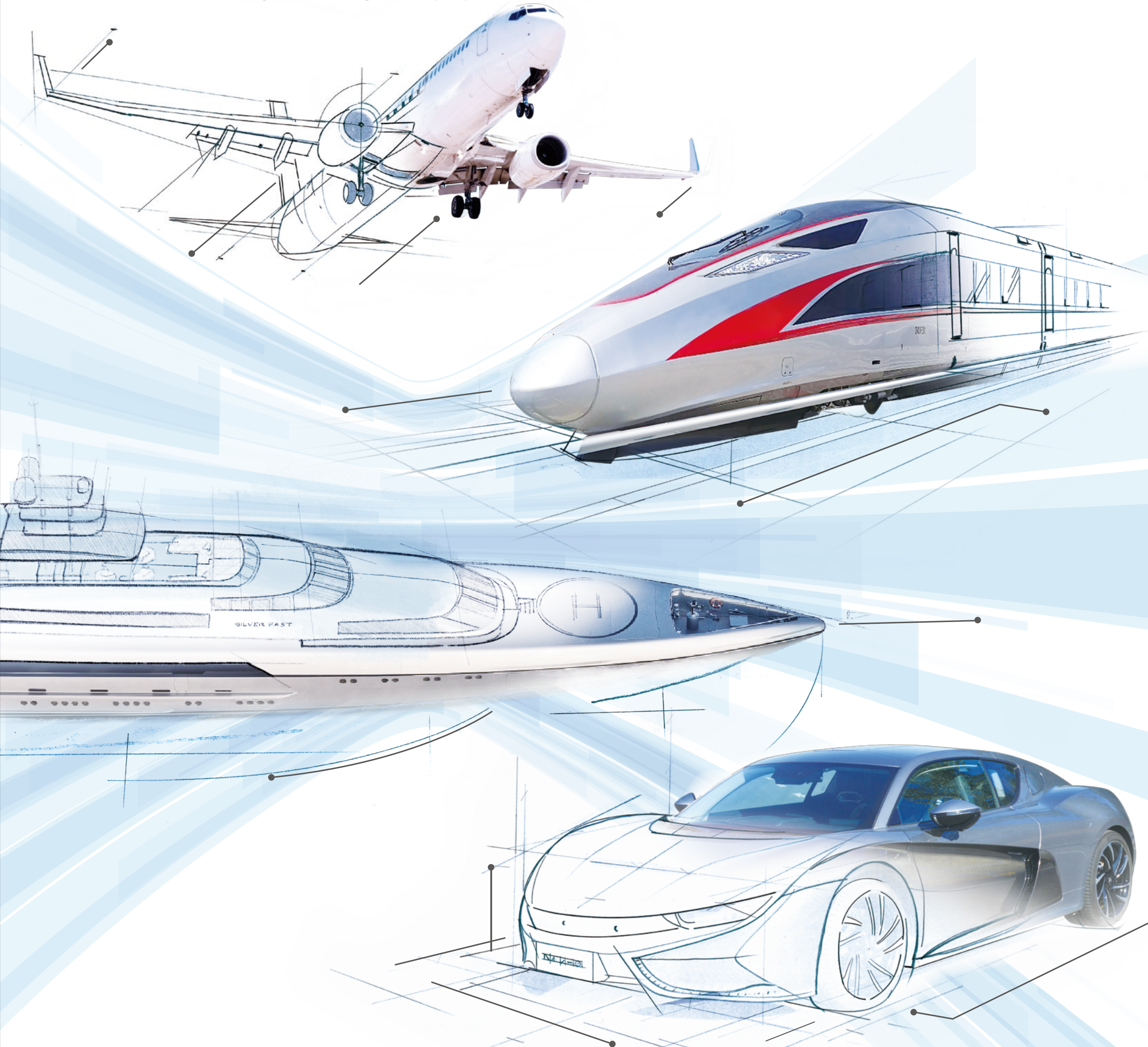
中国忠旺控股有限公司*
China Zhongwang Holdings Limited

(incorporated in the Cayman Islands with limited liability)

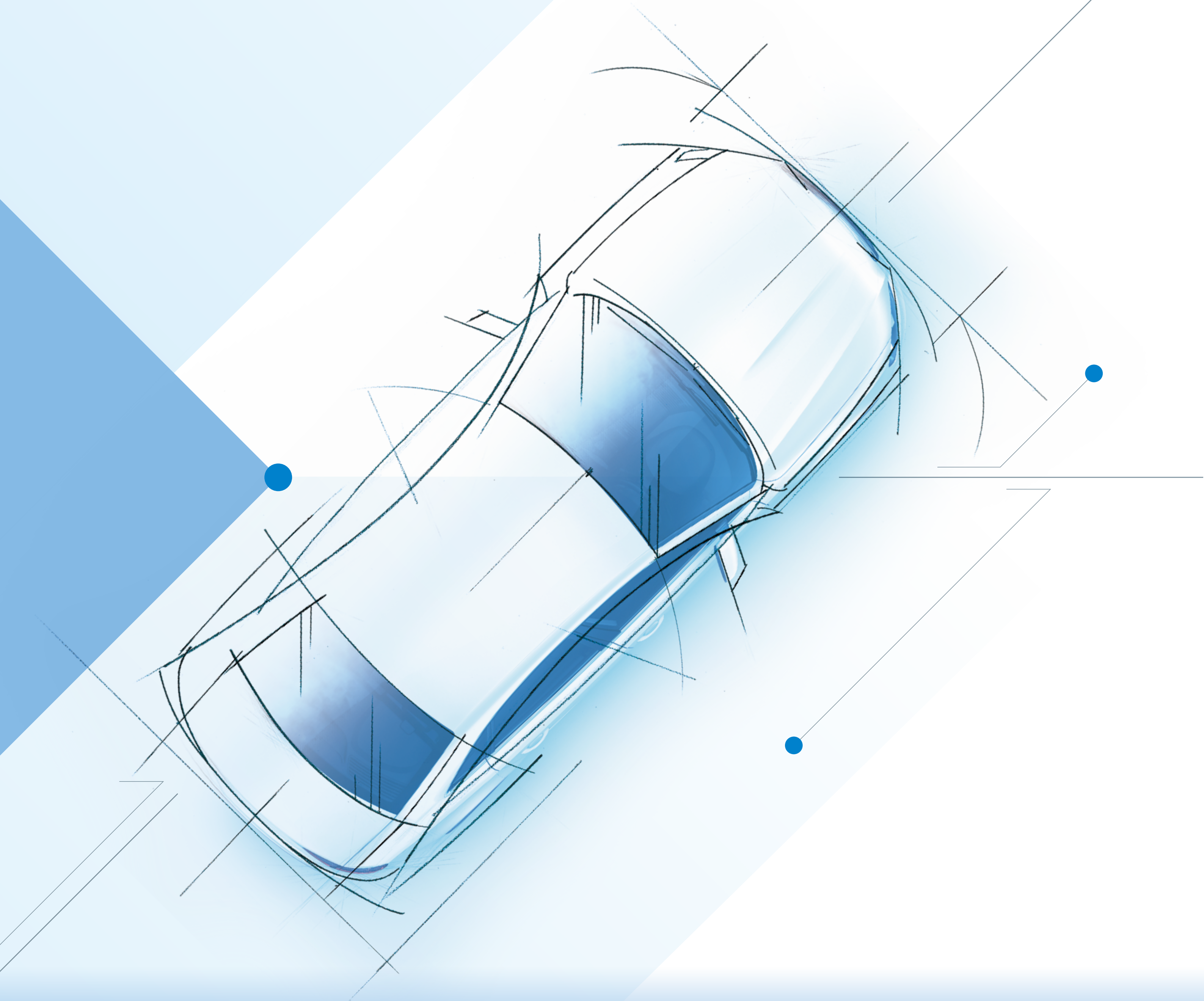
Stock Code: 01333

ANNUAL REPORT 2018



A GLOBAL-LEADING
FABRICATED ALUMINIUM PRODUCT DEVELOPER AND MANUFACTURER

* For identification purposes only



Design Concept

The design idea of Annual Report 2018 is inspired by the Group's position of "integrated solutions provider". With the "product blueprint" as a key element, the design integrates hand-sketching with real products innovatively. Such an approach is applied throughout the report to demonstrate the Group's business strategy and corporate culture from various aspects, including products and applications, R&D strengths, people-oriented culture etc.

Company Website

Financial Highlights

Revenue
(RMB Million)
25,600

Gross Profit
(RMB Million)
8,362

Net Profit
(RMB Million)
4,467

Full Year Dividend Per Share
(HKD)
0.27

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
Commerzbank AG Deutschland
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

39/F, Zhongwang Tower
Yuanan Road, Chaoyang District
Beijing 100102
PRC

Place of Business in Hong Kong

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

Legal Advisors

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

As to PRC laws
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

iPR Ogilvy Limited
23rd Floor, The Center
99 Queen's Road Central
Hong Kong

Closure of Register of Members

For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 31 May 2019, the register of members of the Company will be closed from Friday, 24 May 2019 to Friday, 31 May 2019 (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, 23 May 2019, being the last share registration date.

Annual General Meeting

The Company's annual general meeting will be held on 31 May 2019, 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

China Zhongwang Holdings Limited (the "Company", together with its subsidiaries, the "Group") is the second largest industrial aluminium extruded products developer and manufacturer in the world and the largest in Asia.[1] The Group has been focusing on the development of light-weight materials for such downstream sectors and fields as ecological construction, transportation, machinery and equipment and electric power engineering and provides a wide range of quality fabricated aluminium products for them. Founded in 1993, the Group is headquartered and operates in Liaoning Province, China, with another principal production base located in Tianjin City. On 8 May 2009, the Company (stock code: 01333) was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The core businesses of the Group are industrial aluminium extrusion, aluminium flat rolling and further fabrication. The Group started off its business with aluminium extrusion, and has developed advantages in integration of smelting and casting, die design, advanced equipment and capability of research and development (R&D). In order to further enhance the value chain of its business, the Group has invested in and established the aluminium flat rolling project, which will achieve synergies with the aluminium extrusion business by sharing their resources. The further fabrication business includes further processing, cutting, surface treatment and welding, which turns extruded or flat-rolled products into semi-finished or finished products with added value. In 2017, the Group expanded its business presence in the transportation sector by completing acquisitions of Aluminiumwerk Unna AG. ("Alunna"), a high-end aluminium extrusion manufacturer, and Silver Yachts Ltd. ("Silver Yachts"), an all-aluminium superyacht builder, tapping into the end-use manufacturing in the marine sector as well. Having built excellent teams of R&D, technology and design, the Group is able to deliver one-stop light-weight solutions that cover independent design, manufacturing, fabrication and after-sales services to customers.

With over 20 years of experience in the industry, the Group has obtained a number of certificates of accreditation from authorities in several high-end industries, such as aviation, shipbuilding, railway transportation and automotive industry. Such certificates of accreditation include Nadcap Aviation Certification, Aerospace Quality Management System Certification, and the letters of accreditation from Det Norske Veritas (DNV), American Bureau of Shipping (ABS), Nippon Kaiji Kyokai (NK), China Classification Society (CCS), Lloyd's Register of Shipping (LR) and Korean Register of Shipping (KR), as well as International Railway Industry Standard (IRIS) Certification, and Automotive Industry Quality Management System Certification.

Looking ahead to the future, the Group will continue to promote the applications of high-end fabricated aluminium products while fulfilling its social responsibility as a corporate citizen. It aims to offer light-weight solutions to the society so that people can live a quality life with low energy consumption.

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

[1] Rankings and relevant information relating to industrial aluminium extruded product manufacturers in the world are cited from the August 2018 issue of a report prepared by Beijing Antaike Information Co., Ltd.

Financial Highlights

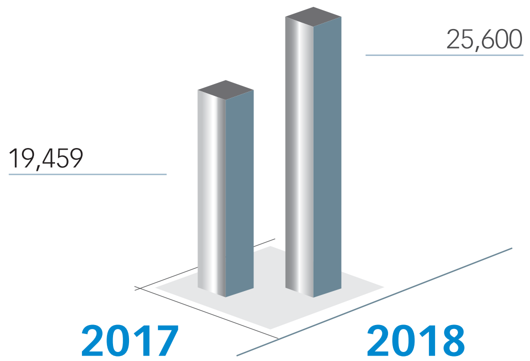
	2018 RMB'000	2017 RMB'000
Revenue	**25,600,434**	19,458,826
Gross profit	**8,361,681**	6,348,579
EBITDA (Note 1)	**7,894,167**	6,856,350
Profit for the year	**4,466,731**	3,868,195
Earnings per share (RMB) (Note 2)	**0.59**	0.50
Final dividend per share (HKD)	**0.17**	0.15
Full year dividend per share (HKD)	**0.27**	0.25
Bank balances, financial products and cash (Note 3)	**16,751,188**	13,574,912
Total equity attributable to equity shareholders of the Company	**33,166,475**	30,487,891

	2018	2017
Current ratio (Note 4)	**1.14**	1.05
Inventory turnover in days (Note 5)	**163**	153
Trade receivable turnover in days (Note 6)	**150**	93
Trade payable turnover in days (Note 7)	**160**	187
Gross margin	**32.7%**	32.6%
Gearing ratio (Note 8)	**69.4%**	63.8%
Revenue composition-by business		
Aluminium extrusion business	**75.8%**	87.9%
Aluminium flat rolling business	**19.7%**	8.2%
Further fabrication business	**4.4%**	3.7%
Others	**0.1%**	0.2%
Gross profit composition-by business		
Aluminium extrusion business	**92.9%**	95.8%
Aluminium flat rolling business	**5.0%**	2.9%
Further fabrication business	**1.8%**	0.7%
Others	**0.3%**	0.6%

Notes:

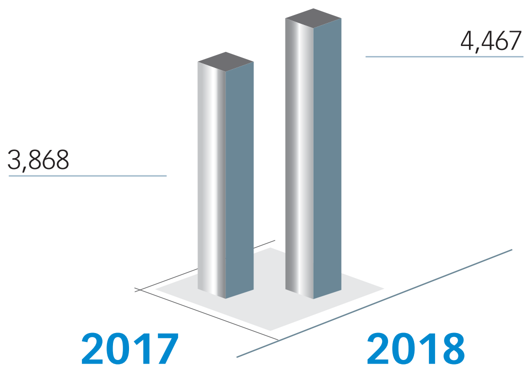
1. EBITDA = Profit before taxation + finance costs + amortisation of prepaid lease payments + depreciation of property, plant and equipment + amortisation of other intangible assets
2. Earnings per share is calculated based on the profit attributable to equity shareholders of the Company for each of the years ended 31 December 2018 and 2017 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 + 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%

Revenue
(RMB Million)

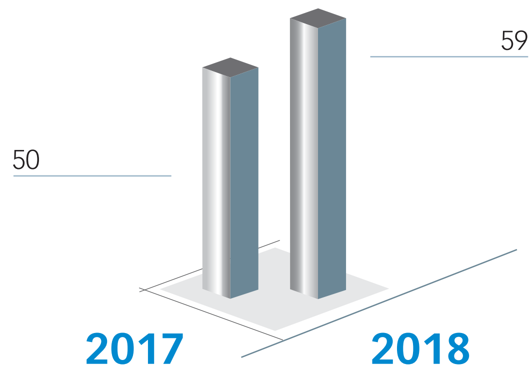


Gross Profit
(RMB Million)

Profit for the Year
(RMB Million)

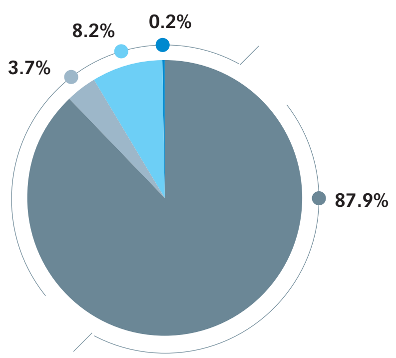


Earning Per Share
(RMB Cent)

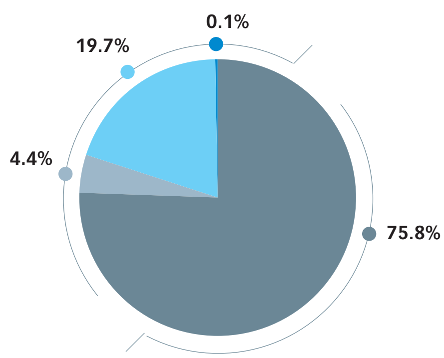


Revenue Composition
— By Business

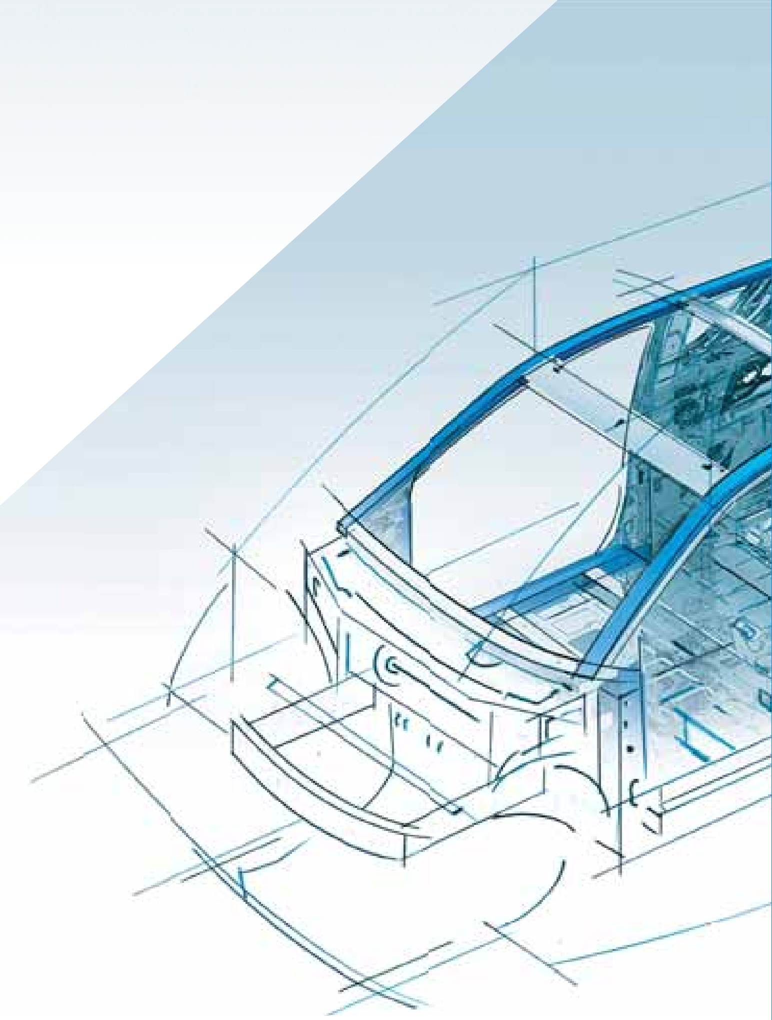
2017



2018



Aluminium extrusion business | Further fabrication business | Aluminium flat rolling business | Others



Research and Development

- Product definition stage - Provide professional advices on material, performance, production and cost to the customer
- Product design stage – Cooperate with the customer to complete structure design and optimisation, as well as the production process analysis
- Die design and production

Testing and Optimisation

- Conduct material performance testing in the material testing centre
- Test new production techniques in the pilot production centre
- Carry out prototype examination and quality control
- Complete vehicle body testing
- Design and optimise production lines

Integrated Light-weight Solutions Provider

We cooperate with automakers and get thoroughly involved in the entire development process of new energy vehicles.

Fabrication and Production

- Deliver all-aluminium body frames and parts to the customer upon mass production of the model

After-sales Service and Technical Support

- Unceasingly assist the customer in improving product design, techniques and quality

Milestones of the Year

Business Development

- Became a Tier-1 supplier to Jaguar Land Rover.
- Supplied further fabricated aluminium products for China's commercial maglev 2.0 trains.
- A production base established in Wuhu as an ancillary facility for new energy vehicles gradually commenced production.

- Being an exclusive supplier, the Group started to provide all-aluminium body frame for "Qiantu K50", the electric sports car by CH-Auto Technology.

- The Group and FAW Group jointly developed China's first passenger vehicle with all-aluminium body and all-aluminium chassis structure.

- Continued to supply further fabricated aluminium products for the high-speed trains "Fuxing EMU".

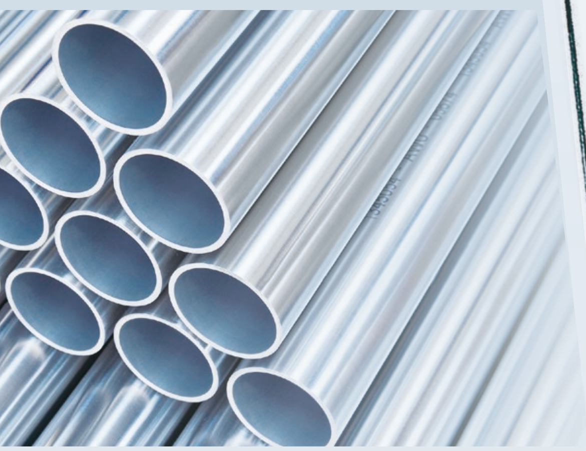
- The second ultra-large 225MN extrusion press commenced commercial production.

- Establishment of Silver Yachts' new shipyard in Guangdong Province, China.

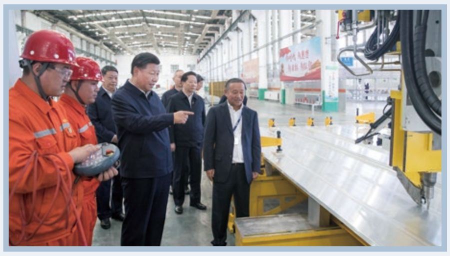
Industry Certificates

- Named as Sectoral Champion of the Manufacturing Industry for industrial aluminium extrusion by the Ministry of Industry and Information Technology.

- Alunna passed the Airbus IPCA-Plus-Audit and achieved an excellent level "A" rating.



Company Honours



- Chinese President Xi Jinping visited the Group, stressing unswerving support for the development of the private sector.

- Awarded as "The Most Influential Supplier in the National Aluminium Alloy Formwork Industry 2018".

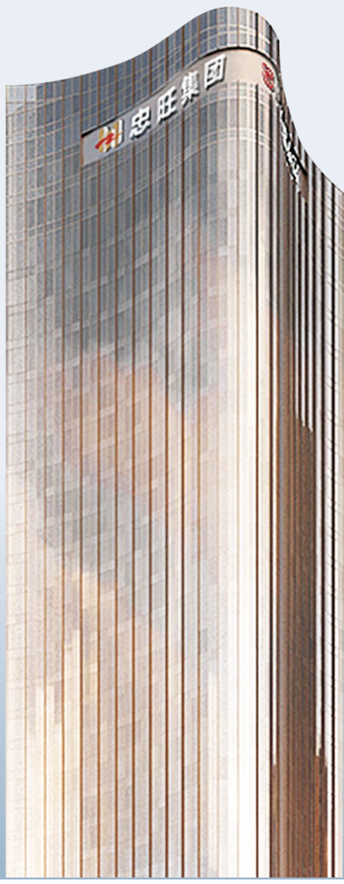
- Named as "National Enterprise with Intellectual Property Advantage".
- Garnered "Listed Enterprises of the Year" award by Bloomberg Businessweek/ Chinese Edition for the third consecutive year.
- Named among "Honoured Companies" in the "2018 All-Asia Executive Team" Rankings by Institutional Investor for the first time.
- Listed among the "2018 China Good Companies" by Jiemian-Cailian Press under the Shanghai United Media Group.
- Awarded as an "Outstanding Supplier 2018" by Chery Automobile.
- Included as a constituent stock of "MSCI China Index".
- Included in the "National Innovation Centre for Light-weight Material, Forming Techniques and Equipment".

- The Tianjin-based flat rolling project passed accreditations of Korean Register of Shipping (KR) and AS9100D:2016 Certification for Aerospace Quality Management System.

Chairman's Statement

China Zhongwang will move ahead to promote all-round applications of the aluminium alloy, further consolidating its position as a strong, visionary and responsible enterprise.

Lu Changqing
Chairman



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 2018 (the "Year under Review") for your perusal.

2018 was the year of unpredictability, rising trade protectionism and downward pressure on the global economy have undermined the growth in China's economy. 2018 was also the year of opportunity, China has shifted its economic policy focus to high-quality development, and the on-going optimisation of economic structure has facilitated reforms in various industries. As structure of aluminium consumption in China has been upgraded and distribution of aluminium industry has been optimised, both upstream enterprises and downstream enterprises are facing reshuffle, and the next stage of the aluminium fabrication industry should advance to differentiation, premiumisation and low-carbon orientation. In addition, policies laid out numerous positive measures to create a favourable business environment for the private sector, and to bring new development opportunities for private aluminium fabrication enterprises with outstanding comprehensive strength.

Performance Review

Thanks to progressive investment in technology and innovation, persistence of product quality and emphasis on talent preservation, the Group, during the Year under Review, achieved solid business performance. During the Year under Review, the overall sales volume of the Group was approximately 917,176 tonnes, representing an increase of 24.4% over the same period last year. The total revenue boosted by 31.6% to approximately RMB25.60 billion as a result of continuing structural optimisation of products and enhancement of added value. Profit for the year rose by 15.5% to approximately RMB4.47 billion. Earnings per share was approximately RMB0.59. Overall gross margin was 32.7%.

To reward our shareholders, the Board has proposed a final dividend of HKD0.17 per share for the year ended 31 December 2018. Together with an interim dividend of HKD0.10 per share for the six months ended 30 June 2018, dividend for the year totalled HKD0.27 per share, equivalent to an annual dividend payout ratio of approximately 39.2%.

Striving for Excellence by Forging Differentiated Advantages through Integrated Solutions

Transforming ourselves into an integrated light-weight solution provider from a supplier of fabricated aluminium products is the key strategy of the Group to create differentiation. We take the cooperation with automakers on manufacturing of new energy vehicles as an example, the Group has been heavily involved in the entire process since the initial research and development stage, from model design, performance testing and optimisation, to prototype production and testing. The Group is also able to improve its own production lines promptly to address the customers' needs, providing them the best production ancillary facilities. Upon mass production of the model, the Group, in addition to delivery of high-quality products, is also able to support the customers with professional technical knowledge and consulting services, unceasingly assisting the customers to improve the product design, techniques, quality and solution.

The Group's proven capability of offering integrated solutions lies in its comprehensive R&D capabilities, capacity that covers the entire production process, thorough quality control system and our uncompromising pursuit of the best product quality. Such persistent attitude has been recognised by our customers. The Group, as the exclusive supplier of all-aluminium body frame for Chery's "eQ1" electric car, was granted as "Outstanding Supplier 2018" by Chery Automobile.

Adaptation to Different Markets with Proper Industry Chain Integration

Demand from end markets has been trending towards diversification and premiumisation, urging aluminium fabricators to upgrade their service model. In recent years, the Group, in addition to upgrade its products mix, has successfully upgraded its brand by optimising its resources allocation to the maximum extent.

Domestically, the Group, which centres on the markets and customers, has strategically made a nationwide arrangement of R&D and production of high-end products in response to the expanding network of end customers, with an aim to provide highly efficient services to end customers from different sectors, such as transportation and ecological construction. Internationally, the Group has progressively expanded into high-end markets through overseas acquisitions as well as resources integration in a prudent manner, sharpening up the entire industry chain system.

Eco-friendly Aluminium Enterprise with Low Carbon Development

Low carbon development is the mission of aluminium fabricators in China while at the same time posing new challenge for the enterprises. China Zhongwang is well positioned to undertake such important mission in the hope of facilitating green development of aluminium fabrication industry in China.

Eco-friendly and energy-saving aluminium alloy products highlights the environmental characteristics of China Zhongwang. We have developed the aluminium alloy formwork, a new ecological construction material with the features of zero pollution, recyclability and reusability, and its environmental performance has been improved through technique upgrades in order to promote ecological construction in China. In addition, we joined hands with the customers from sub-segments of transportation to explore all possible applications of low carbon and eco-friendly alumiunium alloy on new energy vehicle, passenger vehicle, rail vehicle, ship and aviation, developing more green solutions for transportation. Moreover, the Group is always committed to low carbon and energy saving production process. We achieved sustainable development through ceaselessly enhancing the recycling technology of aluminium as well as reduction of production waste.

Appreciating the Past while Gearing Up for Growth in the Next Decade

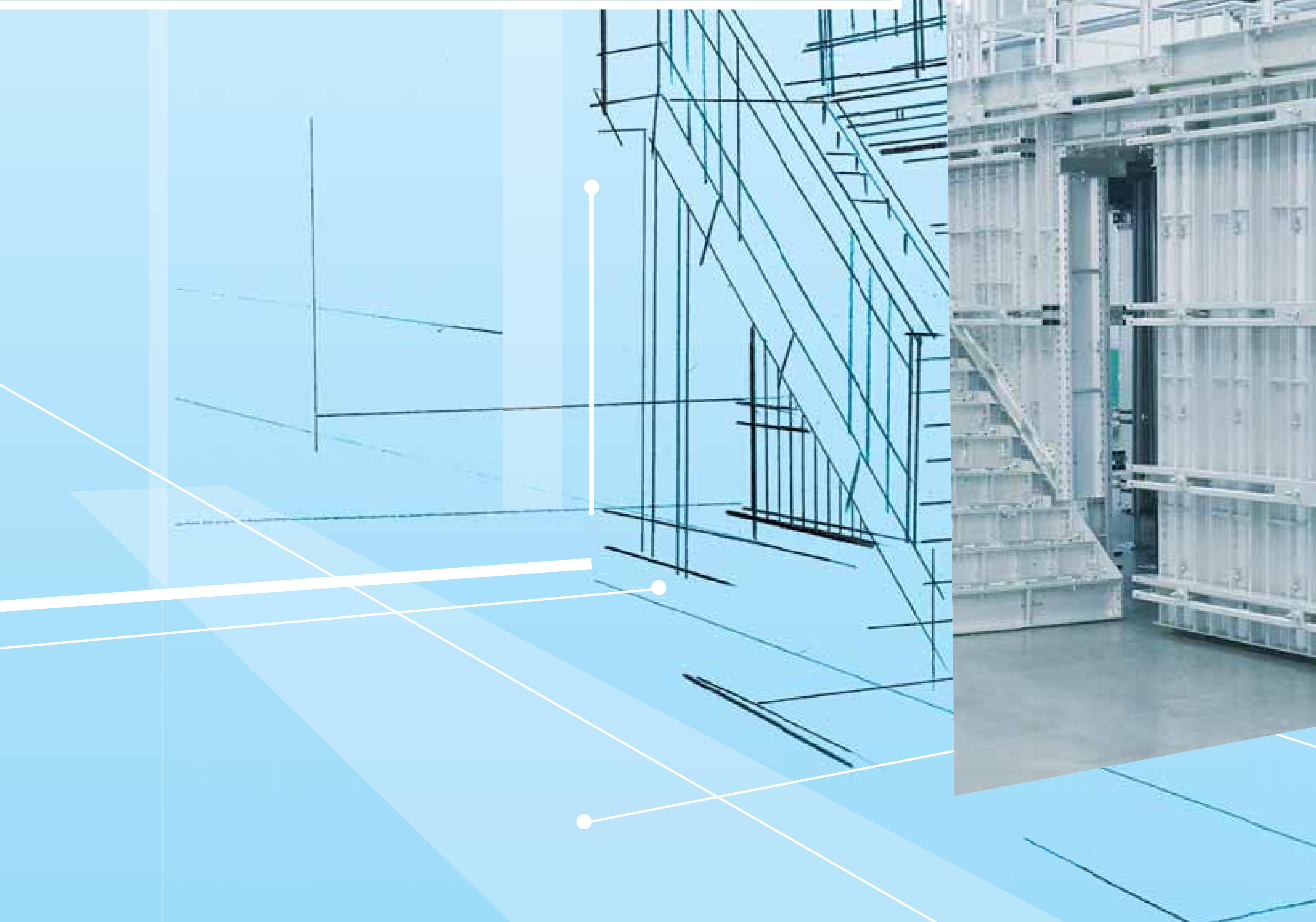
2019 marks the 10th anniversary of the listing of the Group on the Hong Kong Stock Exchange. Over the past decade, our growth path seemed long and challenging, but we always keep our original aspiration firmly in mind. On behalf of the Board, I would like to extend our appreciation to all the colleagues, our shareholders, business partners, customers and suppliers for their supports and trust. China Zhongwang will move ahead to promote all-round applications of the aluminium alloy, further consolidating its position as a strong, visionary and responsible enterprise.

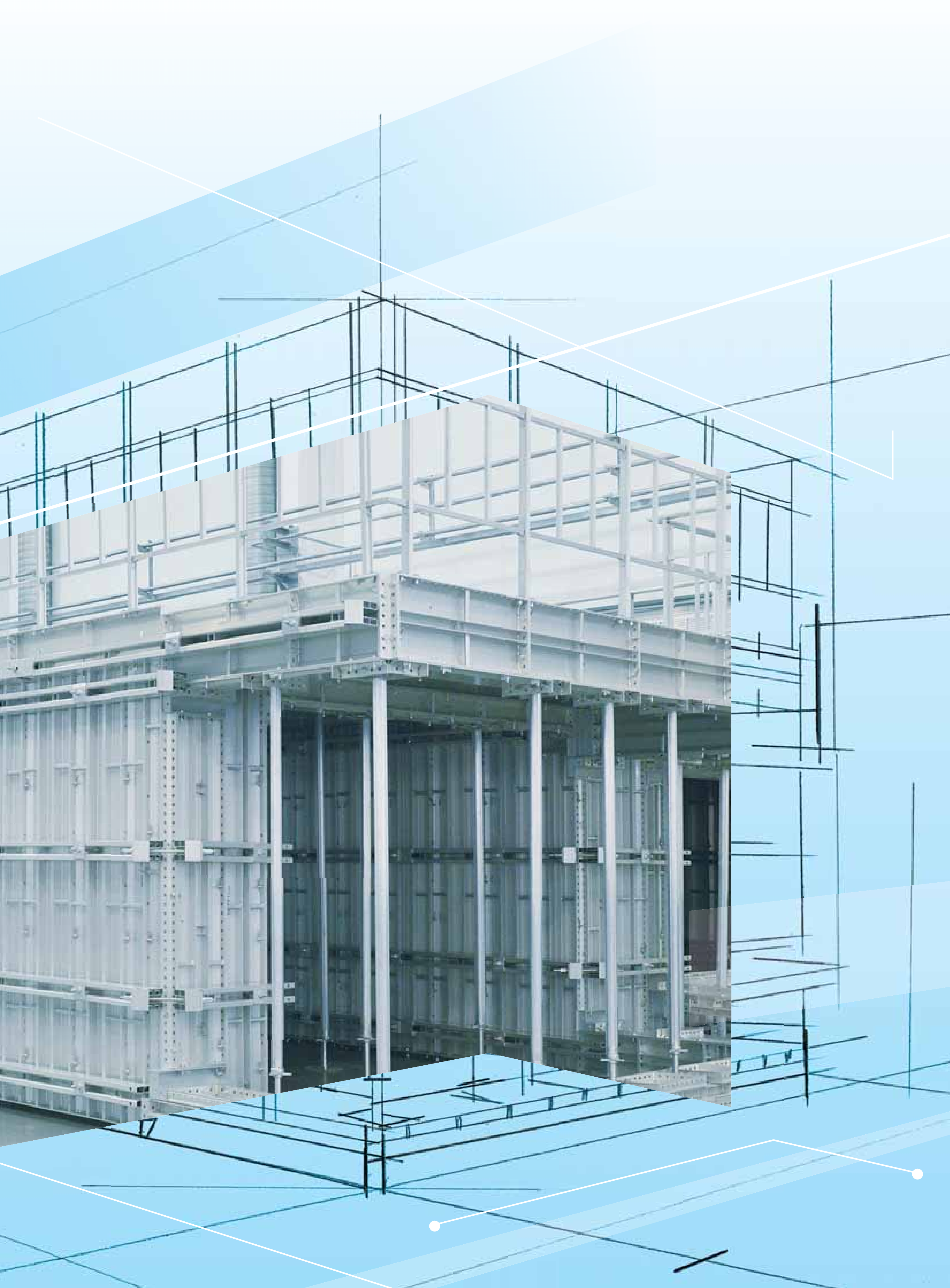
Lu Changqing
Chairman

Hong Kong, 29 March 2019

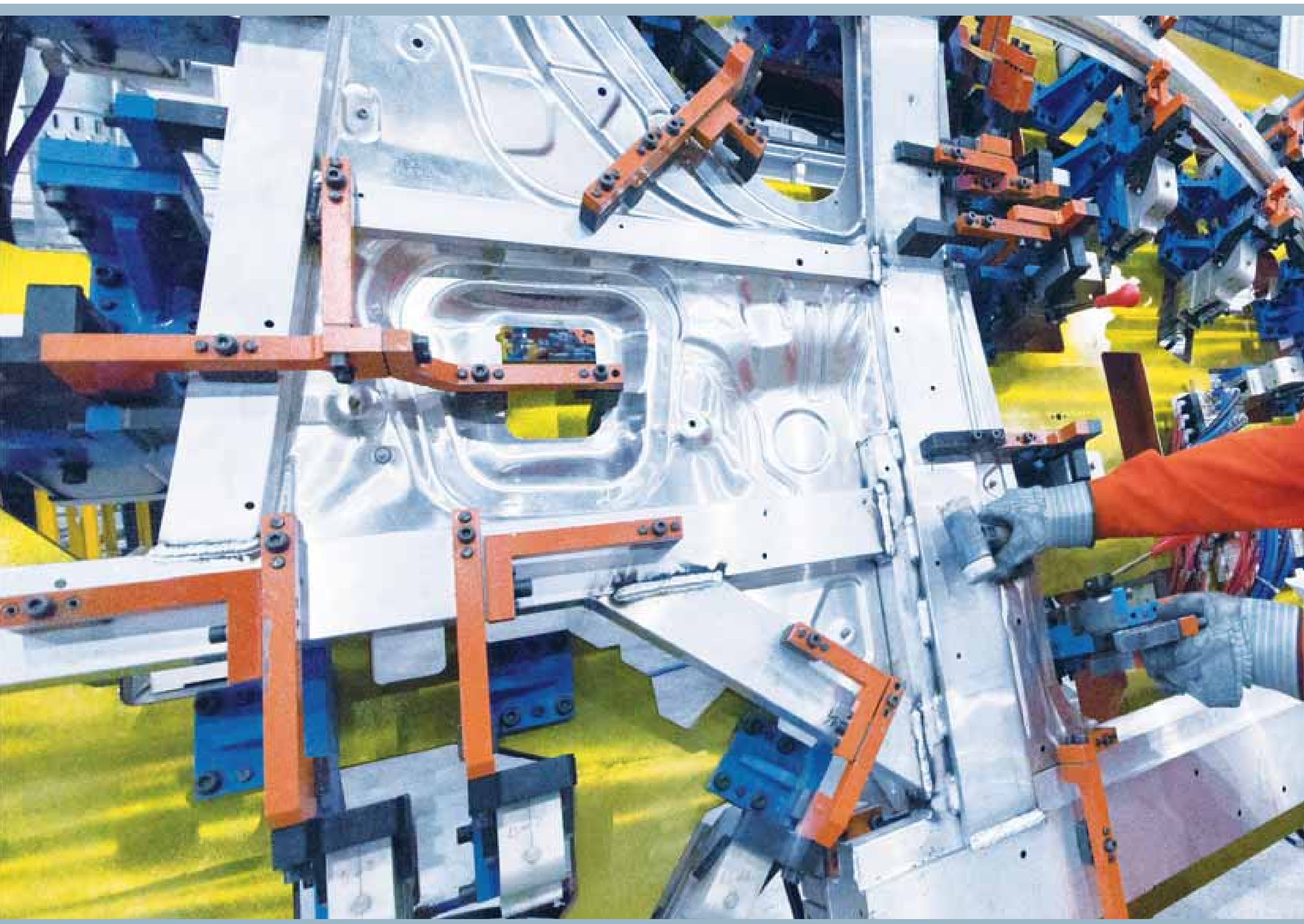
Emphasis on Quality — Foundation of Our Business

- Adopt the highest product quality standards in the industry
- Ensure consistency in product quality





Management Discussion and Analysis



The fabricated aluminium product manufacturer with outstanding R&D capabilities would be able to provide automakers with stable supply of quality materials and after-sales services in addition to integrated light-weight solutions, thereby becoming an indispensable partner for the automakers on the path to light-weight development.

I. Business Review

During the Year under Review, the Group stayed committed to its strategy of "focusing primarily on China and to a lesser extent on the overseas". Under this strategy, it focused on innovation of high value-added products, thus gradually transforming itself from a supplier of high-end fabricated aluminium products into an integrated light-weight solution provider.

During the Year under Review, total revenue of the Group amounted to approximately RMB25.60 billion. Overall gross margin was 32.7%. Profit for the year amounted to approximately RMB4.47 billion. Earnings per share was approximately RMB0.59.

Aluminium alloy formwork, as one of the Group's major products, has advantages over traditional formwork in terms of lightness, convenient application in construction, the ability to improve efficiency and recyclability. The Group's aluminium alloy formwork has achieved good reputation in the market with sales volume growing steadily. During the Year under Review, the Group completed the research and development ("R&D") of all-aluminium components for its aluminium alloy formwork and commenced pilot production. The Group's cutting-edge design, production and services have played a vital role for the aluminium alloy formwork to gain market prominence. The Group will continue to strive for innovation and offer its customers with quality products, while promoting the application of aluminium alloy formwork throughout the country in accordance to the end-customer demand. During the Year under Review, the Group sold 341,008 tonnes of aluminium alloy formwork, representing an increase of 31.2% compared with 259,957 tonnes in the Year 2017, generating revenue of approximately RMB12.91 billion.

With the upgrading of high-speed railway system, aluminium alloy will further be used for manufacturing railway vehicles, in order to increase speed, ensure safety, reduce energy consumption and achieve low-carbon operation.

During the Year under Review, the Group continued to achieve breakthroughs in its further fabrication business, particularly in R&D and manufacturing of large-sized aluminium alloy parts for passenger cars, commercial cars and rail vehicles. With light-weight development being the industry trend, aluminium has been gradually replacing steel for production of passenger cars. Such change confronts manufactures with more stringent standards in terms of production lines, technology as well as production techniques, transforming significantly the traditional production process. The Group has collaborated with a number of major automakers of new energy vehicles for production of all aluminium body frames and components. The electric cars, which the Group co-developed with Chery New Energy Automotive Technology Co., Ltd. ("Chery New Energy") and CH-Auto Technology Co., Ltd. respectively, have started mass production. With a view to providing better services to its end-customer, the Group has strategically expanded its ancillary facilities nationwide. For example, a production base in Wuhu city as an ancillary facility for new energy vehicles commenced production in the Year under Review. With regard to commercial vehicles, the Group has developed two container handlers with Chery New Energy and FAW Jiefang Automotive Co., Ltd. respectively. Remarkable progress has been made and sample production has completed. For rail vehicles, the Group has commenced the supply of body structure, large-sized parts and further fabricated products for the commercial maglev 2.0 trains, filling the gap in the medium-speed magnetic levitation train sector in China with its technology innovations. During the Year under Review, sales volume of the Group's further fabrication business was 40,406 tonnes, representing an increase of 35.6% as compared with 29,804 tonnes in the Year 2017, and the revenue amounted to approximately RMB1.12 billion.

During the Year under Review, sales volume of industrial aluminium extruded products reached 247,805 tonnes, generating revenue of approximately RMB6.48 billion, which was lower than that in the Year 2017. It was attributable to the production of our major high value-added products, such as, aluminium alloy formwork and aluminium alloy products for transportation sector, which occupied part of the capacity of industrial aluminium extruded products, as a result of the Group's product mix optimisation.

The Group completed the acquisition of Alunna, a high-end aluminium extrusion manufacturer, and Silver Yachts, an all-aluminium superyacht builder, in 2017. With the top-notch technologies and high value-added products, the acquisitions are highly complementary to the Group's businesses. Upon completion of the acquisitions, Alunna has enhanced production efficiency significantly. In addition, the Group has established a shipyard with Silver Yachts in Jiangmen, Guangdong province in China, principally engaged in design, development and manufacturing of all-aluminium yachts and commercial vessels.

The first production line of the Group's aluminium flat rolling project has commenced commercial production. It is principally engaged in manufacturing standardised products for customers from various sectors, such as industrial material and transportation. The project has successfully obtained industry standard certifications covering a wide range of sectors, including aviation, shipbuilding, rail transportation and automobiles. In addition, the Group has gained accreditation from a number of automakers of new energy vehicles in China and commenced pilot production of automotive body sheet, which has received positive responses from customers. The accreditations from other automakers are in the process of being attained. Meanwhile, the second production line of the Group's aluminium flat rolling project has commenced pilot production, principally focusing on packing materials. During the Year under Review, sales volume of the Group's aluminium flat rolling business was 287,154 tonnes and revenue amounted to RMB5.05 billion.

In 2015, the governmental policies advocated for the implementation of the "Establishment of National Manufacturing Innovation Centre", it is expected that approximately 15 national manufacturing innovation centres will be set up by 2020. In 2017, "lightweight material, forming technology and equipment" were included in the framework of building National Manufacturing Innovation Centre. China Academy of Machinery Science and Technology Group Co., Ltd. has established the "National Innovation Centre for Light-weight Material, Forming Technology and Equipment" jointly with the Central Government, industry leaders and research institutes using the "Corporate + Alliance" approach in accordance with the "Implementation Guide of the Establishment of National Manufacturing Innovation Centre (2016-2020)". Centred on the substantial market demand in sectors including aviation and aerospace, automobiles and rail transportation, the Innovation Centre endeavours to lead the industry development through the joint innovation among industry, academia and research sectors. As the leader of the aluminium fabrication industry, the Group's participation in the National Innovation Centre will further enhance its strengths in the application of light-weight new materials, equipment, technology and new products, evolving itself into an aluminium fabrication enterprise boasting world-class manufacturing quality.

II. Future Development

At Central Economic Work Conference held recently, the policymakers mapped out the major economic tasks in 2019, and ranked the task of "facilitating high-quality development of manufacturing industries" as the top priority. Aluminium alloy, as a light-weight quality "green metal", plays a vital role in accelerating the transformation of manufacturing industries towards premiumisation and green production. In addition, China has been turning itself from a "major" producing and consuming country of aluminium into a "prominent" producing and consuming country, as such, the development of aluminium fabrication industry tends to pursue quality instead of quantity. With increasingly mature fabrication techniques and technologies and the emergence of innovative applications, the advantages of aluminium alloy products have been extensively explored in high-end sectors, such as ecological construction, new energy vehicles and rail transportation.

As construction industry in China accounts for nearly 30% of the total energy consumption of the country, advancing energy conservation in construction industry becomes crucial to promoting green economic development in China. Recently, provincial and municipal governments have introduced policies on ecological construction and subsidy scheme, emphasising on the development of ecological construction techniques and the application of green construction materials and encouraging, in particular, "the replacement of steel, wood and plastic with aluminium". Aluminium alloy formwork has been well received by the market thanks to its distinctive environmental and cost advantages underpinned by the characteristics of convenient application in construction, minimum construction waste, high recyclability as well as lower average cost. At present, wood, bamboo and plastic are the major conventional materials for formwork in China. According to China Formwork and Scaffold Association, aluminium alloy formwork accounts only for 18% of the formwork market in China as compared with an average between 50% and 60% in Europe and U.S.A, implying a substantial market potential for aluminium alloy formwork as an alternative. Currently, the application of aluminium alloy formwork by major property developers and construction companies has been gaining traction. As forecasted by Antaike, an industry research institute, the market share of aluminium alloy formwork in China will increase to approximately 60% by 2022. Aluminium alloy formwork will certainly become the mainstream application of aluminium alloy in China.

In recent years, there is a prevailing tendency of using aluminium alloy for light-weight transportation. Aluminium alloy is regarded as the ideal metal for manufacturing light-weight automobiles, and it is widely used in production of new energy vehicles, such as body frame, bumper beam, undercarriage, power battery and seats. The burgeoning new energy vehicles industry in China has not only raised the bar for automakers, but also posed bigger challenge to aluminium fabrication industry. According to the China Association of Automobile Manufacturers, while both production and sales volume of automobiles in China declined in 2018, sales volume of new energy vehicles soared by 62% to 1.256 million units. According to the estimate of the Ministry of Industry and Information Technology, production and sales volume of new energy vehicles in China are expected to reach 1.5 million units in 2019. According to the Ministry of Public Security of China, ownership of new energy vehicles in China was 2.61 million units as at the end of 2018, representing 1.09% of the total number of automobiles. As new energy vehicles will progressively become the mainstream, industry insiders generally anticipated that the market share will be increasing in the coming years. However, automakers will face greater cost pressure against the backdrop of reduction of subsidy for new energy vehicles, prompting the automakers to launch upgraded models with enhanced R&D capabilities. To upgrade new energy vehicles models, manufacturers will focus on all-aluminium body, all-aluminium chassis, aluminium alloy frame for battery as well as combined application of aluminium alloy with other materials. The fabricated aluminium product manufacturer with outstanding R&D capabilities would be able to provide automakers with stable supply of quality materials and after-sales services in addition to integrated light-weight solutions, thereby becoming an indispensable partner for the automakers on the path to light-weight development.

According to China Railway Corporation, the total mileage of high-speed railway in operation in China reached over 29,000 kilometers at the end of 2018, and it will ensure the construction of an additional 3,200 kilometers of new rail lines in 2019. China currently has now built the most advanced high-speed railway network in the world, and it will further upgrade the rail system by making rail vehicles lighter and more intelligent. At present, China's high-speed trains in operation are generally made of light-weight aluminium alloy, and aluminium alloy is widely used for in-train facilities, such as luggage racks, storage containers, air-conditioning system, lighting and communications systems. With the upgrading of high-speed railway system, aluminium alloy will further be used for manufacturing railway vehicles, in order to increase speed, ensure safety, reduce energy consumption and achieve low-carbon operation. Aside from high-speed rail, aluminium alloy has been widely used in manufacturing of urban rail trains, such as subway trains, light rail trains and magnetically-levitated trains. According to the statistics of China Association of Metros, urban rail train system has been built in 35 cities in aggregate in Mainland China with 5,766 kilometers in total as at 31 December 2018. In January 2019, a new phase of urban railway extension was approved in six cities, including Chongqing, Shanghai, Wuhan and Changchun, with a total investment of RMB600 billion. The notable trend of increasing investment in infrastructure is set to drive the growth of application of aluminium alloy materials in rail transportation sector.

The above-mentioned market trends and policies have created a favorable environment for the growth of fabricated aluminium product suppliers in China. In this respect, the management has formulated the following development strategies:

1. 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. Such move will reinforce the Group's overall competitiveness in the high-end aluminium fabrication industry;

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

3. Unleash the value of the Tianjin-based aluminium flat rolling project, adding a new growth engine to drive the Group's long-term development: The Group shall further improve the product quality and stability of the first production line to accelerate its capacity ramp-up. Rigorous equipment testing of the second production line shall be conducted in order to achieve early commencement of production. At the same time, the Group shall accelerate the pace of R&D and the process of high-end product certification to optimise product mix.

The above development strategies will fully capitalise on the synergy of the Group's core businesses, and enable the Group to tap the opportunities brought about by the industrial upgrade in China with a more competitive product mix and more comprehensive business strategy planning.

III. Financial Review

A comparison of the financial results of the Group for the Year under Review and the Year 2017 is set out as follows.

Revenue

During the Year under Review, total revenue of the Group amounted to approximately RMB25.60 billion, representing an increase of 31.6% from approximately RMB19.46 billion for the Year 2017, and total sales volume for the Year under Review increased by 24.4% to 917,176 tonnes as compared with 737,366 tonnes for the Year 2017. During the Year under Review, the Group's revenue was mainly generated from sales in the aluminium extrusion business, aluminium flat rolling business and further fabrication business, which amounted to approximately RMB25.58 billion (Year 2017: approximately RMB19.42 billion). Other revenue primarily comprised metal trade agency commission and amounted to approximately RMB22.85 million (Year 2017: approximately RMB38.98 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 2017:

For the year ended 31 December

	2018			2017			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	19,412,178	589,616	32,923	17,106,175	616,161	27,763	13.5%	-4.3%	18.6%
Aluminium alloy formwork segment	12,914,414	341,008	37,871	8,933,609	259,957	34,366	44.6%	31.2%	10.2%
Industrial aluminium extrusion segment	6,483,257	247,805	26,163	7,789,728	333,543	23,354	-16.8%	-25.7%	12.0%
Construction aluminium extrusion segment	14,507	803	18,066	382,838	22,661	16,894	-96.2%	-96.5%	6.9%
Aluminium flat rolling business	5,049,531	287,154	17,585	1,590,990	91,401	17,407	217.4%	214.2%	1.0%
Further fabrication business	1,115,874	40,406	27,617	722,685	29,804	24,248	54.4%	35.6%	13.9%
Others	22,851	N/A	N/A	38,976	N/A	N/A	-41.4%	N/A	N/A
Total	25,600,434	917,176	27,912	19,458,826	737,366	26,390	31.6%	24.4%	5.8%

During the Year under Review, sales amount of the Group's aluminium alloy formwork segment increased by 44.6% to approximately RMB12.91 billion from approximately RMB8.93 billion for the Year 2017, and sales volume increased by 31.2% to 341,008 tonnes from 259,957 tonnes for the Year 2017. Average selling price for the Year under Review increased by 10.2% to RMB37,871 per tonne from RMB34,366 per tonne for the Year 2017.

Sales volume of the Group's industrial aluminium extrusion segment for the Year under Review was 247,805 tonnes with sales amount of approximately RMB6.48 billion. The decrease in both sales volume and sales amount as compared with that for the Year 2017 was mainly due to the fact that the production of high value-added products occupied partial capacity of industrial aluminium extrusion segment as a result of the Group's optimisation of its product mix, such as aluminium alloy formwork and aluminium alloy transportation products. The average selling price of the Group's industrial aluminium extrusion products for the Year under Review increased by 12.0% from RMB23,354 per tonne for the Year 2017 to RMB26,163 per tonne, mainly attributable to an increase in processing fee for industrial aluminium extruded products.

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 further fabrication business as well as aluminium flat rolling business, of which sales volume of raw material to further fabrication business was 47,094 tonnes (Year 2017: 26,226 tonnes) with sales amount of approximately RMB750 million (Year 2017: approximately RMB430 million); sales volume of high-precision aluminium raw material to the high value-added aluminium flat rolling project in Tianjin amounted to 98,451 tonnes (Year 2017: 166,825 tonnes) with sales amount of approximately RMB1.2 billion (Year 2017: approximately RMB2.05 billion).

For the Year under Review, revenue of the Group's aluminium flat rolling business increased by 217.4% to approximately RMB5.05 billion from approximately RMB1.59 billion for the Year 2017, sales volume for the Year under Review increased by 214.2% to 287,154 tonnes from 91,401 tonnes for the Year 2017 and average selling price of RMB17,585 per tonne was in line with RMB17,407 per tonne for the Year 2017.

For the Year under Review, revenue of the Group's further fabrication business increased by 54.4% to approximately RMB1.12 billion from approximately RMB720 million for the Year 2017, sales volume increased by 35.6% to 40,406 tonnes from 29,804 tonnes for the Year 2017 and average selling price increased by 13.9% to RMB27,617 per tonne from RMB24,248 per tonne for the Year 2017. The increase in revenue, sales volume and average selling price of the Group's further fabrication business was mainly due to an increase in volume of domestic sales of processed parts for automobiles and passenger vehicles and large-sectional aluminium parts for railway vehicles supplied by the Group during the Year under Review.

Geographically, the Group's overseas customers mainly came from, among others, Germany, the United States, Italy. For the Year under Review, the Group's revenue from overseas sales amounted to approximately RMB2.54 billion (Year 2017: approximately RMB1.48 billion), of which approximately RMB560 million (Year 2017: approximately RMB170 million) was from Alunna, a subsidiary of the Group and approximately RMB1.25 billion (Year 2017: approximately RMB250 million) was from the Group's overseas sales of aluminium flat rolling business. During the Year under Review, overseas sales accounted for 9.9% of the Group's total revenue (Year 2017: 7.6%).

Cost of Sales

For the Year under Review, the Group's cost of sales increased by 31.5% to approximately RMB17.24 billion from approximately RMB13.11 billion for the Year 2017, and the unit cost of products increased by 5.7% to RMB18,795 per tonne from RMB17,780 per tonne for the Year 2017. Such increase was due to an increase in price of raw material and an increase of staff cost during the Year under Review.

Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB8.36 billion for the Year under review, representing an increase of 31.7% from approximately RMB6.35 billion for the Year 2017. The overall gross margin of the Group slightly increased to 32.7% for the Year under Review from 32.6% for the Year 2017.

The following table 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 2017:

	For the year ended 31 December					
	2018			2017		
	Gross profit RMB'000	%	Gross margin %	Gross profit RMB'000	%	Gross margin %
Aluminium extrusion business	7,776,731	92.9%	40.1%	6,082,838	95.8%	35.6%
Aluminium alloy formwork segment	5,574,852	66.6%	43.2%	3,569,235	56.2%	40.0%
Industrial aluminium extrusion segment	2,200,562	26.3%	33.9%	2,491,544	39.3%	32.0%
Construction aluminium extrusion segment	1,317	0.0%	9.1%	22,059	0.3%	5.8%
Aluminium flat rolling business	414,374	5.0%	8.2%	181,039	2.9%	11.4%
Further fabrication business	147,725	1.8%	13.2%	46,533	0.7%	6.4%
Others	22,851	0.3%	N/A	38,169	0.6%	N/A
Total	8,361,681	100.0%	32.7%	6,348,579	100.0%	32.6%

Investment Income

Investment income, which mainly consists of interest income from bank deposits and interest income from bank wealth management products, decreased to approximately RMB220 million for the Year under Review from approximately RMB420 million for the Year 2017, which was mainly due to a decrease in average balance of short-term deposits during the Year under Review.

Other Income

Other income decreased to approximately RMB740 million for the Year under Review from approximately RMB990 million for the Year 2017, mainly due to a shift from an exchange gain for the Year 2017 to an exchange loss for the Year under Review arising from the Group's borrowings denominated in foreign currencies caused by the depreciation of Renminbi.

Selling and Distribution Costs

Selling and distribution costs increased to approximately RMB310 million for the Year under Review from approximately RMB230 million for the Year 2017, primarily due to an increase in the number of sales staff for the Group's expansion of business scope and scale during the Year under Review, which led to an increase in staff cost, as well as an increase in transportation costs resulting from higher proportion of the revenue from overseas sales to the total revenue of the Group in the Year under Review.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise R&D expenditures, wages, salaries and benefit expenses, land use taxes, rentals, bank handling fees, amortisation of prepaid lease payments, depreciation charges of office equipment, intermediary fees and share option expenses. Administrative and other operating expenses increased to approximately RMB2.68 billion for the Year under Review from approximately RMB1.81 billion for the Year 2017. Such increase was primarily attributable to increase in research and development expenses by approximately RMB550 million as compared to that for the Year 2017 as a result of increase in investment in research and development by the Group for the Year under Review as well as an increase in the number of employees arising from the Group's expansion of business scope and scale in the Year under Review, resulting in an increase in management salary by approximately RMB150 million.

Share of Profits less Losses of Associates

The Group's share of profits less losses of associates for the Year under Review was approximately RMB160 million (Year 2017: approximately RMB170 million), which was the share of profits of the Group's associates recognised using equity method.

Finance Costs

The Group's finance costs increased to approximately RMB1.26 billion for the Year under Review from approximately RMB1.16 billion for the Year 2017. Such increase was principally due to an increase in the Group's average borrowings for the Year under Review as compared to that for the Year 2017.

During the Year under Review, the Group's capitalised interest expenses amounted to approximately RMB450 million (Year 2017: approximately RMB440 million).

During the Year under Review and the Year 2017, the Group's interest-bearing loans carried average interest rates of 4.52% and 4.42% per annum, respectively. During the Year under Review, the debentures carried interest rates ranging from 3.75% to 5.40% per annum (Year 2017: from 3.49% to 7.50% per annum).

Profit before Taxation

The Group's profit before taxation increased to approximately RMB5.24 billion for the Year under Review from approximately RMB4.73 billion for the Year 2017.

Income Tax

The Group's income tax decreased to approximately RMB770 million for the Year under Review from approximately RMB860 million for the Year 2017.

Profit for the Year

The Group's profit for the year increased to approximately RMB4.47 billion for the Year under Review from approximately RMB3.87 billion for the Year 2017.

Cash Flows

The following sets forth the Group's cash flows for the Year under Review and the Year 2017:

	For the year ended 31 December	
	2018 RMB'000	2017 RMB'000
Net cash (used in)/generated from operating activities	**(2,723,475)**	4,389,760
Net cash used in investing activities	**(5,551,501)**	(13,180,944)
Net cash generated from financing activities	**16,494,051**	7,596,514

Net Current Assets

At 31 December 2018, the Group's net current assets amounted to approximately RMB5.15 billion, which was approximately RMB3.65 billion higher than net current assets of approximately RMB1.5 billion at 31 December 2017. The increase was mainly due to the fact that the increase in current assets was greater than the increase in current liabilities:

(i) at 31 December 2018, the Group's current assets amounted to approximately RMB41.8 billion, representing an increase of approximately RMB8.23 billion over approximately RMB33.57 billion at 31 December 2017. The increase was primarily due to an increase in cash and cash equivalents as well as trade receivables; and

(ii) at 31 December 2018, the Group's current liabilities amounted to approximately RMB36.65 billion, representing an increase of approximately RMB4.58 billion over approximately RMB32.07 billion at 31 December 2017. The increase was primarily due to an increase in other payables and accrued charges as well as current portion of bank and other loans.

Liquidity

At 31 December 2018, the Group's cash and cash equivalents amounted to approximately RMB15.05 billion (31 December 2017: approximately RMB6.83 billion); balance of pledged bank deposits under current assets amounted to approximately RMB1.7 billion (31 December 2017: approximately RMB3.86 billion); and balance of available-for-sale financial assets amounted to nil (31 December 2017: approximately RMB2.88 billion).

Borrowings

At 31 December 2018, the Group's debentures and loans amounted to approximately RMB59.12 billion in aggregate, representing an increase of approximately RMB15.60 billion from approximately RMB43.52 billion at 31 December 2017.

At 31 December 2018, the Group's debentures and loans under current liabilities amounted to approximately RMB13.96 billion (31 December 2017: approximately RMB11.90 billion) and debentures and loans under non-current liabilities amounted to approximately RMB45.16 billion (31 December 2017: approximately RMB31.62 billion).

The Group's gearing ratio was approximately 69.4% and 63.8% at 31 December 2018 and 31 December 2017. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

At 31 December 2018, assets with a total carrying amount of approximately RMB5.47 billion of the Group were pledged, including pledged bank deposits, property, plant and equipment and prepaid lease payments, for financing arrangements (31 December 2017: approximately RMB5.86 billion).

Contingent Liabilities

At 31 December 2018 and 31 December 2017, the Group had no material contingent liabilities.

Employees

At 31 December 2018, the Group had 41,276 full-time employees responsible for production, R&D, sales and management, representing an increase of 28.0% from 32,255 employees as at 31 December 2017. During the Year under Review, relevant employee costs (including Directors' remuneration) amounted to approximately RMB3.78 billion (including share option charges of approximately RMB29.83 million), an increase of 32.1% as compared with approximately RMB2.86 billion (including share option charges of approximately RMB110 million) for the Year 2017. 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 2018, the Group had 3,116 R&D and quality control personnel which accounted for 7.5% 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 2018, 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 RMB16.71 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, among others, the disposal of all the equity interests in Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang"), a direct wholly-owned subsidiary of Zhongwang Fabrication. On 10 August 2018, 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 2019 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 shareholder's meeting of CRED Holding held on 27 August 2018.

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 and the operation of overseas subsidiaries of the Group are settled in foreign currencies. During the Year under Review, approximately 90.1% of the Group's revenue was settled in Renminbi and approximately 9.9% was settled in foreign currencies, while approximately 95.2% of the Group's borrowings was denominated in Renminbi and approximately 4.8% was denominated in foreign currencies at 31 December 2018.

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 2018, the Group's fixed-rate loans were approximately RMB13.85 billion (31 December 2017: approximately RMB6.19 billion).

During the year ended 31 December 2016, the Group issued unsecured debentures of RMB2.5 billion and RMB4.0 billion with maturity of 5 years respectively, which are repayable on 22 March 2021 and 26 September 2021, respectively, and with effective interest rates of 4.05% and 3.75% per annum, respectively.

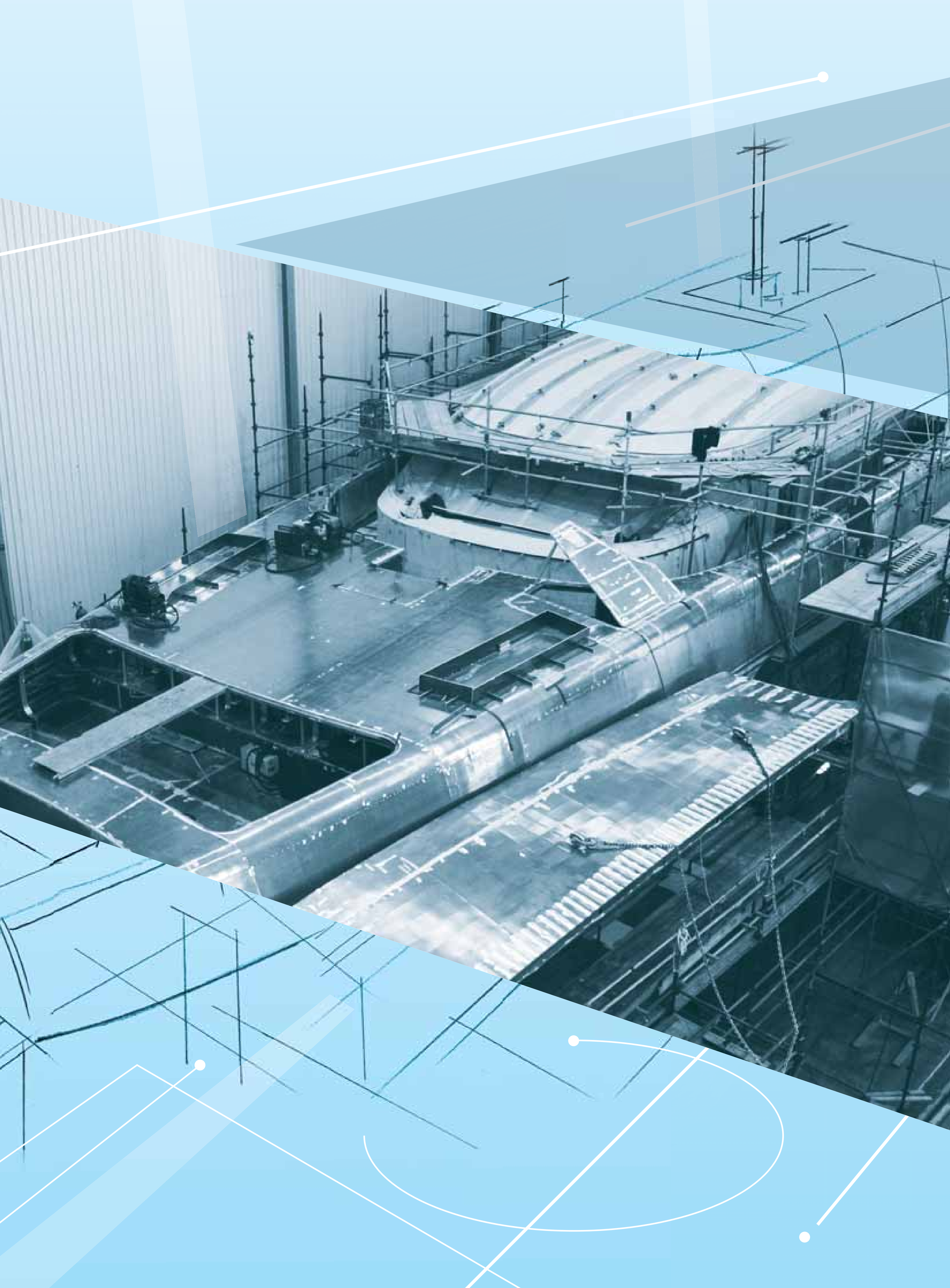
During the year ended 31 December 2015, the Group issued an unsecured debenture of RMB1.2 billion with maturity of three years and repayable on 27 May 2018, and with effective interest rate of 5.40% per annum. The debenture was fully settled on its maturity date.

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, 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.

R&D and Innovation — Driving Force that Keeps Us Moving Forward

- Manifest the spirit of modern craftsmanship by pursuing technological innovation
- Conduct in-depth research on product performance and carry out continuous technological improvement



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)	42	Chairman and president
Ma Qingmei (馬青梅)	41	Chairman of Tianjin Zhongwang (planning and operation and management)
Non-executive Directors		
Chen Yan (陳岩)	39	General manager of Liaoning Zhongwang (planning and operation and management)
Liu Zhisheng (劉志生)	44	Deputy general manager of Liaoning Zhongwang (finance)
Zhang Hui (張輝)	41	Chairman and general manager of Yingkou Zhongwang (planning and operation and management)
Independent Non-executive Directors		
Wong Chun Wa (王振華)	44	Independent non-executive director
Wen Xianjun (文獻軍)	56	Independent non-executive director
Shi Ketong (史克通)	50	Independent non-executive director
Lo Wa Kei, Roy (盧華基)	47	Independent non-executive director

Executive Directors

Mr. LU Changqing (路長青), aged 42, 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 10 subsidiaries including Liaoning Zhongwang. He has 22 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 Banking and Insurance Regulatory Commission on 11 September 2017.

Executive Directors

Ms. MA Qingmei (馬青梅), aged 41, 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 10 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 has a master degree in Physical Chemistry of Metallurgy from Northeastern University and a doctoral degree in materials processing engineering from Northeastern University. Ms. Ma was appointed as an executive Director on 17 November 2017.

Non-executive Directors

Mr. CHEN Yan (陳岩), aged 39, 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 18 years of experience in aluminium processing industry. Mr. Chen has held various positions in financial and operation 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 Banking and Insurance Regulatory Commission on 18 July 2017.

Non-executive Directors

Mr. LIU Zhisheng (劉志生), aged 44, 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 19 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 41, 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 16 subsidiaries including Yingkou Zhongwang. After joining Liaoning Zhongwang in 1997, Mr. Zhang has been responsible for the production and sale 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 44, 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 56, 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 50, 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 has accumulated 18 years of experience in providing legal services to clients on PRC corporate investment, stock issuance and listing, mergers and acquisitions, restructuring and liquidation. 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 47, is an independent non-executive Director. Mr. Lo has over 25 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 Tonghai International Financial Limited (previously known as "China Oceanwide International Financial 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 a fellow 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, founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association and the Divisional President 2019 — Greater China of CPA Australia. He was appointed as an independent non-executive Director on 11 February 2009.

Senior Management

Name	Gender	Age	Group Position
Kot Man Tat (葛文達)	Male	47	Chief financial officer of the Company
Cui Weiye (崔維曄)	Male	40	Vice president and joint company secretary of the Company
Tang Yanjie (湯彥杰)	Male	49	Vice president of the Company
Deng Jun (鄧峻)	Male	51	Global legal director of the Company
Li Pengwei (李鵬偉)	Male	36	Deputy general manager of Liaoning Zhongwang

Mr. KOT Man Tat (葛文達), aged 47, is the chief financial officer of the Company. He is primarily responsible for the Group's finance and accounting. He is also a member of the board of directors of 8 subsidiaries including Silver Yachts Ltd., subsidiary of the Company. 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. CUI Weiye (崔維曄), aged 40, 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, 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 Banking and Insurance Regulatory Commission on 24 February 2017.

Mr. TANG Yanjie (湯彥杰), aged 49, 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. He is also a member of the board of directors of 6 subsidiaries including Silver Yachts Ltd., subsidiary of the Company. 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.

Mr. DENG Jun (鄧峻), aged 51, is the global legal director of the Company. He is primarily responsible for the global legal affairs of the Company. He is also a member of the board of directors of 6 subsidiaries including Silver Yachts Ltd., subsidiary 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.

Mr. LI Pengwei (李鵬偉), aged 36, 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, 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.

Joint Company Secretaries

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

Ms. CHEUNG Yuet Fan (張月芬), aged 53, is a joint company secretary of our 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 a Fellow 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 our 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 2018 (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 118 to 123 of this annual report.

The Board recommended to declare a final dividend of HKD0.17 per share for the financial year ended 31 December 2018. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 31 May 2019, the final dividend will be paid on or around Friday, 5 July 2019 to the holders of the Company's ordinary shares and convertible preference shares, whose names appear on the register of members of the Company on Thursday, 13 June 2019.

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 39.2%.

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 204 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 16 to the Financial Statements on pages 172 to 173 of this annual report.

Bank and Other Loans

Details of bank and other loans are set out in Note 32 to the Financial Statements on pages 180 to 182 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 2018.

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 2018, the outstanding amount owed by Tianjin Zhongwang under the 2015 Facility Agreement was approximately RMB10.65 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 34 to the Financial Statements on pages 184 to 187 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 HKD4,225,400,000 (approximately RMB3,322,040,000) to the Company. The Company intends to apply the net proceeds of the Open Offer in full to fund the capital commitments of high value-added aluminium flat rolling project in Tianjin, PRC. As of 31 December 2018, 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 2018		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 RMB0.59 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 121 and in Note 34 to the Financial Statements on pages 184 to 187 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 2018 amounted to RMB5.35 billion (31 December 2017: RMB6.31 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 Memorandum and Articles of Association ("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. Lu Changqing ("Mr. Lu")
(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

Directors' Profiles

Details of the Directors' profiles are set out in the "Profiles of Directors and Senior Management" on pages 34 to 41 of this annual report.

Directors' Service Contracts

Each of the executive Directors and non-executive Directors 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. 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. Lu, Mr. Wong Chun Wa and Mr. Shi Ketong will retire from the Board by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Confirmation of Independence from the Independent Non-executive Directors

We have received from each of the independent non-executive Directors, namely Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. Our Corporate Governance Committee has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors had been independent from the date of their appointment to 31 December 2018 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 2018, 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 2018

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
	Family interest/Long position	5,600,000(2)	0.10
Zhang Hui	Beneficial owner/Long position	5,700,000(1)	0.10
Lo Wai 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 Wai 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 2018, 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 37 to the Financial Statements on page 188 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 RMB208 million, RMB0.17 million, RMB20.05 million and RMB6.14 million respectively. Particulars of these retirement plans are set out in Note 36 to the Financial Statement on page 188 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 2018, 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 2018

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 2018

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 2018, 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

2008 Share Option Scheme and 2018 Share Option Scheme

The Company adopted a share option scheme on 17 April 2008 (the "2008 Share Option Scheme"), which was valid and effective for a period of 10 years commencing on the adoption date and expiring on the tenth anniversary of the adoption date. Accordingly, the 2008 Share Option Scheme expired on 17 April 2018 and no further options could be thereafter granted under the 2008 Share Option Scheme. However, the options granted under the 2008 Share Option Scheme prior to its expiration may continue to be exercisable and all remaining provisions remain in full force and effect to govern the exercise of all the share options granted under the 2008 Share Option Scheme prior to its expiration. As at the date of this report, the total number of shares in respect of which options have been granted and remained outstanding under the 2008 Share Option Scheme was 399,900,000 shares (representing 7.34% of the shares in issue as at the date of this report).

Movements of the options granted under the 2008 Share Option Scheme during the year ended 31 December 2018 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 2018	Number of underlying ordinary shares comprised in the options granted during the twelve months ended 31 December 2018	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2018	Number of underlying ordinary shares comprised in the options exercised during the twelve months ended 31 December 2018	Number of underlying ordinary shares comprised in the options outstanding at 31 December 2018
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	–	(8,400,000)	–	23,000,000(1)
Other Past and Present Employees	6 January 2016	5 January 2026	3.93	351,800,000	–	(85,100,000)	–	266,700,000(2)
Total				**493,400,000**	**–**	**(93,500,000)**	**–**	**399,900,000**

(1) The options granted on 22 March 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 three tranches were vested on 6 January 2017, 6 January 2018 and 6 January 2019, respectively, and the rest will be vested on 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 2008 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 2008 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.

Major Terms of the Share Option Schemes

On 25 May 2018, the Shareholders approved and adopted the 2018 Share Option Scheme ("2018 Share Option Scheme", together with the 2008 Share Option Scheme, the "Share Option Schemes", each a "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 2018 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 major terms of the 2008 Share Option Scheme and the 2018 Share Option Scheme are summarized below:

Each Share Option Scheme is to provide the participants who have been granted options under each 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. Each 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 each 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 each 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 2018 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 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 2018 Share Option Scheme is valid and effective for a period of ten years commencing on 25 May 2018 (being the date of adoption of the 2018 Share Option Scheme).

Save as disclosed above, during the Year under Review, no option was granted under the 2008 Share Option Scheme and 2018 Share Option Scheme, and none of the share options under the 2008 Share Option Scheme and 2018 Share Option Scheme had been exercised, cancelled or lapsed.

Further particulars of the 2008 Share Option Scheme and the 2018 Share Option Scheme mentioned above and details of valuation of the options are set out in Note 38 to the Financial Statements on pages 189 to 190 of this annual report as well as the section headed "Statutory and General Information — Other Information — Share Option Scheme" of the prospectus of the Company issued on 24 April 2009 and the section headed "Proposed Adoption of 2018 Share Option Scheme" of the circular of the Company issued on 24 April 2018, respectively.

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 82 to 92 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 — Caring for Employees" as set out on pages 99 to 105 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	15.6
Five largest customers in aggregate	48.2

	Percentage of the Group's total purchases (%)
The largest supplier	29.7
Five largest suppliers in aggregate	88.1

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 59 to 73 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, 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 59 to 73 of this annual report.

Auditor

The Company's independent auditor is BDO Limited. At the annual general meeting on 25 May 2018, the shareholders of the Company passed an ordinary resolution to re-appoint BDO Limited as the auditor of the Group to hold office until the conclusion of the next annual general meeting of the Company.

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, 29 March 2019

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 2017, the unaudited quarterly results of the periods ended 31 March 2018 and 30 September 2018, the unaudited interim results for the six months ended 30 June 2018, 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. Lu	*(Chairman of the Board, Chairman of the Strategy and Development Committee and Member of the Nomination and Remuneration Committee)*
Ms. Ma Qingmei	*(Member of the Strategy and Development Committee)*

Non-executive Directors

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

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

Chairman and Chief Executive Officer

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

During the Year under Review, the Company deviated from this provision 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 primarily responsible for the Group's strategic planning, operation 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 for approval at the annual general meeting so as to fill vacancies due to the resignation of directors or appoint additional directors, making recommendation to the Board in respect of proposes 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.

Each of the independent non-executive Directors are appointed on a term of three years subject to rotation. Pursuant to the code provision set out in paragraph A.4.3 of Appendix 14 of the Listing Rules, 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. Wong Chun Wa and Mr. Shi Ketong 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. Wong Chun Wa and Mr. Shi Ketong remains independent; (ii) the Nomination and Remuneration Committee of the Company has assessed and is satisfied of the independence of each of Mr. Wong Chun Wa and Mr. Shi Ketong; and (iii) the Board considers that each of Mr. Wong Chun Wa and Mr. Shi Ketong 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. Wong Chun Wa and Mr. Shi Ketong for re-election at the Annual General Meeting.

Pursuant to the 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. The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board.

In compliance with the provisions of the Articles of the Company, Mr. Lu Changqing, Mr. Wong Chun Wa and Mr. Shi Ketong shall retire by rotation 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, four meetings were held by the Audit Committee. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2017, the unaudited quarterly results of the periods ended 31 March 2018 and 30 September 2018, the unaudited interim results for the six months ended 30 June 2018 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	4
Mr. Wen Xianjun	4
Mr. Shi Ketong	4

Nomination and Remuneration Committee

We established a remuneration committee in accordance with the requirements of Appendix 14 of the Listing Rules in 2009. In compliance with the Governance Code, the Company expanded its remuneration committee's duties on 28 December 2011 to include nomination-related authority and duties and changed its name to the Nomination and Remuneration Committee. Members of the Nomination and Remuneration Committee comprise 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 Company has adopted a nomination policy, pursuant to which the candidates to be nominated to the Board shall be evaluated with reference to the following factors:

- Reputation for integrity

- Accomplishments and experience in the aluminium fabrication industry

- Commitment in respect of available time

- The diversity of the Board of Directors in various aspects, including but not limited to gender, age, language, cultural and educational background, race, professional experience, skills, knowledge and length of service.

The factors set out above are for reference only and do not purport to be exhaustive and decisive. The Nomination and Remuneration Committee may, at its discretion, nominate any person it deems suitable.

The Company has also adopted a board diversity policy. Nomination and appointment of members of the Board will continue to be made on a merit basis, based on its daily business needs and taking into account benefits of diversity on the Board. At the same time, the Nomination and Remuneration Committee will give adequate considerations to a range of diversity perspectives together with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination and Remuneration Committee shall review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually or in due course, and make recommendations to the Board in relation to any proposed change with an aim to perfecting the Company's corporate development strategy.

In formulating the Board diversity policy, the Nomination and Remuneration Committee has taken into account various factors defining diversity. As the Board currently primarily consists of male members, the Board will nominate female directors, as and when appropriate, pursuant to the Board diversity policy so as to enrich the composition of the Board. When nominating directors, the Board will consider a candidate's experience in the aluminum fabrication industry as well as his/her professional background in accounting, law etc in order to diversify the perspectives of Board members and to make the skill sets of its members complementary.

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. Two meetings were held by the Nomination and Remuneration Committee during the Year under Review to discuss the nomination and remuneration of Directors 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	2
Mr. Lu	2
Mr. Shi Ketong	2

Corporate Governance Committee

We have established a corporate governance committee ("Corporate Governance Committee"). Members of the Corporate Governance Committee consist of three independent non-executive Directors, 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. Lu	2
Ms. Ma Qingmei	2
Mr. Wen Xianjun	2

Board Meetings and General Meeting

The Board conducts meetings on a regular basis to discuss the overall strategy as well as the operation and financial performance of the Group. During the Year under Review, the Board held nine 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 25 May 2018 (the "2018 AGM") and the extraordinary general meeting held on 27 August 2018 (the "EGM") to understand the views of the shareholders.

The attendance of each Director at the Board meetings and the 2018 AGM and the EGM was as follows:

Members of the Board	Attendance		
	Board Meetings	2018 AGM	EGM
Executive Directors			
Mr. Lu	9	1	1
Ms. Ma Qingmei	9	1	1
Non-executive Directors			
Mr. Chen Yan	9	1	1
Mr. Liu Zhisheng	9	1	1
Mr. Zhang Hui	9	1	1
Independent Non-executive Directors			
Mr. Wong Chun Wa	9	1	1
Mr. Wen Xianjun	9	1	1
Mr. Shi Ketong	9	1	1
Mr. Lo Wa Kei, Roy	9	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. Lu	Regulatory; corporate governance	16
Ms. Ma Qingmei	Regulatory; corporate governance	16
Mr. Chen Yan	Regulatory; corporate governance	16
Mr. Liu Zhisheng	Regulatory; corporate governance	16
Mr. Zhang Hui	Regulatory; corporate governance	16
Mr. Wong Chun Wa	Regulatory; corporate governance; financing	20.5
Mr. Wen Xianjun	Regulatory; corporate governance	16
Mr. Shi Ketong	Risk management; regulatory; corporate governance	19
Mr. Lo Wa Kei, Roy	Corporate governance; financing	51.5

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; financing; risk management	24
Ms. Cheung Yuet Fan	Legal and regulatory; corporate governance; risk management	31

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 2018 AGM and will be invited to attend the forthcoming annual general meeting to answer questions about the conduct of the audit, preparation and content of the auditors' reports, accounting policies, and auditors' independence.

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

Remuneration of Senior Management

The remuneration policy of the senior management has been recommended, reviewed and approved by our Nomination and Remuneration Committee.

The remuneration of the Directors for the Year Under Review has been disclosed in Note 12 to the Financial Statements on pages 167 to 168 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	3
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 113 to 117 of this annual report.

Management Function

The Company's Articles set out matters which are specifically reserved to the Board for its decision. The management team of the Company holds meetings regularly to review and discuss with executive Directors on daily operational issues, financial and operating performance as well as to monitor and ensure the management properly implement the directions and strategies set by the Board. The responsibilities of the senior management members are set out in their respective biographies in the Section headed "Profiles of the Directors and Senior Management" on pages 34 to 41 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 2018.

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 2018, 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

The Company's independent auditor is BDO Limited. At the annual general meeting on 25 May 2018, the shareholders of the Company passed an ordinary resolution to re-appoint BDO Limited as the auditor of the Group to hold office until the conclusion of the next annual general meeting of the Company.

For the Year under Review, the remuneration payable by the Company to BDO Limited for statutory audit services and non-audit services were RMB5.38 million and RMB214 thousand, respectively. The non-audit services relate to the spin-off and listing of the Group's aluminium extrusion business on the Shanghai Stock exchange.

Dividend Policy

The Company has adopted a dividend policy. The Company aims to provide stable and sustainable returns to the Shareholders and endeavours to sustain a stable dividend policy by making dividend payments to the Shareholders from time to time. In deciding whether to recommend a payment of dividend and in determining the amount of dividend, the Board will take into account the earnings performance, financial conditions, investment requirements and future prospects of the Group.

While the dividend policy reflects the current view of the Board on the Group's financial and cash flow conditions, such dividend policy will nevertheless be subject to review from time to time and, as such, there can be no guarantee that any specific amount of dividend will be paid in respect of any specific period. In addition, payment of dividend is also subject to any provisions of the company laws of the Cayman Islands and the Articles of the Company.

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 Articles 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, 29 March 2019

Environmental, Social and Governance Report

People-oriented Culture — Cornerstone of Our Development

- Provide a safe and fair working environment for employees' career development
- Establish long-term customer relationships based on mutual trust


小心坠落
商界展關懷
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香港社會服務聯會頒發

About the Report

This is the third published Environmental, Social and Governance ("ESG") Report of the Group, which aims to enhance stakeholders' understanding of the Group's sustainability strategy, as well as environmental and social performance. The Board of Directors, having reviewed this report, confirms the accuracy, truthfulness and completeness of its content.

Reporting Guide

This report is prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited on the Main Board and in accordance with the actual circumstances of the Group. This report analyses the material issues to identify the sustainability risks exposed to the Group, and responds to stakeholders' concerns in order to meet the reporting principles of materiality, quantitativeness, consistency and balance.

Scope of the Report

This report discloses the Group's performance on environmental and social aspects from 1 January 2018 to 31 December 2018 ("Year under Review"), covering the environmental and safety data from the aluminium extrusion and further fabrication businesses of the Group at Liaoyang and the aluminium flat rolling business of the Group at Tianjin, while the remaining data pertaining to social performance covers the entire Group. The Group is continuously improving its data collection and will continue to expand its disclosure step by step. For an overview of the disclosure of the indicators, please refer to the Performance Data Summary and Content Index at the end of this report.

Feedback

We welcome your feedback and suggestions. Please feel free to 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 2018 Environmental, Social and Governance Report of China Zhongwang Holdings Limited.

China Zhongwang understands that sustained success can only be attained by applying the concept of sustainable development to daily operations. As a leader and innovator in the global aluminium fabrication industry and a responsible corporate citizen, the Group has always been aware of its impact on the environment and the community in the process of upgrading its business, and has been tireless improving its performance. To our delight, 2018 witnessed the Group's remarkable progress on sustainable development.

For the Year under Review, we have expanded the report to include disclosures in respect of aluminium flat rolling production base in Tianjin. To understand the environmental, society, and governance issues which most concern stakeholders, the Group adopted such approaches as questionnaire surveys and interviews, so that strategies for sustainable development can be better formulated in the future.

Shoulder Responsibilities

All enterprises of today share the responsibility of addressing climate change. China Zhongwang undertakes its share through product development, resources conservation, and promoting energy efficiency, etc.

During the Year under Review, the Group continued its development of a myriad of eco-friendly aluminium alloy products and contributed to the industrial upgrading towards high-end development with low-carbon emissions by promoting the application of relevant products. As a new ecological construction material, aluminium alloy formwork, a key product of the Group, has been continuously receiving positive market response and expanding its customer base, shoring up the development of ecological construction in China. To meet the targets of energy conservation and emission reduction, the Group teamed up with a number of automakers on the research and development ("R&D") of new energy vehicles with low fuel consumption. The Group also supplies further fabricated aluminium products for the "Fuxing EMU" high-speed trains, providing more light-weight transportation solutions.

The Group is keen to incorporate energy conservation and consumption reduction into each manufacturing process and strengthened its resource management to minimise the impact of production on the environment. For instance, we extract aluminium from the aluminium dross with recycling technologies and reuse wastes and scraps produced in manufacturing. During the Year under Review, the energy consumption of the Group dropped approximately 5% compared to the previous year.

Committed to Innovation

To achieve smart manufacturing, China Zhongwang focused on product innovation with increasing devotion to research and development. During the Year under Review, China Zhongwang was recognised for the first time as a "National Enterprise with Intellectual Property Advantage" by the National Intellectual Property Administration. The Group will continue to develop more of its own proprietary highly technological products to enhance competitiveness, and to upgrade the manufacturing industry by lighter eco-friendly aluminium alloy products with high quality.

People Centric

China Zhongwang puts great importance on the safety of its employees by establishing a sound responsibility framework for safe production and a strong corporate responsibility mindset, so that a solid foundation for safe production is established. Furthermore, the Group cares about individual growth and seeks to attract and retain the best talents by providing equal training opportunities, conducting regular employee satisfaction surveys and continuously improving employee benefits.

Outlook

China Zhongwang has transformed into an integrated light-weight solutions provider. We recognise our duty to promote green and low-carbon development. As a leader in the industry, the Group will continue to apply its craftsmanship to refine product quality and manage its corporate social responsibility, firmly shouldering its responsibilities and mission. The Group will work with its stakeholders including customers, shareholders, employees and business partners to achieve a better outcome for everyone, and to bring to the community a sustainable eco-friendly lifestyle.

By order of the Board
Lu Changqing
Chairman

Hong Kong, 29 March 2019

Sustainable Development Management

China Zhongwang has always been aware of its social responsibility, and therefore incorporates sustainable development into its principal operations, promoting energy conservation and consumption reduction, and helping combat climate change. In the future, we will continue to manage the major issues related to sustainable development, optimise the impact of our operations, and deliver long-term value for the community and different stakeholders.

Response to the Sustainable Development Goals of United Nations

The 17 sustainable development goals ("SDGs") set by the UN aim to promote prosperity whilst protecting the planet. Since 2016, governments and enterprises across the world are committed to achieving these goals by 2030.

China Zhongwang, as a global-leading integrated light-weight solutions provider, plays a crucial role in promoting the realisation of the goals. This year, for the first time, we integrated sustainable development goals into this report, to help the Group in making a longer-term sustainable development plan and further promote sustainable development.

We are committed to rooting ESG elements in our business model and day-to-day operations. We have set up the Environmental Management Department, the Safety Supervision Department, the Science and Technology Development Department, the Quality Management Department, the System Management Department, the Electric Power Department and the Human Resources Department to be responsible for managing major issues related to sustainable development and reporting to supervisors who oversee the performance of related issues.

Materiality Assessment

China Zhongwang has a wide range of stakeholders, including customers, employees, investors, communities, suppliers, regulators and environmental protection groups. During the Year under Review, the Group commissioned an independent third party to gauge the views of internal and external stakeholders on China Zhongwang's sustainable development through interviews and online surveys, which helped us respond effectively both in this report and in the future, to materiality issues that concern our stakeholders.

Our materiality assessment involved four steps, namely identification, prioritisation, validation and review of major issues, which are summarised as follows:

1. Identification

- 25 sustainable development issues that comply with HKEx ESG Reporting Guide are identified with reference to the international sustainable development framework.

2. Prioritisation

- The issues are prioritised based on their impacts on the Group and its stakeholders.

3. Validation

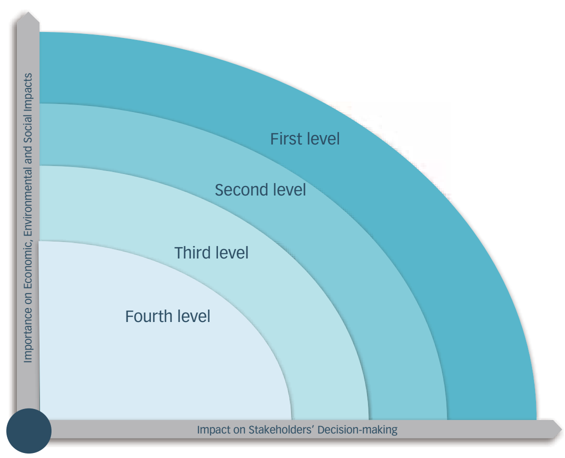
- The issues are reviewed and approved by the Board of Directors.

4. Review

- The disclosure level of the report is reviewed and continuous improvements will be made in the future.

The following matrix is based on the average scores of "Impact on Stakeholders' Decision-making" and "Importance on Economic, Environmental and Social Impacts" obtained from online surveys and telephone interviews. The various issues at the first level are of high importance to both the stakeholders and the business of the Group.

Materiality Issues Matrix



First level

- Raw material management
- Light-weight products/eco-friendly products
- R&D and intellectual property rights
- Child labour and forced labour management
- Supplier management
- Product health and safety
- Occupational health and safety

Second level

- Environmental compliance
- Anti-discrimination
- Customer satisfaction
- Anti-corruption
- Diversity and equal opportunities
- Employee communication
- Product quality control

Third level

- Product sales and labelling
- Exhaust gas management
- Waste water management
- Energy management
- Company economic performance
- Training and development
- Talent management

Fourth level

- Water resources management
- Waste management
- Greenhouse gas management
- Community involvement

Responding to Stakeholders' Concerns

The following table summarises the material issues of greatest concern to the stakeholders of the Group, the efforts we have made on these issues during the Year under Review, as well as the sustainable development goals corresponding to these issues.

Stakeholders	Communication Channels	Material Topics	2018 Actions	Corresponding SDGs
Employees	• Employee satisfaction surveys, internal communications, training, social media platforms	• Occupational health and safety	• The aluminium flat rolling production base in Tianjin has compiled the "EHS Management Manual" based on OHSAS18001 and the nature of the site, setting out the management principles, guidelines and objectives of the occupational safety management system to optimise the Group's occupational safety risk management. Liaoyang production base is also applying for a review on safe production standardisation (Grade II enterprise) which is expected to be implemented in 2019.	8 DECENT WORK AND ECONOMIC GROWTH
		• Child labour	• Set up the "Control Procedures on the Prohibition and Rescue of Child Labour" to prevent the employment of child labour. During the recruitment process, the Human Resources Department will check the identity documents of each candidate to ensure that children are not employed.	
Environment	• Regular communication with the environmental protection authorities, verification by independent third parties	• Light-weight products	• Upgraded the quality and environmental performance of the aluminium alloy formwork during the Year under Review. The product has been continuously receiving positive market response and expanding its customer base. • Exclusively supplied all-aluminium body frame for "Qiantu K50", the electric sports car launched by CH-Auto Technology. The weight of the body frame is only 234 kg. • Partnered with FAW Group to co-developed China's first passenger vehicle with all-aluminium body and all-aluminium chassis structure. • Supplied further fabricated aluminium materials for the "Fuxing EMU" high-speed trains.	13 CLIMATE ACTION
Customers	• Seminars, meetings, customer satisfaction surveys	• Product health and safety	• Set up laboratories within the plant to conduct sample products testing, as well as mechanical performance and other safety tests according to customer requirements and the laws and regulations of China. • In addition to ensuring product quality, our quality management also focuses on analysing the causes of product failures so as to take necessary precautions to improve the stability of product quality. • Set up a quality management system audit process to conduct internal audits of the management system at regular intervals.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Stakeholders	Communication Channels	Material Topics	2018 Actions	Corresponding SDGs
		• R&D and intellectual property rights	• Named as a "National Enterprise with Intellectual Property Advantage" by the National Intellectual Property Administration. • Established an appraisal system of inventions and innovation and a specialised management team to achieve systematisation and standardisation. We have also established a reward system to encourage employees to generate innovative ideas. • Formulated intellectual property management measures and established an Intellectual Property Office within the Science and Technology Management Department to manage the intellectual property of the Group. • Our laboratories obtained ISO17025:2017 and other management system certifications.	9
Suppliers	• Seminars, training, site investigations, meetings, assessments	• Raw material and supplier management	• Supplier Management Department classified and managed suppliers based on the "Supplier Management Procedure". • Maintained communication with suppliers regarding changes in policies and regulations.	17
		Other Topics		
Regulators	• Meetings, responses to government and regulatory policies	• Compliance	• Maintained close communication with government departments. Made corresponding changes of the corporate policies if related laws and regulations were updated during the Year under Review.	16
Communities	• Community care projects	• Donations, volunteering	• Please refer to the "Giving Back to Community" section for details.	1
Shareholders/ Investors	• Investor meetings, site visits, annual general meetings, ESG reports	• Corporate economic performance, corporate governance	• Please refer to the 2018 Annual Report for details.	

Environmental Protection

To keep up with the trend of high-end and ecological transformation of the manufacturing industry in China, China Zhongwang has strengthened its foothold in high-end sectors and provided integrated light-weight solutions. Regarding production, we have gradually implemented energy conservation and consumption reduction measures. By continuously optimising the environmental management system and utilising new environmental technologies, we have improved the efficiency of aluminium use and reduced our environmental impact while expanding the business.

Promoting a Green Industry

By continuously improving the range of high-end application of fabricated aluminium products, the Group pushes ahead the light-weight development in ecological construction, transportation, machinery and equipment and other industries.

Aluminium alloy formwork

- Used for real estate and construction projects
- With the advantages of light-weight, high frequency of reuse and recyclability

Passenger vehicle with all-aluminium body and all-aluminium chassis

- The body and chassis are made of aluminium alloy that has high corrosion resistance
- Realisation of 100% material recyclability and reuse

Electric sports car "Qiantu K50"

- All-aluminium body frame
- Body frame only weights 234 kg

Further fabricated aluminium products for high-speed trains

- Supply further fabricated aluminium products for the "Fuxing EMU" high-speed train which adopts all-aluminium body
- Build an eco-friendly, fast and convenient way of transportation

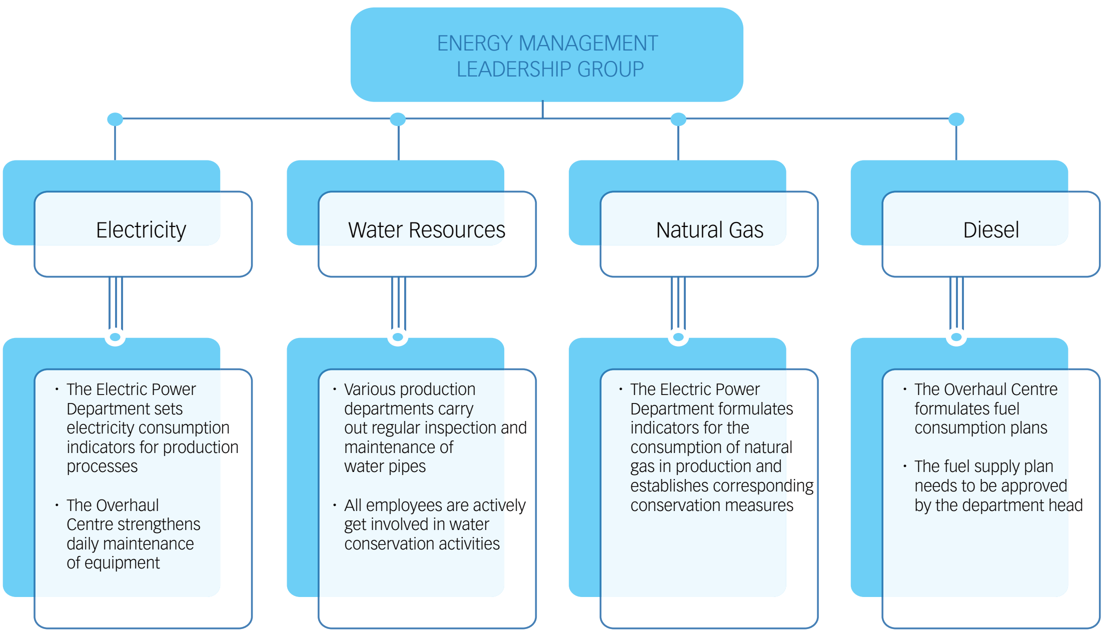
For the Year under Review, the Group upgraded its star product, aluminium alloy formwork, by improving its quality and environmental performance. Compared with traditional formworks, the eco-friendly aluminium alloy formwork has the advantages of light-weight, highly reusable and recyclable. We have continued to optimise the processing of aluminium alloy formworks, using chromium-free coatings to avoid producing chromium-containing wastewater, therefore reducing the environmental impact while ensuring the corrosion resistance of the formworks.

The Group has spared no effort in promoting the development of light-weight transportation. It has developed further fabricated products with high added-value, including large-sized parts for high-speed trains, parts for urban rail vehicles, as well as body parts of buses and passenger cars, and has supplied numerous light-weight solutions for a number of renowned automakers including Chery New Energy, FAW Group and CH-Auto Technology.

Strengthening Environmental Management

The Liaoyang production base and Tianjin aluminium flat rolling production base have both been granted the ISO14001:2015 Environmental Management System certification. They strictly abide by relevant environmental laws and regulations, including but not limited to the "The Environmental Protection Law of the People's Republic of China" and "Cleaner Production Promotion Law of the People's Republic of China". We regularly monitor laws, regulations and related standards, and inform the production departments of updated requirements, while maintaining ongoing communication with the environmental protection authorities. 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, etc.

In order to implement the concept of sustainable development and strengthen resource management, Tianjin aluminium flat rolling production base was successfully granted the ISO50001:2011 Energy Management System certification during the Year under Review. It developed the "Enterprise Energy Management Work System" and set up an Energy Management Leadership Group to monitor the consumption of resources during production, such as electricity, natural gas, diesel and water resources. The group also records energy usage at the end of each month, formulates energy saving plans based on consumption and supervises the implementation of plans.



Work of the Energy Management Leadership Group of Tianjin Aluminium Flat Rolling Production Base

In addition, we have also developed a "Document of Emergency Response for Failure of Environmental Protection Equipment and Facilities" to mitigate the environmental impact caused by machine failures. Management department organises a drill every year to raise employees' awareness of environmental protection.

Energy Consumption

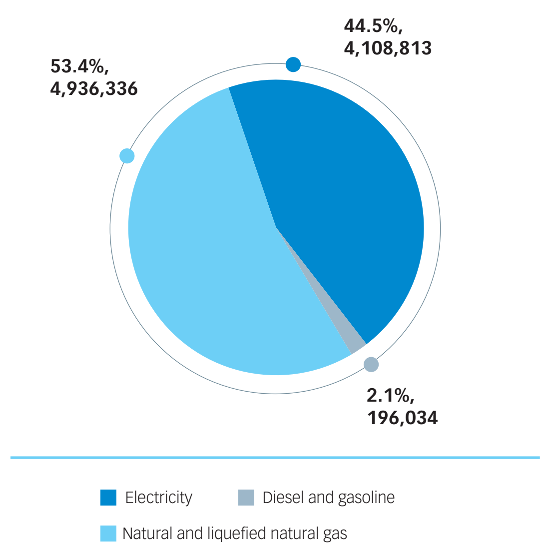
During the Year under Review, Tianjin aluminium flat rolling production base and Liaoyang production base consumed a total of 9,241,183 Gigajoules of energy, with the main energy sources being natural gas, liquefied natural gas and electricity.

The Group complies with the "Law of the People's Republic of China on Energy Conservation", and is committed to optimising plant equipment for energy efficiency. We have adopted heat recovery technology for exhaust gas at production lines in the Liaoyang plants. The equipment consists of one heat recovery system and two regenerators, which store the heat energy when natural gas is burned and reduce natural gas consumption.

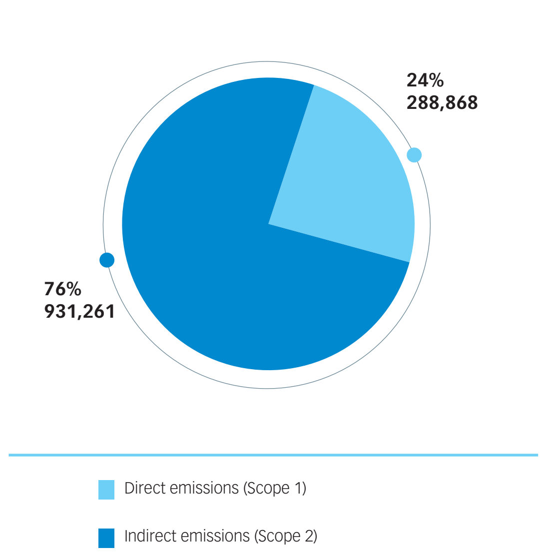
The Tianjin aluminium flat rolling production base widely uses variable frequency motors in cooling units and circulation systems in sewage treatment stations, pump houses and boiler rooms. The water supply and drainage speed can be adjusted according to the water supply demand in the equipment, which can not only stabilise system operation but also lower power consumption. We are also actively studying the feasibility of using solar power to generate electricity to reduce dependence on traditional energy sources.

The Group's greenhouse gas emissions consist of direct emissions from burning natural gas, diesel and gasoline, and indirect emissions from the consumption of purchased electricity. During the Year under Review, we recorded total greenhouse gas emissions equivalent to 1,220,129 tonnes of carbon dioxide.

Energy Consumption Distribution in 2018 (Gigajoules)



Carbon Emissions Distribution in 2018 (tCO_2e)



To facilitate our stakeholders' understanding of the Group's governance and disclosure of carbon emissions, we have summed up our work areas for climate change, including environmental management, energy conservation, and reduction of greenhouse gas emissions:

Information Disclosure Recommendations of TCFD[1]		Actions of China Zhongwang
Governance	• Describe the Board's oversight of climate-related risks and opportunities. • Describe the management's role in assessing and managing climate-related risks and opportunities.	• The Board of Directors reviews the work on sustainable development every year, including the management system and measures for greenhouse gas emissions. • A Corporate Governance Committee is set up within the Board of Directors. One of its responsibilities is to develop, review and inspect policies and practices related to laws and regulations. • The management of various functional departments, such as the Environmental Protection Department and the Electric Power Department, lead the work related to sustainable development. • The Environmental Protection Department and the Electric Power Department are responsible for managing and monitoring the environmental performance of the plants, including measuring energy consumption and emissions, and reporting to the management.
Strategy	• Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. • Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. • Describe the potential impact of different scenarios, including a 2°C or lower scenario, on the organisation's businesses, strategy, and financial planning.	• Policy risk: China's environmental protection requirements are becoming more stringent. The environmental requirements for emissions include emission control per unit of production and total emissions control. The Company must meet the regulatory requirements (long-term). • Market risk: Customers' increasing demand for more eco-friendly products (long-term). • Opportunities: New energy-saving and emissions mitigation technologies continue to emerge. The adoption of these new technologies will help slash energy and other resource consumption, cut emissions, and reduce resource consumption and disposal costs (long-term).

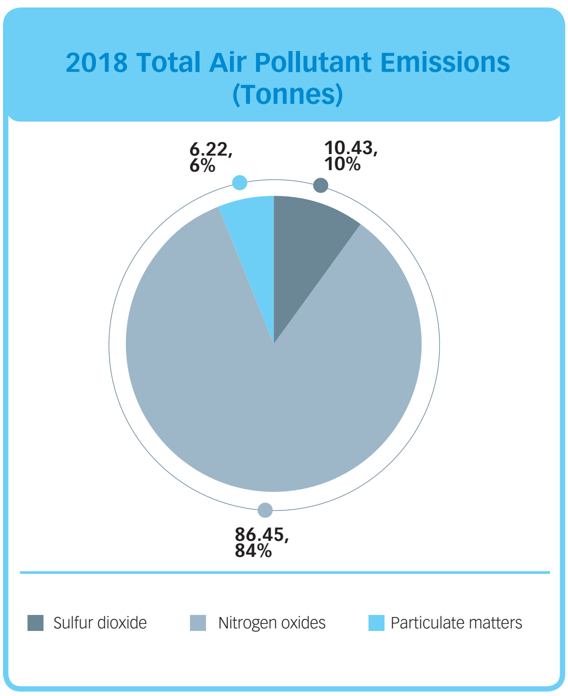
[1] TCFD — Taskforce on Climate-related Financial Disclosures

Information Disclosure Recommendations of TCFD		Actions of China Zhongwang
Risk Management	• Describe the organisation's processes for identifying and assessing climate-related risks. • Describe the organisation's processes for managing climate-related risks. • Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• We regularly communicate with stakeholders on sustainability issues, including climate change issues. • The system departments regularly review laws, regulations and related standards, carefully interpret applicable provisions, and assess the impact of changes on management. • We inform the production department of updated requirements and maintain constant communication with the environmental protection authorities. • An Energy Management Leadership Group is set up to manage and monitor the Group's energy consumption, energy conservation and consumption reduction effort monthly to improve energy efficiency. • The head of the Electric Power Department leads the Energy Management Leadership Group and is responsible for handling and coordinating daily energy management matters, strengthening energy conservation publicity and education in various departments, and actively promoting new energy-saving technologies and equipment. • We established the "Safety and Environmental Accidents Caused by Severe Weather" and conduct regular drills to deal with severe weather accidents induced by climate change. • We entrust an independent third party to issue clean production audit reports, calculate greenhouse gas emissions, and conduct wetland ecological impact surveys. • We invest resources for plant greening. • Different departments cooperate to conduct an internal audit every year on the environmental and other management systems to ensure their effectiveness and appropriateness.

Information Disclosure Recommendations of TCFD		Actions of China Zhongwang
Metrics and Targets	• Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. • Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. • Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• We adopt the following metrics to measure and monitor work related to climate change: ▪ Greenhouse gas emissions, including Scope 1 and Scope 2 emissions ▪ Energy consumption, including consumption of fuel, gas, electricity and other kinds of energy • Please refer to the "Performance Data Summary" section for greenhouse gas emissions for the past two years. • Tianjin aluminium flat rolling production base has established an energy management system, and established energy consumption targets per unit of production during the Year under Review.

The Group generates small amounts of air pollutants during aluminium alloy production, welding, and automobile use. The Group complies with the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", and it monitors exhaust emissions in the plants on a quarterly basis to ensure that the concentration of discharged air pollutants meets the requirements of the "Integrated Emission Standard of Air Pollutants", and reviews the performance and usage of air purification devices.

We use a dust separator (袋式除塵器) to purify the dust in the exhaust gas produced by the production process. The dust separator is equipped with a lime spreading system (石灰噴射系統) to neutralise the corrosive gas, and then the exhaust gas is discharged through a high exhaust funnel. For the soot emitted from the welding process, Liaoyang production base applies a layered air and dust removal (分層送風除塵) method, and the exhaust gas is filtered through a highly efficient filter before being discharged outside. During the Year under Review, the Group operated the employee shuttle buses independently instead of using an outsourced provider as in the past, which resulted in increased vehicle usage and emission of pollutants. The figure on the right shows the air pollutant emissions of Liaoyang production base and Tianjin aluminium flat rolling production base.



Cherish Water Resources

Liaoyang production base and Tianjin aluminium flat rolling production base consumed approximately 3.2 million tonnes of water in total during the Year under Review. Tianjin production base consumed 2 million tonnes and Liaoyang production base consumed 1.2 million tonnes. The water consumed by Liaoyang production base reduced dramatically, partly because some of the production activities were conducted in other plants during the Year under Review. The table below presents our total water consumption and the emission of pollutants in wastewater discharged.

To reduce water consumption, we built four artificial ditches in the plant area and two artificial lakes in the living area of Tianjin aluminium flat rolling production base for reserving rainwater and residual reclaimed water that conforms to standards. The reclaimed water is also used for irrigation in the plant areas, and for the flushing system of toilets to reduce the consumption of running water. Liaoyang production base is equipped with clear water and wastewater circulation systems and facilities to reuse and generate cooling water.

The Group focuses on monitoring wastewater discharge. Tianjin aluminium flat rolling production base developed "Administrative Procedures for Sewage Discharge Control", and established wastewater processing stations which discharge the processed and qualified wastewater that comply with the relevant laws and regulations, including but not limited to "Law of the People's Republic of China on Prevention and Control of Water Pollution", and the "Integrated Wastewater Discharge Standards".

We monitor wastewater discharge internally and externally. Internal supervisors cannot perform their duties without professional and technical trainings. We engage qualified companies providing environmental monitoring services to monitor wastewater discharge regularly. For instance, Tianjin aluminium flat rolling production base measures wastewater discharge every quarter. All the monitoring data is recorded properly. Where sub-standard discharge is identified, we stop discharging immediately, and deploy remediation measures. 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 environmental authorities can retrieve effluent data in real time on the amount and concentration of chemical oxygen demand and ammonia nitrogen. During the Year and Review, the Group also set up online monitoring facilities to detect the pH of the wastewater.

Wastewater and Pollutants Discharge of Liaoyang Production Base and Tianjin Aluminium Flat Rolling Production Base in 2018

	Unit	Discharge
Wastewater	10,000 tonnes	135.5
COD	Tonnes	31.7
Ammonia Nitrogen	Tonnes	3.2

Waste Management

The Group collects and processes hazardous waste and general waste generated during production in accordance with "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" and "The Directory of National Hazardous Wastes". Liaoyang production base established Green Development Department and Environmental Protection Department to monitor the processing of wastes, while the Health Control Administration of the industrial area are responsible for waste processing for Tianjin aluminium flat rolling production base.

General waste consists predominantly of day-to-day garbage generated by employees and during production. We reuse the recyclable waste and engage external recycling entities or garbage processors to handle the non-recyclables. During the Year under Review, we engaged recyclers to recycle approximately 16,192 tonnes of general waste.

Hazardous waste includes the residues of fuels and sludge after wastewater precipitation. We collect and store such waste by category, and leak-proof the warehouses for hazardous waste, labelling them appropriately before engaging third party institutions for transfer and handling.

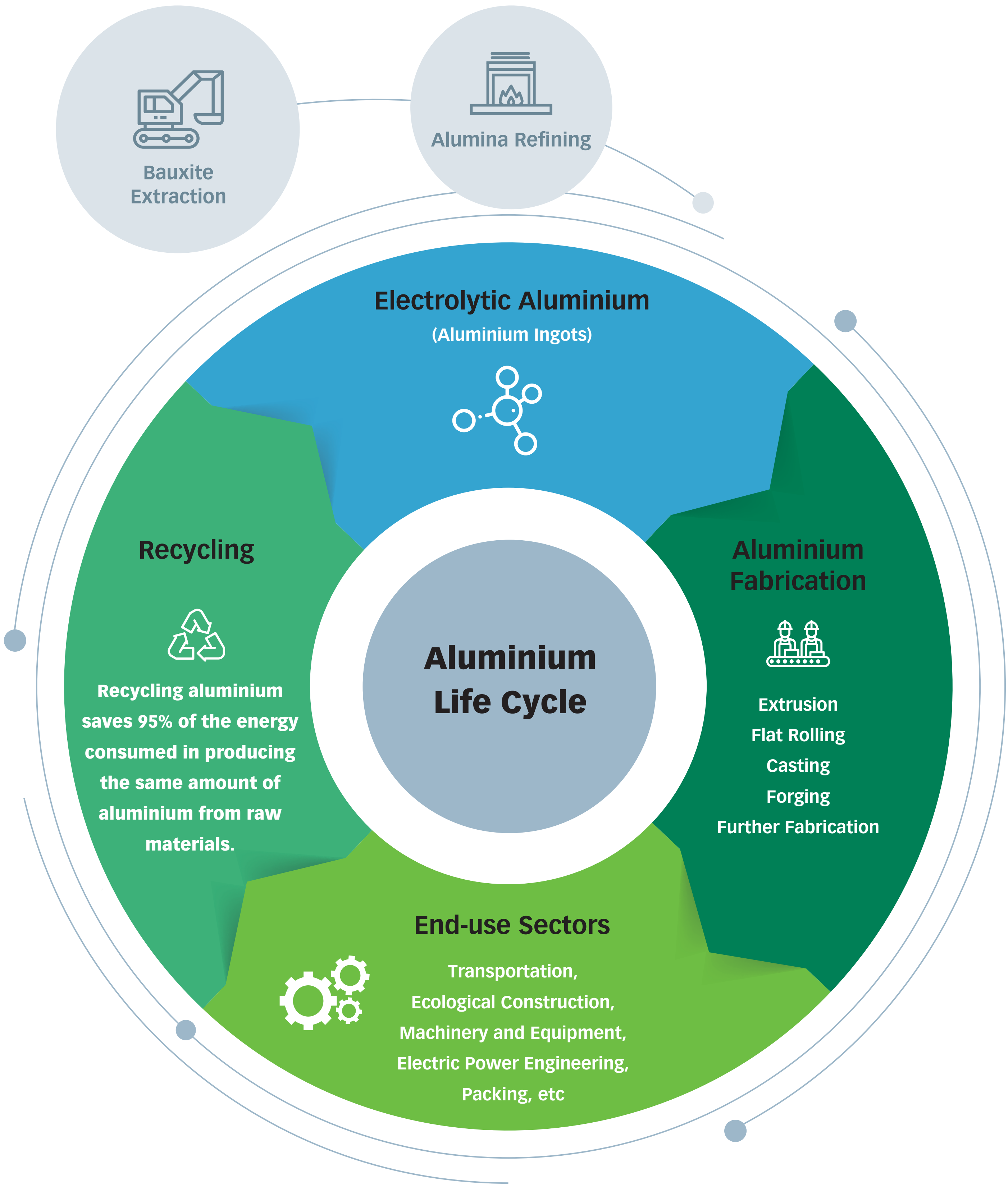
During the Year under Review, Liaoyang production base and Tianjin aluminium flat rolling production base generated 29 tonnes and 4,609 tonnes of hazardous wastes, respectively, all of which have been handled properly. The hazardous waste of Tianjin aluminium flat rolling production base was generated by spraying a large amount of emulsifier for lubrication and cooling during the flat rolling process of aluminium ingots.

The Group is committed to internal resource recycling to improve resource efficiency. Offcut[2] generated during production will be collected and reused as raw material for production. We will extract liquid aluminium from aluminium dross generated during smelting and casting of aluminium alloy with the rotary furnace, to use as raw materials.

Case Study – Recycling of Aluminium Dross

With reference to the recycling of aluminium dross in Liaoyang production base, aluminium rotary furnaces in Tianjin aluminium flat rolling production base were deployed during the Year under Review. Each furnace has an annual processing capacity of 150,000 tonnes. Over 11,400 tonnes of aluminium dross were processed during the Year under Review, which improved the recycling rate of aluminium.

[2] Offcuts refer to the aluminum material residue that are not consumed during production, such as aluminium sheet left after cutting, and aluminium scraps generated during polishing.


Bauxite Extraction
Alumina Refining
Electrolytic Aluminium
(Aluminium Ingots)
Aluminium Fabrication
Extrusion
Flat Rolling
Casting
Forging
Further Fabrication
End-use Sectors
Transportation,
Ecological Construction,
Machinery and Equipment,
Electric Power Engineering,
Packing, etc
Recycling
Recycling aluminium saves 95% of the energy consumed in producing the same amount of aluminium from raw materials.
Aluminium Life Cycle

Environmental Protection

To reduce disturbance to the neighbouring environment, we adopted some acoustic equipment, including using low-noise equipment, installing absorbing pads and soundproof doors and windows, to mitigate noise generated during the production processes, such as smelting and casting, hot rolling and cold rolling. In addition, the Safety and Environmental Protection Department engages a qualified third-party monitoring institute to measure the noise in the plant area regularly, and to analyse noise trends to ensure our compliance with "Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise" and "Quality Standard for Noise Environment". Tianjin aluminium flat rolling production base measures the noise in plant area on a quarterly basis, and monitors the noise at different locations, annually. Where the noise exceeds standards, related departments will adopt remediation measures on a timely basis, and conduct tests until the right standards are achieved.

We made every endeavour to build a green production environment, released the "Compilation of Administrative Regulations for Planting Maintenance" to regulate the landscaping in the plant area, and developed key initiatives in light of changing weather every month. During the Year under Review, Tianjin aluminium flat rolling production base and Liaoyang production base planted around 40,000 trees, while we endorsed greening of the former.

In the face of extreme weather arising from global warming, the Group developed "Contingency Plan for Safety-related Environmental Incidents Caused by Inclement Weather" to prevent damages to oil tanks and other facilities. The Safety and Environment Department arranges an emergency drill annually to familiarise employees to the contingent process.

For new projects, we strictly follow the "Regulations on the Administration of Construction Project Environmental Protection" and "Environmental Impact Assessment Law of the People's Republic of China" to conduct environmental impact assessment work before the project starts.

Case Study – Ecological Monitoring

Tianjin aluminium flat rolling production base is adjacent to Tianjin Dahuangbao Wetland Nature Reserve, with an area of wetland of approximately 64.35 km^2, accounting for 70% of the total reserved area. To understand the impact of our operations on the environment of Dahuangbao Wetland, we entrusted the College of Marine and Environmental Sciences of Tianjin University of Science and Technology to monitor the species of birds and plants, and their distribution within the area. The investigation period lasted for three years. 45 species of birds were recorded, comprising of 4 species of birds under state protection (category II), including sparrow hawk, common buzzard, circus cyaneus and goshawk. The plant area had abundant species, with 19 families and 46 species, most of which were herbaceous plants. We will continuously monitor the impact of our day-to-day operations on the surrounding environment, especially the impact on wetland with tremendous ecological value.

Excellent Operation

China Zhongwang has capitalised on the opportunity brought by industrial transformation and upgrading in China by focusing on the innovation and quality enhancement of high value-added products. We will constantly promote the usage of eco-friendly aluminium alloy products in high-end sectors.

Practice of Modern Craftsmanship

Our technical team conduct in-depth research on product performance and carry out continuous technological improvement to enhance the value added to products and promote smart production, through which we can produce high quality products that are lighter, more environmentally friendly with lower cost. We have a national-level enterprise technology centre, a state-local collaborated research centre, a national-level post-doctoral workstation, and a provincial engineering and technology research centre, as well as key laboratory with advanced laboratory apparatus. Based on the scope of application and use of products, we carry out multiple trials and tests, including but not limited to mechanical performance tests, corrosion resistance tests, fatigue tests and salt spray tests. Our labs have been certified by a number of systems, including ISO17025:2017.

Fatigue test

The Group's scientific research management system and hardware facilities are complementary to each other. We developed the "Appraisal System for Inventions and Innovations", and established a special management team for inventions and innovations to achieve the systematisation and standardisation. We have also established a reward system to encourage employees to participate in inventions and creations. As of the end of 2018, the Group had a total of 3,116 R&D and quality control personnel, accounting for 7.5% of the total number of employees.

Thanks to its profound R&D capability, the Group undertakes a number of research and development projects at both national and provincial level. During the Year under Review, the Group, for the first time, was named as "National Enterprise with Intellectual Property Advantage" by the State Intellectual Property Office.

Protection of Intellectual Property Right

The Group attaches great importance to dynamic integration among technical innovation, achievement transformation and achievement protection. As the rate for technical achievement transformed into patents continuously improves, we have formulated "Intellectual Property Management Measures" and established an Intellectual Property Office within the Science and Technology Management Department to manage the intellectual property of the entire Group. The Intellectual Property Office oversees planning, instruction, application, evaluation, management, incentive, filing, confidential management and other duties, and publicity and training of intellectual properties for employees.

Before applying for product patent, the Group will confirm whether any third party has obtained any intellectual property right through searching based on the research and development report. If the patent already exists, we will make further improvement on our research and development, or cease the patent application to avoid infringing the intellectual property right of the third party. In respect of the patent under research and development to be applied, we will define respective production requirements of each department based on principle of minimalization when carrying out trial production. Also, we will encrypt the key research and development information to avoid leakage.

During the Year under Review, we were awarded with 104 patents, including 17 invention patents, 82 utility models patents, and 5 design patents. The Group strictly observes the "Patent Law of the People's Republic of China" and other laws and regulations. During the Year under Review, we did not receive any complaint in connection with infringement of intellectual property right.

Case Study – Patent and Patent Application Trainings

During the Year under Review, our Technology Management Department invited an experienced lecturer from an intellectual property company to provide trainings in relation to patent for around 200 intellectual property administrators and inhouse technicians. The training included fundamental knowledge of patent, patent application and assessment process, application of patent data, analysis of patent in technical project and patent distribution, improving the profession of trainees.

Product Quality

The Group has developed multiple smart and automatic production lines, including the automatic transport system in Tianjin aluminium flat rolling production base, the automatic welding and spraying production lines for aluminium alloy formwork in Liaoyang production base. The implementation of automatic systems can effectively reduce labour intensity, reduce the occupational safety risk, and improve production efficiency and product quality.

Automatic welding production line for aluminium alloy formwork

We set up laboratories within the plant to conduct product sample test, as well as mechanical performance and other safety tests according to customer requirements and the laws and regulations of China. To ensure compliance with the requirements for product quality, we set up product inspection procedures, and standardise the work flow for product inspection. The inspection we carry out includes self-inspection, cross-inspection, tour-inspection and specialised-inspection.

Self-inspection

- Operators conduct self-inspection based on regulations
- Sift out and record unqualified products

Cross-inspection

- Conducted by operators of the same job or operators working for prior or after procedure

Tour-inspection

- Sampled by the Technical Department and Quality Control Department in accordance with quality standards and related technical documents

Specialised-inspection

- A designated inspector will inspect the product quality at different inspection points along the production line

To maintain the effectiveness of the quality management system, we developed "Systematic Review Procedures", pursuant to which the Quality Management Department will be responsible for organising to compile and distribute "Annual Internal Review Plan" under the leadership of the management. We also established a systematic review group to compile "Systematic Review Checklist" and "Non-Conformance Report". Each department will support the review group to implement remedy and precaution measures.

Case Study – Improving Consistency in Product Quality

Quality management of the Group is not limited to ensure the quality of products, but also focuses on analysing the causes of product failure, so that necessary precaution measures can be adopted to improve consistency in product quality. Tianjin aluminium flat rolling production base prepared "PFMEA[3] Analytical Procedures". Based on the analysis result, the Group adopts improvement measures for respective projects.

We have been certified by a number of international or national systems, for our quality management and products, including but not limited to ISO9001:2015, IATF16949:2016, ISO/TS22163:2017, as well as a number of certificates of accreditation from authorities in several high-end industries, such as aviation, shipbuilding, railway transportation and automotive industry. Such certificates of accreditation include Nadcap Aviation Certification, Aerospace Quality Management System Certification, and the letters of accreditation from Det Norske Veritas (DNV), American Bureau of Shipping (ABS), Nippon Kaiji Kyokai (NK), China Classification Society (CCS), Lloyd's Register of Shipping (LR) and Korean Register of Shipping (KR), as well as International Railway Industry Standard (IRIS) Certification, and Automotive Industry Quality Management System Certification.

3 Process Failure Mode and Effects Analysis

Supply Chain Management

The Group's Supplier Management Department developed a "Supplier Management Procedure" to classify and manage suppliers by informatization. We have been adhering to the principle of "mutual benefits, risk sharing, and co-development", and our ultimate goal is to establish a first-rate procurement and supply management system.

When selecting new suppliers, we require them to offer basic information, including employment, certificates for management systems, suppliers of major raw material, key production equipment and inspection equipment. Preliminary screening is based on such information. Subsequently, we will organise technical centre, quality department, production plants and other related departments to assess the potential supplier, in order to ensure stable and reliable supplies. Suppliers which pass the assessment will be listed in "Qualified Supplier Catalogue" that is updated annually.

In respect of the existing suppliers, we formulate principles for the development of its quality system based on the type of products, supervise and urge the improvement of its quality management, and gradually obtain the certification of ISO9001:2015 and IATF16949 reviewed by the second party or independent third party. We collect the information in connection with quality of products offered by suppliers, and conclude monthly evaluation results based on the information. Suppliers will be assessed comprehensively at the end of each year. Besides, suppliers are categorised based on evaluation results. We will adjust our procurement management policies accordingly. Level 4 suppliers will be categorised as unqualified and ruled out.

We will conduct a regular second-party review over the major suppliers whose supplies constitute the components of final product directly. The review period will not exceed 12 months. Where a quality issue is identified or a supplier's management system is changed significantly, the Group will increase the frequency of review, and conduct onsite reviews for quality and safety. We will also communicate and confirm with suppliers which are found with unqualified issues and require them to remedy the issue within a predetermined period. We have also maintained communication with suppliers regarding changes in policies and regulations.

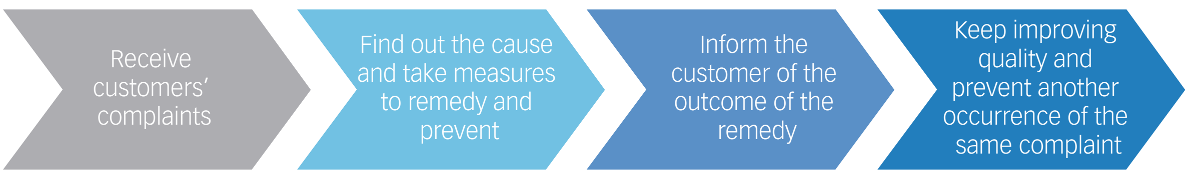
Customer Satisfaction

Customer satisfaction has always been our pursuit. A partnership between us and a client begins from the R&D stage. We are dedicated to improving customers' understanding of aluminium to give a full play to the environmental features of aluminium alloy on final products. Through high quality process control, we deliver quality products that conform to the performance requirements of customers.

We have developed process control procedures related to customers, and formulate standards from contract execution to after-sales services and communication. Sales Department is responsible for communication with customers, while technical centre and Processing Department in plants are responsible for product design and formation of process.

By engaging in the R&D and design of products, we offer customers with in-depth technical support, and cooperate with them to create outstanding products. By virtue of excellent R&D and production ability, our products are well recognised and received by customers.

We always address customers' requests, for which we have established "Customer Complaint Management Procedures" to follow up and investigate customer feedback or complaints until the customers are satisfied with the handling. Sales Department takes charge of accepting and following up customers' complaints, while Quality Management Department will help facilitate investigations and organise the competent departments to handle and make remedies. Also, we will assess quality issues complained by customers, and conduct remedies and precaution measures, in an effort to eliminate the root cause of the issues.



Culture of Probity and Honesty

China Zhongwang advocates the culture of being honest and abiding by laws. Our employee handbook states the codes of conducts that must be followed, including forbidding any frauds and corruption. Where any related incident is identified, we will submit it to the judicial authorities subject to its severity.

In respect of procurement process, we enter into "Anti-bribery Undertaking Agreement" with suppliers, clearly stipulating that suppliers are prohibited from offering any financial gifts to employees of the Group through any means, and listing out prohibited acts specifically. Where such agreement is violated, we have the right to terminate the supply contract signed by both parties. The Group strictly observes the "Criminal Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China" and other laws and regulations, building an operating environment with integrity both internally and externally. During the Year under Review, we were not aware of any bribery case.

Caring for Employees

We have established a sound talent management system which is managed by the Human Resources Department. We are committed to consolidating the Group's talent pool by acquiring appropriate talents, caring employees' occupational health and safety, safeguarding employees' interests and benefits, and broadening communication channels.

Talent Development

China Zhongwang believes that an excellent and strong talent pool is one of the important factors for the sustainable development of the Group. During the Year under Review, in the face of the challenge of increased manpower demand, we regarded talent training as a priority. We took stock of our talents, formulated policies to attract outstanding talent, and provided trainings to enhance the overall workforce quality of the Group while creating employment opportunities for the society.

Talent Acquisition

As the Group grows, China Zhongwang actively recruited talents in 2018 to cope with the growing business and manpower demands. We continue to evaluate the existing human resources and have formulated policies to attract excellent talents in Liaoning Province set out in the "2018 Talent Absorption Report" and regularly review and update them to build a strong backing for the sustainable development of the Group.

<table>
<tr><th>Invest More in Recruitment
Improve Employees' Benefits</th><th>Optimise Training Mechanism
Cultivate Talents Continuously</th><th>Grants to Fund Talents
Help Them Achieve Dreams</th></tr>
<tr><td>• Establish school-enterprise cooperation with a number of colleges and universities in Liaoning Province through campus recruitment; interact with and publicise in colleges and universities in the annual graduation season and invite student representatives to visit the Group.
• Hold large job fairs in talent markets of other cities in the province to enhance recruitment.
• Make full use of Internet platforms to release recruitment information and the Group's welfare policies, and established WeChat public accounts of the Group and its subsidiaries.
• Improve benefits, including free accommodation for out-of-town talents and assisting them in handling settlement procedures.</td><td>• Formulate a sound training mechanism, including pre-employment training for new employees, and trainings on vocational skills, corporate culture, professional ethics, management systems, and safety education.
• Provide opportunities for training and promotion annually for technical talents.</td><td>• Implement the government's "Supporting Measures for Introducing Excellent Talents in Private Enterprises" and provide cash supports to the Group's high-tech talents.</td></tr>
</table>

Training and Development

China Zhongwang has established an "Employee Training System" to arrange various trainings for employees, which not only helps employees improve their work skills and enhance overall operational efficiency, but also creates opportunities for development and promotion.

We provide induction training for new employees, including the Group's profile and culture, management systems, etc., to help them understand the Group's culture and adapt to the work environment. During the Year under Review, we included team building activities such as group competitions in the induction training to enrich the training contents.

For in-service employees, we provide internal and external trainings which are managed by the Human Resources Department. The internal training is generally carried out by internal trainers or external lecturers selected by the Group, and there is also an online learning platform. In terms of external training, the Group dispatches employees to participate in trainings according to the needs of the work, including training courses organised by external institutions, scholars' lectures, overseas training, university degree education, etc. The focus of the training for general employees includes the improvement in academic qualifications, understanding of corporate culture and vocational skills, while the training for the management focuses on management skills. During the Year under Review, we held 320 and 348 training sessions in Liaoyang production base and Tianjin aluminium flat rolling production base. The average training hour per person were 5.2 and 3 respectively.

Case Study — 2018 Staff Skill Competition

In order to promote the talent development of the Group and the healthy competition in the industry, China Zhongwang co-organised the Staff Skills Competition with Liaoyang Municipal Human Resources and Social Security Bureau in 2018, which was undertaken at the Liaoyang production base. The competition covered welders, fitters, turners and stampers, with a total of 300 participants. Winners of the competition were awarded bonuses and city-level honorary titles, and those who passed the written and operation tests were awarded senior professional technician certificates. In addition to understanding the strengths of our employees, the activity also enables the employees to understand their own potentials and promote their talent development.

The Group implemented the "Zhongwang Group Management Trainee Training Programme" during the Year under Review, which designed a complete set of training process for management trainees from learning to employment, including on-the-job training, mentor-based training and training camps. Trainees who passed the assessment will remain in the management position of the Group or be sent to cross-factory rotation training. We continuously evaluate the training system and optimise the course and contents to achieve the long-term goal of improving the overall management level of the Group.

Occupational Safety and Health

Adhering to the policy of "preventing problems before they occur and strengthening safety production", China Zhongwang is committed to mitigating safety risks, raising employees' safety awareness and creating a safe and healthy working environment for employees, aiming to achieve zero incidence of occupational disease and zero major safety accidents. There was no significant incident of safety-related non-compliance during the Year under Review.

Built on a scientific management model managed by the Human Resources Department, each individual is responsible for safety production. The Group's occupational safety management system has obtained OHSAS18001 certification, covering Liaoyang production base and Tianjin aluminium flat rolling production base. We also follow the "Occupational Safety and Health Regulation", collect updated occupational safety and health related laws and regulations on the Chinese government websites, compare with the Group's safety management systems, and make changes as appropriate on a quarterly basis. The Tianjin aluminium flat rolling production base has prepared the "EHS Management Manual" which sets out the management rules, guidelines and objectives of the occupational safety management system to optimise the Group's occupational safety risk management. The Liaoyang production base is applying for a safety production standardisation (secondary enterprise) audit, which is expected to be implemented in 2019.

The Group has fully utilised the functions of the safety production supervision system and continue to strengthen safety production inspections through frequent factory monitoring and safety training. We implement a 24-hour patrol around the factory. When a hidden risk is discovered, it will be rectified on the spot or notified to the production department for handling as soon as possible. For individual sites, we take the following measures according to their primary safety risks:

Smelting Mill	Casting Area	Hot Rolling Mill
• Reduce the risk of explosion and ensure the aluminium smelting process safety. • Change the feeding method from wet to safer dry feeding.	• Control the special equipment, such as the forklift.	• Strictly control high-frequency noise and ensure that the sound volume is controlled within a reasonable range. • Mandate employees wear earplugs.

For the safety risks of individual positions, we set up special operation certificates for positions that require manual operation. Electricians and welders must obtain the operating certificates to ensure safe operation. Employees working at heights must wear safety belts to prevent falling. In order to effectively monitor the occupational safety and health risks within the plant, we entrust third party agencies to conduct occupational hazard review annually for key risks such as dust, poison, high temperature and noise, and take measures to optimise items that still need improvement according to the review results. The improvement measures that the Group has implemented include the installation of dust removal equipment, the use of filter masks and measures such as heatstroke prevention and cooling.

Case Study — Fire Safety Training and Drills for Employees of Hot Rolling Mills

During the Year under Review, the Safety and Environmental Management Department conducted safety training for 50 employees of the hot rolling mill of Tianjin aluminium flat rolling production base, demonstrating the serious hazards due to lack of safety knowledge through fire safety films and cases to enhance employees' awareness of fire safety. Thereafter, the Safety and Environmental Management Department also conducted fire drills, demonstrating the accurate use of fire extinguishers and fire hydrants, and required employees to carry out practical operations and master the using skills.

For employees engaged in occupational disease risk factors (such as dust and noise), we equip them with qualified personal protective equipment which is supervised and managed by the Safety and Environmental Management Department and the use of which will be regularly checked. In addition, we regularly conduct occupational disease examinations for employees facing occupational disease hazards and establish occupational health protection records.

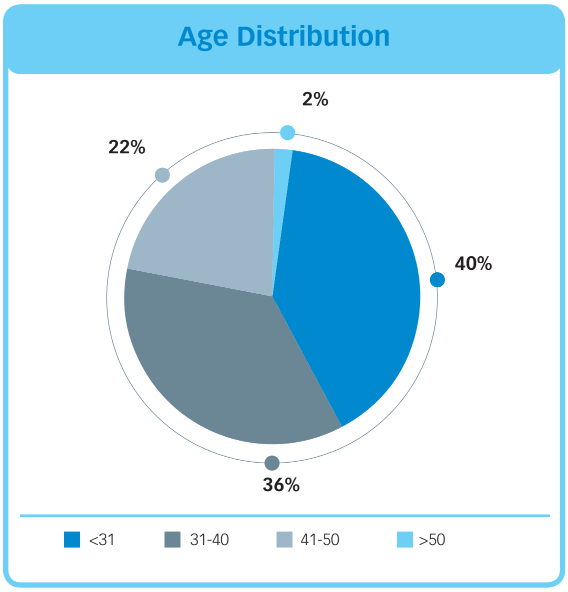
To foster a safety culture, all employees of the Group must receive safety trainings at least twice a year. The purpose of the training is to enable employees to acknowledge the safety levels of their jobs and be familiar with the operating methods and potential risks of machines. When new plants are established or new equipment are introduced, relevant operators need to receive special pre-job training to reduce safety risks.

During the Year under Review, the Group provided special operations certification training for 174 employees, including crane operation, forklift driving, welding and hot cutting operations, and low-voltage electrician certificates. In addition to improve the safety awareness of new employees who are not familiar with the plant environment and equipment operation, we take management measures such as extending their entry time to conduct safety training and safety drills to ensure that they have adequate and accurate safety knowledge.

Employee Composition

The Group regards talent as an important asset and the key to long-term success and sustainable development. Through a sound talent management system, we help our employees to fulfil their potential, care about their personal development and rights, and strive to provide a fair, healthy and safe workplace.

As of the end of 2018, the Group has a total of 41,276 employees, mainly resided in Mainland China. Employees under the age of 40 accounted for 76%. The number of management staff at the production supervisor level and above comprised 9% of the total workforce.



Employee Rights and Benefits

China Zhongwang adheres to a fair recruitment system and abides by the laws and regulations such as the "Employment Regulations", the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China". The Group interviews and evaluates applicants according to the "Employee Recruitment Control Procedures" and the "Recruitment Management Regulations", and recruit on a selective basis. Upon being hired, all employees are required to sign labour contracts with the Group to have a clear understanding of the job, benefits and scope of work, and to protect both parties. Employee Handbook stipulates the employee management systems such as the "Work Management System", "Attendance and Vacation Management System", and "Remuneration and Benefit Management System". The Human Resources Department will systematically explain the contents of the manual to newly recruited employees.

We abide by the "Law of the People's Republic of China on the Protection of Minors" and the "Provisions on the Prohibition of Using Child Labour", and have established the "Control Procedures on the Prohibition and Rescue of Child Labour" to prevent the employment of child labours. The Human Resources Department checks the identity documents of each candidate in the recruitment process to ensure that no child labours is employed. China Zhongwang guarantees employees' labour rights and establishes the "Control Procedures for Non-coercive Work" to ensure that employees work on a voluntary basis. If forced labour is discovered, employee representatives will discuss with the management after collecting opinions from labours and jointly seek solutions. 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.

In order to provide a diversified, equal and fair working environment to our employees, China Zhongwang has established the "Control Procedures for Anti-discrimination Management" and the "Control Procedures for Maintaining the Legal Rights and Interests of Female Employees" and strictly implemented the "Law of the People's Republic of China on the Protection of Women's Rights and Interests". Any discrimination based on factors such as race, gender, age and religion is not allowed. If an employee feels that he or she is being treated unfairly or discriminated against, he or she may complain to the Group in written or oral form. An appointed personnel will investigate the complaint and respond to the complainant within 15 days.

The Group provides employees with generous remuneration and benefits according to relevant laws and regulations. In addition to basic benefits such as annual leave, maternity leave, medical care and social insurance, we provide various subsidies and bonuses, such as academic allowances, accommodation subsidies, transportation subsidies, safety awards, loyal employee awards, etc. Outstanding employees will receive bonuses and get promotion opportunities. For clothing, food, housing and transportation, we provide employees with accommodation, meals and a number of shuttle buses for free. We guarantee that the remuneration packages we provide are attractive and competitive in order to attract and retain suitable talents for the Group.

As the Group implements automated production, in order to reduce the impact on employees due to job transfers and relocation of plants, the Group will conduct interviews with employees before transfers to solve the matter in a consensus.

Committed to maintaining good relationships with employees, we constantly improve our relationships with employees and employee benefits. During the Year under Review, the Group organised a variety of activities for its employees to enrich their lives and increase their cohesiveness. Besides, in order to enable employees to learn more about the Group's latest information and industry trends, a WeChat public account about the Group and a monthly internal magazine have also been established. In addition, in order to protect employees' rights to express their opinions and make a complaint, the Group has set up various communication platforms such as the hotline, and online and physical employee opinion collection boxes, which are managed by the Human Resources Department. The Employee Relations Group is responsible for collecting and responding to comments on a weekly basis and feeding back to the corresponding department for follow-up.

We conduct employee satisfaction surveys on a regular basis to consult employees on life, work, management and other aspects. During the Year under Review, we adopted recommendations, such as the introduction of new dishes in the diet, two new shuttle buses to facilitate employees' commuting, and the opening of a staff activity centre to further improve facilities in the staff living area.

Giving Back to Community

As a corporate citizen with strong sense of responsibility, China Zhongwang has always been willing to give back to community and striving to promote the harmonious development of the Group and society.

During the Year under Review, the Group continued to fulfill its social responsibilities in a broader spectrum by taking more in-depth actions. We have gradually developed a long-term mechanism for corporate social responsibility help by launching and participating in a series of social care and employee care activities.

China Zhongwang has progressively established a sustainable programme and provides financial assistance to employees and their families who suffer from serious diseases, accident-caused poverty, or insufficient education funding for children by continuing the "Charity Relief Foundation" programme. During the Year under Review, we continued to provide scholarships to children of employees who have difficulty in schooling, helping them to receive higher education.

During the Year under Review, we continued to afforest the community and planted approximately 40,000 trees in Liaoyang production base and Tianjin aluminium flat rolling production base. We also funded the installation of 80 road lamps in a village of Liaoyang, bringing convenience to the villagers.

In Hong Kong, the Group keeps its promise to fulfill social responsibility, generating a positive impact on the local community through improving the well-being of the disadvantaged. In recent years, we have continued to cooperate with "The Lok Sin Tong Benevolent Society Kowloon" to help the elderly, the handicapped and other groups improve their lives through donations and purchases of social enterprise products. During the Year under Review, we donated to support the community visits organised by "The Lok Sin Tong Benevolent Society Kowloon" and the Hong Kong Housing Society, and purchased food from Lok Sin Tong Meal Delivery Service Centre for internal employee welfare activities, which strengthened the internal team building of the Company while supporting the employment of the elderly.

At the same time, we continued to enhance our employees' environmental awareness. The Hong Kong office participated in the Let's GO Programme which aims to promote the green office environment, and had successfully passed on-site inspections, completed the online environmental pledge, and has been certified.

Thanks to the above activities, China Zhongwang was awarded "Caring Company" granted by Hong Kong Council of Social Services during the Year under Review in recognition of its contribution to the community.

Performance Data Summary & Content Index

The aluminium flat rolling business of the Group at Tianjin was newly included for the environmental and safety data in 2018, while only the aluminium extrusion and further fabrication businesses of the Group at Liaoyang were included in 2017.

Performance Data Summary

		Unit	2018	2017
Employment	**Full-time Employees**		41,276	32,255
	By Geographical Distribution (full time)			
	Mainland China	person(s)	40,707	31,830
	Hong Kong	person(s)	12	12
	Overseas	person(s)	557	413
	By Age Group			
	Below 31	person(s)	16,488	12,968
	31 to 40	person(s)	14,729	11,215
	41 to 50	person(s)	9,138	7,246
	Above 50	person(s)	921	826
	By Gender			
	Male	person(s)	38,455	29,815
	Female	person(s)	2,821	2,440
	By Education Background			
	Postgraduate	person(s)	329	326
	Bachelor	person(s)	5,343	4,226
	High school or below	person(s)	35,604	27,703
	By Profession Distribution			
	Management*	person(s)	3,531	2,233
	General staff	person(s)	37,745	30,022
Health and Safety	**Occupational Safety and Health Education**			
	Total number of occupational safety and health trainings	sessions	438	253
	Person-time trained	times	48,625	60,754
	Percentage of safety training		100%	100%
	Percentage of special operators with certificates		100%	100%

		Unit	2018	2017
Environment	**Air Pollutant**			
	Sulfur dioxide	tonnes	10.43	0.008
	Nitrogen oxides	tonnes	86.45	2.5
	Particular matters	tonnes	6.22	0.24
	Wastewater Discharge			
	Discharge[^]	10,000 tonnes	135.5	354.7
	Average COD concentration of Liaoyang (mg/l)	mg/l	23.4	22.2
	Average COD concentration of Tianjin (mg/l)	mg/l	27.2	/
	COD[^]	tonnes	31.7	78.8
	Average ammonia concentration of Liaoyang	mg/l	2.4	5.5
	Average ammonia concentration of Tianjin	mg/l	1.4	/
	Ammonia nitrogen[^]	tonnes	3.2	19.5
	Waste			
	Hazardous[#]	tonnes	4,638	16
	Non-hazardous	tonnes	36,189	13,250
	Recycled	tonnes	33,993	13,250
	Energy and Water Consumption and Conservation			
	Electricity[+]	MWh	1,141,337	806,339
	Natural gas[+]	'000 m^3	125,010	54,659
	LNG[+]	tonnes	1,251	8,837
	Diesel	tonnes	4,305	4,860[>]
	Gasoline	tonnes	291	321[>]
	Water	'000 tonnes	3,194	3,941
	Packaging Material			
	Plastic film	tonnes	2,382	1,588
	Wood	PCS	1,299,935	1,959,274
	Paper board	tonnes	2,457	1,587,206 (PCS)
	Greenhouse Gas (GHG) Emission			
	Scope 1[<]	tonnes	288,868	162,165[>]
	Scope 2[<]	tonnes	931,261	626,445
	Environmental Benefit			
	Total number of trees		59,937	19,759
	Number of newly planted trees		40,178	2,772

* Management: production supervisor or above.

^ Some productions were relocated to other plants. There was a significant decline of the wastewater discharge and other pollutants in Liaoyang production base when compared with those in 2017.

\# Plenty of emulsifier had to be used for lubrication and cooling in the production process of Tianjin aluminium flat rolling production base, resulting in a significant increase of hazardous waste when compared with that in 2017. For details, please refer to the section headed "Waste Treatment" in the report.

\+ The data for Tianjin aluminium flat rolling production base in 2018 were newly included, resulting in the increase of energy consumption. Liaoyang production base adopted natural gas to replace most of the liquefied natural gas. As a result, the consumption of liquefied natural gas had a significant decline.

< The Scope 1 GHS emission directly generated by the Group included the use of natural gas, diesel and gas; the Scope 2 GHS emission was indirectly incurred by the consumption of energy, such as electricity and heating power. Its annual change was consistent with the energy change, and caused by the increase of boundary and adjustment of energy types.

> The data were restated.

Report Index

KPIs	HKEx ESG Reporting Guide Requirements	Page/Remarks
	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.	84-88
KPI A1.1	The types of emissions and respective emissions data.	85
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	85
KPI A1.3	Total hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	90
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	90
KPI A1.5	Description of measures to mitigate emissions and results achieved.	88
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	90
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use the resources, including energy, water and other raw materials.	85,89
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	85
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	89
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	85
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	89
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	108
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	84,92
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	92

KPIs	HKEx ESG Reporting Guide Requirements	Page/Remarks
	B. Social	
Aspect B1	**Employment**	
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.	104-105
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	107
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.	102-103
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	102-103
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	101
KPI B3.2	The average training hours completed per employee by gender and employee category.	101

KPIs	HKEx ESG Reporting Guide Requirements	Page/Remarks
	B. Social	
Aspect B4	**Labour Standards**	
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KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	104
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	104
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	97
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.	97
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.	96
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	94
KPI B6.4	Description of quality assurance process and recall procedures.	96

KPIs	HKEx ESG Reporting Guide Requirements	Page/Remarks
	B. Social	
Aspect B7	**Anti-corruption**	
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KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	98
Aspect B8	**Community Investment**	
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KPI B8.1	Focus areas of contribution focus (e.g. education, environmental concerns, labour needs, health, culture, sport).	106
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	106

Independent Auditor's Report

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TO THE SHAREHOLDERS OF CHINA ZHONGWANG HOLDINGS LIMITED
(incorporated in the 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 118 to 203, which comprise the consolidated statement of financial position as at 31 December 2018, 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 gives a true and fair view, of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards 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.

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

Refer to Note 16 and the accounting policies in Note 4(p) 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 while the second production is still under construction and the relevant costs are recognised in construction in progress. As at 31 December 2018, property, plant and equipment and construction in progress relating to the first production line and the second production line amounted to RMB17.4 billion and RMB13.3 billion respectively.

Key Audit Matters (Continued)

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

Refer to Note 16 and the accounting policies in Note 4(p) to the consolidated financial statements (Continued)

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 assessing 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 forecast for the identified cash generating unit ("CGU") to which the property, plant and equipment and construction in progress were allocated. The preparation of discounted cash flow forecast involves the exercise of significant management judgement, in particular in forecasting sales and production volumes and in determining appropriate discount rate.

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 forecast 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 specialist to assist us in assessing the discount rate applied in the cash flow forecast by benchmarking against those of other entities in the same industry and evaluation of the valuation based on this forecast;
- obtaining from management sensitivity analysis of key assumptions adopted in the discounted cash flow forecasts and assessing the impact of changes 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 construction in progress with reference to the requirements of the prevailing accounting standards.

Key Audit Matters (Continued)

Impairment of trade and bills receivables

Refer to Note 22 and the accounting policies in Note 4(i)A(ii) to the consolidated financial statements

At 31 December 2018, the Group's gross trade and bills receivables totalled RMB13,025 million, against which loss allowances of RMB87.47 million were recorded.

The Group has elected to measure loss allowances for trade and bills receivables using IFRS 9 simplified approach and has calculated Expected credit losses ("ECLs") based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

We identified the measurement loss allowances for trade and bills receivables as a key audit matter because the establishment of a provision matrix requires the exercise of significant management judgement.

Our response:

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

- obtaining an understanding of and assessing the design of management's provision matrix relating to making loss allowances for trade and bills receivables;
- obtaining and checking to historical credit loss data used in designing of the provision matrix;
- assessing the assumptions and adjustments made by management on forward-looking factors specific to the debtors and the economic environment when designing the provision matrix;
- obtaining and checking of the accuracy of the grouping table based on shared credit risk characteristics and the days past due;
- recalculating the loss allowances using the provision matrix and grouping table; and
- inspecting cash receipts from customers subsequent to the financial year end relating to trade receivables as at 31 December 2018, on a sample basis.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises 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.

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.

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

(Continued)

- 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.

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 to 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 no. P05018
Hong Kong, 29 March 2019

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Revenue	7	**25,600,434**	19,458,826
Cost of sales		**(17,238,753)**	(13,110,247)
Gross profit		**8,361,681**	6,348,579
Investment income	8	**219,804**	422,528
Other income	9	**739,210**	986,209
Selling and distribution costs		**(309,957)**	(232,693)
Administrative and other operating expenses		**(2,676,286)**	(1,809,904)
Share of profit of associates		**164,747**	173,253
Finance costs	10	**(1,262,066)**	(1,155,272)
Profit before taxation	11	**5,237,133**	4,732,700
Income tax	13	**(770,402)**	(864,505)
Profit for the year		**4,466,731**	3,868,195
Attributable to:			
Equity shareholders of the Company		**4,195,221**	3,533,431
Non-controlling interests		**1,214**	364
Holders of perpetual capital instruments		**270,296**	334,400
Profit for the year		**4,466,731**	3,868,195
Other comprehensive income for the year, net of tax	14		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements		**(19,765)**	42,330
Available-for-sale financial assets: net movements in the fair value reserve		**—**	(195)
Other comprehensive income for the year		**(19,765)**	42,135
Total comprehensive income for the year		**4,446,966**	3,910,330
Total comprehensive income attributable to:			
Equity shareholders of the Company		**4,174,827**	3,574,277
Non-controlling interests		**1,843**	1,653
Holders of perpetual capital instruments		**270,296**	334,400
Total comprehensive income for the year		**4,446,966**	3,910,330
Earnings per share	15		
Basic (RMB)		**0.59**	0.50
Diluted (RMB)		**0.59**	0.50

Consolidated Statement of Financial Position

as at 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	16	**56,476,651**	48,572,054
Prepaid lease payments	17	**6,094,144**	5,551,327
Goodwill and other intangible assets	18	**1,024,036**	653,245
Interests in associates	19	**3,752,247**	3,537,452
Deposits for acquisition of property, plant and equipment and prepaid lease	20	**7,164,350**	5,654,052
Deferred tax assets	33(b)	**153,934**	155,929
Other non-current assets	23	**2,829,111**	3,571,362
		77,494,473	67,695,421
Current assets			
Inventories	21	**8,718,960**	7,241,180
Trade and bills receivables	22	**12,937,800**	8,069,127
Other receivables, deposits and prepayments	23	**3,252,636**	4,558,451
Available-for-sale financial assets	24	**—**	2,882,968
Prepaid lease payments	17	**143,476**	128,773
Pledged bank deposits	25	**1,702,219**	3,862,050
Cash and cash equivalents	26	**15,048,969**	6,829,894
		41,804,060	33,572,443
Current liabilities			
Trade payables	27	**5,253,224**	8,389,184
Bills payables	28	**2,364,696**	3,944,691
Contract liabilities	29	**466,680**	—
Other payables and accrued charges	30	**14,140,116**	7,355,239
Current tax liabilities	33(a)	**472,286**	479,168
Debentures	31	**—**	1,200,000
Bank and other loans	32(a)	**13,959,602**	10,700,374
		36,656,604	32,068,656
Net current assets		**5,147,456**	1,503,787
Total assets less current liabilities		**82,641,929**	69,199,208

	Note	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Bank and other loans	32(b)	**38,661,319**	25,122,585
Debentures	31	**6,500,000**	6,500,000
Deferred tax liabilities	33(b)	**916,649**	886,991
		46,077,968	32,509,576
NET ASSETS		**36,563,961**	36,689,632
CAPITAL AND RESERVES			
Share capital	34(c)	**605,397**	605,397
Reserves	34(d)	**32,561,078**	29,882,494
Total equity attributable to equity shareholders of the Company		**33,166,475**	30,487,891
Non-controlling interests		**203,486**	207,741
Perpetual capital instruments	39	**3,194,000**	5,994,000
TOTAL EQUITY		**36,563,961**	36,689,632

On behalf of the directors

Lu Changqing
Director

Chen Yan
Director

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2018
(Expressed in RMB)

	Attributable to equity shareholders of the Company													
	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	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

	Attributable to equity shareholders of the Company													
	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	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 2018	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
Profit for the year	—	—	—	—	—	—	—	—	—	4,195,221	4,195,221	270,296	1,214	4,466,731
Other comprehensive income for the year	—	—	—	—	—	—	—	(20,394)	—	—	(20,394)	—	629	(19,765)
Total comprehensive income for the year	—	—	—	—	—	—	—	(20,394)	—	4,195,221	4,174,827	270,296	1,843	4,446,966
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	(8,643)	(8,643)	—	(6,098)	(14,741)
Final dividends for the year 2017	—	(891,068)	—	—	—	—	—	—	—	—	(891,068)	—	—	(891,068)
Interim dividends for the year 2018	—	(626,358)	—	—	—	—	—	—	—	—	(626,358)	—	—	(626,358)
Recognition of share-based payment	—	—	—	—	—	—	29,826	—	—	—	29,826	—	—	29,826
Appropriations	—	—	—	—	818,711	—	—	—	—	(818,711)	—	—	—	—
Repayment of perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	—	(2,800,000)	—	(2,800,000)
Distribution for perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	—	(270,296)	—	(270,296)
	—	(1,517,426)	—	—	818,711	—	29,826	—	—	(827,354)	(1,496,243)	(3,070,296)	(6,098)	(4,572,637)
At 31 December 2018	605,397	6,364,786	(2,992,978)	635,898	5,381,132	2,382,753	395,280	(53,293)	—	20,447,500	33,166,475	3,194,000	203,486	36,563,961

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before taxation		**5,237,133**	4,732,700
Adjustments for:			
Finance costs		**1,262,066**	1,155,272
Depreciation of property, plant and equipment		**1,245,396**	837,207
Share-based payment expenses		**29,826**	112,172
Gain on disposal of property, plant and equipment		**(2,076)**	(414)
Bank deposits interest income		**(145,985)**	(414,342)
Interest income from available-for-sale financial assets		**(73,819)**	(10,793)
Loss on disposal of subsidiaries		**—**	1,309
Loss on disposal of an associate		**—**	1,298
Amortisation of prepaid lease payments		**148,523**	130,149
Amortisation of other intangible assets		**1,049**	1,022
Share of profit of associates		**(164,747)**	(173,253)
Impairment losses on trade and bills receivables		**79,496**	5,651
Operating cash flows before movements in capital changes		**7,616,862**	6,377,978
Increase in inventories		**(1,763,775)**	(1,865,180)
Increase in trade and bills receivables		**(5,955,480)**	(7,214,599)
Increase in other receivables, deposits and prepayments		**(279,058)**	(382,036)
(Decrease)/Increase in trade payables		**(3,372,660)**	6,635,175
Decrease in bills payable		**(1,393,441)**	(129,868)
Increase in other payables and accrued charges		**3,169,708**	1,603,133
Cash (used in)/generated from operations		**(1,977,844)**	5,024,603
Income tax paid	33(a)	**(745,631)**	(634,843)
Net cash (used in)/generated from operating activities		**(2,723,475)**	4,389,760
Cash flows from investing activities			
Withdrawal in short-term deposits		**—**	3,326,402
Placement in pledged bank deposits		**—**	(959,341)
Payments for acquisition of subsidiaries (net of cash and cash equivalents acquired)		**(14,741)**	(905,986)
Payments for capital injection of associates		**(50,047)**	(700,000)
Disposals of subsidiaries (nets of cash and cash equivalent disposed of)		**—**	(263)
Purchases of property, plant and equipment, prepaid lease payments and other intangible assets		**(10,647,198)**	(11,649,111)
Interest received from bank deposits		**258,906**	313,238
Repayments of other receivables		**1,935,851**	—
Proceeds from disposal of property, plant and equipment		**8,941**	—
Dividends received from associates		**—**	185
Purchases of available-for-sale financial assets		**—**	(3,075,000)
Proceeds from disposals of available-for-sale financial assets		**2,875,000**	465,000
Interest received from available-for-sale financial assets		**81,787**	3,932
Net cash used in investing activities		**(5,551,501)**	(13,180,944)

	Note	2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Proceeds from bank and other loans	42	**28,905,417**	20,431,975
Proceeds from related parties		**7,381,802**	—
Repayments of bank and other loans	42	**(12,297,914)**	(7,928,611)
Repayments of debentures	42	**(1,200,000)**	(1,700,000)
Interest paid for bank and other loans	42	**(1,706,724)**	(1,654,596)
Dividends paid to equity shareholders of the Company and holders of convertible preference shares		**(1,517,426)**	(1,214,460)
Repayment of perpetual capital instruments		**(2,800,000)**	—
Interest paid for perpetual capital instruments		**(271,104)**	(337,794)
Net cash generated from financing activities		**16,494,051**	7,596,514
Net increase/(decrease) in cash and cash equivalents		**8,219,075**	(1,194,670)
Cash and cash equivalents at beginning of year		**6,829,894**	8,024,564
Cash and cash equivalents at the end of year		**15,048,969**	6,829,894

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

1. Corporate Information

China Zhongwang Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands. 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. The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacturing and sales of aluminium products.

The Company's parent is Zhongwang International Group Limited ("ZIGL") and the directors consider its ultimate controlling party is Prime Famous Management Limited, both of which are incorporated in the British Virgin Islands.

2. Adoption of international financial reporting standards ("IFRSs")

(a) Adoption of new/revised IFRSs — effective 1 January 2018

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

A IFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2018 (Continued)

A IFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

In the transition to IFRS 9, there is no material changes on the opening balance of reserves, retained earnings and NCI as of 1 January 2018.

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. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2018 (Continued)

A IFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

As of 1 January 2018, certain investment in unlisted financial products were reclassified from available-for-sale financial assets to financial assets at amortised cost. The Group's business model is to collect contractual cash flow and hold these financial products to maturity. Under IFRS 9, the Group has designated these equity investments at the date of initial application as measured at amortised cost. As a result, financial assets with a fair value of RMB2,882,968,000 were reclassified from available-for-sale financial assets at fair value to financial assets at amortised cost on 1 January 2018. The above assets have been disposed of during the current year and have no material impact on the profit or loss for the year.

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2018 (Continued)

A IFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 January 2018 under IAS 39 RMB'000	Carrying amount as at 1 January 2018 under IFRS 9 RMB'000
Available-for-sale financial assets	Available-for-sale (at fair value)	Amortised cost	2,882,968	2,882,968
Trade and bills receivables	Loans and receivables	Amortised cost	8,069,127	8,069,127
Other receivables	Loans and receivables	Amortised cost	117,235	117,235
Pledged bank deposits	Loans and receivables	Amortised cost	3,862,050	3,862,050
Cash and cash equivalents	Loans and receivables	Amortised cost	6,829,894	6,829,894

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". IFRS 9 requires the Group to recognised ECL for trade and bills receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than IAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2018 (Continued)

A IFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

The Group has elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since the issuers' credit rating is high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2018 (Continued)

A IFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model

(I) Impairment of trade and bills receivables

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade and bills receivables. To measure the ECLs, trade and bills receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined as follows for trade and bills receivables as follows:

1 January 2018	Current	1-90 days past due	91-365 days past due	More than 365 days past due	Total
Expected credit loss rate (%)	—	1.6	6.0	16.7	0.3
Gross carrying amount (RMB'000)	7,858,509	26,117	121,791	84,541	8,090,958
Loss allowance (RMB'000)	—	(411)	(7,288)	(14,132)	(21,831)

(II) Impairment of debt investments

All of the Group's other debt investments at amortised costs and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months ECLs.

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2018 (Continued)

A IFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model (Continued)

(III) Impairment of other receivables

Other financial assets at amortised cost of the Group which are other receivables, the Group measure ECLs which recognise 12-month ECLs unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case ECLs is measured at an amount equal to lifetime expected credit losses. No ECL is resulted after applying the ECL model on 1 January 2018 and for the year ended 31 December 2018 as the financial assets were considered to be of low credit risk and are not past due.

(IV) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2018 (Continued)

B IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. As a result, the financial information presented for 2017 has not been restated. The Group has concluded there is no cumulative effect of initially applying IFRS 15 and no adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018) was made.

The following tables summarised the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at 1 January 2018.

Impact on the consolidated statement of financial position as at 1 January 2018

	RMB'000
Liabilities	
Contract liabilities	**1,252,568**
Other payables and accrued charges	**(1,252,568)**
Total current liabilities	—
Total liabilities	—

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2018 (Continued)

B IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

	Product/ service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(i)	Aluminium products	Aluminium products includes aluminium alloy formwork, industrial, construction and flat-rolled products. Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation.	IFRS 15 did not result in significant impact on the Group's accounting policies.
(ii)	Further-fabricated	There is generally only one performance obligation. Revenue is recognised overtime as those goods are delivered to and have been accepted by the customers, due to customise design of the product under the customer's instruction, the products produced by the Group does not have an alternative use and the Group is entitled to payment for any performance completed to date.	Under IAS 18, revenue for these contracts are recognised when significant risks and rewards of ownership of the goods are passed to the customers. There is no consideration of alternative use. Under IFRS 15, revenue is recognised over time if the Group's performance does not produce a product with an alternative use to the Group and the Group has right to payment for performance completed to date. This has resulted the Group to change its accounting policy for revenue recognition for these contracts from point in time to over time. Other than the above changes, this does not have a material impact to the Group's consolidated statement of financial position as at 1 January 2018.
(iii)	Metal trade	The Group trade metal as an agent. Revenue is thus recognised at the net amount the Group retains when the customers accepted the products. There is generally only one performance obligation.	IFRS 15 did not result in significant impact on the Group's accounting policies.

Except from the above changes in accounting policies, the adoption of the remaining amendments has no material impact on these consolidated financial statements.

(Expressed in RMB unless otherwise indicated)

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

IFRS 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

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

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. 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 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.

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

IFRS 16 — Leases (Continued)

The Group is a lessee of various offices, which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 4(g), under which operating lease payment is accounted for in the consolidated statement of comprehensive income when incurred and the Group's future operating lease commitments are not reflected in the consolidated statement of financial position but are disclosed in Note 35(b). IFRS 16 provides new provisions for the accounting treatment of leases and all long-term leases, including future operating lease commitments, must be recognised as the right-of-use asset and the lease liability. Thus each lease will be mapped in the Group's consolidated statement of financial position. In the consolidated statement of comprehensive income, leases will be recognised in the future as capital expenditure on the purchasing side and will no longer be recorded as an operating expense.

The new standard will therefore result in an increase in right-of-use asset and an increase in lease liability in the consolidated statement of financial position. As for the financial performance impact in the consolidated statement of comprehensive income, leasing expense will be replaced with straight-line depreciation expense on the right-of-use asset and interest expense on the lease liability. The combination of straight-line depreciation of the right-of-use asset and effective interest rate method applied on the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expense during the latter part of the lease term. The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB49,633,000, see Note 35(b). The Group's activities as a lessee are not material and hence the Group does not expect any significant impact on the financial statements.

IFRIC 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to IAS 28

The amendment clarifies that IFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

2. Adoption of international financial reporting standards ("IFRSs") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

3. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

4. Significant Accounting Policies

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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. 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.

Acquisition of subsidiaries or businesses is accounted for using the 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 interests 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. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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.

When the Group loses control of a subsidiary, the profit 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.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. Significant Accounting Policies (Continued)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

— The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

— Substantive potential voting rights held by the Company and other parties who hold voting rights;

— Other contractual arrangements; and

— Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

4. Significant Accounting Policies (Continued)

(d) 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 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 cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4(p)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit 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.

(e) Property, plant and equipment

Owner-occupied leasehold land and buildings are stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the properties revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. Significant Accounting Policies (Continued)

(e) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	20 years
Machineries	10 to 25 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 to 10 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. Significant Accounting Policies (Continued)

(g) Leasing (Continued)

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(h) 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 accumulated impairment losses.

The design and engineering packages of yachts in the Group's intangible assets are amortised on a unit-of-production basis, and amortisation expense is recognised in profit or loss. Other intangible assets are electrolytic aluminium capacity quota with indefinite useful lives, which are carried at cost less any accumulated impairment losses.

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

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- 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. The 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.

4. Significant Accounting Policies (Continued)

(h) Intangible assets (other than goodwill) (Continued)

(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 4(p)).

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.

(i) A. Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

4. Significant Accounting Policies (Continued)

(i) A. Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

4. Significant Accounting Policies (Continued)

(i) A. Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group has elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

4. Significant Accounting Policies (Continued)

(i) A. Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. Significant Accounting Policies (Continued)

(i) A. Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in 4(i)A(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(i) B. Financial Instruments (accounting policies applied until 31 December 2017)

The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

4. Significant Accounting Policies (Continued)

(i) B. Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. Significant Accounting Policies (Continued)

(i) B. Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For Loans and receivables or Held-to-maturity investments

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. Significant Accounting Policies (Continued)

(i) B. Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. Significant Accounting Policies (Continued)

(i) B. Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. Significant Accounting Policies (Continued)

(j) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method/first-in first out method. Net realisable value represents 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.

(k) Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) Aluminium products

Customers obtain control of the aluminium products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 90–180 days. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer. IFRS 15 did not result in significant impact on the Group's accounting policies.

(ii) Further-fabricated

There is generally only one performance obligation. Revenue is recognised overtime as those goods are delivered to and have been accepted by the customers, due to customise design of the product under the customer's instruction, the products produced by the Group does not have an alternative use and the Group is entitled to payment for any performance completed to date. Invoices are usually payable within 90–180 days.

In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer. IFRS 15 has resulted the Group to change its accounting policy for revenue recognition for these contracts from point in time to over time.

4. Significant Accounting Policies (Continued)

(k) Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

(iii) Metal trade

The Group trade metal as an agent. Revenue is thus recognised at the net amount the Group retains when the customers accepted the products. There is generally only one performance obligation. IFRS 15 did not result in significant impact on the Group's accounting policies.

(iv) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

Revenue recognition (accounting policies applied until 31 December 2017)

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer. Processing income is recognised when services are provided. Commission income is recognised when the goods on which the commission is calculated are delivered. Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease. Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate. Dividend income is recognised when the right to receive the dividend is established.

Contract assets and liabilities (accounting policies applied from 1 January 2018)

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when (i) the Group completes the infrastructure construction works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Contract costs (accounting policies applied from 1 January 2018)

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4. Significant Accounting Policies (Continued)

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under IAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(m) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. Significant Accounting Policies (Continued)

(m) Foreign currency (Continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(n) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. Significant Accounting Policies (Continued)

(o) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

The Group also operates a phantom share option scheme which is determined to be a cash-settled share-based payment transaction with employees. An option pricing model is used to measure the Group's liability at grant date and subsequently at the end of each reporting period, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in profit or loss.

(p) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment/investment property under cost model;
- intangible assets;
- interests in leasehold land held for own use under operating leases; and
- investments in subsidiaries, associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale).

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) 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 under another IFRS, in which case the impairment loss is treated as a revaluation decrease under that IFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that IFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see Note 4(e)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. Significant Accounting Policies (Continued)

(q) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

(s) 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 key management personnel of the Group or the Company's parent.

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

(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 the employees of 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 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 and include:

(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.

4. Significant Accounting Policies (Continued)

(t) 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.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

Key sources of estimation uncertainty

(i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(ii) Impairment of property, plant and equipment and construction in progress

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.

(iii) Impairment loss on trade and bills receivables

Under IFRS 9 simplified approach when determining ECLs based on lifetime ECLs, the Group has to establish a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Where the actual recoverable of the receivables are less than expected, a material impairment loss may arise.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

(iv) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures available-for-sale financial assets at fair value (Note 24).

6. 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 reportable 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 further-fabricated products ("Further-fabricated")

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

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

6. Segment Reporting (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue (including disaggregation of revenue by timing of revenue recognition) and results by reportable and operating segment:

Segment revenue	2018 RMB'000	2017 RMB'000
Revenue from contracts with customer within the scope of IFRS 15:		
Aluminium Alloy Formwork	12,914,414	8,933,609
Industrial		
— Revenue from external customers	6,483,257	7,789,728
— Inter-segment revenue	1,952,458	2,478,484
Construction	14,507	382,838
Flat-rolled	5,049,531	1,590,990
Further-fabricated	1,115,874	722,685
Others	22,851	38,976
	27,552,892	21,937,310
Elimination of inter-segment revenue	(1,952,458)	(2,478,484)
Total	25,600,434	19,458,826
Timing of revenue recognition:		
Point in time	24,484,560	18,736,141
Over time	1,115,874	722,685
Total	25,600,434	19,458,826

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order.

6. Segment Reporting (Continued)

Segment revenue and results (Continued)

Segment results	2018 RMB'000	2017 RMB'000
Aluminium Alloy Formwork	**5,574,852**	3,569,235
Industrial	**2,122,982**	2,453,013
Construction	**1,317**	22,059
Flat-rolled	**505,016**	206,433
Further-fabricated	**136,906**	56,386
Others	**22,851**	38,169
	8,363,924	6,345,295
Elimination of unrealised inter-segment (profits)/loss	**(2,243)**	3,284
Total	**8,361,681**	6,348,579
Investment income and other income	**959,014**	1,408,737
Selling and distribution costs	**(309,957)**	(232,693)
Administrative and other operating expenses	**(2,676,286)**	(1,809,904)
Share of profit of associates	**164,747**	173,253
Finance costs	**(1,262,066)**	(1,155,272)
Profit before taxation	**5,237,133**	4,732,700
Income tax	**(770,402)**	(864,505)
Profit for the year	**4,466,731**	3,868,195

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.

6. Segment Reporting (Continued)

Segment assets and liabilities

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

	2018 RMB'000	2017 RMB'000
Aluminium Alloy Formwork	**11,347,172**	5,204,772
Industrial	**28,712,573**	25,138,875
Construction	**26,831**	229,249
Flat-rolled	**48,344,602**	43,212,970
Further-fabricated	**3,184,805**	2,310,326
Unallocated assets		
— Property, plant and equipment	**2,167,651**	2,111,628
— Prepaid lease payments	**198,307**	215,650
— Goodwill	**379,000**	379,000
— Interests in associates	**3,752,247**	3,537,452
— Deferred tax assets	**153,934**	155,929
— Inventories	**921,815**	752,249
— Other receivables, deposits and prepayments	**3,358,408**	4,444,852
— Available-for-sale financial assets	**—**	2,882,968
— Pledged bank deposits	**1,702,219**	3,862,050
— Cash and cash equivalents	**15,048,969**	6,829,894
Total assets	**119,298,533**	101,267,864

6. 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, interests 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, 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, goodwill and other 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 regularly.

Other segment information

Amounts included in the measure of segment results or segment assets for the year ended 31 December 2018:

	Aluminium Alloy Formwork RMB'000	Industrial RMB'000	Construction RMB'000	Flat-rolled RMB'000	Further-fabricated RMB'000	Unallocated RMB'000	Total RMB'000
Additions to/(transfer out of) property, plant and equipment	1,548,768	3,190,929	(1,358,139)	5,160,395	374,837	238,779	9,155,569
Additions to other intangible assets	—	370,287	—	—	—	—	370,287
Additions to prepaid lease payments	51,762	189,813	—	112,810	351,658	—	706,043
Additions to deposits for acquisition of property, plant and equipment and prepaid lease	64,993	2,331,943	—	477,645	88,995	51,811	3,015,387
Depreciation of/(transfer out of) property, plant and equipment	1,177,250	590,773	(1,162,920)	407,565	48,717	184,011	1,245,396
Amortisation of other intangible assets	—	1,049	—	—	—	—	1,049
Amortisation of prepaid lease payments	1,379	69,793	—	41,712	18,296	17,343	148,523
Impairment loss/(gain) on trade receivables, net	21,332	18,829	501	—	(118)	38,952	79,496
Gain on disposal of property, plant and equipment	—	—	—	—	—	2,076	2,076

6. Segment Reporting (Continued)

Other segment information (Continued)

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	Further-fabricated 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 disposal of property, plant and equipment	—	414	—	—	—	—	414

6. Segment Reporting (Continued)

Geographic information

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

	2018 RMB'000	2017 RMB'000
People's Republic of China ("PRC")	23,062,118	17,981,271
Germany	598,965	234,171
United States of America	447,145	94,000
Italy	158,111	55,274
Netherlands	138,865	90,922
Others	1,195,230	1,003,188
	25,600,434	19,458,826

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.

Information about major customers

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

	2018 RMB'000	2017 RMB'000
Customer A*	4,003,053	Note
Customer B*	3,647,731	2,940,902
Customer C**	2,735,396	Note

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

* Revenue from aluminium alloy formwork segment

** Revenue from aluminium alloy formwork and industrial segment

7. 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:

	2018 RMB'000	2017 RMB'000
Sales of aluminium products		
— aluminium alloy formworks	**12,914,414**	8,933,609
— industrial aluminium extrusion products	**6,483,257**	7,789,728
— construction products	**14,507**	382,838
— aluminium flat-rolled products	**5,049,531**	1,590,990
— further-fabricated products	**1,115,874**	722,685
Metal trade agency commission	**22,851**	38,976
	25,600,434	19,458,826

The following table provides information about trade and bills receivables and contract liabilities from contracts with customers.

	31 December 2018 RMB'000	1 January 2018 RMB'000
Trade and bills receivables	**12,937,800**	8,069,127
Contract liabilities (Note)	**466,680**	1,252,568

Note: The contract liabilities mainly relate to the advance consideration received from customers.

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB664,291,000. This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur within the next 12 months.

The Group has applied the practical expedient to its sales contracts for aluminium products and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for aluminium products that had an original expected duration of one year or less.

8. Investment Income

	2018 RMB'000	2017 RMB'000
Interest income		
— Bank deposits	145,985	414,342
— Available-for-sale financial assets	73,819	10,793
Loss on disposal of subsidiaries	—	(1,309)
Loss on disposal of an associate	—	(1,298)
	219,804	422,528

9. Other Income

	2018 RMB'000	2017 RMB'000
Profit of sales of equipment	288,747	351,834
Exchange (losses)/gains, net	(29,283)	259,007
Gain on sales of scrap materials, consumables and moulds	147,826	209,503
Government subsidies (Note)	329,510	165,451
Gain on disposal of property, plant and equipment	2,076	414
Rental income	334	—
	739,210	986,209

Note: The amounts mainly represent subsidies received from the Finance Bureau and other government departments of Liaoyang City, Yingkou City and Wuhu 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, and also to support the industry development of the Group.

10. Finance Costs

	2018 RMB'000	2017 RMB'000
Interests on bank loans and other borrowings	**1,711,456**	1,591,779
Less: Amount capitalised*	**(449,390)**	(436,507)
	1,262,066	1,155,272

* Borrowing costs have been capitalised at an average interest rate of 4.97% per annum (2017: 4.89%).

11. Profit Before Taxation

Profit before taxation is arrived at after charging:

	2018 RMB'000	2017 RMB'000
Auditors' remuneration		
— Audit services	**5,380**	3,880
— Other services	**214**	6,770
Total auditors' remuneration	**5,594**	10,650
Staff costs (including directors' emoluments):		
— Salaries and other benefits	**3,518,239**	2,589,354
— Contributions to defined contribution retirement plan	**235,158**	161,637
— Equity-settled share-based payment expenses	**29,826**	112,172
Total employee benefit expenses	**3,783,223**	2,863,163
Costs of inventories recognised as expenses*	**17,238,753**	13,110,247
Depreciation of property, plant and equipment*	**1,245,396**	837,207
Amortisation of other intangible assets*	**1,049**	1,022
Amortisation of prepaid lease payments*	**148,523**	130,149
Impairment losses on trade receivables (Note 22)	**79,496**	5,651
Operating lease charges in respect of office premises	**95,453**	56,816
Research and development costs	**1,147,053**	593,084

* Cost of inventories recognised as an expense includes approximately RMB4,065,977,000 (2017: RMB2,876,283,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above.

12. 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 2018				
Executive directors				
Mr. Lu Changqing	**1,570**	**55**	**6,048**	**7,673**
Ms. Ma Qingmei	**1,537**	**26**	**575**	**2,138**
Non-executive directors				
Mr. Chen Yan	**1,513**	**10**	**6,048**	**7,571**
Mr. Liu Zhisheng	**1,513**	**10**	**575**	**2,098**
Mr. Zhang Hui	**1,513**	**10**	**575**	**2,098**
Independent non-executive directors				
Mr. Wong Chun Wa	**200**	**—**	**151**	**351**
Mr. Wen Xianjun (Note (v))	**—**	**—**	**—**	**—**
Mr. Shi Ketong	**200**	**—**	**151**	**351**
Mr. Lo Wa Kei, Roy	**200**	**—**	**151**	**351**
	8,246	**111**	**14,274**	**22,631**
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

12. 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 4(o). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 38.

(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 2018 and 2017.

For each of the years ended 31 December 2018 and 2017, 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 2018 and 2017, 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.

13. Income Tax

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

	2018 RMB'000	2017 RMB'000
Current tax		
— Provision for the year	732,222	863,984
— Under/(Over) provision in respect of prior years	6,527	(12)
	738,749	863,972
Deferred taxation (Note 33(b))	31,653	533
Total income tax	770,402	864,505

13. Income Tax (Continued)

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

	2018 RMB'000	2017 RMB'000
Profit before taxation	**5,237,133**	4,732,700
Notional tax on profit before taxation, calculated at the PRC income tax rate of 25% (2017: 25%)	**1,309,283**	1,183,175
Effect of different tax rates of subsidiaries operating in other jurisdictions (Note (i))	**219,696**	(207,856)
Effect of PRC preferential tax rate (Note (ii))	**(458,732)**	(401,278)
Tax effect of expenses not deductible for tax purposes	**(41,788)**	236,240
Tax effect of revenue not taxable for tax purposes	**(156,349)**	(77,234)
Tax relief related to additional tax deduction on research and development costs incurred	**(126,465)**	(70,492)
Tax effect of tax losses not recognised	**84,641**	202,274
Utilisation of tax losses previously not recognised	**(66,411)**	(312)
Under/(over) provision in respect of prior years	**6,527**	(12)
Total income tax	**770,402**	864,505

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) In 2016, Liaoning Zhongwang was recognised as a High and New Technology Enterprise ("HNTE") by government with an effective period of three years from 2016 to 2018. Therefore, income tax expense of Liaoning Zhongwang for each of the years ended 31 December 2018 and 2017 were calculated based on income tax rate of 15%.

In 2018, Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited, Yingkou Zhongwang Aluminium Company Limited and Tianjin Zhongwang were recognised as HNTE by government with an effective period of three years from 2018 to 2020. Therefore, income tax expense of these companies for the year ended 31 December 2018 were calculated based on income tax rate of 15%.

14. Other Comprehensive Income

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

	2018			2017		
	Before-tax amount RMB'000	Tax benefits RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax benefits RMB'000	Net-of-tax amount RMB'000
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of financial statements	(19,765)	—	(19,765)	42,330	—	42,330
Available-for-sale financial assets: net movement in the fair value reserve	—	—	—	(229)	34	(195)
	(19,765)	—	(19,765)	42,101	34	42,135

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

	2018 RMB'000	2017 RMB'000
Available-for-sale financial assets:		
Changes in fair value recognised during the year	—	(229)
Net deferred tax debited to other comprehensive income (Note 33(b))	—	34
Net movement in the fair value reserve during the year recognised in other comprehensive income	—	(195)

15. Earnings per Share

The calculation of the basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company for each of the years ended 31 December 2018 and 2017 and on the number of shares as follows:

	2018 RMB'000	2017 RMB'000
Profit for the year attributable to equity shareholders of the Company	4,195,221	3,533,431

	2018 '000	2017 '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 earnings per share	7,068,598	7,068,598
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	2,681	—
Weighted average number of shares for the purposes of diluted earnings per share	7,071,279	7,068,598
Earnings per share		
Basic (RMB)	0.59	0.50
Diluted (RMB)	0.59	0.50

16. Property, Plant and Equipment

	Buildings RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 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	434,333	738,219	863	33,591	—	1,207,006
Disposals of subsidiaries	—	—	(3,270)	(192)	(565,205)	(568,667)
At 31 December 2017 and 1 January 2018	5,225,468	20,478,710	286,241	255,549	28,496,689	54,742,657
Transfer in/(out)	1,648,786	2,981,597	25,396	162	(4,655,941)	—
Additions	32,740	327,626	57,637	91,894	6,020,859	6,530,756
Transfer from deposits for acquisition of property, plant and equipment	—	—	—	—	2,624,813	2,624,813
Disposals	—	(1,199)	(6,241)	(1,967)	(32)	(9,439)
Conversion differences in foreign currency statements	1,180	3,311	(47)	(204)	—	4,240
At 31 December 2018	**6,908,174**	**23,790,045**	**362,986**	**345,434**	**32,486,388**	**63,893,027**
Accumulated depreciation and impairment						
At 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	132,589	631,324	629	28,560	—	793,102
Disposals of subsidiaries	—	—	(1,073)	(75)	—	(1,148)
At 31 December 2017 and 1 January 2018	757,656	5,182,567	112,703	117,677	—	6,170,603
Charged for the year	248,477	907,131	41,868	47,920	—	1,245,396
Written back on disposals	—	(36)	(3,175)	(7)	—	(3,218)
Conversion differences in foreign currency statements	627	3,099	(35)	(96)	—	3,595
At 31 December 2018	**1,006,760**	**6,092,761**	**151,361**	**165,494**	**—**	**7,416,376**
Net book value						
At 31 December 2018	**5,901,414**	**17,697,284**	**211,625**	**179,940**	**32,486,388**	**56,476,651**
At 31 December 2017	4,467,812	15,296,143	173,538	137,872	28,496,689	48,572,054

16. Property, Plant and Equipment (Continued)

At 31 December 2018, certain of the Group's property, plant and equipment with a carrying amount of approximately RMB4,119,850,000 (2017: RMB4,470,130,000) were pledged to secure the Group's borrowings (Note 32 (b)).

17. Prepaid Lease Payments

	2018 RMB'000	2017 RMB'000
Cost		
At 1 January	6,228,469	6,884,826
Additions	706,043	561,533
Transfer from deposits for acquisition of prepaid lease	—	326,024
Decrease through disposal of subsidiaries	—	(1,543,914)
At 31 December	6,934,512	6,228,469
Accumulated amortisation		
At 1 January	548,369	601,080
Change for the year	148,523	130,149
Decrease through disposal of subsidiaries	—	(182,860)
At 31 December	696,892	548,369
Net book value		
At 31 December	6,237,620	5,680,100
Analysed for reporting purpose:		
Current assets	143,476	128,773
Non-current assets	6,094,144	5,551,327
	6,237,620	5,680,100

At 31 December 2018 and 2017, prepaid lease payments comprise interests in leasehold land held for own use under operating leases located in the PRC.

At 31 December 2018, certain of the Group's land use rights with a carrying amount of approximately RMB1,348,340,000 (2017: RMB1,379,400,000) were pledged to secure the Group's borrowings (Note 32(b)).

18. Goodwill and Other Intangible Assets

	Goodwill RMB'000 (Note (i))	Design and engineering packages RMB'000 (Note (ii))	Other intangible assets RMB'000 (Note (iii))	Total RMB'000
Cost				
As at 1 January 2017	—	—	—	—
Addition through business combinations	379,000	307,330	—	686,330
At 31 December 2017 and 1 January 2018	379,000	307,330	—	686,330
Additions	—	499	369,788	370,287
Conversion differences in foreign currency statements	—	2,907	—	2,907
At 31 December 2018	379,000	310,736	369,788	1,059,524
Accumulated amortisation and impairment				
As at 1 January 2017	—	—	—	—
Addition through business combinations	—	32,063	—	32,063
Charge for the year	—	1,022	—	1,022
At 31 December 2017 and 1 January 2018	—	33,085	—	33,085
Charge for the year	—	1,049	—	1,049
Conversion differences in foreign currency statements	—	1,354	—	1,354
At 31 December 2018	—	35,488	—	35,488
Net book value				
At 31 December 2018	379,000	275,248	369,788	1,024,036
At 31 December 2017	379,000	274,245	—	653,245

Note:

(i) For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU") identified as follows:

	2018 RMB'000	2017 RMB'000
Silver Yachts Ltd.	225,002	225,002
Aluminiumwerk Unna AG.	153,998	153,998
	379,000	379,000

The recoverable amount for the CGU has been determined from 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 a 10-year period, a longer projection period reflecting long build-up time for superyachts. No growth for cash flow beyond the projected period are extrapolated (2017: nil). The growth rate does not exceed the long-term average growth rate of the industrial aluminium extrusion business in which the CGU operates.

18. Goodwill and Other Intangible Assets (Continued)

Note: (Continued)

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

	Silver Yachts Ltd.		Aluminiumwerk Unna AG.	
	2018	2017	**2018**	2017
Discount rate	**9.50%**	8.96%	**12.94%**	12.82%

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the projection period have been based on past experience.

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 in 2017. These designs are fundamental in the design of future projects.

(iii) Other intangible assets represented 322,500 tonnes electrolytic aluminium capacity quota purchased during the year. This quota is essential for the Group in order to increase its production capacity.

For the purpose of impairment testing, other intangible assets are allocated to the CGU identified as follows:

	2018 RMB'000	2017 RMB'000
Liaoning Zhongwang	**369,788**	–

The recoverable amount for the CGU has been determined from value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management. The cash flow projection covers a 5-year period. 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 of the industrial aluminium extrusion business in which the CGU operates.

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

	2018	2017
Discount rate	**12.50%**	N/A

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on past experience.

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 other intangible assets does not suffer any impairment.

19. 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:

Name of company	Place of establishment and business	Form of business structure	Proportion of ownership interest: Group's Effective interest	Proportion of ownership interest: Held by a subsidiary	Registered Capital	Principal activities
Beijing Huarong Xintai Investment Company Limited* ("Huarong") 北京華融信泰投資有限公司	The PRC	Domestic Limited Liability Company ("DLLC")	20%	20%	RMB3,100,000,000	Investment holding (Note)
Beijing Jiahua Xinda Investment Company Limited* ("Xinda") 北京嘉華信達投資有限公司	The PRC	DLLC	20%	20%	RMB2,800,000,000	Investment holding (Note)
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)

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

Note: Huarong, Xinda and Zhongwang Finance Company are strategic partners for the Group in developing the financial service business. Huarong and Xinda changed their names in July 2018, respectively.

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

19. 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:

	Huarong		Xinda		Zhongwang Finance Company	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Gross amounts of the associates'						
Current assets	**1,772,780**	1,719,434	**1,470,857**	1,429,166	**36,152,545**	25,265,028
Non-current assets	**2,440,505**	2,337,319	**2,285,429**	2,185,370	**9,088**	1,512,799
Current liabilities	**790,774**	790,814	**653,422**	653,696	**30,344,044**	21,272,920
Non-current liabilities	**—**	—	**—**	—	**—**	—
Equity	**3,422,511**	3,265,939	**3,102,864**	2,960,840	**5,817,589**	5,504,907
Revenue	**—**	—	**—**	—	**585,649**	702,524
Profit for the year	**156,572**	116,493	**142,024**	112,875	**312,682**	353,284
Total comprehensive income	**156,572**	116,493	**142,024**	112,875	**312,682**	353,284
Reconciled to the Group's interests in the associates						
Gross amounts of net assets of the associate	**3,422,511**	3,265,939	**3,102,864**	2,960,840	**5,817,589**	5,504,907
Group's interest in the associate	**20%**	20%	**20%**	20%	**35%***	35%*
Group's share of net assets of the associate	**684,502**	653,188	**620,573**	592,168	**2,036,156**	1,926,717
Carrying amount in the consolidated financial statements	**684,502**	653,188	**620,573**	592,168	**2,036,156**	1,926,717

* The Group held 13% (2017: 13%) effective interest of the associate through Huarong and Xinda in the equity of Zhongwang Finance Company as at 31 December 2018.

Aggregate financial information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Period ended 31 December		
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**411,016**	365,379
Aggregate amounts of the Group's share of those associates'		
(Loss)/profit and total comprehensive (loss)/income for the year	**(4,411)**	3,730

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

	2018 RMB'000	2017 RMB'000
Deposits for acquisition of property, plant and equipment	**6,116,660**	4,955,390
Deposits for acquisition of prepaid lease	**1,047,690**	698,662
	7,164,350	5,654,052

21. Inventories

	2018 RMB'000	2017 RMB'000
Raw materials	**3,644,684**	3,182,006
Work-in-progress	**3,527,252**	2,708,510
Finished goods	**1,547,024**	1,350,664
	8,718,960	7,241,180

22. Trade and Bills Receivables

	2018 RMB'000	2017 RMB'000
Trade and bills receivables	**13,025,270**	8,090,958
Less: Loss allowance	**(87,470)**	(21,831)
	12,937,800	8,069,127

As of the end of the reporting period, ageing analysis of trade and bills receivables (net of loss allowance) based on the invoice date is as follows:

	2018 RMB'000	2017 RMB'000
Current or less than 90 days	**9,052,039**	6,742,659
91 to 180 days	**2,922,615**	1,133,746
More than 180 days	**963,146**	192,722
	12,937,800	8,069,127

The Group and the Company recognised impairment loss based on the accounting policy stated in Note 4(i)A(ii) and Note 4(i)B(ii) for the year ended 31 December 2018 and 2017, respectively.

For the year ended 31 December 2018, the Group allows an average credit period of 90-180 days (2019: 90-180 days) for domestic sales and an average credit period of 180 days (2017: 180 days) for overseas sales. Further details on the group's credit policy and credit risk arising from trade debtors and bills receivable are set out in Note 43(a).

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 2018, amounts due from associates and amounts due from related parties of nil and RMB3,074,000 (2017: RMB1,779,000 and RMB636,000) respectively included in above trade receivables.

23. Other Receivables, Deposits and Prepayments

At 31 December 2018, included in other receivables, deposits and prepayments of the Group are deductible input value added tax ("VAT receivable"), purchase prepayments, etc, including amounts due from associates of nil (2017: RMB49,430,000). Amounts due from associates are unsecured, interest-free and repayable on demand.

At 31 December 2018, VAT receivable amounting to RMB5,048,684,000 (2017: RMB5,341,777,000) of which RMB2,829,111,000 (2017: RMB3,571,362,000) 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.

24. Available-for-sale Financial Assets

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Unlisted financial products, at fair value (Note 43(e))	**—**	—	2,882,968

Upon the adoption of IFRS 9, the amount of available-for-sale financial asset is included in financial assets at amortised costs. At 31 December 2017, the financial products held by the Group generate expected annual return rate ranged from 2.45% to 4.60%. These financial products are fully disposed of during the current year.

25. Pledged Bank Deposits

The Group pledged bank deposits as collateral in respect of issuance of bills (Note 28) and letters of credit by the Group. These pledged bank deposits will be released upon the settlement of relevant payables.

26. Cash and Cash Equivalents

Cash and cash equivalents comprise cash held by the Group with an original maturity of three months or less.

27. 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:

	2018 RMB'000	2017 RMB'000
Current or less than 90 days	**4,855,647**	8,294,147
91 to 180 days	**202,633**	65,376
181 days to 1 year	**194,944**	29,661
	5,253,224	8,389,184

28. Bills Payables

At 31 December 2018, all the bills payables are repayable within 365 days (2017: 365 days) and are denominated in Renminbi.

At 31 December 2018, bills payables amounting to RMB744,200,000 (2017: RMB444,662,000) were secured by deposits placed in banks with an aggregate carrying value of RMB244,400,000 (2017: RMB444,662,000).

29. Contract liabilities

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract liabilities arising from:			
Advance from customers	**466,680**	1,252,568	–

The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of IFRS 15, receipt in advance previously included as "Other payables and accrued charges" have been reclassified to "Contract liabilities".

Contract liabilities represent advances from customers, where the Group has unconditional right to considerations before goods or services are delivered. For the contract liabilities at 1 January 2018, the entire balances are recognised as revenue during the reporting period. Balance as at 31 December 2018 are received and not yet recognised as revenue during the reporting period.

30. 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 RMB3,390,936,000 (2017: RMB4,014,395,000) owed to production machineries suppliers and construction services contractors.

As at 31 December 2018, amounts due to related parties and amounts due to an associate of approximately RMB7,432,062,000 and nil respectively included in other payables (2017: RMB199,000 and RMB50,059,000). The amounts are unsecured, interest-free and repayable on demand.

31. Debentures

In 2015, the Group had issued an unsecured debenture amounted to RMB1,200,000,000 with maturities of three years and repayable on 27 May 2018, with effective interest rate of 5.40% per annum. During the year, the amount was fully repaid on its maturity date.

In 2016, the Group had issued unsecured debentures amounted to RMB2,500,000,000 and RMB4,000,000,000 with maturity of five years respectively, which are repayable on 22 March 2021 and 26 September 2021, with effective interest rates of 4.05% and 3.75% per annum, respectively.

32. Bank and Other Loans

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

	2018 **RMB'000**	2017 RMB'000
Bank loans		
— Guaranteed by subsidiaries	**1,438,100**	593,489
— Guaranteed by related parties	**2,120,000**	—
— Unguaranteed and unsecured	**5,140,000**	5,145,096
Other loans		
— Unguaranteed and unsecured (Note)	**2,638,016**	—
	11,336,116	5,738,585
Add:		
— Current portion of long-term bank and other loans	**2,623,486**	4,961,789
	13,959,602	10,700,374

Note: At 31 December 2018, several short term loans with aggregate amount of approximately RMB2,638,016,000 were from an associate of the Group. They were unguaranteed and unsecured. The interest rates were from 3.05% to 3.48% per annum. They will be repaid within one year.

32. Bank and Other Loans (Continued)

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

	2018 RMB'000	2017 RMB'000
Bank loans		
— Secured by property, plant and equipment (Note (i))	**61,908**	74,947
— Guaranteed by subsidiaries	**—**	980,130
— Guaranteed by subsidiaries and secured by prepaid lease payments and property, plant and equipment (Note (ii))	**10,651,655**	10,880,436
— Guaranteed by related parties	**—**	2,153,420
— Guaranteed by a related party and secured by property, plant and equipment (Note (iii))	**245,088**	385,197
— Unguaranteed and unsecured	**2,842,441**	2,113,664
Other loans		
— Secured by property, plant and equipment (Note (iv))	**2,183,713**	2,413,451
— Unguaranteed and unsecured (Note (v))	**25,300,000**	11,083,129
	41,284,805	30,084,374
Less:		
— Current portion of long-term bank and other loans	**(2,623,486)**	(4,961,789)
	38,661,319	25,122,585

Note:

(i) At 31 December 2018, certain long-term loans from bank were secured by certain property, plant and equipment of the Group (Note 16). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB128,381,000 at 31 December 2018 (2017: RMB135,944,000).

(ii) At 31 December 2018, 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 17 and Note 16). The aggregate carrying value of the secured land use rights and property, plant and equipment amounted to approximately RMB1,348,340,000 and RMB169,582,000, respectively, at 31 December 2018(2017: RMB1,379,400,000 and RMB174,317,000, respectively).

(iii) At 31 December 2018, a long-term bank loan was guaranteed by a related party and secured by certain property, plant and equipment of the Group (Note 16). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB753,020,000 at 31 December 2018 (2017: RMB786,619,000).

(iv) At 31 December 2018, certain long-term loans from financial leasing institutions were secured by certain property, plant and equipment of the Group (Note 16). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB3,068,867,000 at 31 December 2018 (2017: RMB3,373,250,000).

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 16.

(v) At 31 December 2018, a long term loan with amount of RMB18,000,000,000 was from a related party of the Group. It was interest-free, unsecured and repayable on 31 December 2020; several long term loans with aggregate amount of approximately RMB7,300,000,000 were from an associate of the Group. They were unguaranteed and unsecured. Their interest rates were 3.33% per annum. They will be repaid within three years.

32. 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:

	2018 RMB'000	2017 RMB'000
Within one year or on demand	**2,623,486**	4,961,789
More than one year, but not exceeding two years	**21,274,335**	14,772,676
More than two years, but not exceeding five years	**13,254,177**	9,194,743
After five years	**4,132,807**	1,155,166
	41,284,805	30,084,374

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 2018 and 2017, 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 43(b).

33. Income Tax in the Consolidated Statement of Financial Position

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

	2018 RMB'000	2017 RMB'000
At 1 January	**479,168**	250,039
Current tax (Note 13)	**738,749**	863,972
Income tax paid	**(745,631)**	(634,843)
At 31 December	**472,286**	479,168

33. 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:	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 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 13)	(29,134)	64,679	1,413	(39,991)	—	—	2,500	—	(533)
Charged to other comprehensive income (Note 14)	—	—	—	—	—	—	—	34	34
At 31 December 2017	51,529	98,942	5,458	(272,321)	(470,786)	(50,000)	(93,884)	—	(731,062)
At 1 January 2018	51,529	98,942	5,458	(272,321)	(470,786)	(50,000)	(93,884)	—	(731,062)
(Charged)/credited to profit for the year (Note 13)	66,524	(84,929)	16,410	(19,852)	(14,691)	—	4,885	—	(31,653)
At 31 December 2018	118,053	14,013	21,868	(292,173)	(485,477)	(50,000)	(88,999)	—	(762,715)

(ii) Reconciliation to the consolidated statement of financial position

	2018 RMB'000	2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**153,934**	155,929
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(916,649)**	(886,991)
	(762,715)	(731,062)

(c) Deferred tax assets not recognised

At 31 December 2018, the Group had estimated unused tax losses of RMB1,487,713,000 (2017: RMB1,118,117,000) 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 RMB78,051,000, RMB112,760,000, RMB200,383,000, RMB569,902,000 and RMB325,068,000 will expire in 2019, 2020, 2021, 2022 and 2023, respectively. The remaining tax losses expire after five years or do not expire under current tax legislation.

33. 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 RMB11,401,452,000 (2017: RMB11,711,518,000) 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.

34. 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	Accumulated losses RMB'000	Total RMB'000
At 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 and 1 January 2018	605,397	7,882,212	365,454	(1,569,659)	7,283,404
Changes in equity for 2018:					
Profit for the year	—	—	—	557,006	557,006
Final dividends for the year 2017	—	(891,068)	—	—	(891,068)
Interim dividends for the year 2018	—	(626,358)	—	—	(626,358)
Recognition of share-based payment	—	—	29,826	—	29,826
At 31 December 2018	605,397	6,364,786	395,280	(1,012,653)	6,352,810

34. Capital, Reserves and Dividends (Continued)

(b) Dividends

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

	2018 RMB'000	2017 RMB'000
Interim dividend declared and paid of HKD0.10 per ordinary share and convertible preference share (2017: HKD0.10)	626,358	600,976
Final dividend proposed after the end of the reporting period of HKD0.17 per ordinary share and convertible preference share (2017: HKD0.15)	1,029,704	853,639

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:

	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.15 per ordinary share and convertible preference share (2017: HKD0.10)	891,068	613,484

(c) Share capital

(i) Authorised and issued share capital

	No. of shares	Share capital HKD'000	Share capital RMB'000
Ordinary share of HKD0.10 each:			
Authorised:			
At 1 January 2017, 1 January 2018 and 31 December 2018	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2017, 1 January 2018 and 31 December 2018	5,449,473,140	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2017, 1 January 2018 and 31 December 2018	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2017, 1 January 2018 and 31 December 2018	1,619,125,180	161,913	127,296

34. 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.

(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.

34. Capital, Reserves and Dividends (Continued)

(d) Nature and purpose of reserves (Continued)

(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 32 and 31) respectively, perpetual capital instruments (Note 39) 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. The total equity of the Group is RMB36,563,961,000 as at the year ended 31 December 2018 (2017: RMB36,689,632,000).

35. Commitments

(a) Capital commitments

	2018 RMB'000	2017 RMB'000
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	16,713,884	14,275,476

(b) Operating lease commitments

The Group as lessee

At 31 December 2018 and 2017, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000	2017 RMB'000
Not later than one year	28,374	52,915
Later than one year and not later than two years	17,623	17,387
Later than two years and not later than five years	3,636	20,903
	49,633	91,205

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

36. 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 2018 and 2017 are disclosed in Note 11.

37. 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 12.

(b) Material related party transactions

Particulars of significant related party transactions during the years ended 31 December 2018 and 2017 are as follows:

	2018 RMB'000	2017 RMB'000
Proceeds received from disposal of investments to associates	**—**	49,000
Sales of goods to related parties	**4,065**	615

(Expressed in RMB unless otherwise indicated)

38. 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.

(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		

(Expressed in RMB unless otherwise indicated)

38. Share-Based Payments (Continued)

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

	2018 Weighted average exercise price	2018 Number of options	2017 Weighted average exercise price	2017 Number of options
Outstanding at the beginning of the year	**HKD3.93**	**493,400,000**	HKD3.93	493,400,000
Exercised during the year	**—**	**—**	—	—
Forfeited during the year	**HKD3.93**	**(93,500,000)**	—	—
Granted during the year	**—**	**—**	—	—
Outstanding at the end of the year	**HKD3.93**	**399,900,000**	HKD3.93	493,400,000
Exercisable at the end of the year	**HKD3.92**	**180,960,000**	HKD3.92	133,400,000

The options outstanding at 31 December 2018 had an exercise price of HKD3.90 or HKD3.93 (2017: HKD3.90 or HKD3.93) and a weighted average remaining contractual life of 6.6 years (2017: 7.6 years).

No options were exercised during the year (2017: nil).

(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.

39. 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.

For the year ended 31 December 2018, profit attributable to the holders of perpetual note, based on the applicable distribution rate, was RMB90,000,000 (2017: RMB90,000,000).

(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. In 2018, perpetual trust loans amounted to RMB800,000,000 of the first tranche and RMB2,000,000,000 of the second tranche were repaid.

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 from the borrowing date to 31 December 2017 are fixed at 6.10% and 6.12% per annum, respectively. The applicable interest rate for these two tranches of perpetual trust loans was reset after 31 December 2017 as following:6.3058% and 6.3264% per annum for the second and third year; 8.3732% and 8.3939% per annum for the fourth year; 10.4406% and 10.4613% per annum for the fifth year; 12.5080% and 12.5288% 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.

For the year ended 31 December 2018, profit attributable to the holders of perpetual trust loans, based on the applicable distribution rate, was RMB180,296,000 (2017: RMB244,400,000).

40. Company-Level Statement of Financial Position

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Interests in subsidiaries		**17,484,630**	16,623,661
Current assets			
Other receivables, deposits and prepayments		**—**	917
Cash and cash equivalents		**73,475**	2,764
		73,475	3,681
Current liabilities			
Trade payables		**236,276**	—
Other payables and accrued charges		**3,547,850**	883,185
Amounts due to subsidiaries		**6,983,069**	6,887,134
Bank loans		**438,100**	1,573,619
		11,205,295	9,343,938
Net current liabilities		**(11,131,820)**	(9,340,257)
Total assets less current liabilities		**6,352,810**	7,283,404
NET ASSETS		**6,352,810**	7,283,404
CAPITAL AND RESERVES	34(a)		
Share capital		**605,397**	605,397
Reserves		**5,747,413**	6,678,007
TOTAL EQUITY		**6,352,810**	7,283,404

On behalf of the directors

Lu Changqing
Director

Chen Yan
Director

(Expressed in RMB unless otherwise indicated)

41. 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%	USD2,473,000,000	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	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%	RMB12,200,000,000	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%	RMB2,200,000,000	Manufacturing of aluminium products
Tianjin Zhongwang Aluminium Company Limited* 天津忠旺鋁業有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB20,000,000,000	Manufacturing of aluminium products
Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited* 遼寧忠旺機械設備製造有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB50,000,000	Manufacturing of machinery

(Expressed in RMB unless otherwise indicated)

41. 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 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%	RMB1,500,000,000	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
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

(Expressed in RMB unless otherwise indicated)

41. 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	Manufacturing of aluminium furniture
Hanseatic Marine Engineering Pty Limited	Australia	Limited Liability Company ("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	99.72%	—	99.72%	EUR3,105,000	Manufacturing of aluminium products
Zhongwang (Liaoyang) Aluminium Formwork Manufacturing Company Limited* 忠旺(遼陽)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

* 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 2018

42. Notes to Supporting Statement of Cash Flows

Reconciliation of liabilities arising from financial activities:

	Bank and other loans (Note 32) RMB'000	Debentures (Note 31) RMB'000	Interest payables RMB'000	Total RMB'000
At 1 January 2018	35,822,959	7,700,000	186,837	43,709,796
Changes from cash flows:				
Proceeds from new bank and other loans	28,905,417	—	—	28,905,417
Repayment of bank and other loans	(12,297,914)	—	—	(12,297,914)
Repayment of debentures	—	(1,200,000)	—	(1,200,000)
Interest paid	—	—	(1,706,724)	(1,706,724)
Total changes from financing cash flows	16,607,503	(1,200,000)	(1,706,724)	13,700,779
Other changes:				
Interest expenses (Note 10)	—	—	1,262,066	1,262,066
Capitalised interest expenses (Note 10)	—	—	449,390	449,390
Exchange difference and others	190,459	—	(34,838)	155,621
At 31 December 2018	52,620,921	6,500,000	156,731	59,277,652

43. 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.

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

(a) Credit risk (Continued)

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 2018, the Group had daily average cash and cash equivalents amounted to RMB7,833,636,000 (2017: 13,624,409,000) deposited in Liaoyang Rural Commercial Bank, which represented 51% (2017: 51%) of the Group's daily average balance of cash and cash equivalents. At 31 December 2018, Huarong and Xinda, two of the Group's associates (Note 19), held 23.64% and 18.60% equity interests of Liaoyang Rural Commercial Bank, respectively.

In respect of trade and other receivables, trade receivables are due within an average of 90–180 days from domestic sales and an average of 180 days from overseas sales from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for other receivables at a portion of lifetime ECLs unless there has been a significant increase in credit risk since origination, the allowance will there be based on the lifetime ECLs. As at 31 December 2018, loss allowances for all other receivables are measured an amount equal to 12-month ECLs.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLS, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected credit loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	—	11,780,077	—
1-90 days past due	3.5	633,056	(21,924)
91-365 days past due	9.3	470,851	(43,988)
More than 365 days past due	15.3	141,286	(21,558)
	0.7	13,025,270	(87,470)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

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

(a) Credit risk (Continued)

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 4(i)B(ii)). At 31 December 2017, trade receivables of RMB21,831,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	7,858,509
Less than 3 months past due	25,706
More than 3 months but less than 12 months past due	114,503
Over 12 months past due	70,409
	210,618
	8,069,127

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 RMB'000	2017 RMB'000
Balance at 31 December under IAS 39	21,831	16,180
Impact of initial application of IFRS 9 (Note 2(a)A)	—	—
Adjusted balance at 1 January	21,831	16,180
Amounts written off during the year	(13,857)	—
Impairment losses recognised during the year	79,496	5,651
Balance at 31 December	87,470	21,831

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. At 31 December 2018, 22% (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.

At 31 December 2018 and 2017, the Group did not provide any guarantees which would expose the Group to credit risk.

43. 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 2018							
Non-interest bearing		22,158,709	45,381	2,285	—	22,206,375	22,206,375
Bank and other loans	4.52	14,983,282	21,931,240	14,331,328	4,343,095	55,588,945	52,620,921
Debentures	3.97	251,250	251,250	6,751,250	—	7,253,750	6,500,000
		37,393,241	22,227,871	21,084,863	4,343,095	85,049,070	81,327,296
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

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.

43. 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:

	2018 Effective interest rate %	2018 RMB'000	2017 Effective interest rate %	2017 RMB'000
Fixed rate borrowings:				
Bank and other loans	**0-8.01**	**31,853,195**	0-5.50	17,269,098
Debentures	**3.75-5.40**	**6,500,000**	3.49-5.40	7,700,000
		38,353,195		24,969,098
Variable rate borrowings:				
Bank and other loans	**0.40-8.46**	**20,767,726**	0.42-6.53	18,553,861
Total borrowings		**59,120,921**		43,522,959
Fixed rate borrowings as a percentage of total borrowings		**64.9%**		57.4%

(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 (2017: 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 2018 would decrease or increase by approximately RMB88,570,000 (2017: RMB73,981,000).

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 2017.

43. 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.

	2018 **RMB'000**	2017 RMB'000
Trade receivables		
USD	**108,160**	227,132
EUR	**23,299**	21,314
GBP	**1,032**	3,592
Other receivables		
USD	**1,127,742**	145,368
EUR	**206**	153
Bank balances		
HKD	**1,047**	726
USD	**59,419**	33,812
EUR	**78,858**	10,456
Trade payables		
USD	**18,376**	84
EUR	**3,979**	–
Other payables		
HKD	**6,182**	1,144,745
USD	**78,791**	86,544
EUR	**11,506**	10,251
GBP	**3,077**	2,807
Bank loans		
HKD	**438,100**	593,489
USD	**2,320,405**	4,068,520

43. 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 2017.

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% (2017: 5%) against relevant foreign currencies. For a 5% (2017: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before tax.

	2018 Increase in profit before tax RMB'000	2017 Increase in profit before tax RMB'000
RMB against HKD impact	**22,123**	86,875
RMB against USD impact	**47,398**	156,200

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.

43. 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 2018	Fair value measurements as at 31 December 2018 categorised into		Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 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	—

During the years ended 31 December 2018 and 2017, 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.

44. Approval of Financial Statements

The financial statements were approved and authorised for issue by the directors on 29 March 2019.

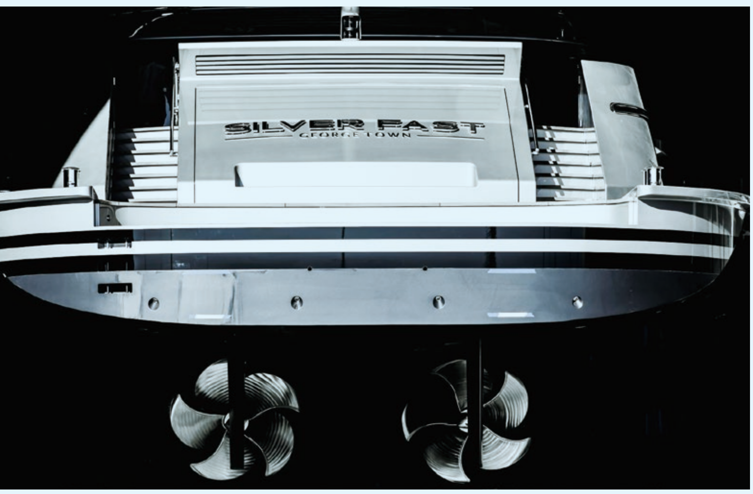
Five-year Financial Summary

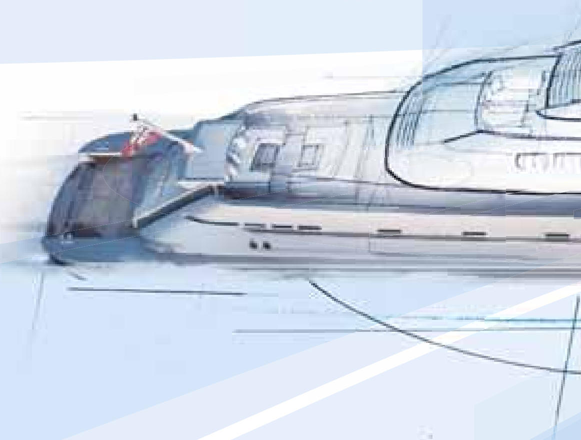
Results

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**25,600,434**	19,458,826	16,695,543	16,171,246	15,971,218
Profit for the year attributable to:					
Equity shareholders of the Company	**4,195,221**	3,533,431	2,871,379	2,804,981	2,477,020
Non-controlling interests	**1,214**	364	–	–	–
Holders of perpetual capital instruments	**270,296**	334,400	35,780	–	–

Assets and liabilities

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total assets	**119,298,533**	101,267,864	79,037,746	71,400,726	53,769,415
Total liabilities	**82,734,572**	64,578,232	45,027,844	45,409,728	29,440,823
Total equity attributable to:					
Equity shareholders of the Company	**33,166,475**	30,487,891	28,015,902	25,990,998	24,328,592
Non-controlling interests	**203,486**	207,741	–	–	–
Holders of perpetual capital instruments	**3,194,000**	5,994,000	5,994,000	–	–


SILVER FAST



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