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

A GLOBAL-LEADING FABRICATED ALUMINIUM PRODUCT DEVELOPER & MANUFACTURER

2019 ANNUAL REPORT

* For identification purposes only

DESIGN RATIONALE

The design of the 2019 Annual Report aims to convey a sense of speed that is evident in the practical usages of the Group's products. It is also the representative of the swiftness of its business development. The versatility of the Group's products displayed in the cover also reflects its innovative R&D and the ever-expanding product applications.

Company Website


2019
FINANCIAL
HIGHLIGHTS
REVENUE
(RMB Million)
23,584
GROSS
PROFIT
(RMB Million)
7,104
NET PROFIT
(RMB Million)
3,178
EARNINGS
PER SHARE
(RMB cent)
43

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. Lin Jun
Mr. Wei Qiang

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

Company Secretary

Mr. Cui Weiye

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
The Export-Import Bank of China
China Development Bank Corporation
Commerzbank AG Deutschland

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
Yuan'an 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

Freshfields Bruckhaus Deringer
55th Floor, One Island East
Taikoo Place
Quarry Bay
Hong Kong

As to PRC laws

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

Auditor

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

Principal Share Registrar in the Cayman Islands

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

Hong Kong Branch Share Registrar

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

Investor and Media Relations Consultant

Cornerstones Communications Limited
Unit 1408-10, 14/F, Dominion Centre
43–59 Queen's Road East, Wanchai
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 29 May 2020, the register of members of the Company will be closed from Friday, 22 May 2020 to Friday, 29 May 2020 (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, 21 May 2020, being the last share registration date.

Annual General Meeting

The Company's annual general meeting will be held on 29 May 2020, a notice of which is included in the circular to be dispatched to shareholders together with this annual report.

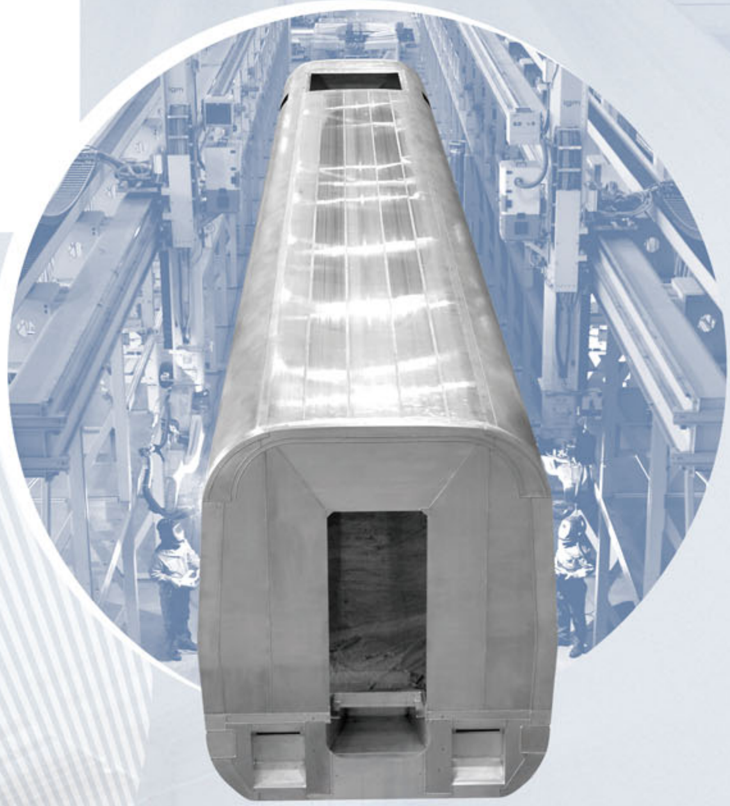
Company Website

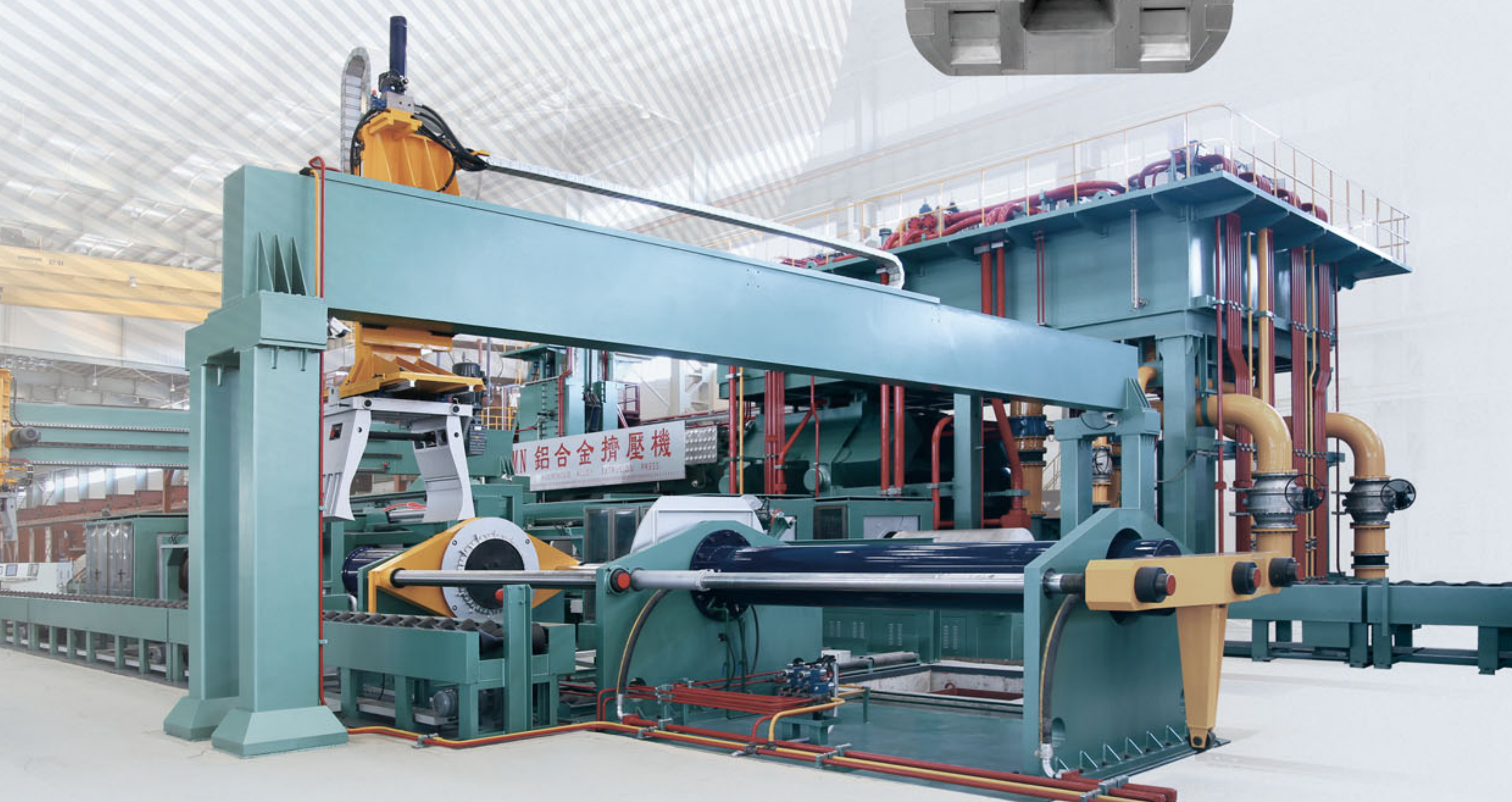
www.zhongwang.com

ALUMINIUM EXTRUSIONS

World's second largest and Asia's largest industrial aluminium extruded products developer and manufacturer

China Zhongwang produces a wide range of extruded products for the ecological construction, transportation, machinery and equipment as well as electric power engineering sectors.





CORPORATE PROFILE

China Zhongwang Holdings Limited ("China Zhongwang" or the "Company", which together with its subsidiaries, is referred to as the "Group") is the second largest developer and manufacturer of industrial aluminium extruded products 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. 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 an aluminium flat rolling plant, which generates synergies with its aluminium extrusion business by sharing the existing 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 acquiring Aluminiumwerk Unna AG. ("Alunna"), a high-end aluminium extrusion manufacturer, and Silver Yachts Ltd. ("Silver Yachts"), an all-aluminium alloy superyacht builder, tapping into the market of 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 automobile manufacturing. 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 responsible corporate citizen. It aims to offer high-quality, low-consuming and light-weight solutions to society for a greener world.

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

1 Rankings and relevant information relating to industrial aluminium extruded product manufacturers in the world are cited issue of a report prepared by Beijing Antaike Information Co., Ltd in March 2020.

FINANCIAL HIGHLIGHTS

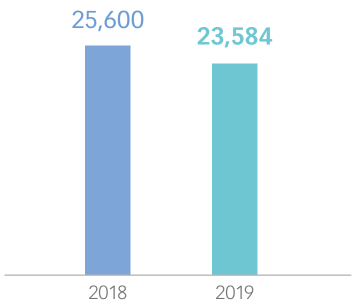
	2019 RMB'000	2018 RMB'000
Revenue	**23,583,699**	25,600,434
Gross profit	**7,104,387**	8,361,681
EBITDA (Note 1)	**6,658,952**	7,894,167
Profit for the year	**3,178,288**	4,466,731
Earnings per share (RMB) (Note 2)	**0.43**	0.59
Total equity attributable to equity shareholders of the Company	**34,505,173**	33,166,475

	2019	2018
Current ratio (Note 3)	**1.05**	1.14
Inventory turnover in days (Note 4)	**195**	163
Trade receivable turnover in days (Note 5)	**194**	150
Trade payable turnover in days (Note 6)	**139**	160
Gross margin	**30.1%**	32.7%
Gearing ratio (Note 7)	**70.9%**	69.4%
Revenue composition-by business		
Aluminium extrusion business	**66.6%**	75.8%
Aluminium flat rolling business	**29.1%**	19.7%
Further fabrication business	**4.2%**	4.4%
Others	**0.1%**	0.1%
Gross profit composition-by business		
Aluminium extrusion business	**88.7%**	92.9%
Aluminium flat rolling business	**9.9%**	5.0%
Further fabrication business	**1.2%**	1.8%
Others	**0.2%**	0.3%

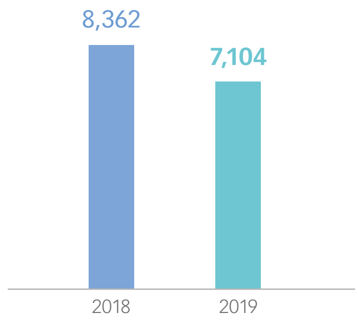
Notes:

1. EBITDA = profit before taxation + finance costs + depreciation of right-of-use assets/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 2019 and 2018 and on the weighted average number of ordinary shares, convertible preference shares and share options during that year.
3. Current ratio = current assets/current liabilities
4. Inventory turnover in days = 365 * ((inventory balance at the beginning of the year + inventory balance at the end of the year)/2)/ cost of sales for the year
5. Trade receivable turnover in days = 365 * ((trade and bills receivables balance at the beginning of the year + trade and bills receivables balance at the end of the year)/2)/sales for the year
6. Trade payable turnover in days = 365 * ((trade and bills payables balance at the beginning of the year + trade and bills payables balance at the end of the year)/2)/cost of sales for the year, excluding the non-production trade purchase
7. Gearing ratio = total liabilities / total assets * 100%

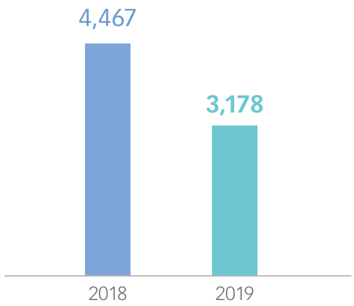
REVENUE
(RMB million)



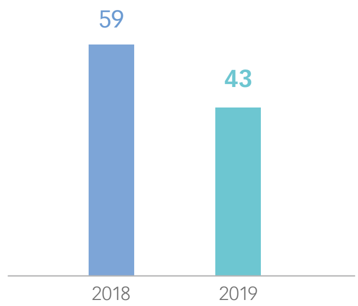
GROSS PROFIT
(RMB million)



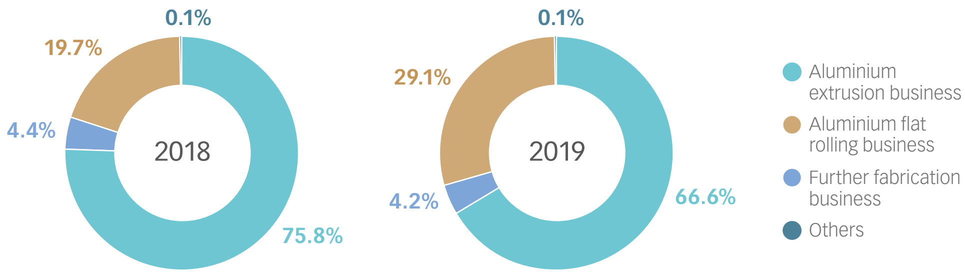
PROFIT FOR THE YEAR
(RMB million)



EARNINGS PER SHARE
(RMB cent)



REVENUE COMPOSITION
— By Business




ESAB

ALUMINIUM ALLOY FORMWORK

A Cost-Effective System for the Construction Industry

Aluminium alloy formwork for concreting is a highly versatile modern construction system. Specifically designed to allow the rapid construction of multiple unit projects at optimal productivity, aluminium alloy formwork systems can be reused over 200 times.

MILESTONES OF THE YEAR

BUSINESS DEVELOPMENT

- Silver Yachts designed and delivered the 85-metre-long superyacht "BOLD", currently the world's largest all-aluminium alloy superyacht with a cruising range up to 4,450nm

- Prototype of the all-aluminium alloy electric logistics vehicle Xiake K16, jointly developed with FAW Jiefang Automotive Company, Ltd. completed road test

- Supplied extended aluminium body parts to the Beijing-Zhangjiakou Smart High-speed Rail and the urban rail projects in Shanghai, Guangzhou, Xiamen, Hangzhou, Hefei, and Jinhua

- Provided aluminium extruded train body parts to projects in Thailand, Nigeria and other countries through the cooperation with CRRC

PROFESSIONAL ACCREDITATIONS

- Alunna successively obtained a number of international certifications

- Liaoning Zhongwang obtained certifications of BS EN ISO 9001:2015 and EN 9100:2018 Aerospace Quality Management Systems

- Five proprietary technologies passed the Science and Technology Achievements Evaluation of Technical Specifications from the Zhongke Hechuang (Beijing) Science and Technology Achievements Evaluation Center

- Liaoning Zhongwang's "Internet Platform and Demonstration of Collaborative Manufacturing Model for High-end Further Fabricated Aluminium" project was included by the Ministry of Industry and Information Technology of the PRC on the "2019 Pilot Demonstration Project List for Integrated Development of Manufacturing and Internet Industry"

- Tianjin Zhongwang received Bureau Veritas Classification (France) of Ships

COMPANY HONOURS

- Named among CCTV's first ever "Top 100 Brands in China"

- Named among the "70 Influential China Industrial Brands" by *China Industry News* for the first time

- Won two "Liaoning Province Science and Technology Progress Awards"

- Included as one of the constituents in "Hang Seng Sustainable Development Enterprise Benchmark Index"

- Tianjin Zhongwang named among the "Top Ten China Aluminium Sheets Enterprises 2019", conferred by China Nonferrous Metals Fabrication Industry Association

- Named "The Most Promising Public Chinese Tech Enterprise 2019" in a public company ranking organised by *National Business Daily*

- Winner of Golden Hong Kong Stocks "Most Valuable Company: Automobile and Manufacturing" for 2019, jointly organised by Zhitongcaijing and 10JQKA.com.cn

CHAIRMAN'S STATEMENT

We will continue to seize the emerging business opportunities and strengthen our position as one of the industry leaders.

Lu Changqing
Chairman

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited, I am pleased to present the annual report on the audited results for the year ended 31 December 2019 (the "Year under Review") for your perusal.

2019 was a challenging year amidst rising international trade tension, softening global economic growth and continuous pressure on China's economy. As such, mitigating risks and securing steady growth has become the common goal for all. For China's aluminium fabrication industry, consumption and demand remained strong. Furthermore, along with the structural transformation and upgrade of the aluminium industry, great potential will be unleashed in high-end application, further fabrication and emerging sectors including "new infrastructure construction" ("new infrastructure"). The new infrastructure, especially 5G base station construction, UHV power transmission, inter-city high-speed railway and urban rail transit, new energy vehicles/charging points, big data centres, artificial intelligence and industrial Internet, have been the market's focal points since its introduction. Many of these fields are intricately linked with the Group. We will stay on top of development trends, actively respond to market changes to seek opportunities in challenges, capitalise on the synergies of our three core businesses, namely, industrial aluminium extrusion, aluminium flat rolling and further fabrication, and strengthen our position as one of the industry leaders.

During the Year under Review, the Group recorded overall sales volume of approximately 962,071 tonnes, with total revenue amounting to approximately RMB23.58 billion. Profit for the year was approximately RMB3.18 billion, while earnings per share amounted to approximately RMB0.43. The overall gross margin was 30.1%.

Steady R&D-driven Development of Aluminium Extrusion and Further Fabrication Businesses

Leveraging its advanced equipment, extensive industry know-how and a highly talented team, the Group is committed to developing high-tech, high value-added and high-end fabricated products to continuously expand product application fields, vigorously push forward the development of ecological construction industry and drive the light-weight development of the transportation sector.

Following the rapid proliferation of green economy in China, aluminium, as a kind of eco-friendly green metal, has become widely used in various sectors. Notably, China Zhongwang has vigorously promoted the business of aluminium alloy formwork as an ecological construction material. Building on the various advantages of aluminium alloy formwork, including light weight, low cost and high efficiency, the Group has become a supplier of aluminium alloy formwork for the projects of numerous well-known large-scale real estate enterprises in China. Meanwhile, we have also actively explored the application of aluminium alloy formwork outside of the construction sector, including various infrastructure projects such as underground integrated pipe corridors, subway tunnels and airport tunnels. During the Year under Review, the Group actively developed the aluminium alloy formwork leasing business, strengthening the competitive advantage of its products to deliver long-term, stable and sustainable revenue and profit to the Group.

As one of the seven major fields of "new infrastructure", the inter-city high-speed railway and urban rail transit are the transport links connecting urban agglomerations. The booming development of the railway sector has also driven the persistent growth in demand for high-end aluminium products that offer light weight, high strength, corrosion resistance and versatility. China Zhongwang has consistently ranked first in China in terms of the market share of aluminium extrusion products for high-speed rail trains. In addition to staying as the largest supplier for the evolving "Fuxing EMU" high-speed trains, it also provided further fabricated products such as aluminium extruded train bodies and other large vehicle components, for such rail transit vehicles as inter-city trains, commercial maglev trains and subway trains.

Unleashing Potential of Aluminium Flat Rolling Segment

The Group's aluminium flat rolling project in Tianjin continued to unleash its potential with increased revenue contribution to the Group during the Year under Review. Both sales volume and revenue recorded growth. Specifically, the first production line in operation provided high quality aluminium flat rolled products to customers in various sectors including industrial materials, transportation, aviation and aerospace, while the second production line performing a pilot run produced can lids, computer casings, battery soft-pack and other aluminium alloy products for green packaging.

During the Year under Review, Tianjin Zhongwang Aluminium Company Limited ("Tianjin Zhongwang") received certification from Bureau Veritas. Its plates for the automotive industry also received certifications from a number of domestic automakers and commenced small-volume pilot production. The Group will continue to step up its efforts in obtaining certifications from European, American and Japanese automakers and accelerate sample preparation processes in order to raise the Group's presence and competitiveness in the global automotive market.

During the Year under review, Tianjin Zhongwang's aluminium sheets of different specifications also obtained certifications for use in laptop computers, air-conditioners, high-end anodised curtain walls, and artificial intelligence technology equipment. It signified the Group's expansion into markets for end-user applications.

The "new infrastructure" fields, such as the 5G base station construction and artificial intelligence facilities, have also become a key component of the Company's business plan and market development. The high value-added products manufactured by Tianjin Zhongwang, which conform to the required standards for 5G base station construction, will enjoy a promising prospect in view of the trend of "aluminium in lieu of steel".

Benefitted from the rapid growth in the past year, Tianjin Zhongwang was listed among the "Top Ten China Aluminium Sheets Enterprises 2019" by China Nonferrous Metals Fabrication Industry Association, demonstrating that both its level of expertise and market position were well recognised in the industry.

Steadily Promoting International Collaborations to Share Value of the Whole Industrial Chain

While steadily developing the domestic market, the Group also constantly explores international cooperation and aspires to gain the recognition of global customers for its high value-added products.

In the automotive sector, not only did China Zhongwang command a leading market share in the domestic market of aluminium alloy body for new energy vehicles, but it also provided mass-produced automotive sheets and extrusion products to a number of well-known new energy vehicle manufacturers. In particular, it provides high-quality aluminium extruded products to factories of the Germany-based BMW Group and British plants of Jaguar Land Rover as a tier-one supplier. In the rail transit sector, through close cooperation with CRRC, the Group has successfully supplied aluminium extruded train body for the locomotive projects in Turkey, Malaysia, Thailand, Nigeria and other countries.

Alunna, the Germany-based high-end aluminium extrusion subsidiary of the Group, successfully obtained various qualification certifications in the international aerospace and the defence industry sectors during the Year under Review. It continued to provide high-quality aluminium products to the globally leading enterprises such as Airbus, Boeing, Mercedes-Benz and BMW. Another subsidiary of the Company, Silver Yachts, a shipyard based in Australia, delivered an all-aluminium alloy superyacht with an 85-metre hull. With the light-weight all-aluminium hull, it can sail long distance at extremely low fuel consumption. In addition, the Group has also established a modern shipyard in Jiangmen City, Guangdong Province in China. By drawing upon the extensive experience of the Australian shipyard in designing and building superyachts and benefitting from the well-established shipping system in the Pearl River Delta, our shipyard in Jiangmen not only builds all-aluminium alloy yachts, but also actively expands to the commercial vessel market.

Appreciation

In 2020, the Group will continue to take full advantage of its advanced equipment, extensive industry know-how, efficient operation and top-class R&D team to keep driving product structure upgrade and value transformation, and further enhance the profitability of the Company. In addition, seeing customers as our enduring partners, the Group will continue to create mutual benefits with global customers in the sectors of ecological construction, transportation, mechanical equipment and power engineering, and share the added value across the entire industry chain.

Looking into the future, as we always keep our original aspirations firmly in mind, we remain dedicated to offering best-of-class products and services to our customers. It is our goal to provide long-term, stable and sound investment returns to our shareholders, and competitive remuneration packages and career development to our staff.

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders for their support and encouragement, to investors for their faith and attention, to customers for their trust and confidence, and to our staff for their diligence and dedication.

Lu Changqing
Chairman

Hong Kong, 27 March 2020

SILVER YACHTS

Simplicity, Efficiency, Speed

SILVER YACHTS, a subsidiary of China Zhongwang which specialises in designing superyachts, recently launched model "BOLD" with an 85-metre hull. Combining China Zhongwang's expertise in aluminium fabrication, the all-aluminium yachts offer maximum speed and comfort to the select few.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

During the Year under Review, the Group remained committed to its development strategy of "focusing on China market as primary and on the overseas markets". Under this strategy, the Group prudently planned its market presence, focused on developing the market for high-end products, and actively explored diversified business models so as to propel the sustainable development in the long run.

During the Year under Review, overall sales volume of the Group amounted to approximately 962,071 tonnes, representing a year-on-year increase of approximately 4.9%. Total revenue of the Group amounted to approximately RMB23.58 billion, representing a decrease of 7.9% as compared with that in the Year 2018. Profit for the year of the Group was approximately RMB3.18 billion, representing a decrease of 28.8% on a year-on-year basis. Overall gross margin of the Group was 30.1%, which is basically in line with that in the Year 2018. Earnings per share of the Group were approximately RMB0.43. As it actively explored feasibility of various business models during the Year under Review, the Group launched a pilot run of the aluminium alloy formwork leasing business model. Leasing revenue was attributable to such business recognised in instalments over the lease period, resulting in a decrease in both revenue and profit during the Year under Review.

Aluminium Extrusion Business — Explored Diversified Business Models for Long-term Business Development

During the Year under Review, sales volume of the Group's industrial aluminium extruded products amounted to 251,628 tonnes, and sales amount was approximately RMB6.59 billion.

Aluminium alloy formwork, one of the main products of the Group's aluminium extrusion business, is primarily used in large-scale construction projects. During the Year under Review, the sales volume of aluminium alloy formwork was 221,484 tonnes, and the sales amount was approximately RMB8.39 billion. The volume of leased aluminium alloy formwork was 96,214 tonnes, generating a revenue of approximately RMB700 million.

As compared with the sales revenue and profit which are recognised for the period when relevant transactions take place, leasing revenue and profit are recognised in instalments over the lease period, which can generate sustainable income to the Group with higher profitability and considerable profit margin in the medium and long term. Through developing the leasing model for aluminium alloy formwork, the Group has closer access to the end market, which helps promote light-weight ecological construction solutions and benefit the Group's business development in the long run. The Group will continue to optimise various processes in the execution, including, among others, production, assembly, transportation, storage, application, maintenance and recycling, so as to maximise the leasing model's advantage of sustainability.

Meanwhile, the Group has made full use of the light-weight, efficient, reusable and recyclable features of aluminium alloy formwork, complementing those with its advantages in formwork design, techniques and technology to produce a comprehensive range of aluminium formwork that includes supporting components and connectors, therefore effectively expanded the field of application of aluminium alloy formwork.

The Group has always fostered collaboration with well-known domestic and overseas automobile manufacturers, actively carried out technical cooperation, deepened the high-end application of products, and tapped into the sector of high-end aluminium profiles for vehicles. The Group has successively become a Tier-1 supplier of high-end aluminium extrusion products to a number of international automobile manufacturers including the U.K. plant of Jaguar Land Rover and other top-tier automobile manufacturers. In addition, the Group has taken a crucial step in the sector of high-end aluminium profiles for vehicles with the receipt of a nomination letter from the Munich headquarters of BMW Group during the Year under Review, which nominated the Group as an aluminium profile supplier for BMW. This marked an important milestone of the Group to become the supplier of European high-end luxury automobile brands and has enhanced its influence in the global automotive market.

Aluminium Flat Rolling Business — Continued Capacity Ramp-up Driven by Growth in both Sales Volume and Revenue

During the Year under Review, sales volume of the Group's aluminium flat rolled products amounted to 449,971 tonnes, representing an increase of 56.7% from 287,154 tonnes in the Year 2018. Sales amount reached approximately RMB6.88 billion, representing a year-on-year increase of 36.2%. As the aluminium flat rolling business gradually obtained certifications in various industries, the Group continued to optimise its production operations and progressively enhanced its production capacity. During the Year under Review, the Group focused on the operation of the first production line, accomplished production targets on schedule, and strived to provide high-quality aluminium flat rolled products to its customers in the sectors of industrial materials, transportation, aviation and aerospace. Furthermore, the Group also steadily commissioned pilot production in the second production line, mainly focusing on aluminium alloy products for green packaging, as well as developed and produced can lids, computer casings and battery soft-pack. In terms of product research and development, the Group proactively advanced with the research and development of high-end aluminium flat-rolled products, including high thickness aluminium alloy plates and skin plates for aviation use, special high thickness aluminium alloy plates for aerospace use, aluminium alloy products for vessels, aluminium alloy products for semiconductors and other high value-added products. Remarkable results have been achieved with the relevant research and development efforts, and some of these products have been supplied in small quantities. In terms of automotive body sheets, the Group has received the certifications of a number of domestic automakers and carried out small-volume pilot production. The Group will continue to step up its efforts to obtain certifications from European, American and Japanese automakers and accelerate sample preparation process, so as to comprehensively optimise its product portfolio and improve its profitability.

Further Fabrication Business — Capitalised on Industry Development Trends to Accelerate the Group's Transformation and Breakthrough

During the Year under Review, sales volume of the Group's further fabricated products amounted to 37,724 tonnes. Sales amount was approximately RMB990 million. As the high-end transportation sectors such as new energy vehicles and rail vehicles are moving towards light-weight development, the Group, leveraging its advantages in R&D capabilities and production efficiency, has been focusing on the development of further fabrication business to provide driving force for its transformation into an integrated light-weight solution provider.

With regard to passenger cars, the Group thoroughly understood the industry development trend of replacing steel with aluminium in vehicle body, and has ramped up its efforts on the R&D and manufacture of large vehicle components such as aluminium body frames, making an important step in the development of high-end aluminium extruded products for vehicles. During the Year under Review, the Group, together with FAW Jiefang Automotive Co., Ltd., jointly manufactured an all-aluminium alloy electric van logistics vehicle, Xiake K16, the prototype of which has successfully passed road test. In the sector of new energy vehicles, the Group has persistently abided by the concept of energy conservation and environmental protection, and jointly explored the light-weight vehicle market with many leading domestic automakers such as Chery and BYD.

The Group's products have been widely used in the rail transit sector. It not only provided further fabricated products, including body aluminium profiles and large vehicle components, for such rail transit vehicles as inter-city trains, commercial maglev trains and subway trains, but also supplied high-quality further fabricated products in batches for the "Fuxing EMU" high-speed trains as the largest supplier of "Fuxing EMU" train body aluminium profiles. Meanwhile, through cooperation with CRRC, some of the Group's vehicle body aluminum profiles and further fabricated products have entered overseas markets.

Remarkable Achievements of Overseas Production Plants

During the Year under Review, Alunna, a high-end aluminium extrusion subsidiary based in Germany, continued to contribute stable revenue and profit to the Group. In the yachts business, Silver Yachts, the shipyard based in Australia, delivered an all-aluminium alloy luxury superyacht "BOLD" with a hull length of 85 meters, winning the 2020 BOAT International Design & Innovation Award. Meanwhile, during the Year under Review, the Group commenced production of the first all-aluminium alloy yacht in Jiangmen, Guangdong Province.

Emphasis on R&D and Innovation to Energise Business Growth

The Group highly values R&D and innovation. It has been constantly developing high-end terminal aluminium products, and has made progress in high value-added projects. It has also opened up the upstream and downstream industry chains and made great strides in various sectors, achieving synergistic business development. During the Year under Review, the Group accomplished various technological R&D achievements and drew attention in the industry. It was listed in "2019 Manufacturing and Internet Integration Pilot Demonstration Projects" (2019年製造業與互聯網融合發展試點示範項目) by the Ministry of Industry and Information Technology ("MIIT"). Five important technologies independently developed by the Group have successfully passed the scientific and technological achievement evaluation by a national military-civilian integration technology evaluation institution recognised by the MIIT. In particular, the key technologies for the production of all-aluminium body and chassis of new energy passenger vehicles have attained advanced international standards. At the same time, Liaoning Zhongwang Group Co., Ltd. ("Liaoning Zhongwang"), a subsidiary of the Group, has obtained the review certification on national technology innovation demonstration enterprises. Alunna, a subsidiary of the Group based in Germany, has received a number of qualification certifications in the international aerospace and defence industry sectors, reflecting the comprehensive technological superiority of the Group.

II. FUTURE PROSPECT

In 2019, the domestic and global environment remained complex and volatile with the rise of trade protectionism and frequent geopolitical events. The ongoing US-China trade war also cast a shadow on the global economy. However, China's economic development is at the stage of industrialisation, and aluminium is still in demand in high-end and emerging markets. Driven by a series of favourable national macro policies, the operation of the aluminium industry is generally stable with improved market demand. The MIIT has continuously reinforced the supply-side structural reform, actively expanded the application of aluminium and directed the high-quality development of the aluminium industry, so as to ensure the orderly progress of the aluminium industry towards transformation and upgrade as well as high-quality development. In addition, at the Central Economic Work Conference held at the end of 2019, the policymakers pointed out that it was necessary to facilitate the development of the real economy and to improve the standards of manufacturing industry. Benefitting from the support of national policies, aluminium alloy products have been widely used. The aluminium application market has been fully expanded with fabrication industry achieving continuous breakthroughs.

Along with the advancement of urbanisation in China, the newly-developed residential projects mainly consisted of mid-to-high rise buildings. Coupled with increasingly strict environmental protection and construction waste disposal policies, aluminium alloy formwork has been widely used in the construction industry due to its irreplaceable advantages of being light weight, high strength, easy to assemble, and high turnover with high recycling value. It helps to improve project construction quality, reduce costs and increase efficiency, and promote energy conservation and environmental protection. At present, the aluminium formwork industry is at the stage of rapid development, and has been penetrating into various sectors such as housing construction and infrastructure. According to the "Thirteenth Five-Year Plan" for the Development of Construction Industry (建築業發展「十三五」規劃) issued by the Ministry of Housing and Urban-Rural Development, the total output value of the national construction industry will grow at 7% per annum on average in the next five years. According to the report published in March 2020 by Beijing Antaike Information Company Limited, an industry research institute, the market share of aluminium alloy formwork in China will increase to approximately 56% by 2024. Looking ahead, the aluminium alloy formwork market will continue to grow steadily.

In recent years, environmental protection and energy conservation requirements have become increasingly strict, and light-weight transportation has become an irrepressible trend for the development of world's automobile industry. Against this backdrop, China encourages the development of new automotive materials, which has also fueled the booming development of the new energy vehicle industry. According to the Ministry of Public Security, the development of new energy vehicles still maintains a long-term positive momentum. In 2019, the new energy vehicle ownership in China increased by 46.05% on a year-on-year basis, delivering rapid growth. Pursuant to the forecast in the Report on 2019 Long-Term Outlook for New Energy Vehicle Market" (《2019年新能源汽車市場長期展望》) released by Bloomberg New Energy Finance, sales volume of new energy vehicles will account for 57% of that of global passenger vehicles by 2040. China will continue to lead the global electric vehicle market. The sales volume of electric passenger cars in China is expected to account for 48% of that of global electric passenger vehicles in 2025. Moreover, in June 2019, the National Development and Reform Commission and other two ministries jointly issued the "Implementation Plan for Promoting the Upgrading of Key Consumer Goods and Smooth Resources Recycling (2019–2020)" (《推動重點消費品更新升級暢通資源循環利用實施方案(2019–2020年)》), stating that the restrictions on purchasing and driving new energy vehicles should be lifted across the country, and those already implemented should be cancelled. These further add to the growth potential of aluminium application in the automotive industry.

As the preferred choice for light-weight vehicles, aluminium alloy has been the focal point of automakers. Aside from light weight, strength and safety, aluminium alloy also possesses various unique advantages such as significant weight reduction effect, ease of recycling and high assembly efficiency. It is expected that the demand for aluminium in the automotive industry will grow rapidly with the further development of new energy vehicle market in the future. To this end, the Group will firmly grasp market opportunities, actively establish its presence in related industries, and carry out technical cooperation with well-known domestic and international automakers to jointly develop new energy vehicles and explore prospective market for aluminium applications.

As at the end of 2019, the total mileage of high-speed railway in operation in China has exceeded over 35,000 km, accounting for approximately 70% of the total mileage of high-speed railway worldwide. As the Belt and Road Initiative progresses, some domestic aluminium materials have gone abroad with China's high-speed rail projects for the construction of overseas rail projects, raising the requirements on the tenacity of aluminium alloy materials. Apart from high-speed rail, aluminium alloy has also been widely used in the manufacturing of urban rail trains, such as subway trains, light rail trains and maglev trains. According to the latest statistics of China Association of Metros, urban rail train systems have been established in 40 cities in aggregate in mainland China with railway tracks in operation totalling 6,730 km by the end of 2019. Meanwhile, the production of private aircrafts, civil aviation and large aircrafts has been increasing year by year, and the aircraft manufacturing industry has entered a period of development. Although currently, aluminium for aircraft use is still mainly imported, with the implementation of government's favourable policies and the application of R&D achievements by related enterprises, aircraft aluminium products are expected to be supplied domestically in the foreseeable future. The prospect of the aircraft aluminium market is promising.

The market trends and government policies mentioned above are favourable to the suppliers of fabricated aluminium products in China. To seize the opportunities, the management of the Company has formulated the following strategies for development:

1. Continue to optimise the Group's aluminium fabrication capacity so as to reinforce its overall competitiveness: as more aluminium extrusion equipment is put into operation in phases for commercial production, the Group's overall competitiveness will be further reinforced in the high-end aluminium fabrication industry;

2. Diversify high-end product offerings and enhance the overall added value of products: the Group will continue to leverage on its strengths in cutting-edge production techniques and the ability of its design team to meet the demand from various customers, especially for middle and high-end products, and provide customers with more integrated lightweight solutions. By strengthening its R&D and technological advantages, the Group will continue to diversify its product offerings, improve product quality and enhance the overall added value of the products; and

3. Unlocking the value of the Group's aluminium flat rolling plant in Tianjin, thus adding new impetus to the Group's long-term development: the Group will further improve the product quality and production efficiency of the first production line in said plant to provide customers with high-quality aluminium flat-rolled products. The second production line has commenced pilot production and the target date for commercial production is in 2020. The Group will also step up its effort in developing new products and obtaining certifications for high-end products, paving the way for the optimisation of product portfolio.

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 structure and more comprehensive business strategy.

III. FINANCIAL REVIEW

A comparison of the financial results of the Group for the Year under Review and the Year 2018 is set out as follows.

Revenue

During the Year under Review, total revenue of the Group amounted to approximately RMB23.58 billion, representing a decrease of 7.9% from approximately RMB25.60 billion for the Year 2018, and total sales volume for the Year under Review increased by 4.9% to 962,071 tonnes as compared with 917,176 tonnes for the Year 2018. 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 RMB23.57 billion (Year 2018: approximately RMB25.58 billion). Other revenue primarily comprised metal trade agency commission and amounted to approximately RMB16.54 million (Year 2018: approximately RMB22.85 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 2018:

	For the year ended 31 December								
	2019			2018			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	**15,703,008**	**474,376**	**33,102**	19,412,178	589,616	32,923	-19.1%	-19.5%	0.5%
Aluminium alloy formwork segment	**9,092,951**	**221,484**	**N/A**	12,914,414	341,008	N/A	-29.6%	-35.1%	N/A
– Sales of aluminium alloy formwork	**8,393,515**	**221,484**	**37,897**	12,914,414	341,008	37,871	-35.0%	-35.1%	0.1%
– Leasing of aluminium alloy formwork	**699,436**	**N/A**	**N/A**	–	N/A	N/A	N/A	N/A	N/A
Industrial aluminium extrusion segment	**6,587,235**	**251,628**	**26,178**	6,483,257	247,805	26,163	1.6%	1.5%	0.1%
Construction aluminium extrusion segment	**22,822**	**1,264**	**18,055**	14,507	803	18,066	57.3%	57.4%	-0.1%
Aluminium flat rolling business	**6,878,371**	**449,971**	**15,286**	5,049,531	287,154	17,585	36.2%	56.7%	-13.1%
Further fabrication business	**985,777**	**37,724**	**26,131**	1,115,874	40,406	27,617	-11.7%	-6.6%	-5.4%
Others	**16,543**	**N/A**	**N/A**	22,851	N/A	N/A	-27.6%	N/A	N/A
Total	**23,583,699**	**962,071**	**24,513**	25,600,434	917,176	27,912	-7.9%	4.9%	-12.2%

During the Year under Review, sales volume of the Group's aluminium alloy formwork was 221,484 tonnes (Year 2018: 341,008 tonnes) with sales amount of approximately RMB8.39 billion (2018: approximately RMB12.91 billion). Average selling price was RMB37,897 per tonne (Year 2018: RMB37,871 per tonne). The Group has been continuously improving the production efficiency of its aluminium alloy formwork products, and is also actively exploring the feasibility of various business models. During the Year under Review, the Group launched the pilot run of the aluminium alloy formwork leasing business model. During the Year under Review, the volume of leasing of the aluminium alloy formwork was 96,214 tonnes, and revenue from the aluminium alloy formwork leasing business amounted to approximately RMB700 million. Revenue and profits contributed from the leasing of aluminium alloy formwork business are evenly recorded throughout the leasing period across years by instalment while the sales of aluminium alloy formwork business recorded the revenue and profits instantly at the time when the transaction incurred. In the short run, revenue recognition and profits contribution from leasing is less than the sales of aluminium alloy formwork business. However, the leasing of aluminium alloy formwork business generates a bigger and sustainable overall revenue and contribution of profits in the medium to long run as compared with sales of aluminium alloy formwork business.

During the Year under Review, sales amount of the Group's industrial aluminium extrusion segment increased by 1.6% to approximately RMB6.59 billion from approximately RMB6.48 billion for the Year 2018, and sales volume increased by 1.5% to 251,628 tonnes from 247,805 tonnes for the Year 2018. During the Year under Review, average selling price of industrial aluminium extrusion products was RMB26,178 per tonne, which was generally in line with RMB26,163 per tonne for the Year 2018.

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 40,045 tonnes (Year 2018: 47,094 tonnes) with sales amount of approximately RMB620 million (Year 2018: approximately RMB750 million); sales volume of high-precision aluminium raw material to the high value-added aluminium flat rolling project amounted to 278,525 tonnes (Year 2018: 98,451 tonnes) with sales amount of approximately RMB3.40 billion (Year 2018: approximately RMB1.20 billion).

For the Year under Review, revenue of the Group's aluminium flat rolling business increased by 36.2% to approximately RMB6.88 billion from approximately RMB5.05 billion for the Year 2018, sales volume for the Year under Review increased by 56.7% to 449,971 tonnes from 287,154 tonnes for the Year 2018 and average selling price decreased by 13.1% to RMB15,286 per tonne from RMB17,585 per tonne for the Year 2018.

For the Year under Review, revenue of the Group's further fabrication business decreased by 11.7% to approximately RMB990 million from approximately RMB1.12 billion for the Year 2018, sales volume decreased by 6.6% to 37,724 tonnes from 40,406 tonnes for the Year 2018 and average selling price decreased by 5.4% to RMB26,131 per tonne from RMB27,617 per tonne for the Year 2018.

Geographically, the Group's overseas customers mainly came from, among others, the United States of America, Germany and South Korea. For the Year under Review, the Group's revenue from overseas sales amounted to approximately RMB2.53 billion (Year 2018: approximately RMB2.54 billion), accounting for 10.7% of the Group's total revenue (Year 2018: 9.9%).

Cost of Sales

For the Year under Review, the Group's cost of sales decreased by 4.4% to approximately RMB16.48 billion from approximately RMB17.24 billion for the Year 2018, and the unit cost of products decreased by 8.9% to RMB17,129 per tonne from RMB18,795 per tonne for the Year 2018. Such decrease was mainly due to the increase in total production volume of aluminium flat rolling business of the Group, which led to the decrease in average unit cost as a result.

Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB7.10 billion for the Year under review, representing a decrease of 15.0% from approximately RMB8.36 billion for the Year 2018. The overall gross margin of the Group slightly decreased to 30.1% for the Year under Review from 32.7% for the Year 2018.

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 2018:

	For the year ended 31 December					
	2019			2018		
	Gross profit RMB'000	%	Gross margin %	Gross profit RMB'000	%	Gross margin %
Aluminium extrusion business	6,298,420	88.7%	40.1%	7,776,731	92.9%	40.1%
Aluminium alloy formwork segment	4,130,186	58.2%	45.4%	5,574,852	66.6%	43.2%
– Sales of aluminium alloy formwork	3,620,506	51.0%	43.1%	5,574,852	66.6%	43.2%
– Leasing of aluminium alloy formwork	509,680	7.2%	72.9%	–	–	N/A
Industrial aluminium extrusion segment	2,167,600	30.5%	32.9%	2,200,562	26.3%	33.9%
Construction aluminium extrusion segment	634	0.0%	2.8%	1,317	0.0%	9.1%
Aluminium flat rolling business	706,731	9.9%	10.3%	414,374	5.0%	8.2%
Further fabrication business	82,877	1.2%	8.4%	147,725	1.8%	13.2%
Others	16,359	0.2%	N/A	22,851	0.3%	N/A
Total	7,104,387	100.0%	30.1%	8,361,681	100.0%	32.7%

Investment Income

Investment income, which mainly consists of interest income from bank deposits and interest income from financial assets at amortised costs, decreased to approximately RMB170 million for the Year under Review from approximately RMB220 million for the Year 2018, which was mainly because the interest income from financial assets at amortised costs during the Period under Review was nil (Year 2018: approximately RMB73.82 million).

Other Income

Other income increased to approximately RMB810 million for the Year under Review from approximately RMB740 million for the Year 2018, mainly due to the shift from an exchange loss for the Year 2018 to an exchange gain for the Period under Review arising from the less appreciation of Renminbi in the Period under Review as compared to the Year 2018.

Selling and Distribution Costs

Selling and distribution costs increased to approximately RMB540 million for the Year under Review from approximately RMB310 million for the Year 2018, primarily due to an increase in transportation costs as a result of the operation of the Group's leasing of aluminium alloy formwork, as well as 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 sales staff cost during 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, financing commission fees, depreciation charges of office equipment, depreciation of right-of-use assets, business entertainment expenses and intermediary fees. Administrative and other operating expenses increased to approximately RMB2.78 billion for the Year under Review from approximately RMB2.68 billion for the Year 2018. Such increase was primarily due to an increase in the financing commission fees of the Group during the Year under Review.

Share of Profit of Associates

The Group's share of profit of associates for the Year under Review was approximately RMB51.73 million (Year 2018: approximately RMB160 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 RMB1.27 billion for the Year under Review from approximately RMB1.26 billion for the Year 2018. Such increase was principally due to an increase in the Group's average interest rate of borrowings for the Year under Review as compared to that for the Year 2018.

During the Year under Review, the Group's capitalised interest expenses amounted to approximately RMB500 million (Year 2018: approximately RMB450 million).

During the Year under Review and the Year 2018, the Group's interest-bearing loans carried average interest rates of 4.84% and 4.52% per annum, respectively. During the Year under Review, the debentures carried interest rates ranging from 3.75% to 4.05% per annum (Year 2018: from 3.75% to 5.40% per annum).

Profit before Taxation

The Group's profit before taxation decreased to approximately RMB3.55 billion for the Year under Review from approximately RMB5.24 billion for the Year 2018.

Income Tax

The Group's income tax decreased to approximately RMB370 million for the Year under Review from approximately RMB770 million for the Year 2018.

Profit for the Year

The Group's profit for the year decreased to approximately RMB3.18 billion for the Year under Review from approximately RMB4.47 billion for the Year 2018.

Cash Flows

The following sets forth the Group's cash flows for the Year under Review and the Year 2018:

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net cash used in operating activities	**(606,148)**	(2,723,475)
Net cash used in investing activities	**(8,037,127)**	(5,551,501)
Net cash (used)/generated from financing activities	**(5,489,828)**	16,494,051

Net Current Assets

As at 31 December 2019, the Group's net current assets amounted to approximately RMB1.72 billion, which was approximately RMB3.43 billion lower than net current assets of approximately RMB5.15 billion at 31 December 2018. The decrease was mainly due to the decrease in current assets and the increase in current liabilities:

(i) as at 31 December 2019, the Group's current assets amounted to approximately RMB38.79 billion, representing a decrease of approximately RMB3.01 billion over approximately RMB41.8 billion at 31 December 2018. The decrease was primarily due to a decrease in cash and cash equivalents; and

(ii) as at 31 December 2019, the Group's current liabilities amounted to approximately RMB37.07 billion, representing an increase of approximately RMB420 million over approximately RMB36.65 billion at 31 December 2018. The increase was primarily due to an increase in current portion of bank and other loans.

Liquidity

As at 31 December 2019, the Group's cash and cash equivalents amounted to approximately RMB920 million (31 December 2018: approximately RMB15.05 billion); short-term deposits amounted to approximately RMB100 million (31 December 2018: Nil); and balance of pledged bank deposits under current assets amounted to approximately RMB2.45 billion (31 December 2018: approximately RMB1.7 billion).

Borrowings

As at 31 December 2019, the Group's debentures and loans amounted to approximately RMB64.79 billion in aggregate, representing an increase of approximately RMB5.67 billion from approximately RMB59.12 billion as at 31 December 2018.

As at 31 December 2019, the Group's debentures and loans under current liabilities amounted to approximately RMB15.50 billion (31 December 2018: approximately RMB13.96 billion) and debentures and loans under non-current liabilities amounted to approximately RMB49.29 billion (31 December 2018: approximately RMB45.16 billion).

The Group's gearing ratio was approximately 70.9% and 69.4% as at 31 December 2019 and 31 December 2018. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

As at 31 December 2019, assets with a total carrying amount of approximately RMB7.70 billion of the Group were pledged, including pledged bank deposits, property, plant and equipment and right-of-use assets, for financing arrangements (31 December 2018: approximately RMB5.47 billion).

Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities.

Employees

As at 31 December 2019, the Group had 46,334 full-time employees responsible for production, R&D, sales and management. During the Year under Review, the Group's average number of full-time employees amounted to 43,805, representing an increase of 19.1% from 36,766 employees for the Year 2018. During the Year under Review, relevant employee costs (including Directors' remuneration) amounted to approximately RMB4.62 billion (including share option charges of approximately RMB27.40 million), an increase of 22.1% as compared with approximately RMB3.78 billion (including share option charges of approximately RMB29.83 million) for the Year 2018. The Group's employee costs (excluding share option charges) increased mainly due to the increase in the number of employees as a result of the Group's business expansion in both scope and size.

Research and Development

Continuous investment in R&D has helped the Group establish a high-level R&D and technical team. As at 31 December 2019, the Group had 4,379 R&D and quality control personnel which accounted for 9.5% 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 mold design and manufacturing centre in Asia, the Group has also established 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

As at 31 December 2019, 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 RMB16.64 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 these expenditures.

Proposed Spin-off

On 20 March 2020, 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) together with National Civil-Military Integration Industry Investment Fund Co., Ltd.* (國家軍民融合產業投資基金有限責任公司) ("the Fund"), entered into an asset 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), pursuant to which, among other things, (i) Zhongwang Fabrication has agreed to sell and CRED Holding has agreed to purchase the 96.55% equity interests in Liaoning Zhongwang held by Zhongwang Fabrication at a consideration of RMB29,448,275,862; and (ii) CRED Holding has agreed to sell and Zhongwang Fabrication has agreed to purchase the 100% equity interests in Xinjiang CRED Holding Company Limited* (新疆中房置業有限公司) held by CRED Holding at a consideration of RMB200 million and both considerations will be offset against each other and the balance of RMB29,248,275,862, will be satisfied by the issuance of 4,748,096,730 shares by CRED Holding to Zhongwang Fabrication at a unit price of RMB6.16 (the "Issue Price per Consideration Share"), representing 86.36% equity interests in CRED Holding as enlarged by the issuance of the consideration shares.

As part of the asset transfer agreement, the Fund, which is an independent minority shareholder of Liaoning Zhongwang, has also agreed to sell and CRED Holding has also agreed to purchase the 3.45% equity interests in Liaoning Zhongwang held by the Fund at a consideration of RMB1,051,724,138, the consideration of which will be satisfied by the issuance of 170,734,437 shares by CRED Holding to the Fund at the same issue price as the Issue Price per Consideration Share, representing 3.11% equity interests in CRED Holding as enlarged by the issuance of the consideration shares.

For details of the transactions, please refer to the announcement of the Company dated 20 March 2020.

Events after the Reporting Period

Disposal of 100% Equity Interests in Zhongwang Aluminium Material

On 26 February 2020, Liaoning Zhongwang Aluminium Co., Ltd.* (遼寧忠旺鋁業有限公司) ("Zhongwang Aluminium") and Yidian Holding Group (Luoyang) Nonferrous Metals Co., Ltd.* (伊電控股集團(洛陽)有色金屬有限公司) ("Yidian Luoyang") entered into a share transfer agreement, pursuant to which Zhongwang Aluminium agreed to sell, and Yidian Luoyang agreed to purchase the 100% equity interests in Yingkou Zhongwang Aluminium Material Co., Ltd.* (營口忠旺鋁材料有限公司) ("Zhongwang Aluminium Material") at the consideration of RMB4,600,000,000. Upon completion, the Company will cease to hold any equity interests in Zhongwang Aluminium Material, and the financial results of Zhongwang Aluminium Material would no longer be consolidated in the consolidated financial statements of the Group. As at the date of this annual report, the transaction has been completed.

The Impact of Novel Coronavirus

Since the outbreak of novel coronavirus ("COVID-19") in January 2020, the prevention and control of the COVID-19 has been going on throughout the PRC. COVID-19 has certain impacts on the business operation and overall economy in some areas or industries. This may affect the operation and results of the Group in a degree. The degree of impact depends on the escalation and the duration of the epidemic, the situation of the epidemic preventive measures and the implementation of regulatory policies. However, the Group will keep continuous attention on the situation, assess and react actively to its impacts on the financial position and results of the Group. The assessment up to the date of this annual report is still in progress.

Termination of the Equity Transfer Agreements

On 17 March 2020, Zhongwang Fabrication and Liaoning Zhongwang entered into a termination agreement with Jiaxing Liding Changhao Equity Investment Partnership Enterprise (Limited Partnership)* (嘉興力鼎昌浩股權投資合夥企業(有限合夥)) and Zibo Yingke Baiyao Pioneer Investment Partnership Enterprise (Limited Partnership)* (淄博盈科百耀創業投資合夥企業(有限合夥)), pursuant to which, the equity transfer agreements entered into among each party (as the case maybe) and the transactions contemplated thereunder were terminated on 17 March 2020, and rights and obligations of Jiaxing Liding Changhao Equity Investment Partnership Enterprise (Limited Partnership) and Zibo Yingke Baiyao Pioneer Investment Partnership Enterprise (Limited Partnership) under the shareholders' agreement dated 30 October 2019 shall concurrently terminate on 17 March 2020.

Other Matters

The Company noted there were certain related allegations, including those made in an article published on the website of the Wall Street Journal and a news released on the website of the Department of Justice of the United States (the "DOJ") on 31 July 2019 (the "Relevant Reports") in relation to a proceeding indicted by a federal grand jury on charges, including tax evasion, against, among others, the controlling shareholder of the Company and the Company (the "Alleged Proceeding") and the DOJ has obtained an indictment against the Company and its controlling shareholder in relation to the Alleged Proceeding. As stated in the Relevant Reports, an indictment is only an allegation, and each person named in an indictment is presumed to be innocent. If the allegations were proven in court, the Company could face monetary penalties.

The controlling shareholder of the Company has confirmed to the Company that he had not been served with any legal instrument or notice in relation to the Alleged Proceeding. Based on its best knowledge, the Company also confirms that it has not been served with any legal instrument or notice in relation to the Alleged Proceeding. The Company takes seriously any allegations that it may have violated any law and confirms that there is no update on the Alleged Proceeding since the publication of the announcements of the Company dated 1 August 2019 and 5 August 2019.

Financial Risks

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

Foreign Currency Risk

Most of 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 89.3% of the Group's revenue was settled in Renminbi and approximately 10.7% was settled in foreign currencies, while approximately 96.6% of the Group's borrowings was denominated in Renminbi and approximately 3.4% was denominated in foreign currencies as at 31 December 2019.

Exchange rate fluctuations will affect contractual sales revenue denominated in foreign currencies and 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. As at 31 December 2019, the Group's fixed-rate loans were approximately RMB10.92 billion (31 December 2018: approximately RMB13.85 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. Both tranches of debentures were fully settled during the Year under Review.

Price Fluctuation Risk of Aluminium Ingot

The Group's principal raw materials in the aluminium extrusion product business include aluminium ingots, aluminium rods, magnesium ingots, 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.

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)	43	Chairman and president
Ma Qingmei (馬青梅)	42	Vice president of the Company
Non-executive Directors		
Chen Yan (陳岩)	40	Chairman and General manager of Liaoning Zhongwang
Lin Jun (林軍)	48	Deputy general manager of Liaoning Zhongwang
Wei Qiang (魏強)	41	Deputy general manager of Liaoning Zhongwang
Independent Non-executive Directors		
Wong Chun Wa (王振華)	45	Independent non-executive director
Wen Xianjun (文獻軍)	57	Independent non-executive director
Shi Ketong (史克通)	51	Independent non-executive director
Lo Wa Kei, Roy (盧華基)	48	Independent non-executive director

Executive Directors

Mr. LU Changqing (路長青), aged 43, 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 23 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 42, is an executive Director of the Group. She is primarily responsible for the planning, operation and management of the Company. She is also a member of the board of directors of 5 subsidiaries including Zhongwang (Liaoyang) Advanced Fabrication Aluminium Company Limited. After joining Liaoning Zhongwang in 2007, Ms. Ma worked with the smelting and casting mill of Liaoning Zhongwang. She was appointed as a deputy general manager of Liaoning Zhongwang in 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 has a master's 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 40, is a non-executive Director of the Group. He is primarily responsible for Liaoning Zhongwang's planning, operation and management. He is also a member of the board of directors of 23 subsidiaries including Liaoning Zhongwang and Tianjin Zhongwang. He has 19 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, he was appointed as a general manager of Liaoning Zhongwang in September 2017 and was appointed as the chairman of Liaoning Zhongwang in November 2019. 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.

Mr. LIN Jun (林軍), aged 48, is a non-executive Director of the Group. He is principally responsible for production of Liaoning Zhongwang. He is also a member of the board of directors of 10 subsidiaries including Liaoning Zhongwang. Since his joining in Liaoning Zhongwang in 2005, Mr. Lin Jun has successively served in various positions in management of quality and environmental protection system, management of equipment and mechanical engineering as well as production and management of aluminium extrusion products. He was appointed as the deputy general manager of Liaoning Zhongwang in July 2019. Mr. Lin Jun holds a degree in chemistry from Shenyang University of Technology. Mr. Lin was appointed as a non-executive Director on 26 July 2019.

Mr. WEI Qiang (魏強), aged 41, is a non-executive Director of the Group. He is principally responsible for financial affairs of Liaoning Zhongwang. He is also a member of the board of directors of 11 subsidiaries including Tianjin Zhongwang. He has 16 years' experience in aluminium fabrication industry. Since his joining in Liaoning Zhongwang in March 2004, Mr. Wei Qiang has served in various positions in finance and operation management. He was appointed as a vice general manager of Liaoning Zhongwang in July 2018. Mr. Wei Qiang holds a degree in accounting from Dongbei University of Finance & Economics, and was awarded the Certificate in Middle Management Accountant by China Association of Chief Financial Officers in January 2019. Mr. Wei was appointed as a non-executive Director on 26 July 2019.

Independent Non-executive Directors

Mr. WONG Chun Wa (王振華), aged 45, 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 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 57, 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), all of which 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 51, 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 19 years of experience in providing legal services to clients on PRC corporate investment, stock issuance and listing, mergers and acquisitions, restructuring and liquidation. 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 48, 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, respectively, 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 Panda Green Energy Group Limited (previously known as "United Photovoltaics Group 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 a member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference and founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association. Mr. Lo was also 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	48	Chief financial officer of the Company
Cui Weiye (崔維曄)	Male	41	Vice president and company secretary of the Company
Deng Jun (鄧峻)	Male	52	Global legal director of the Company
Li Pengwei (李鵬偉)	Male	37	Deputy general manager of Liaoning Zhongwang
Wang Fei (王飛)	Male	33	Chairman of Tianjin Zhongwang

Mr. KOT Man Tat (葛文達), aged 48, 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 10 subsidiaries including Silver Yachts Ltd., a 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 a bachelor's degree 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 the chief financial officer of the Company on 28 June 2016.

Mr. CUI Weiye (崔維曄), aged 41, is a vice president and 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, subsidiaries 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 became the sole secretary of the company on 28 June 2019. He 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.

Senior Management

Mr. DENG Jun (鄧峻), aged 52, 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's 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 37, is a deputy general manager of Liaoning Zhongwang. He is primarily responsible for Liaoning Zhongwang's research and development. 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.

Mr. WANG Fei (王飛), aged 33, is the chairman of Tianjin Zhongwang. He is mainly responsible for the planning, operation and management of Tianjin Zhongwang. He is also a director of two subsidiaries including Tianjin Zhongwang. After joining Tianjin Zhongwang in 2012, Mr. Wang served in the hot rolling mill and the cold rolling mill successively. He held various positions including the director of the hot rolling mill and the director of cold rolling mill. He was appointed as the deputy general manager of Tianjin Zhongwang in August 2018 and the chairman of Tianjin Zhongwang in September 2019. Mr. Wang holds a bachelor's degree in material forming and control from Xi'an University of Architecture and Technology and a master's degree in material forming and control engineering from Kunming University of Science and Technology.

Company Secretary

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

REPORT OF THE DIRECTORS

The Board hereby presents this annual report together with the audited consolidated financial statements (the "Consolidated Financial Statements") of the Group for the year ended 31 December 2019 (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 the 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 further fabrication business for aluminium products.

For a fair review of the principal activities of the Group, an analysis of the Group's performance during the Year under Review using financial key performance indicators, the Group's likely future development and particulars of important events affecting the Company that have occurred since the end of the Year under Review, please refer to Management Discussion and Analysis on pages 18 to 30 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 115 to 120 of this annual report.

The Board has proposed not to declare the final dividend for the financial year ended 31 December 2019.

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 196 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 157 of this annual report.

Bank and Other Loans

Details of bank and other loans are set out in Note 33 to the Financial Statements on pages 169 to 171 of this annual report.

Disclosure Pursuant to Rule 13.18 of the Listing Rules

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 31 December 2019.

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. As at 31 December 2019, the outstanding amount owed by Tianjin Zhongwang under the 2015 Facility Agreement was approximately RMB9.66 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 36 to the Financial Statements on pages 174 to 176 of this annual report.

Convertible Preference Shares

Pursuant to an ordinary resolution passed at the 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 at 31 December 2019, 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 2019		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 RMB0.43 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 118 and in Note 36 to the Financial Statements on pages 174 to 176 of this annual report.

Distributable Reserves of the Company

Pursuant to the relevant rules of the Cayman Islands, the Company's reserves available for distribution to shareholders as at 31 December 2019 amounted to RMB4.07 billion (31 December 2018: RMB5.35 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 annual report were:

Executive Directors

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

Non-executive Directors

Mr. Chen Yan
Mr. Liu Zhisheng (Resigned with effect from 26 July 2019)
Mr. Zhang Hui (Resigned with effect from 26 July 2019)
Mr. Lin Jun (Appointed with effect from 26 July 2019)
Mr. Wei Qiang (Appointed with effect from 26 July 2019)

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 31 to 36 of this annual report.

Directors' Service Contracts

Each of Mr. Lu Changqing, an executive Director, Ms. Ma Qingmei, an executive Director and Mr. Chen Yan, a non-executive Director, has entered into a service contract with our Company for a term of three years, which can be terminated by not less than three months' notice in writing served by either the executive Director/non-executive Director or our Company. Each of Mr. Lin Jun, a non-executive Director, and Mr. Wei Qiang, a non-executive Director, has entered into a service contract with our Company for the term commencing from 26 July 2019 to the date of the forthcoming annual general meeting of the Company, which can be terminated by not less than three months' notice in writing served by either the executive Director/non-executive Director or our Company. Each of the independent non-executive Directors has signed an appointment letter with our Company for a term of three years. The appointments of each of our Directors are subject to retirement and rotation under the Articles of the Company.

In accordance with the Company's Articles, Mr. Chen Yan, Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy will retire from the Board by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Further, since Mr. Lin Jun and Mr. Wei Qiang were appointed as Directors by the Board on 26 July 2019 pursuant to article 83(3) of the Company's Articles, each of them will hold office until the forthcoming annual general meeting and shall also be subject to re-election thereat.

None of the Directors 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 2019 and remain independent as at the date of this annual report.

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

As at 31 December 2019, 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 to the Listing Rules, were as follows:

Long positions in the ordinary shares of the Company as at 31 December 2019

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
Wei Qiang	Beneficial owner/Long position	4,800,000(1)	0.09
Lin Jun	Beneficial owner/Long position	3,800,000(1)	0.07
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. Lin Jun, Mr. Wei Qiang, 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.

Save as disclosed above, as at 31 December 2019, 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 in this annual report, at the end of and during the Year under Review, none of the Company or any of its subsidiaries was 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

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 (as defined under the Listing Rules) 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, and were satisfied that Mr. Liu and his associates have duly complied with the Non-competition Deed.

Connected Transactions and Continuing Connected Transactions

On 6 December 2019, the Company entered into a lease agreement with Beijing Zhongyan Real Estate Development Co., Ltd. (the "Beijing Zhongyan"), an associate of Mr. Liu who is a controlling shareholder of the Company, to lease premises from Beijing Zhongyan for a term of two years at the total monthly rent of RMB1,107,040.83 (excluding the related value-added taxes). On 6 December 2019, Liaoning Zhongwang, a subsidiary of the Company, entered into a lease agreement with Beijing Zhongyan to lease premises from Beijing Zhongyan for a term of two years at the total monthly rent of RMB18,113,526.46 (excluding the related value-added taxes). The purpose of entering the lease agreements was to secure a sizeable office space to enable the Group's operation.

Save as disclosed above, 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 39 to the Financial Statements on page 178 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 Transaction, Arrangement or Contract of Significance

Save as disclosed above in "Directors' Service Contracts", no transaction, arrangement or contract to which the Company, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, directly or indirectly, subsisted at the end of or at any time during the Year under Review.

Directors' Remuneration

Our Directors' remuneration is determined based on their roles and duties, our performance and results and the prevailing market conditions, subject to shareholders' approval at general meetings. The Nomination and Remuneration Committee was set up for reviewing the Group's emolument policy and structure for remuneration of the Directors and senior management of the Group, with reference to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

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 programme 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 RMB259 million, RMB0.18 million, RMB14.94 million and RMB6.31 million, respectively. Particulars of these retirement plans are set out in Note 38 to the Financial Statement on page 177 of this annual report.

Employees' Remuneration Policy

The Group endeavours to motivate its staff with performance-based remuneration. On top of basic salary, the Group provides extra rewards for staff with outstanding performance to further align the interests of the employees and the Group, to attract talented individuals and to create long-term incentive for its staff. 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 bought liability insurance 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

As at 31 December 2019, 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 executive of our Company), who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the ordinary shares of the Company as at 31 December 2019

Name of Shareholders	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 as at 31 December 2019

Name of Shareholders	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, as at 31 December 2019, 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 382,900,000 shares (representing 7.03% 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 2019 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 2019	Number of underlying ordinary shares comprised in the options granted during the twelve months ended 31 December 2019	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2019	Number of underlying ordinary shares comprised in the options exercised during the twelve months ended 31 December 2019	Number of underlying ordinary shares comprised in the options outstanding at 31 December 2019
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(4)	22 March 2011	21 March 2021	3.9	3,700,000(3)	–	(3,700,000)	–	–
	6 January 2016	5 January 2026	3.93	7,600,000(3)	–	(7,600,000)	–	–
Zhang Hui(4)	22 March 2011	21 March 2021	3.9	1,900,000	–	(1,900,000)	–	–
	6 January 2016	5 January 2026	3.93	3,800,000	–	(3,800,000)	–	–
Lin Jun(5)	6 January 2016	5 January 2026	3.93	3,800,000	–	–	–	3,800,000(2)
Wei Qiang(5)	22 March 2011	21 March 2021	3.9	1,000,000	–	–	–	1,000,000(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	22,000,000	–	–	–	22,000,000(1)
Other Past and Present Employees	6 January 2016	5 January 2026	3.93	259,100,000	–	–	–	259,100,000(2)
Total				399,900,000	–	(17,000,000)	–	382,900,000

(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 four tranches were vested on 6 January 2017, 6 January 2018, 6 January 2019 and 6 January 2020, respectively, and the rest will be vested on 6 January 2021. 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.

(4) On 26 July 2019, each of Mr. Liu Zhisheng and Mr. Zhang Hui ceased to be a non-executive Director and the options held by them have been cancelled since then.

(5) On 26 July 2019, each of Mr. Lin Jun and Mr. Wei Qiang was appointed as a non-executive Director.

Major Terms of the Share Option Schemes

On 25 May 2018, the Shareholders approved and adopted the 2018 Share Option Scheme (the "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 summarised 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 (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 40 to the Financial Statements on pages 178 to 180 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 RMB10.2 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. To the best knowledge of the Directors, the Company is in compliance with relevant Laws and regulations that have a significant impact on the Company during the Year under Review.

Environmental Policies and Performance

The Group has strictly complied with the environmental laws and regulations in the PRC 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 Management" as set out in pages 94 to 99 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 86 to 93 and Section "Management Discussion and Analysis — Employees" as set out on page 27 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	25.2
Five largest customers in aggregate	42.1

	Percentage of the Group's total purchase (%)
The largest supplier	23.8
Five largest suppliers in aggregate	82.8

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 56 to 70 of this annual report, the Company complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to 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 to 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 ongoing 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 analyse 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 page 30 of this annual report.

Major Purchase and Sale of Subsidiaries and Associates

Save for the deemed disposal and transfer of equity interest of Liaoning Zhongwang on 30 October 2019, there was no major purchase and sale of the subsidiaries and associates of the Company during the Year under Review. For details of the deemed disposal and transfer of equity interest of Liaoning Zhongwang on 30 October 2019, please refer to the announcements dated 30 October 2019, 12 November 2019, 17 March 2020 and 13 April 2020 of the Company.

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 56 to 70 of this annual report.

Auditor

The Company's independent auditor is BDO Limited. At the annual general meeting on 31 May 2019, 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.

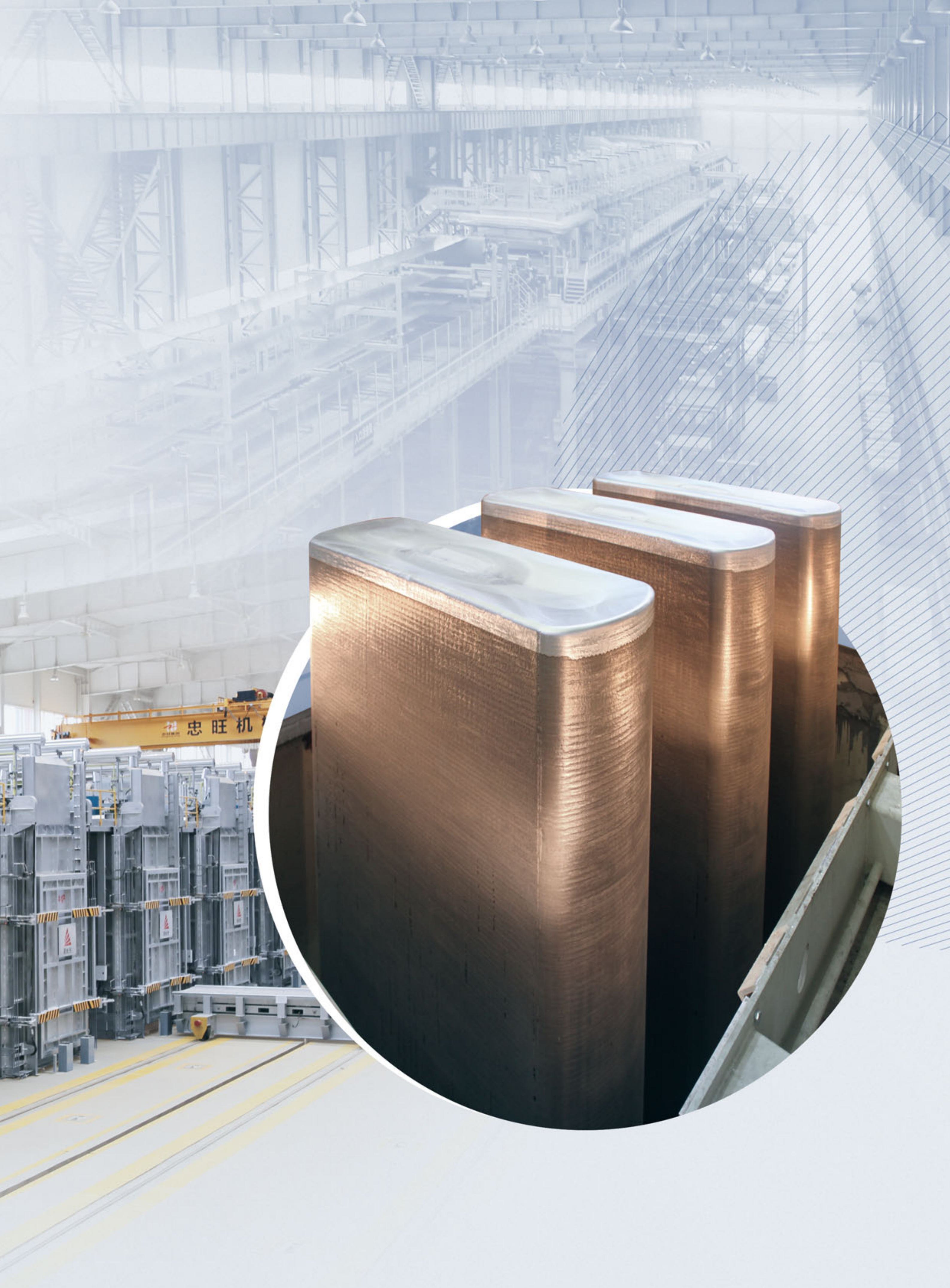
By order of the Board
Lu Changqing
Chairman

Hong Kong, 27 March 2020

ALUMINIUM FLAT ROLLING

Advanced Equipment And Cutting-Edge Technology

The Group's aluminium flat rolling plant will become the world's largest one-time planning and highly automated top-notch aluminium flat rolling production base with most advanced facilities upon completion.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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 2018, the unaudited quarterly results of the periods ended 31 March 2019 and 30 September 2019, the unaudited interim results for the six months ended 30 June 2019, 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. Save as disclosed in this report, there is no financial, business, family or other material/relevant relationships among the current members of the Board.

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. Lin Jun[1]
Mr. Wei Qiang[1]
Mr. Liu Zhisheng[2]
Mr. Zhang Hui[2]

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)*

Notes:

1. Each of Mr. Lin Jun and Mr. Wei Qiang was appointed as a non-executive director on 26 July 2019.

2. Each of Mr. Liu Zhisheng and Mr. Zhang Hui resigned as a director on 26 July 2019.

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 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.

On 26 July 2019, each of Mr. Lin Jun and Mr. Wei Qiang was appointed as a non-executive Director pursuant to article 83(3) of the Company's Articles. Therefore, each of them will hold office until the forthcoming annual general meeting and shall also be subject to re-election thereat. Mr. Liu Zhisheng and Mr. Zhang Hui resigned as non-executive Directors on 26 July 2019.

Each of the independent non-executive Directors is appointed on a term of three years subject to retirement by 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. Wen Xianjun and Mr. Lo Wa Kei, Roy has served as an independent non-executive Director for more than nine years, (i) the Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in Rule 3.13 of the Listing Rules and affirmed that each of Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy remains independent; (ii) the Nomination and Remuneration Committee of the Company has assessed and is satisfied of the independence of each of Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy; and (iii) the Board considers that each of Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy remains independent of management and free of any relationship which could materially interfere with the exercise of his independent judgment. In view of the aforesaid factors and the experience and knowledge of the relevant individual, the Board would recommend each of Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy for re-election at the Annual General Meeting.

Pursuant to 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. Lin Jun, Mr. Wei Qiang, Mr. Chen Yan, Mr. Wen Xianjun and Mr. Lo Wa Kei, Roy shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Board Committees

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

Audit Committee

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

The Audit Committee acts as the key representative body for overseeing the Company's relations with the external auditor and is primarily responsible for the review and supervision of the Group's financial reporting process, risk management and internal controls and review of the Company's financial statements. The Audit Committee meets regularly with the Company's external auditor to discuss the audit procedures and accounting issues. The Audit Committee should meet at least twice a year. In the Year under Review, five meetings were held by the Audit Committee. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2018, the unaudited quarterly results of the periods ended 31 March 2019 and 30 September 2019, the unaudited interim results for the six months ended 30 June 2019 with the senior management of the Company, and has also reviewed the effectiveness of the risk management and internal control systems as well as the internal audit function and financial reporting matters of the Group.

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

The terms of reference of the Audit Committee is available on the Company's website and the Stock Exchange's website. The attendance of Directors at the Audit Committee meetings held in the Year under Review was as follows:

Audit Committee Members	Attendance
Mr. Wong Chun Wa	5
Mr. Wen Xianjun	5
Mr. Shi Ketong	5

Nomination and Remuneration Committee

We established a remuneration committee in accordance with the requirements of Appendix 14 of the Listing Rules in 2009. In compliance with the Governance Code, the Company expanded its remuneration committee's duties on 28 December 2011 to include nomination-related authority and duties and changed its name to the Nomination and Remuneration Committee. Members of the Nomination and Remuneration Committee comprise the chairman of the Board, i.e., 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, ethnicity, 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 achieving the objectives of the Board diversity policy, the Nomination and Remuneration Committee has taken into account various factors defining diversity. Among the Board members, one director is female and five directors have professional background in accounting or law. As the Board currently primarily consists of male members, the Board will continue to 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 aluminium 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 Board considers that the said elements of the Board diversity policy of the Company have substantially been included in the current Board composition and the membership structure of the Board is properly balanced.

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

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

The Nomination and Remuneration Committee should meet at least once a year. Three meetings were held by the Nomination and Remuneration Committee during the Year under Review to discuss the nomination and remuneration of Directors and to review the diversity of the Board and assess relevant policies. There is no difference between the remuneration or compensation arrangements approved by the Board and those proposed by the Nomination and Remuneration Committee The attendance of Directors at the Nomination and Remuneration Committee meetings held during the Year under Review was as follows:

Nomination and Remuneration Committee Members	Attendance
Mr. Wen Xianjun	3
Mr. Lu	3
Mr. Shi Ketong	3

Corporate Governance Committee

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

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

The Corporate Governance Committee should meet at least four times a year. Four meetings were held by the Corporate Governance Committee during the Year under Review to review the corporate governance function as set out in code provision D.3.1 of the Governance Code. The attendance of Directors at the Corporate Governance Committee meetings held during the Year under Review was as follows:

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

Strategy and Development Committee

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

The Strategy and Development Committee should meet at least once a year. Two meetings were held by the Strategy and Development Committee during the Year under Review. The attendance of Directors at the Strategy and Development Committee meetings held during the Year under Review was as follows:

Strategy and Development Committee Members	Attendance
Mr. 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 eight 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 31 May 2019 (the "2019 AGM") to understand the views of the shareholders.

The attendance of each Director at the Board meetings and the 2019 AGM was as follows:

	Attendance	
Members of the Board	**Board Meetings**	**2019 AGM**
Executive Directors		
Mr. Lu	8	1
Ms. Ma Qingmei	8	1
Non-executive Directors		
Mr. Chen Yan	8	1
Mr. Lin Jun (appointed with effect from 26 July 2019)	5	0
Mr. Wei Qiang (appointed with effect from 26 July 2019)	5	0
Mr. Liu Zhisheng (resigned with effect from 26 July 2019)	3	1
Mr. Zhang Hui (resigned with effect from 26 July 2019)	3	1
Independent Non-executive Directors		
Mr. Wong Chun Wa	8	1
Mr. Wen Xianjun	8	1
Mr. Shi Ketong	8	1
Mr. Lo Wa Kei, Roy	8	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; finance; industry	12
Ms. Ma Qingmei	Regulatory; finance; industry	12
Mr. Chen Yan	Regulatory; finance; industry	12
Mr. Lin Jun (appointed with effect from 26 July 2019)	Regulatory; finance; industry	10
Mr. Wei Qiang (appointed with effect from 26 July 2019)	Regulatory; finance; industry	10
Mr. Liu Zhisheng (resigned with effect from 26 July 2019)	Regulatory	3
Mr. Zhang Hui (resigned with effect from 26 July 2019)	Regulatory	3
Mr. Wong Chun Wa	Regulatory; finance; industry	15
Mr. Wen Xianjun	Regulatory; finance; industry	12
Mr. Shi Ketong	Regulatory; finance; industry; corporate governance	24
Mr. Lo Wa Kei, Roy	Taxation; Regulatory; finance; industry	21

Company Secretary

During the Year under Review, Ms. Cheung Yuet Fan has resigned as a joint company secretary with effect from 28 June 2019. Following the resignation of Ms. Cheung Yuet Fan, Mr. Cui Weiye, the other joint company secretary of the Company who meets the requirements of a company secretary under Rule 3.28 of the Listing Rules, remains in office and acts as the sole company secretary of the Company. The company secretary has attended training courses with information regularly provided by the Company or conducted by external professional bodies. During the Year under Review, the company secretary has participated in continuous professional development programmes and provided the Company with a record of his training received as follows:

Name of Company Secretary	Area(s) of training	Hours of training
Mr. Cui Weiye	Regulatory; finance; industry; corporate governance; taxation	20

The Company considers that the training of the company secretary was in compliance with the requirements under Rule 3.29 of the Listing Rules.

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 company secretary, 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 2019 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 153 to 154 of this annual report.

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

Remuneration Bands	Number of persons
Nil to RMB1,500,000	4
RMB1,500,001 to RMB3,000,000	1

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 109 to 114 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 31 to 36 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 annually. 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 meeting held by the Audit Committee during the Year, 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 of the Company monitors the assessment of the risk management and internal controls and has reported to the Board and the Audit Committee their confirmation on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019.

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 2019, 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 31 May 2019, 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 RMB6.57 million and RMB0.23 million, 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 discloseable information on a true, accurate, complete and timely basis and all other information that might have significant impact on the decisions of shareholders and other stakeholders in an active and timely manner. In addition, the Company 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 at 39/F, Zhongwang Tower, Yuan’an Road, Chaoyang District, Beijing, 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 39/F, Zhongwang Tower, Yuan’an Road, Chaoyang District, Beijing (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.

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.

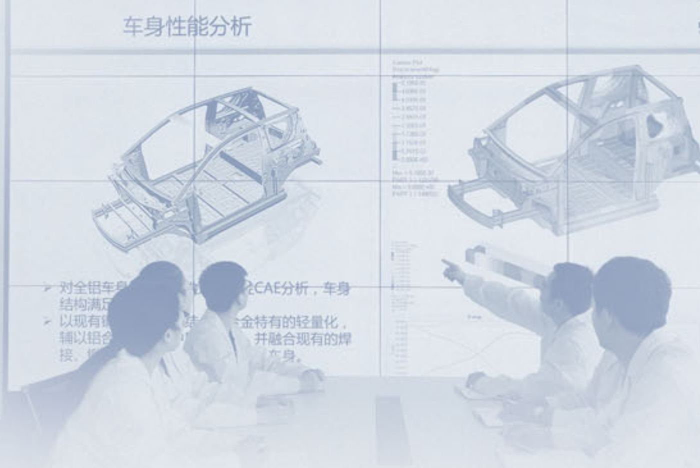
By order of the Board
Lu Changqing
Chairman

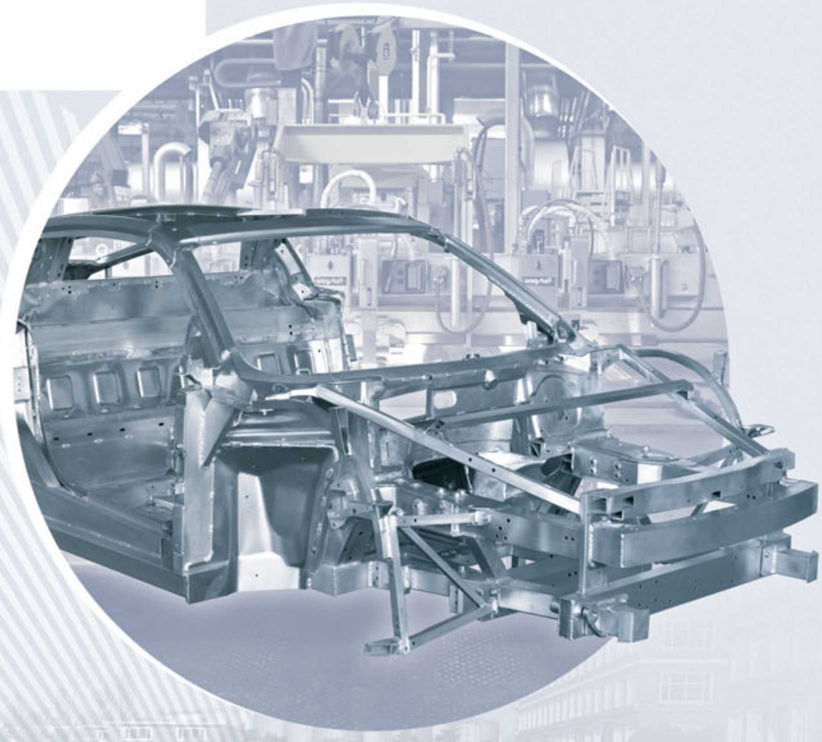
Hong Kong, 27 March 2020

AUTOMOBILES

With Aluminium-Built Bodies Lighter and Faster

The Group collaborates with automakers in China and overseas to jointly develop aluminium automobiles that are lighter, faster and more energy efficient.





ABOUT THE REPORT

This is the fourth Environmental, Social and Governance ("ESG") Report released by 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 was 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 (the "Stock Exchange") on the Main Board and in accordance with the actual circumstances of the Group. The Group has familarised itself with the consultation summary of the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange in December 2019, and included some new requirements in this report, including communication with stakeholders, comprehensive analysis of material issues and identification of sustainability risks exposed to the Company. This report was prepared based on the principles of "materiality", "quantitative", "balance" and "consistency". The analysed quantitative data are presented in a manner that year-on-year comparison can be made.

Scope of the Report

This report discloses the Group's performance in the environmental and social aspects from 1 January 2019 to 31 December 2019 ("Year under Review"), covering the environmental and safety data on the aluminium extrusion and the further fabrication businesses of the Group at Liaoyang and the aluminium flat rolling business of the Group at Tianjin production base, 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:

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Telephone: +86-10-85884088
Fax: +86-10-85884099
E-mail: corpcomm@zhongwang.com
Address: 39/F, Zhongwang Tower, Yuan'an Road, Chaoyang District, Beijing 100102

CHAIRMAN'S MESSAGE

Dear Stakeholders,

2019 was a year of significance for China as it pushed forward the high-quality development of the manufacturing sectors. It also marked a new phase for the aluminium fabrication industry to shift from high-speed growth to high-quality development. China Zhongwang has been focusing on fabricated aluminium products as its principal business. It strives to enhance its R&D capabilities, improve manufacturing processes, optimise product performance and deepen cooperation with end-use sectors. Moreover, the Group has incorporated such sustainable development concepts as energy conservation and emission reduction, technological innovation, talent cultivation and peer collaboration into its daily operation, in an effort to carry out the upgrade and transformation of the manufacturing sectors.

Committed to high-end technology development, the Group is currently operating a number of technology centres, including a national-level enterprise technology centre, a national innovation centre for light-weight material, forming techniques and equipment, a state-local collaborative research centre, a national-level post-doctoral workstation and a CNAS nationally-accredited laboratory. These initiatives have yielded repeated breakthroughs in high-end technology and product development. During the Year under Review, a number of key aluminium fabrication technologies independently developed by the Group have successfully passed authoritative industry assessments. In addition, Liaoning Zhongwang, a subsidiary of the Group, has been named among "China's Model Enterprises in Technological Innovation for 2019" by the Ministry of Industry and Information Technology. As at the end of 2019, the Group owned 826 patents and 81 technological achievements and awards, and participated in the revision of 86 standards.

To usher in industrial reform, the Group has established an elite team comprising talents from various sectors with expertise in such areas as corporate management, technology development, production and marketing. With continuous improvements in its employee training and promotion system, it has established a high-calibre team with strong competence. During the Year under Review, the Group carried out two large scale and comprehensive talent assessments at its Liaoyang production base to evaluate its workforce, both project-based and regular staff, aiming to identify high quality talents with strong potential in a more accurate and effective manner, thereby enhancing the vitality and competence of the entire workforce and ensuring the sustainability of the team.

The Group also assumes the responsibility of promoting industrial light-weight solutions. Our further fabricated aluminium products have been widely used in ecological construction, transportation, machinery and equipment and electric power engineering and other sectors. Large enterprises in the automobile manufacturing and rail transit sectors which need to enforce climate change policies effectively are required to lower fuel consumption and carbon emissions by reducing the weight of transportation carriers and machineries. Currently, the Group's technologies for producing all-aluminium body and all-aluminium chassis of new energy vehicles are at an international advanced level. Such technologies are expected to be widely used in various high-end sectors, including highspeed rail, subway and new energy vehicles in the future. Furthermore, in order to directly promote light-weight ecological construction solutions, the Group launched the leasing business of aluminium alloy formwork during the Year under Review to deepen its access to the market for end applications. In China, aluminium alloy formwork has been widely employed in the construction industry for its distinctive environmental and cost-effective advantages underpinned by the features of light-weight, high strength, ease of construction and high value for recycling.

Safety culture is the foundation for production safety. Not only has the Group set up an internationally certified occupational health and safety management policy, but also actively established a strong belief emphasising "safety first, prevention-oriented" among its employees. Although its work-related injury rate stood at a low level in 2019, the Group will continue to be vigilant. It will formulate a safety production accountability mechanism based on its production characteristics under the principle of attaching equal importance to "management, equipment and training". During the Year under Review, the Group continued to invest in the upgrade and transformation of its production facilities to improve the safety of its equipment. In addition, a modified dust removal equipment was installed at its production workshops to maintain good ventilation and minimise the risk of occupational diseases.

The Group has been making every endeavour to promote green production to reduce emissions in compliance with regulations and to improve its own energy conservation and emission reduction performance by optimising its management systems and upgrading its equipment. During the Year under Review, our Tianjin aluminium flat rolling production base passed the supervisory review under the ISO50001 Energy Management System. In addition to the renovation of aluminium furnaces and holding furnaces, the Group also renovated its gas boilers to a low nitrogen standard to effectively reduce natural gas consumption.

Climate change is a risk globally. Aluminium alloy, known as the "green metal", has become the key to supporting green technologies. Aluminium alloy applications in high-end sectors such as ecological construction, the manufacturing of new energy vehicles and rail transportation, are expected to become increasingly extensive and sophisticated. The Group will make persistent efforts to contribute to the high-quality development of the manufacturing sectors in China with a more diversified competitive product mix. On behalf of the Board, I would like to extend our sincere appreciation to all stakeholders, including, among others, investors, employees, customers, suppliers and business partners, for their long-term care and support for China Zhongwang.

By order of the Board
Lu Changqing
Chairman

Hong Kong, 27 March 2020

SUSTAINABLE DEVELOPMENT MANAGEMENT

China Zhongwang has been dedicated to promoting the development of light-weight solutions and aligning its business with the Sustainable Development Goals of the United Nations, including Goal 8 Decent Work and Economic Growth, Goal 9 Industry, Innovation and Infrastructure, Goal 12 Responsible Consumption and Production, Goal 13 Climate Action and Goal 17 Partnerships. These help stakeholders understand at a macro level how the Group's sustainable development performance contributes to the major issues of global concern.

The Group has set up different dedicated departments to address various sustainable development issues, including the Environmental Management Department, the Safety Department, the Science and Technology Management Department, the Quality Management Department, the System Management Department, the Electric Power Department and the Human Resources Department. Each department regularly evaluates its performance and reports to the vice president and the general manager who are in charge of related functions.

Materiality Assessment

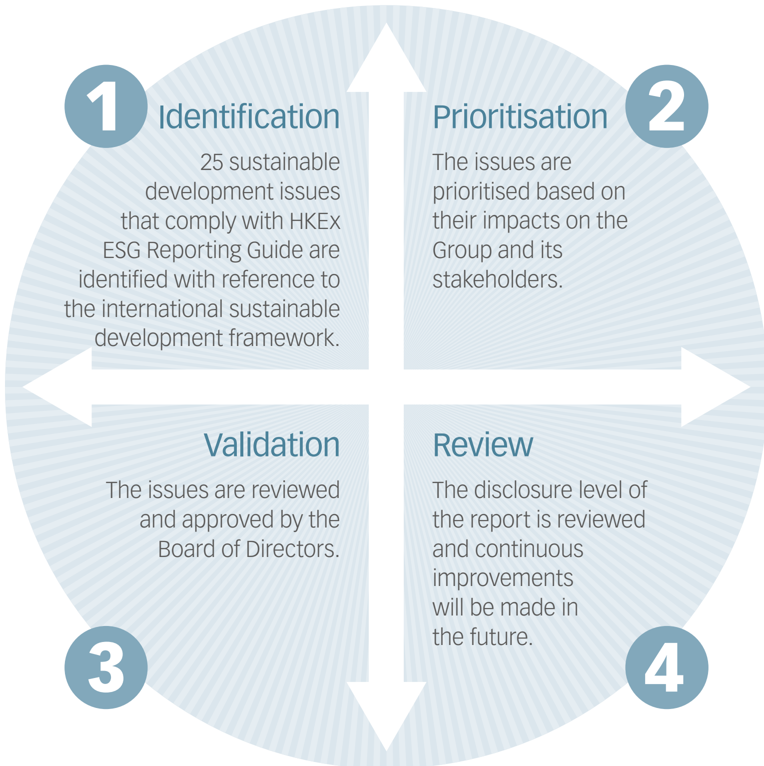
China Zhongwang values the engagement with stakeholders so as to identify the materiality issues in relation to sustainable development, optimise business management and create long-term value. It has a wide range of stakeholders, including customers, employees, investors, communities, suppliers, regulators and environmental groups. Each functional department is responsible for regular communication with relevant stakeholders, and maintaining dialogue through survey questionnaires, internal publications, seminars, financial reports, announcements, training and other forms.

Stakeholders					
Employees	Customers	Investors	Suppliers	Government authorities	Communities
Communication Channels					
• Employee satisfaction surveys • Internal communications • Training • Social media platforms	• Seminars • Meetings • Customer satisfaction surveys	• Investor meetings • Site visits • Annual general meetings • ESG reports	• Seminars • Training • Site visits • Meetings • Assessments	• Responses to government and regulatory policies • Maintaining regular communication with government departments • Appointing an independent third party for review	• Community care projects
Issues of Concern					
• Occupational health and safety • Talent management • Diversity and equal opportunities	• Product safety • R&D and intellectual property rights	• Company operational performance • Anti-corruption	• Supplier management • Anti-corruption	• Environmental compliance • Community involvement	• Community involvement

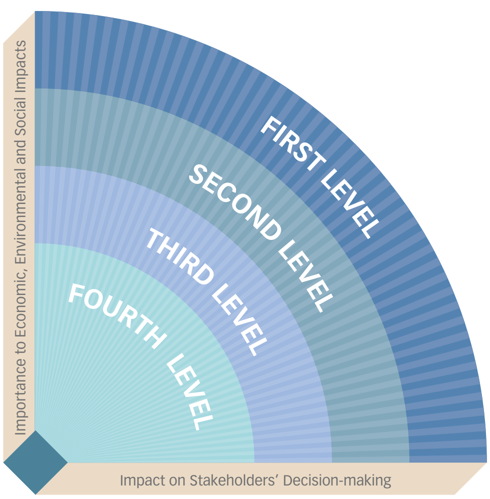
SUSTAINABLE DEVELOPMENT MANAGEMENT

In 2018, the Group conducted special interviews and online surveys to develop an understanding of the views of internal and external stakeholders on China Zhongwang's sustainable development, in an effort to help the Group respond effectively to the materiality issues, about which our stakeholders are concerned, by taking sustainability measures, both in this report and in the future.

With reference to the "HKEx ESG Reporting Guide" and the "GRI Sustainability Reporting Standards", the Group analysed the materiality issues through four steps, namely identification, prioritisation, validation and review of major issues. With materiality matrix, such issues were prioritised on the basis of their "Impact on Stakeholders' Decision-making" and "Importance to Economic, Environmental and Social Impacts". The issues at the first level were of high importance to both the stakeholders and the business of the Group. The list of materiality issues remained unchanged in the report during this year, and these issues continued to be the focus of the Group's operation in 2019.



MATERIALITY MATRIX



FIRST LEVEL

- Management of raw materials
- Light-weight products / eco-friendly products
- R&D and intellectual property rights
- Prevention of child labour and forced labour
- Supplier management
- Product 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

Actions for Sustainable Development

The following table summarises the material issues of the Group and the efforts it has made on such issues during the Year under Review, as well as the sustainable development goals corresponding to these issues.

Materiality Issues	Actions in 2019	Corresponding SDGs
Occupational health and safety	• Has set a goal for safety management to reinforce the safety management of plants and equipment. In 2019, the Group achieved the goal of zero incidence of occupational disease and zero major safety accidents. • The upgraded occupational health and safety management system at the Tianjin aluminium flat rolling production base has reached more stringent ISO 45001:2018 certification standard, and Liaoyang production base has been granted the OHSAS 18001 certification.	
Training and development	• During the Year under Review, based on the existing employee training system, the Group built a new team of internal trainers, and developed in-house courses for internal trainers to realise their full potential and provided targeted skill guidance to in-service employees. • The Z^3 (Zero, Zoom, Zenith) Talent Development and Training System is a newly-established management training system which focuses on nurturing the capability and quality of junior, middle and senior management. • Held 11 training sessions for management system improvement and project managers.	8 DECENT WORK AND ECONOMIC GROWTH
Child labour and forced labour	• According to the "Control Procedures for the Prohibition and Rescue of Child Labour", during the recruitment process, the Human Resources Department checked the identity documents of each candidate to ensure that no child workers would be employed.	
R&D and intellectual property rights	• Named as a National Enterprise with Advantages in Intellectual Property by the National Intellectual Property Administration. • Obtained the GB/T 29390-2013 Intellectual Property Rights Management System certification. • Undertook a number of national research and development tasks, and participated in the formulation of national, industry and group standards.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Product safety	• Established a complete quality management process, obtained a number of quality management system certifications as well as certificates of accreditation from authorities in several high-end industries, such as aviation, shipbuilding, railway transportation and automotive industry. • Set up laboratories at its plants where products were sampled for mechanical property and other safety tests according to customer requirements as well as national laws and regulations. • Applied automated production technology to more fields, and Tianjin aluminium flat rolling production base passed the on-site inspection of industrialisation and informatisation integration ("I&I Integration"), pending review and notification by the expert committees. • Won various honourable titles including the "Top 70 Brands with Industrial Influence in China", and "Top Model 100 Brands" awarded by CCTV China.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Light-weight products	• Cooperated with several well-known automakers in jointly launching all-aluminium new energy vehicles and electric passenger cars and developing all-aluminium alloy electric van logistics vehicles. • Launched a business model for leasing aluminium alloy formwork to increase the frequency of the reuse of aluminium alloy formwork. • Provided further fabricated products, such as body aluminium profiles and large vehicle components, for subway and urban rail projects in many cities to support more eco-friendly rail transit models. • Successfully built BOLD, the world's largest all-aluminium alloy superyacht, which was capable of long-distance sailing with extremely low fuel consumption due to its sound fuel efficiency.	13 CLIMATE ACTION
Raw material and supplier management	• Classified and managed suppliers using information technology based on the importance of their products to our product quality. • Refined supplier evaluation standards, covering environment, safety, labour rights protection and other factors. • Analysed the impact of changes in the environmental regulations on our suppliers, and adjusted the procurement plans in advance.	17 PARTNERSHIPS FOR THE GOALS

OPERATIONAL EXCELLENCE

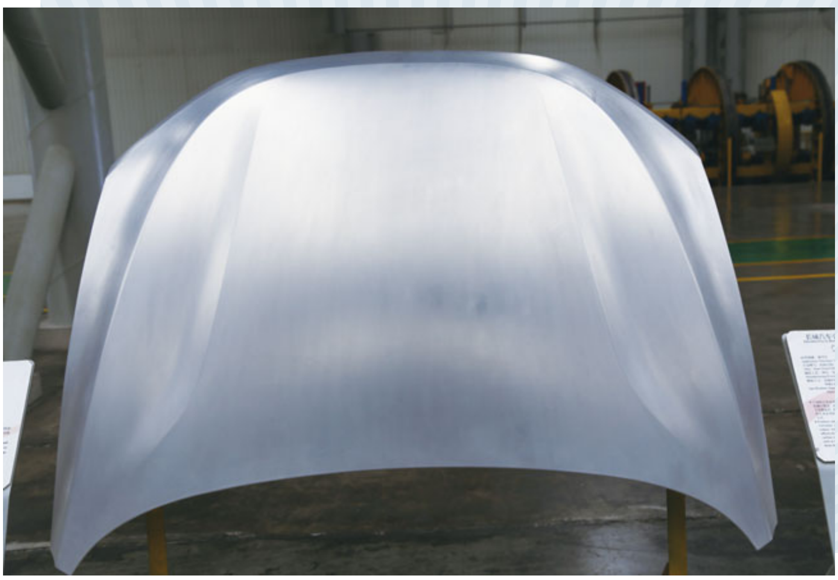
China Zhongwang is committed to the light-weight development of eco-friendly construction, transportation, machinery and equipment, electrical engineering and other industries, plays an active role in innovation, cooperation and leadership and closely cooperates with upstream and downstream enterprises to facilitate the high-end development and eco-friendly transformation of the manufacturing sectors in China.

Eco-friendly Industry Transformation

With its consistent dedication to the aluminium fabrication industry, China Zhongwang has evolved from a single business of aluminium extrusion into three core businesses comprising industrial aluminium extrusion, aluminium flat rolling and further fabrication of aluminium alloy products. We believe that aluminium is the solution to a majority of environmental issues. Our products are widely used in the eco-friendly construction, transportation, machinery and equipment and electric power engineering sectors due to their eco-friendly features of lightness, durability and recyclability, which help various industries carry out eco-friendly transformation.

New energy vehicles

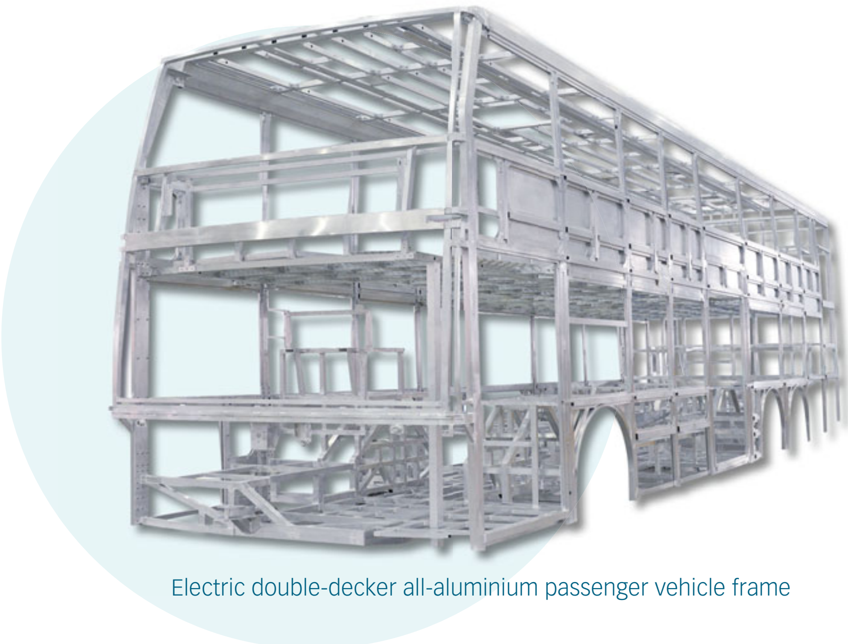
Body weight is one of the major factors which affect fuel consumption performance in vehicles. During the Year under Review, the Group cooperated with several well-known automakers in launching all-aluminium new energy vehicles and electric passenger cars, and in developing all-aluminium alloy electric van logistics vehicles. With the improvement of comprehensive strength, China Zhongwang has expanded its brand influence to the international market. Aside from providing aluminium extruded products to the Jaguar Land Rover plant in the UK, we also provide cutting-edge aluminium alloy materials to a global top new energy vehicle OEM in 2019. Looking ahead, we will also steadily proceed with the cooperation with engine manufacturers such as Mercedes-Benz and BMW.



Aluminium alloy hood

Eco-friendly construction formwork

Aluminium alloy formwork possesses the eco-friendly features of lightness, ease of construction and recyclability. During the Year under Review, the Group transformed its techniques and produced a comprehensive range of aluminium formwork that includes supporting components and connectors, aiming to optimise its eco-friendly features. In 2019, we also launched business model for leasing aluminium alloy formwork to increase the frequency of reuse of this formwork through maintenance. In order to extend the eco-friendly advantages in aluminium alloy formwork, we are seeking to apply the relevant technology to various infrastructure projects such as the construction of underground integrated pipe corridors and subway tunnels.



Electric double-decker all-aluminium passenger vehicle frame

Aluminium alloy body for "Fuxing EMU" high-speed trains

Rail transportation

China Zhongwang has become a major supplier of aluminium products for the train body of China's standard "Fuxing EMU" high-speed trains. It provides further fabricated products, including body aluminium profiles and large vehicle components, for subway trains and urban rail projects in many cities. Aluminium alloy body and components help lower the body weight and bring eco-friendly and energy-saving rail transit model into reality.

Technological Innovation

Innovation is the driving force that keeps China Zhongwang moving forward. Currently, the Group owns several innovation centres, which include a national-level enterprise technology centre; a national innovation centre for light-weight materials, forming techniques and equipment; a state-local collaborated research centre; a national-level post-doctoral workstation; and a CNAS nationally-accredited laboratory. By modifying the innovation incentive system, we mobilise our employees' motivation for innovation and R&D to carry out continuous technological improvement.

Strong R&D capabilities have enabled the Group to successively undertake a number of national-level R&D tasks, including a major special project and the Foundation Enhancement Project for Industrial Transformation and Upgrade commissioned by the Ministry of Industry and Information Technology; the Special Project for Industrial Revitalization and Technological Retrofit commissioned by the National Development and Reform Commission; the National Science & Technology Support Programme; the National Torch Programme; the National 863 Programme; and the National Key New Products Programme. In 2019, the Group submitted 266 patent applications and was awarded 138 licensed patents, bringing the total number of its patents to 826 as of the end of 2019. Furthermore, we also participated in the formulation of national, industrial and group standards, and issued six standards in total during the year. As of the end of 2019, we have issued 59 standards in total.

We employ a customer-oriented approach under which the Sales Department identifies the market demand and the R&D centre conducts product research and development. During the Year under Review, we developed a number of leading aluminium alloy products for the automobiles, laptop shells, tanks, aviation and semiconductor equipment sectors.

A Case of Innovation — 5754 Hot-rolled Sheets with High Conductivity for GIL

5754 hot-rolled sheets produced by the Group were used in the construction of the Suzhou-Nantong Pipeline for the "First Corridor under the Yangtze River". UHV gas-insulated line (GIL) was used for power transmission on this pipeline. Due to its special application, the electrical conductivity for the outer casing of the transmission line needed to stand at above 38% IACS so as to reduce the generation of resistance heat and ensure the safety of transmission line in a better way. We commenced R&D immediately after receiving the project, completed the materials research and development within three months, which successfully supported the project construction.

GIL outer casing of Suzhou-Nantong Pipeline

A Case of Innovation — 2219 Ultra-wide Sheets for Aviation and Aerospace Use

The Group cooperated with an aerospace entity to develop 2219 ultra-wide aluminium alloy sheets with the largest specification in Asia, which has met its specification requirements for 2219 sheets. 2219 sheets, as a type of heat-treated and strengthened aluminium alloy, possess the features of ease of fabrication, high fracture toughness and good weldability, and are widely used in the aviation and aerospace sectors.

With the deepening and expansion of R&D standards and fields, China Zhongwang reinforces the protection of its intellectual property rights by means of the establishment of a systematic and standardised system for intellectual property management. During the Year under Review, our intellectual property management system obtained a certificate of compliance with GB/T 29390-2013 standards. Meanwhile, we were recognised as a "National Model Enterprise of Intellectual Property" in 2019 by the National Intellectual Property Administration and a "Pilot Enterprise of Industrial Intellectual Property" by the Ministry of Industry and Information Technology.

The title of National Model Enterprise of Intellectual Property is known as the highest honor in the intellectual property field of China, which recognises that we have reached the leading domestic level in the creation, application, management and protection of intellectual property. Such recognition is valid for a term of 3 years.

China Zhongwang was recognised as a "National Model Enterprise of Intellectual Property"

Building Reliable Partnerships

"Dedication brings flourishing business" is our core value. We cooperate with our customers and suppliers, value integrity and pursue mutual benefits. Leveraging on its advantages in techniques, China Zhongwang has built a product and process design team to participate in the design, R&D, production and after-sales of new downstream products of customers and provide them with integrated lightweight solutions. The case below describes the process of China Zhongwang's in-depth participation in the R&D of new energy vehicles.

Research and Development

- Provide professional advices on material, performance, production and cost to the customer
- Cooperate with the customer to complete structure design and optimisation, as well as the production process analysis
- Design and produce molds

Testing and Optimisation

- Conduct material performance testing and test new production techniques for customers
- Carry out prototype examination and quality control
- Complete vehicle body testing for customers
- Design and optimise production lines

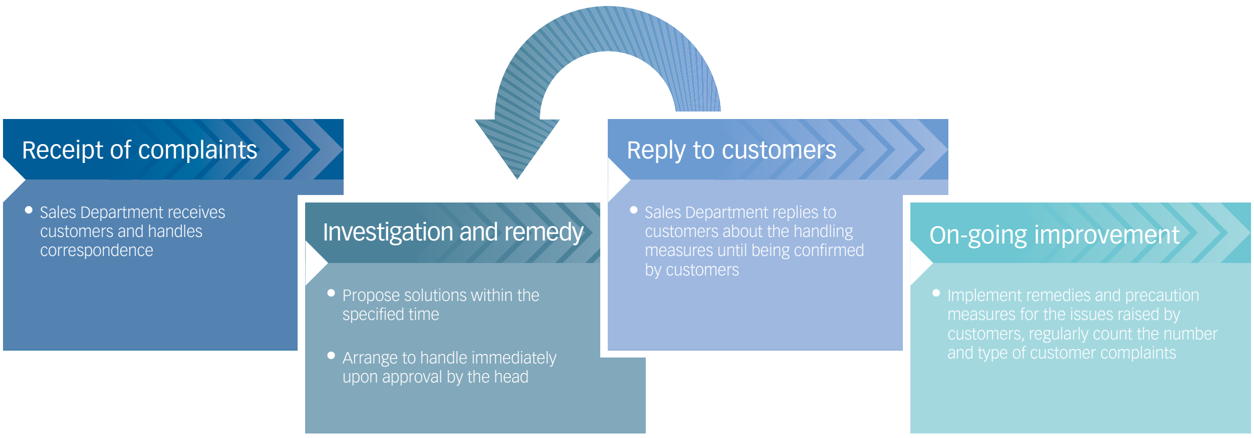
Fabrication and Production

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

After-sales Service

- Unceasingly assist the customers in improving product designs, techniques and quality

We protect the data and information on our customers by signing a confidentiality agreement with them according to their requirements. Upon receipt of feedback or complaints from customers, we follow up, investigate and handle them in a timely manner in accordance with the "Customer Complaint Control Procedures" to maximise their satisfaction. In case of any complaint about a quality issue, we will look into the root cause of such issue and implement the essential remedies and precaution measures.



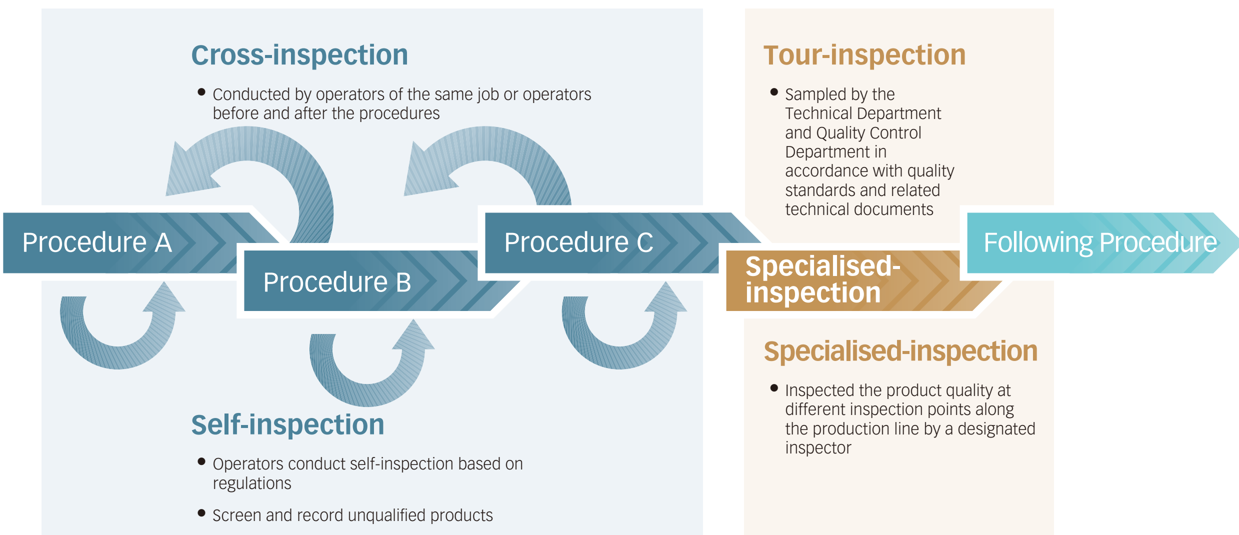
Building an outstanding supply chain is the foundation for China Zhongwang to deliver better products and services. The Group has established the "Supplier Management Procedures" to standardise the selection, evaluation, daily management and quality assessment of suppliers, and to provide updates on an on-going basis according to actual operating conditions. As to the risk assessment of suppliers, we categorise and manage suppliers based on the importance of their products to our product quality. For supplier selection and evaluation, we also set up comprehensive items covering environmental protection, safety and labour requirements, in addition to product price and quality which we care about. The Supply Department, together with other relevant departments, regularly carries out on-site inspection of suppliers, including the review of their environmental and social risk control measures such as environmental protection treatment equipment and safety devices.

Building Brand on the Basis of Quality

China Zhongwang has been committed to improving product quality. In addition to establishing a complete quality management process, we have obtained certifications for a number of international quality management systems including but not limited to ISO9001:2015, IATF16949:2016, ISO/TS22163:2017, as well as a number of accreditations from authorities in several high-end industries such as aviation, shipbuilding, railway transportation and automotive industry. Such accreditations 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.

Furthermore, we applied automated production technologies including robotic arms, automatic transportation systems, and stereoscopic warehouses to keep product quality stable and reduce labour intensity and safety risks of workers while improving production efficiency. In 2019, the automated processing equipment for the production line of aluminium alloy formwork was successively put into operation. Tianjin aluminium flat rolling production base passed the on-site I&I Integration[1] inspection, currently pending for review and public announcement by the expert committees.

High-quality development is not possible without rigorous quality inspection. The Group strictly implements product inspection procedures and carries out multi-level product testing. The laboratories at our centres will conduct sample testing according to the relevant product specifications and check their mechanical properties to ensure product safety.



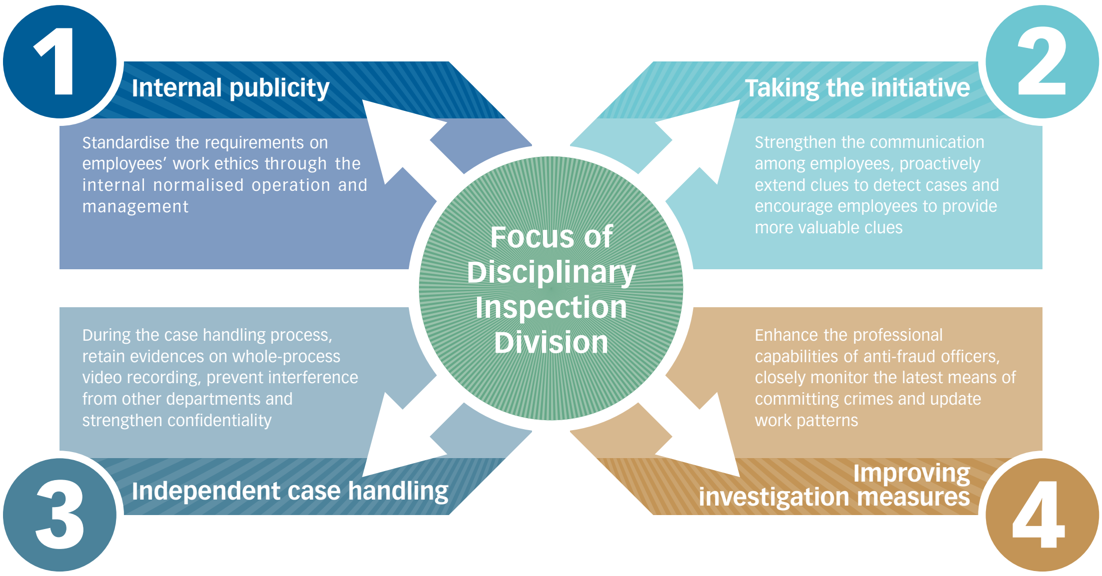
China Zhongwang won various honourable titles including "Top 70 Brands with Industrial Influence in China" and CCTV China's "Top Model 100 Brands". The Group complied with laws and regulations relating to products and customer services[2]. During the Year under Review, the Group did not have any cases involving any violation of relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters in the provision of products and services that had a significant impact on the Group.

1 I&I Integration means that industrialisation is mobilised by information technology while information technology is boosted by industrialisation

2 Please see the section headed "Laws and Regulations" for details about of laws and regulations related to products and services

Building a Clean Corporate Culture

China Zhongwang is committed to building a clean and honest corporate culture and requires all employees to comply with appropriate professional ethics. We expressly prohibit bribery, abuse of positions of authority and improper business practices in the Employee Handbook. The Group encourages all member companies to supervise one another so as to strengthen the anti-corruption team. During the Year under Review, we set up a Disciplinary Inspection Division to investigate internal fraud cases, thus effectively enhanced internal supervision and efficiency.



In 2019, the Group focused its anti-fraud efforts on publicity and education, with all employees signing a letter of undertaking on honesty, integrity and self-discipline. In order to minimise the risk of fraud, the Group reformed the security patrol system by setting up specific regulations requiring that a team should consist of two-persons and that video records should be made to reduce the risk of security officers being bribed by disciplinary offenders.

We offer various approaches for lodging complaints, including registered mail, e-mail and telephone. The Group requests relevant departments to lay stress on the protection of clues and confidentiality, requires the involved individuals to cooperate with investigation in an appropriate manner, and records conversations by video throughout the process to avoid the loss of evidence.

As for the concluded cases, the Group issues specific handling measures to all departments as a guideline. During the Year under Review, the Group was not aware of any violations of relevant laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering that had a significant impact on the Group.

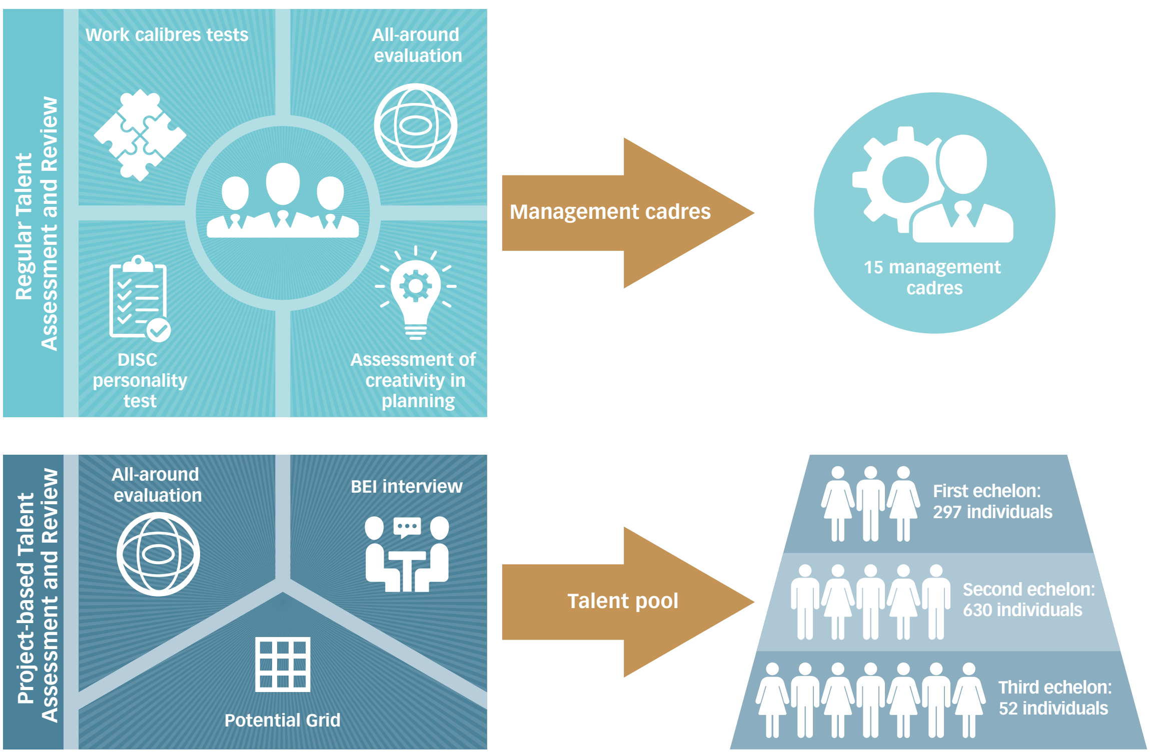
CARING FOR EMPLOYEES

The Group's demand for talents has been increasing in line with the growing demand for high-end fabricated aluminium products. In addition to constantly improving the policy for bringing in talented personnel and reserving suitable talents, we have built and maintained a high-caliber talent pool through assessment and talent review.

Consolidation of Talent Pool

The Group recognises the importance and urgency of talent recruitment to build a capable team that covers various areas such as corporate management, technology development, production level and marketing. Currently, the Beijing Human Resources Centre is in charge of recruitment of high-end talents. It assists our production bases to address their demand for talents and builds teams with stronger leadership and competence. In addition, by means of internal and external recruitments, the Group builds a team of talents competent for their positions.

We incorporate the concept of talent and performance review into promotion and assessment, and adjust our talent pool in a timely manner. During the Year under Review, the Group carried out two large-scale talent assessments at the Liaoyang production base to comprehensively evaluate the project-based and regular talents in order to identify the talents with great potential and high quality, as well as enhance the vitality and capability of the Group's talent pool.



The Group pursues a diversified policy, strictly complies with relevant laws and regulations[3] during the recruitment process, and strives to create a fair and open recruitment environment. We strictly prohibit discrimination in any form, and respect every candidate based on the principle of "open recruitment and merit-based hiring", regardless of race, ethnicity, age, gender and social identity.

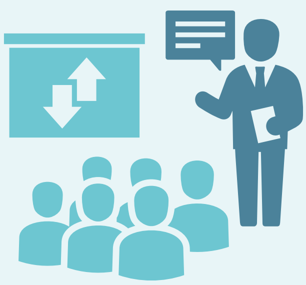
Talent Training

China Zhongwang is committed to promoting the upgrade of industrial structure through technological innovation. Therefore, the continuing enhancement of employee competence is an essential requirement for our development. The Group has proactively established a study-oriented team and reinforced the training of managers and technical workers through various long and short term training programmes.

Under the centralised management of the Human Resources Department, the Group provides induction training for new employees, and internal and external trainings for current employees. The internal training is generally carried out by internal trainers or external lecturers, or on an online learning platform. The Group sends employees to attend external trainings as needed, including training courses organised by external institutions, scholars' lectures and degree education, etc. During the Year under Review, the Group focused on enhancing the technical capabilities of technical workers developing personalised courses for the corresponding types of work in the Production Department. The training programmes consists of job skill improvement and safety training, deliverable in terms of both teaching and practice.

Internal Trainers' Training Programme

During the Year under Review, we took advantage of the Group's internal management, industry experts and post technical experts to build a new special team of internal trainers on the basis of the existing employee training system,and developed independent courses for internal trainers. The courses cover production, R&D, sales and other related fields, and provide over 30 production and management skills improvement training for in-service employees of the Group.



Z³ (Zero, Zoom, Zenith) Talent Development and Training Policy

Regarding management training policy, the Group established the Z³ (Zero, Zoom, Zenith) Talent Development and Training Policy during the Year under Review, which focused on nurturing the capability and quality of junior, middle and senior management staff. In particular, the "ZERO Management Trainee Training Programme" was the first phase of the Z³ Talent Development and Training Policy, aiming to nurture the management trainees in terms of Z Generation, Uniqueness, Responsibility and Opportunity. The Group introduced fresh graduates with professional qualities and development potential from various universities as management trainees, designed a complete set of training process for them from learning to employment, covering on-the-job training, mentor-based training and training camps. Trainees who passed the assessment will stay in the Group to continue their employment and rotation trainings and will be promoted to front-line management positions within two years.

[3] Please see the section headed "Laws and Regulations" for details about laws and regulations related to employment

Employee Rights and Benefits

The Group's Employee Handbook sets out the regulations related to working hours, holidays, employment remuneration and benefits of our employees to ensure the rights and benefits of our employees. In order to coordinate with the daily operations of the Group, we implemented two systems, namely standard working hours and special working hours. The Group arranges compensation leave for the employees working overtime in a timely manner and provides overtime pay as appropriate. We understand that competitive compensation can, to some extent, bring job satisfaction to employees. Through the establishment and improvement of a reasonable and effective compensation system, we provide employees with multiple sources of income. In addition to the basic salary, employee compensation also includes performance-based bonus, year-end bonus, shift allowance, subsidy for heating expenses, subsidy for heatstroke prevention and high temperature and others. As we value high-end talents, we provide a diverse range of subsidies for highly-educated talents, research grants and competition allowances to encourage our employees to keep improving.

Aside from statutory benefits such as social insurance and provident funds, we also provide basic necessities of life to our employees, including free accommodations, shuttle buses, holiday benefits and phone bill subsidies.

Case Study

In order to improve the housing environment of our employees, during the Year under Review, our Liaoyang Production Base cooperated with the local government's construction party to renovate their dormitory. The accommodation area of this dormitory was expanded to three times of its original area, equipped with canteens, supermarkets, medical rooms, pantries and bathrooms to better meet the daily needs of our employees.

During the Year under Review, the Group was not aware of any violations of relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, anti-discrimination as well as other benefits and welfare that had a significant impact on the Group.

Employee Communication

The Group encourages two-way communication with employees. In addition to existing communication channels, such as hotlines as well as online and physical employee opinion collection boxes. During the Year under Review, we introduced two communication methods, namely psychological counseling room and "Window of Zhongwang" public account, which cater to employees' needs and solve their difficulties using both online and offline channels.

We set up a labour union, which is a primary-level organisation responsible for contacting closely with employees. If the lawful rights and interests of union members are infringed or their difficulties cannot be resolved, they can seek protection and assistance from the union. At present, the labour union has established an online feedback channel for employees to help solve their problems regarding accommodation, transportation and internet connectivity.

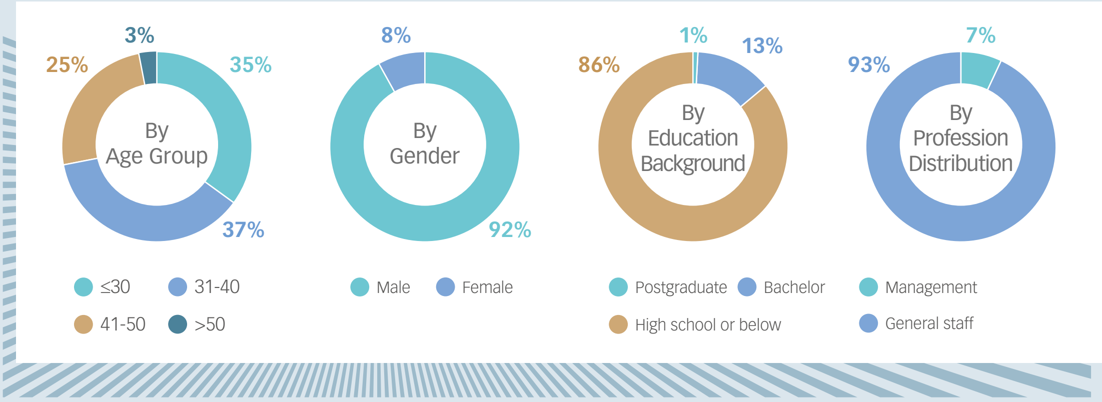
The Group advocates employee relationships of fraternity and mutual assistance. By organising a series of activities such as sports games, essay writing and consolations to employees in difficulties, we care about employees' physical health, cultural life, living standards, etc. We established the Charity Relief Foundation to provide assistance to our employees and their immediate family members who are in dire need of help.

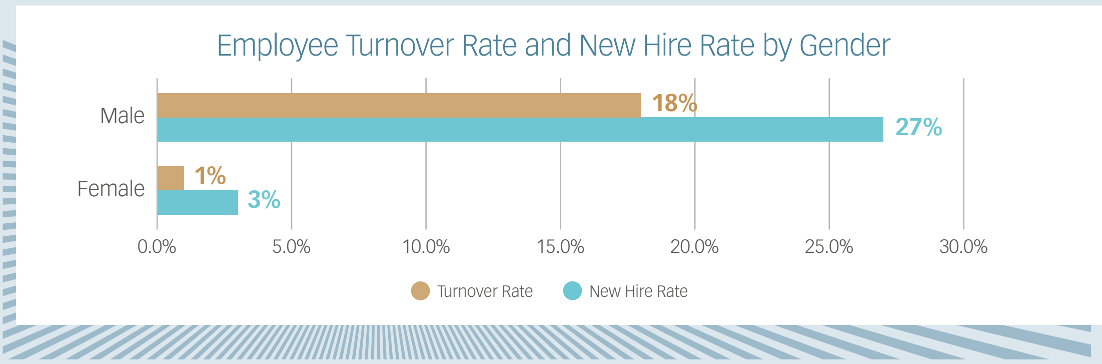
Prevention of Child Labour and Forced Labour

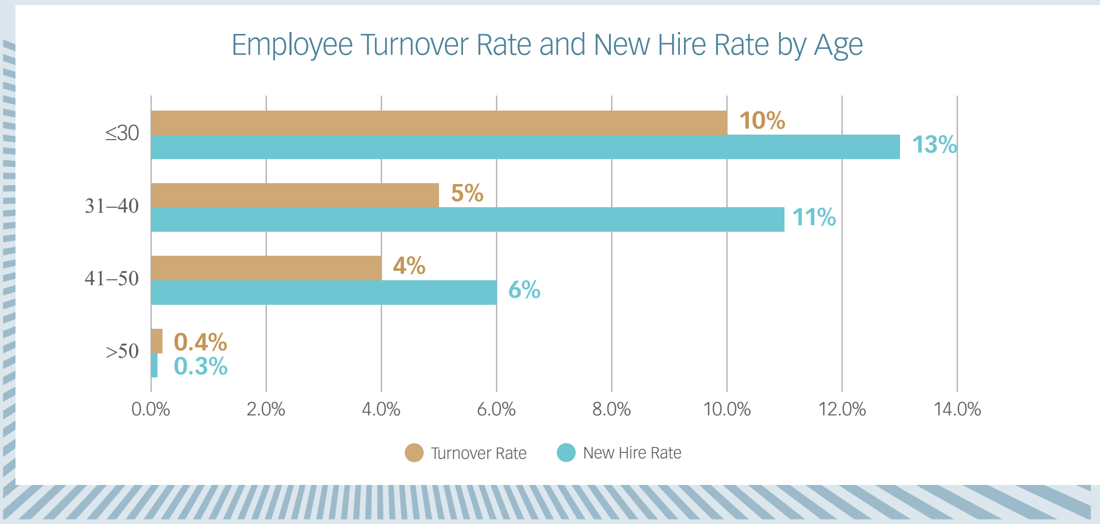
The Group has established the "Control Procedures for the Prohibition and Rescue of Child Labourers" and the "Control Procedures for Non-compulsory Work" to prevent the employment of child labour and ensure that our employees work on a voluntary basis. We strictly prohibit the employment of minors who have not reached the ages as required by law and who have not completed the compulsory education. If forced labour is discovered, employee representatives will collect the opinions from the labourers involved, report to the management to handle the situation together. During the Year under Review, the Group had no incidence of any violations of relevant laws and regulations that had a significant impact on the Group relating to preventing child and forced labour.

Composition of Employees

As at the end of 2019, the Group had a total of 46,334 employees, most of whom were male, 72% of whom were under the age of 40, and 7% of whom were the management staff above the level of workshop director. During the Year under Review, the overall employee turnover rate of the Group was 19%, and the new hire rate was 30%.







Health and Safety

China Zhongwang has set up a safety production accountability mechanism in line with its production characteristics based on the principle of placing equal emphasis on "management, equipment and training" so as to create a safe production environment and workplace. The Group regards the Safety Production Committee (Safety Committee) as the highest safety management body. The Safety Committee is led by the general manager of the Group and is responsible for developing production safety rules and regulations, organising safety training and monitoring the implementation of safety management measures. In 2019, the occupational health and safety management policy of Tianjin aluminium flat rolling production base was upgraded to the more stringent ISO 45001:2018 certification standard, and Liaoyang production base was granted the OHSAS 18001 certification.

We have established an office under the Safety Committee which enables our employees to reflect their opinions and assists the Group in continuously improving its safety management. We regularly collect updated occupational safety and health related laws and regulations on the government websites, and make timely amendments to the safety management policy with reference to relevant changes. There was no incidence of any material violations of relevant laws and regulations[4] related to occupational health and safety during the Year under Review.

Attaining the Safety Management Goal

The Group has developed a goal for safety management and strengthened the safety management of plants and equipment during the year, including inspecting special equipment, maintaining good condition of safety facilities and providing safety training to equipment operators. In 2019, the Group achieved the goal of zero occupational disease and zero major safety accidents.

4 Please see the section headed "Laws and Regulations" for details about the laws and regulations related to health and safety

We have assigned full-time safety officers with safety management qualifications at each plant to strictly perform weekly safety inspections in the plant area. When a hidden risk is discovered during inspection, as the case may be, it will be rectified on the spot, or the Production Department will be notified for handling as soon as possible. Safety officers weekly follow up the rectification progress in safety hazards at our plant to make sure safety risks are mitigated timely and effectively.

As for the newly identified safety risks at individual sites, we update the "Hazard Source Identification Table" in a timely manner, and take appropriate management and control measures based on their primary safety risks:

Smelting Mill	Casting Area
• Reduce the risk of explosion • Ensure the safety of aluminium smelting process • Change the wet feeding method to the safer dry feeding method	• Ensure the safety of production equipment • Strengthen the control of special equipment, including forklifts, elevators, etc.
Hot Rolling Mill	**Cold Rolling Mill**
• Control high-frequency noise • Employees are required to wear earplugs compulsory	• Reduce fire risk • Regularly inspect the key fire prevention areas • Equip with adequate fire-fighting equipment

To address the safety risks of specific positions, such as special equipment operators, employees working at heights, electricians and welders are required to hold valid operating certificates and comply with the "Safe Operating Procedures" during operation. Employees at risk of occupational disease, such as dust and noise, must put on devices for personal protection as required and receive physical examinations on a regular basis to check for occupational disease. Management rules in relation to the Group's production safety are clearly set out in the Employee Handbook to ensure that new and old employees understand and comply with relevant rules.

If an accident occurs unfortunately, we will take emergency and rescue action according to the emergency plans, send the injured to hospital for treatment as soon as possible, and set up an investigation to look into and analyse the causes of the accident and formulate corresponding rectification measures, investigate the responsibility of the accident and penalise the relevant personnel if appropriate.

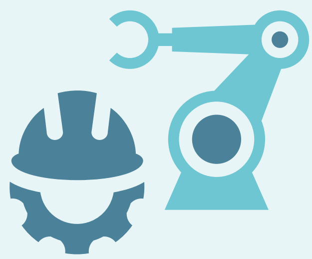
In order to raise employees' awareness of "safety first, prevention-oriented", the Group strictly adheres to a safety education management policy, under which our employees must receive safety training at least twice a year in form of first, second and third level safety training, emergency drills, simulation training, fire drills, etc. so that staff in each position has the ability to identify the hazard sources and escape from danger. During the Year under Review, the Group formulated certain targeted training plans on the basis of safety incident analysis and potential safety hazards identified in the regular safety inspections during the previous year.

Mentorship Programme for New and Old Employees

In order to prevent new employees from work accidents due to their unfamiliarity with environment and equipment at the plants, we implement the "Mentorship Programme", under which in-service employees will remind new employees of the operation and safety precautions to ensure that the new employees possess sufficient and correct safety knowledge.

Production Safety Month

Tianjin aluminium flat rolling production base organised a series of safety production publicity and education activities for the national production safety month in June, including placing display boards and promotional slogans, organising employee skills competitions and safety rule tests.



ENVIRONMENTAL MANAGEMENT

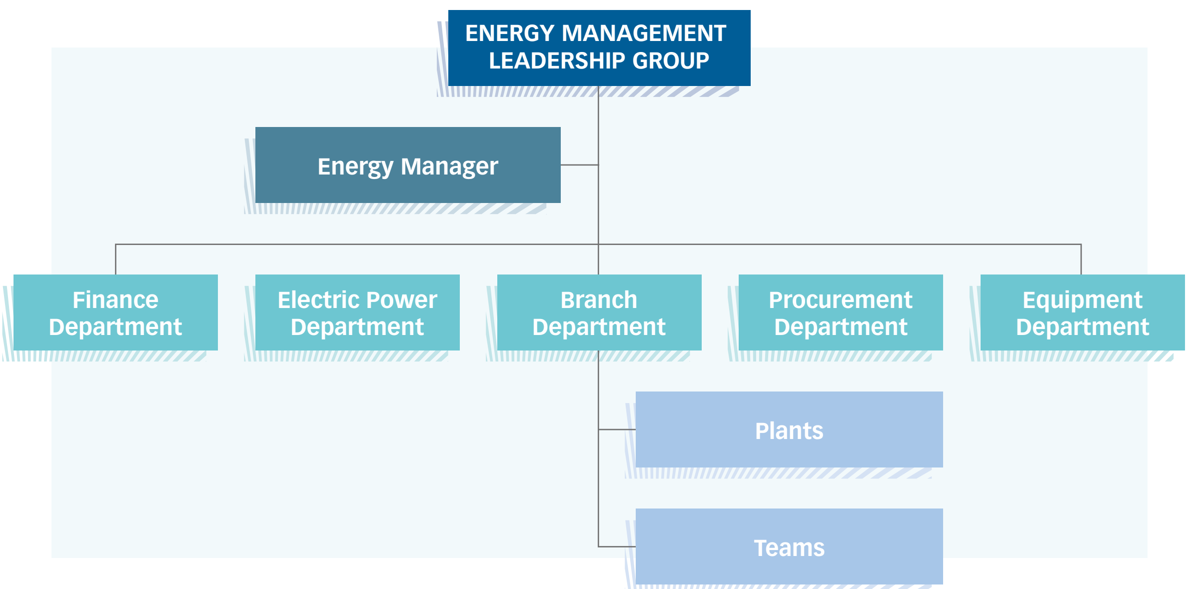
The Group emphasises energy conservation, consumption reduction and resource reuse during the production process by employing new environmental technologies, striving to improve the efficiency of aluminium use so as to reduce the impact of our operations on the environment.

Strengthening Environmental Management

The Group has established an environmental management policy, formulated and implemented a series of pollutant management and control procedures. The Safety and Environment Department of each production base takes responsibility for environmental management, and reports to the vice president of the Environmental Management Department as well as the general manager via the head of the Environmental Management Department. Our Liaoyang production base and Tianjin aluminium flat rolling production base have both been granted the ISO14001:2015 Environmental Management System certification.

For new production bases and production lines, we strictly follow relevant laws and regulations to conduct environmental impact assessment and identify necessary pollution prevention measures to reduce the impact on the neighbouring environment.

We strictly comply with relevant environmental laws and regulations[5], regularly review the updates of relevant regulations, and promptly require each production department to review its operation according to the latest regulations and make improvement measures as needed. We also maintain close communication with the environmental protection authorities. During the Year under Review, the Group had no incidence of any violations of relevant laws and regulations that had a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.



[5] Please see the section headed "Laws and Regulations" for details about the laws and regulations related to health and safety

Energy Conservation

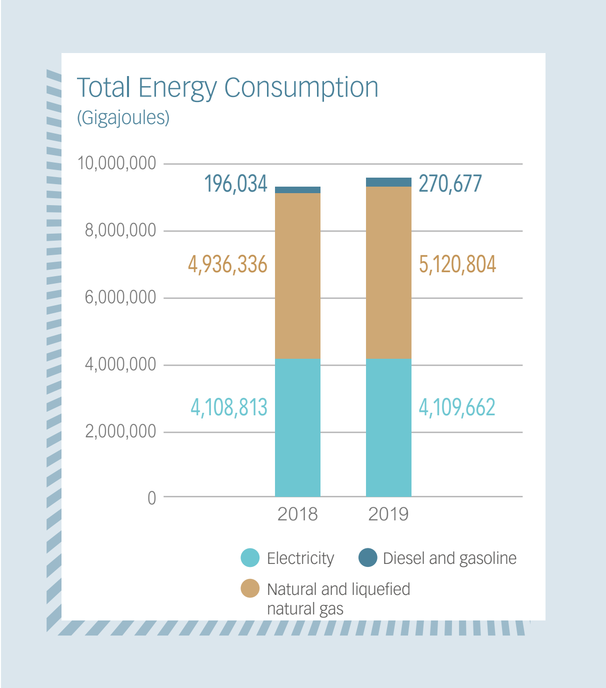
The Group has established a "Corporate Energy Management Work System", which details the energy measurement management, energy statistics, reporting and analysis as well as guidelines for energy use and conservation management. The Energy Management Leadership Group regularly assesses and supervises the implementation of energy conservation projects, and carries out a four-tier energy management system consisting of headquarters, branch departments, plants and teams. Each relevant department is required to formulate usage plans and conservation measures for the resources such as electricity, natural gas and diesel in accordance with energy use and conservation regulations. During the Year under Review, the Tianjin aluminium flat rolling production base passed the first supervisory review in respect of the establishment of ISO50001 Energy Management System, and established and regularly reviewed the energy indicators and targets.

We are applying the environmental advantages of our products by assembling all-aluminium trucks for transportation at the plants to save fuel. Currently, there are a total of 268 all-aluminium trucks at the Liaoyang production base and Tianjin aluminium flat rolling production base. For natural gas and electricity consumption, the major energy conservation measures and projects that the Group has implemented are summarised as below:

Saving Natural Gas	All the aluminium melting furnaces and holding furnaces in Tianjin aluminium flat rolling production base utilise the regenerative burners and matching automatic control systems, which use flue gas waste heat to preheat combustion air to improve combustion intensity and efficiency, and effectively save 70% of energy.
	Liaoyang production base has implemented low-nitrogen transformation of its existing five gas boilers to reduce the nitrogen oxide emissions, which is expected to save 5% of natural gas usage each year.
	The Group selects the pressure steam boilers, which utilise the heat energy of flue gas to fully preheat the boiler water, increase inlet water temperature in the boilers, reduce the heat required for heating and directly reduce gas consumption and shorten the temperature rising time of steam.
Saving Electricity	35KV high-voltage power transmission is used from the 220KV substations to the power load points.
	Dynamic reactive power compensation is used to automatically adjust the reactive power compensation of the voltage to reduce reactive power loss and improve the power factor.
	Variable frequency motors are used in cooling units and circulation systems in sewage treatment stations, pump houses and boiler rooms. The drainage speed can be adjusted according to the water supply demand in the equipment, which can stabilise system operation and lower power consumption with effectively saving at least 20% of energy.
	Production during off-peak hours is prioritised for production entities.

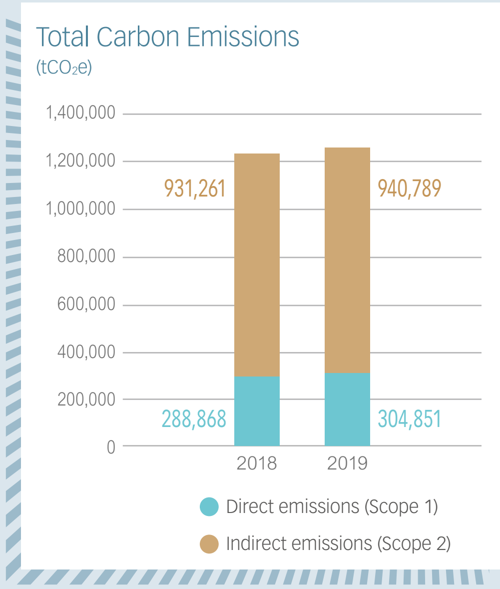
The main energy consumed during the Group's business operations include natural gas, liquefied natural gas and purchased electricity. During the Year under Review, Tianjin aluminium flat rolling production base and Liaoyang production base consumed a total of 9,501,143 Gigajoules of energy, representing a slight increase of 3% as compared with that of 2018.

As climate change is a global environmental issue, China Zhongwang has taken the following actions in response to climate change with reference to TCFD[6] recommendations.



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

The Group's greenhouse gas emissions consist of direct emissions from burning natural gas, diesel and gasoline (Scope 1), and indirect emissions from the consumption of purchased electricity (Scope 2). During the Year under Review, we recorded total greenhouse gas emissions of 1,245,640 tonnes of carbon dioxide equivalents, of which 304,851 tonnes of carbon dioxide was generated from Scope 1 and 940,789 tonnes of carbon dioxide equivalents from Scope 2.



Cherishing Water Resources

The Group is committed to saving water and reusing wastewater to protect water resources and reduce wastewater discharges. Liaoyang production base and Tianjin aluminium flat rolling production base consumed nearly 3,507,800 tonnes of water in total during the Year under Review, up 10% on a year-on-year basis. We have a reclaimed water reuse system. After wastewater is processed through recycling, concentration, desalination, evaporation and crystallisation, it can be reused for irrigation in the plant areas and for the flushing systems in toilets. The smelting and casting mills and the extrusion mills are equipped with clear water and wastewater circulation systems for the reuse of water. We also reuse and generate cooling water, adopt circulating water supply systems and set flow monitoring for each water system as needed.

Control of Discharges

Through integrated control of waste recycling and pollutant discharge, the Group has introduced the concept of recycling production and resources reuse into its production and operation. The Environmental Management Department assigns environmental protection officers to conduct regular inspections on the aspects of the production and operation they are in charge of. We conduct the monitoring of exhaust gas, wastewater and waste discharges across our plants at least twice a month, and all the monitoring data is properly recorded. Where sub-standard discharge is identified, we will immediately deploy remedial measures.

Wastewater Discharge Control

The Group has set up wastewater treatment facilities at the plants and living areas. The collected wastewater is discharged after being processed to the standard stipulated. We engage qualified companies that provide environmental monitoring services to monitor wastewater discharges regularly. An online monitoring office has been established at the Liaoyang production base to monitor chemical oxygen demand, ammonia nitrogen discharge and concentration in wastewater and the pH of wastewater on a real-time basis, and report the data obtained to the government environment department.

In response to the "Notice of the State Council on Issuing the 'Thirteenth Five-Year Plan' for the Protection of Ecological Environment" (《國務院關於印發「十三五」生態環境保護規劃的通知》) and the "Three-Year Action Plan to Win the Blue Sky Defense War in Liaoning Province (2018-2020)"(《遼寧省打贏藍天保衛戰三年行動方案(2018-2020年）》), we intend to install cutting fluid wastewater treatment facilities at the Liaoyang production base, which are mainly used to treat a small amount of equipment wastewater generated when industrial aluminium materials are processed and replaced with new cutting fluids.

The wastewater discharged by the Group includes cleaning wastewater, boiler sewage, waste emulsion sewage and domestic wastewater during the production process. During the Year under Review, the total wastewater discharged by the Liaoyang production base and Tianjin aluminium flat rolling production base amounted to 1,618,000 tonnes, up 19% over that of last year.

Waste Management

During the year under review, the Group strengthened waste management by introducing the "General Solid Waste Management Regulations" to ensure the collection and processing of hazardous waste and general waste in accordance with the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", the "Directory of National Hazardous Wastes" and other relevant laws and regulations.

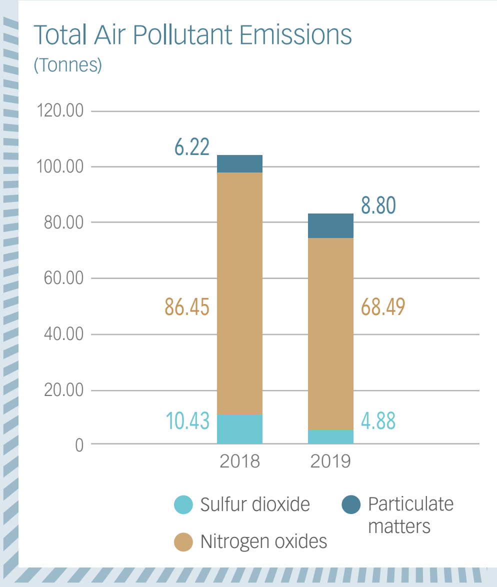
General waste consists of day-to-day garbage generated by our employees and during production. We store and process the recyclable resources such as waste paper and scrap iron by category, while the non-recyclables are collected and processed by qualified organisations. During the Year under Review, our Liaoyang production base engaged recyclers to recycle approximately 13,953 tonnes of general waste.

In order to save raw materials, aluminium dross, aluminium scraps and aluminium powder generated during the production process were collected and then processed in the dual-chamber waste melting furnace and the intermediate frequency induction furnace to recycle metal aluminium. During the Year under Review, a total of 15,003 tonnes of aluminium ash were internally recycled through the above-mentioned methods.

Hazardous waste produced by the Group includes the waste mineral oils, sludge after wastewater treatment, waste cutting fluids produced by industrial aluminium machines during fabrication, which are properly stored by category in the hazardous waste warehouses with standardised labeling. We set up a Pollutant Control Division to take responsibility for reporting and transferring hazardous waste, establishing management files and formulating management plans. We also carry out regular on-site inspections in the factory area to make sure there are no irregularities. During the Year under Review, Liaoyang production base and Tianjin aluminium flat rolling production base generated 53.8 tonnes and 5,261.4 tonnes of hazardous wastes, respectively, all of which have been transferred and processed as required by the qualified third-party organisations engaged by us.

Exhaust Emissions

The Group has established the "Air Pollutant Control Procedures" to strictly control the air pollutant emissions from aluminium alloy production, welding, vehicle operation and canteens. Our plants are equipped with suitable exhaust gas purification facilities, including oil mist purification, filtering & processing devices and oil fume purification devices. We monitor exhaust emissions at our plants on a regular basis to ensure that the concentration of discharged air pollutants meets the requirements under the "Integrated Emission Standard for Air Pollutants".



Ecosystem Conservation

In order to reduce the disturbance of production noise to the neighbouring environment, we have developed the "Noise Control Management Measures", under which we adopted some acoustic equipment, including using low-noise equipment, installing absorbing pads and soundproof doors and windows, and measured the noise in the plant area on a regular basis to ensure our compliance with the relevant laws and regulations.

The Group has established the "Compilation of Administrative Regulations for Landscaping Maintenance" to regulate the afforestation in the plant area, and developed monthly key initiatives in line with seasonal weather changes. During the Year under Review, over 25,000 trees were planted at our Liaoyang production base and Tianjin aluminium flat rolling production base.

In order to strengthen the Group's environmental emergency management capabilities, we developed the "Contingency Management Plan for Environmental Emergencies" and the "Contingency Plan for Safety-related Environmental Incidents Caused by Inclement Weather". The Safety and Environment Department arranges an emergency drill annually to improve the response and management capabilities of our employees at all levels to emergencies. We also established the "Emergency Response Plan for the Failure of Environmental Protection Equipment and Facilities" for inspecting and maintaining our equipment and facilities on a regular basis. The Environmental Management Department organises a drill every year to raise employees' awareness of environmental protection.

GIVING BACK TO COMMUNITY

China Zhongwang is committed to giving back to community for the purpose of promoting the harmonious development of the Group and the society. In 2019, the Group continued to launch a series of social and employee care activities, endeavouring to promote the sustainable development of the communities where it operates.

"Charity Relief Foundation"

The Group continuously improves the "Charity Relief Foundation" programme and provides long-term assistance to employees in difficulty through a series of special support projects. During the Year under Review, the Group arranged financial assistance to employees who suffered from serious diseases, launched the "Golden Autumn Schooling Assistance Campaign" to provide bursaries for children of employees in difficulty, and held the "Poverty Relief Meeting" to offer consolation and financial assistance to employees and their families who were in difficulty.

Poverty relief meeting in an effort to provide substantial aid to the genuinely impoverished

Volunteer Services

The Group engaged in a number of volunteer services. During the Year under Review, we launched the May 4th Youth Day environmental protection charitable event, leading young volunteers to do voluntary garbage clean-up at the Longding Mountain Scenic Spot. In order to carry forward the contemporary spirit of "learning from Lei Feng, establishing a new trend", we also organised volunteers to visit the Weiguo Home for the Elderly in Liaoyang, sent relief packages to the elderly and share with them some health care knowledge. Furthermore, in response to the government's call, we hosted a winter event for cleaners under the theme of "building an ecological civilisation, sharing a green future" by leading volunteers to offer relief packages to the street cleaners in the coastal areas of Yingkou.

Heart-warming event to support cleaners under the theme of "building an ecological civilisation together and sharing a green future"

Charitable Donations

During the Year under Review, we took a proactive part in sponsoring the first international marathon in Liaoyang in 2019 and the "learning from Lei Feng" charity run to raise funds for a 15-year-old girl who suffered from Hutchinson-Gilford progeria syndrome.

"Learning from Lei Feng" Charity Run

Sponsoring the first international marathon in Liaoyang in 2019

We also cooperated with the Yingkou City Centre's Blood Station in launching the voluntary "blood donation for care" event and called on our employees to take part in the event.

Laws & Regulations, Performance Data Summary & Content Index

Laws & Regulations, Performance Date Summary and Content Indices

Issue	Applicable laws and regulations
Environmental	• Environmental Protection Law of the People's Republic of China • Air Pollution Prevention and Control Law of the People's Republic of China • Water Pollution Prevention and Control Law of the People's Republic of China • Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste • Energy Conservation Law of the People's Republic of China • Law of the People's Republic of China on Environmental Impact Assessment • Regulations on the Administration of Environmental Protection for Construction Projects • Soil Pollution Prevention and Control Law of the People's Republic of China • Soil Pollution Prevention and Control Law
Employment	• Labour Law of the People's Republic of China • Labour Contract Law of the People's Republic of China • Social Insurance Law of the People's Republic of China • Law of the People's Republic of China on the Protection of Women's Rights and Interests • Special Rules on the Labour Protection of Female Employees • Provisions on the Prohibition of Child Labour • Law of the People's Republic of China on the Protection of Minors • Employment Ordinance of Hong Kong
Safety	• Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases • Production Safety Law of the People's Republic of China • Fire Control Law of the People's Republic of China • Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases • Occupational Safety and Health Ordinance of Hong Kong
Product Liability	• Product Quality Law of the People's Republic of China
Anti-corruption	• Criminal Law of the People's Republic of China • Anti-unfair Competition Law of the People's Republic of China • Company Law and Prevention of Bribery Ordinance of Hong Kong • Competition Ordinance of Hong Kong

Performance Data Summary

		2019	2018
Employment	**Total full-time Employees**	46,334	41,276
	By Geographical Distribution (full time) (no. of employees)		
	Mainland China	45,747	40,707
	Hong Kong	7	12
	Overseas	580	557
	By Age Group (no. of employees)		
	Below 31	16,421	16,488
	31 to 40	17,337	14,729
	41 to 50	11,378	9,138
	Above 50	1,198	921
	By Gender (no. of employees)		
	Male	42,703	38,455
	Female	3,631	2,821
	By Education Background (no. of employees)		
	Postgraduate	316	329
	Bachelor	5,871	5,343
	High school or below	40,147	35,604
	By Profession Distribution (no. of employees)		
	Management*	3,278	3,531
	General staff	43,056	37,745
Health and Safety	**Occupational Safety and Health Education**		
	Total number of occupational safety and health trainings (sessions)	395	438
	Person-time trained	75,990	48,625
	Percentage of safety training	100%	100%
	Percentage of special operators with certificates	100%	100%

* Management: workshop director or above.

		2019	2018
Environmental	**Air Pollutant Emissions**		
	Sulfur dioxide (tonnes)	4.88	10.43
	Nitrogen oxides (tonnes)	68.49	86.45
	Particular matters (tonnes)	8.80	6.22
	Wastewater Discharge		
	Discharges (10,000 tonnes)	161.8	135.5
	Average COD concentration in Liaoyang (mg/l)	24.2	23.4
	Average COD concentration in Tianjin (mg/l)	22.4	27.2
	COD (tonnes)	39.0	31.7
	Average ammonia concentration in Liaoyang (mg/l)	1.8	2.4
	Average ammonia concentration in Tianjin (mg/l)	0.32	1.4
	Ammonia nitrogen (tonnes)	2.88	3.2
	Waste		
	Hazardous (tonnes)	5,315	4,638
	Non-hazardous (Liaoyang production base only) (tonnes)	15,932	36,189
	Recycled (Liaoyang production base only) (tonnes)	13,953	33,993
	Energy and Water Consumption		
	Electricity (MWh)	1,141,573	1,141,337
	Natural gas ('000 m^3)	129,771	125,010
	LNG (tonnes)	1,235	1,251
	Diesel (tonnes)	6,031	4,305
	Gasoline (tonnes)	315	291
	Water ('000 tonnes)	3,508	3,194
	Packaging Materials		
	Plastic film (tonnes)	1,522	2,382
	Wood (PCS)	1,001,051	1,299,935
	Paper board (tonnes)	2,439	2,457
	Greenhouse Gas (GHG) Emission		
	Scope 1 (tonnes)	304,851	288,868
	Scope 2 (tonnes)	940,789	931,261
	Environmental Benefit		
	Number of newly planted trees	25,273	40,178

Content 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.	94
KPI A1.1	The types of emissions and respective emissions data.	98–99
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	97
KPI A1.3	Total hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	98
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	98
KPI A1.5	Description of measures to mitigate emissions and results achieved.	98–99
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	98
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use the resources, including energy, water and other raw materials.	94–95
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).	96
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	97
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	94–96
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	97; no issue in sourcing water
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit of produced.	104
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	78–79, 99
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage the impacts.	78–79, 99

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, antidiscrimination, and other benefits and welfare.	88–89
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	90
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	90
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.	91–93
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	91–93
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	86–87

KPIs	HKEx ESG Reporting Guide Requirements	Page/Remarks
	B. Social	
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prohibition of child labour or forced labour.	89
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	89
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	89
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	82–83
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.	82–83
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.	82–84
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	80–83
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KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	82–83

KPIs	HKEx ESG Reporting Guide Requirements	Page/Remarks
	B. Social	
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	85
KPI B7.1	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	85
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	100
KPI B8.1	Focus areas of contribution focus (e.g. education, environmental concerns, labour needs, health, culture, sport).	100–101
KPI B8.2	Resources (e.g. money or time) contributed to the focus areas.	100–101

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 115 to 195, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certificate 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.

Impairment assessment of goodwill and other non-financial assets

Refer to the accounting policies in Note 4(d) and 4(q) to the consolidated financial statements.

The Group had the following goodwill and other non-financial assets under assessment as at 31 December 2019:

Items	RMB'000
Property, plant and equipment	65,273,178
Right-of-use assets	7,123,762
Goodwill	379,000
Other intangible assets	274,665
Total	73,050,605

Management performed impairment assessment by estimating the recoverable amounts of these assets based on its value in use calculated using discounted cash flow forecast model for each of the identified cash generating unit ("CGU") to which these assets 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 these assets as a key audit matter 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 these assets included the following:

- evaluating the appropriateness of the management's identification of CGUs and the allocation of assets to each CGU and assessing management's impairment assessment model with reference to the requirements of the prevailing accounting standards;

- comparing data in the discounted cash flow forecasts to the relevant data, including revenue, cost of sales and other operating expenses, in the financial budget which was approved by the directors;

- 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 calculation 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 with reference to the requirements of the prevailing accounting standards.

Impairment of trade and bills receivables

Refer to Note 23 and the accounting policies in Note 4(i)(ii) to the consolidated financial statements.

At 31 December 2019, the Group's gross trade and bills receivables totalled RMB12,410 million, against which loss allowances of RMB279 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;
- obtaining and checking of the accuracy of the grouping table based on shared credit risk characteristics and the days past due;
- engaging valuation specialist to assist us on 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; and
- recalculating the loss allowances using the provision matrix and grouping table.

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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, 27 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019
(Expressed in Renminbi ("RMB"))

	Notes	2019 RMB'000	2018 RMB'000
Revenue	7	**23,583,699**	25,600,434
Cost of sales		**(16,479,312)**	(17,238,753)
Gross profit		**7,104,387**	8,361,681
Investment income	8	**173,421**	219,804
Other income	9	**809,564**	739,210
Selling and distribution costs		**(536,438)**	(309,957)
Administrative and other operating expenses		**(2,784,666)**	(2,676,286)
Share of profits of associates		**51,725**	164,747
Finance costs	10	**(1,272,104)**	(1,262,066)
Profit before taxation	11	**3,545,889**	5,237,133
Income tax	13	**(367,601)**	(770,402)
Profit for the year		**3,178,288**	4,466,731
Attributable to:			
Equity shareholders of the Company		**3,022,014**	4,195,221
Non-controlling interests		**3,513**	1,214
Holders of perpetual capital instruments		**152,761**	270,296
Profit for the year		**3,178,288**	4,466,731
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		**(15,959)**	(19,765)
Other comprehensive income for the year		**(15,959)**	(19,765)
Total comprehensive income for the year		**3,162,329**	4,446,966
Total comprehensive income attributable to:			
Equity shareholders of the Company		**3,006,565**	4,174,827
Non-controlling interests		**3,003**	1,843
Holders of perpetual capital instruments		**152,761**	270,296
Total comprehensive income for the year		**3,162,329**	4,446,966
Earnings per share	15		
Basic (RMB)		**0.43**	0.59
Diluted (RMB)		**0.43**	0.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019
(Expressed in RMB)

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	16	**65,273,178**	56,476,651
Right-of-use assets/prepaid lease payments	17	**6,967,388**	6,094,144
Goodwill	18	**379,000**	379,000
Other intangible assets	19	**274,665**	645,036
Interests in associates	20	**3,833,972**	3,752,247
Deposits for acquisition of non-current assets	21	**4,840,312**	7,164,350
Deferred tax assets	35(b)	**506,925**	153,934
Other non-current assets	24	**2,456,272**	2,829,111
		84,531,712	77,494,473
Current assets			
Inventories	22	**9,694,949**	8,718,960
Trade and bills receivables	23	**12,130,982**	12,937,800
Other receivables	24	**8,725,838**	3,252,636
Right-of-use assets/prepaid lease payments	17	**156,374**	143,476
Pledged bank deposits	25	**2,452,932**	1,702,219
Short-term deposits	26	**101,000**	–
Cash and cash equivalents	26	**915,866**	15,048,969
		34,177,941	41,804,060
Assets classified as held for sale	27	**4,613,891**	–
		38,791,832	41,804,060
Current liabilities			
Trade payables	28	**3,100,688**	5,253,224
Bills payables	29	**6,219,200**	2,364,696
Other payables	30	**10,846,382**	14,140,116
Contract liabilities	31	**371,557**	466,680
Lease liabilities	32	**346,121**	–
Current tax liabilities	35(a)	**141,266**	472,286
Bank and other loans	33(a)	**15,495,075**	13,959,602
		36,520,289	36,656,604
Liabilities classified as held for sale	27	**553,452**	–
		37,073,741	36,656,604
Net current assets		**1,718,091**	5,147,456
Total assets less current liabilities		**86,249,803**	82,641,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019
(Expressed in RMB)

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Bank and other loans	33(b)	**49,295,542**	38,661,319
Debentures	34	**–**	6,500,000
Lease liabilities	32	**116,236**	–
Deferred tax liabilities	35(b)	**949,071**	916,649
		50,360,849	46,077,968
NET ASSETS		**35,888,954**	36,563,961
Capital and reserves			
Share capital	36(c)	**605,397**	605,397
Reserves	36(d)	**33,899,776**	32,561,078
Equity attributable to equity shareholders of the Company		**34,505,173**	33,166,475
Non-controlling interests		**183,781**	203,486
Perpetual capital instruments	41	**1,200,000**	3,194,000
TOTAL EQUITY		**35,888,954**	36,563,961

On behalf of the directors

Lu Changqing
Director

Chen Yan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019
(Expressed in RMB)

		Attributable to equity shareholders of the Company												
	Notes	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	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		–	–	–	–	–	–	–	(20,394)	–	(20,394)	–	629	(19,765)
Total comprehensive income		–	–	–	–	–	–	–	(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

		Attributable to equity shareholders of the Company												
	Notes	**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**	**Retained profits RMB'000**	**Subtotal RMB'000**	**Perpetual capital instruments RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2019		**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**
Initial application of IFRS 16	2(a)(i)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,151**	**3,151**	**–**	**–**	**3,151**
Restated balances at 1 January 2019		**605,397**	**6,364,786**	**(2,992,978)**	**635,898**	**5,381,132**	**2,382,753**	**395,280**	**(53,293)**	**20,450,651**	**33,169,626**	**3,194,000**	**203,486**	**36,567,112**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,022,014**	**3,022,014**	**152,761**	**3,513**	**3,178,288**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,449)**	**–**	**(15,449)**	**–**	**(510)**	**(15,959)**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,449)**	**3,022,014**	**3,006,565**	**152,761**	**3,003**	**3,162,329**
Final dividends for the year 2018		**–**	**(1,056,381)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,056,381)**	**–**	**–**	**(1,056,381)**
Interim dividends for the year 2019		**–**	**(636,034)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(636,034)**	**–**	**–**	**(636,034)**
Recognition of share-based payment		**–**	**–**	**–**	**–**	**–**	**–**	**27,397**	**–**	**–**	**27,397**	**–**	**–**	**27,397**
Appropriations		**–**	**–**	**–**	**–**	**1,111,235**	**–**	**–**	**–**	**(1,111,235)**	**–**	**–**	**–**	**–**
Dividends paid to a non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,708)**	**(22,708)**
Repayment of perpetual capital instruments		**–**	**(6,000)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,000)**	**(1,994,000)**	**–**	**(2,000,000)**
Distribution for perpetual capital instruments		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(152,761)**	**–**	**(152,761)**
		–	**(1,698,415)**	**–**	**–**	**–**	**–**	**27,397**	**–**	**–**	**(1,671,018)**	**(2,146,761)**	**(22,708)**	**(3,840,487)**
At 31 December 2019		**605,397**	**4,666,371**	**(2,992,978)**	**635,898**	**6,492,367**	**2,382,753**	**422,677**	**(68,742)**	**22,361,430**	**34,505,173**	**1,200,000**	**183,781**	**35,888,954**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019
(Expressed in RMB)

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Profit before taxation		**3,545,889**	5,237,133
Adjustments for:			
Finance costs		**1,272,104**	1,262,066
Depreciation		**1,664,080**	1,245,396
Share-based payment expenses		**27,397**	29,826
Gain on disposal of property, plant and equipment		**(1,978)**	(2,076)
Bank deposits interest income		**(137,766)**	(145,985)
Interest income from financial assets		**–**	(73,819)
Gain on disposal of a subsidiary		**(35,655)**	–
Depreciation of right-of-use assets/amortisation of prepaid lease payments		**175,731**	148,523
Amortisation of other intangible assets		**1,148**	1,049
Share of profits of associates		**(51,725)**	(164,747)
Expected credit loss on financial assets		**205,671**	79,496
Operating cash flows before movements in capital changes		**6,664,896**	7,616,862
Increase in trade and bills receivables		**(915,144)**	(5,955,480)
Increase in other receivables		**(3,939,048)**	(279,058)
Increase in inventories		**(4,043,999)**	(1,763,775)
Decrease in trade payables		**(1,654,135)**	(3,372,660)
Increase/(decrease) in bills payables		**3,884,504**	(1,393,441)
Increase in other payables		**415,968**	3,169,708
Cash generated from/(used in) operations		**413,042**	(1,977,844)
Income tax paid	35(a)	**(1,019,190)**	(745,631)
Net cash used in operating activities		**(606,148)**	(2,723,475)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019
(Expressed in RMB)

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from investing activities			
Placements in short-term deposits		**(101,000)**	–
Payments for acquisition of subsidiaries (net of cash and cash equivalents acquired)		**–**	(14,741)
Payments for capital injection in associates		**(30,000)**	(50,047)
Proceeds from disposals of a subsidiary (nets of cash and cash equivalent disposed of)		**192,873**	–
Purchases of property, plant and equipment, right-of-use assets/ prepaid lease payments and other intangible assets		**(8,213,904)**	(10,647,198)
Interest received from bank deposits		**113,296**	258,906
Repayments of other receivables		**–**	1,935,851
Proceeds from disposal of property, plant and equipment		**1,608**	8,941
Proceeds from disposals of financial assets		**–**	2,875,000
Interest received from financial assets		**–**	81,787
Net cash used in investing activities		**(8,037,127)**	(5,551,501)
Cash flows from financing activities			
Proceeds from bank and other loans	45	**20,507,960**	28,905,417
Repayments of bank and other loans	45	**(22,026,084)**	(12,297,914)
Proceeds from related parties		**8,175,061**	7,381,802
Repayments of debentures	45	**(6,500,000)**	(1,200,000)
Interest paid	45	**(1,765,888)**	(1,706,724)
Dividends paid		**(1,692,415)**	(1,517,426)
Repayments of perpetual capital instruments		**(2,000,000)**	(2,800,000)
Interest paid for perpetual capital instruments		**(168,031)**	(271,104)
Repayments of principal portion of the lease liabilities	45	**(20,431)**	–
Net cash (used in)/generated from financing activities		**(5,489,828)**	16,494,051
Net (decrease)/increase in cash and cash equivalents		**(14,133,103)**	8,219,075
Cash and cash equivalents at beginning of year		**15,048,969**	6,829,894
Cash and cash equivalents at the end of year		**915,866**	15,048,969

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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 address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The addresses of its principle place of business are No. 299, Wensheng Road, Liaoyang City, Liaoning 111003, China and 39/F, Zhongwang Tower, Yuan'an Road, Chaoyang District, Beijing 100102, China. The Group, comprising the Company and its subsidiaries, is principally engaged in 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 IFRSs

(a) Adoption of new/revised IFRSs — effective 1 January 2019

The International Accounting Standards Board (the "IASB") has issued a number of new or amended IFRSs that are first effective for the current accounting period of the Group:

- IFRS 16, Leases
- IFRIC-Int 23, Uncertainty over Income Tax Treatments
- Amendments to IFRS 9, Prepayment Features and Negative Compensation
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 included in Annual Improvements to IFRSs 2015–2017 Cycle

(i) Impact of the adoption of IFRS 16

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("IAS 17"), IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases-Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied IFRS 16 using the cumulative effect approach and recognised all cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. Comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

2. ADOPTION OF IFRSs (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2019 (Continued)

(i) Impact of the adoption of IFRS 16 (Continued)

The following tables summarised the impact of transition to IFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	Increased/ (decreased) by RMB'000
Consolidated statement of financial position as at 1 January 2019	
Right-of-use assets — land	6,237,620
Right-of-use assets — buildings	17,371
Prepaid lease payments	(6,237,620)
Lease liabilities (non-current)	5,352
Lease liabilities (current)	8,868
Retained profits	3,151

The Group presents right-of-use assets with "Prepaid lease payments" as a single line in the consolidated statement of financial position for the transition and the classification of "Prepaid lease payments" under IAS 17 will be abolished subsequently after this transition period.

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 31 December 2018 could be reconciled to lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	RMB'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 December 2018	49,633
Less: short term leases for which lease terms end within 31 December 2019	(1,469)
Less: a lease committed as of 31 December 2018 but lease terms not yet commenced as at 1 January 2019	(4,248)
Less: changes in lease term which the Group has exercise its option for termination	(28,859)
Less: future interest expenses	(837)
Total lease liabilities as of 1 January 2019	14,220

Weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 4.52%.

2. ADOPTION OF IFRSs (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2019 (Continued)

(ii) The new definition of a lease

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

2. ADOPTION OF IFRSs (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2019 (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use asset

Right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

Lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. These shall be discounted using interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for right-to-use the underlying asset during the lease term that are not paid at commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to commencement date, a lessee shall measure lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). Comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

2. ADOPTION OF IFRSs (Continued)

(a) Adoption of new/revised IFRSs — effective 1 January 2019 (Continued)

(iv) Transition (Continued)

The Group has recognised lease liabilities at 1 January 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all right-of-use assets at 1 January 2019 for leases previously classified operating leases under IAS 17 as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied IAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC-Int4.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

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

2. ADOPTION OF 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 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.

Amendments to IFRS 3	Definition of a business[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 2020

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 pronouncement 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.

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.

The Group is not yet in a position to state whether these new pronouncement will result in substantial changes to the Group's accounting policies and financial statements.

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 IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(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.

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(q)), 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

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 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
Leasing aluminium alloy formwork	5 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. Capitalisation 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.

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) Prepaid lease payments (accounting policies applied until 31 December 2018)

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) A. Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise leases which are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) A. Leasing (accounting policies applied from 1 January 2019) (Continued)

(i) Accounting as a lessee

Right-of-use asset

Right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures right-of-use assets by applying cost model. Under cost model, the Group measures right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

Lease liability is recognised at present value of lease payments that are not paid at the date of commencement of the lease. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing carrying amount to reflect the lease payments made; and (iii) remeasuring carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) A. Leasing (accounting policies applied from 1 January 2019) (Continued)

(ii) Accounting as a lessor

The Group has leased out its aluminium alloy formwork to a number of tenants. 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.

B. Leasing (accounting policies applied until 31 December 2018)

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 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 Group as lessor

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.

(h) Intangible assets (other than goodwill)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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(q)).

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) Financial Instruments

(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. 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 at amortised cost

These 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade and bills receivables and financial assets measured at amortised cost. ECLs are measured on either of the following bases: (i) 12 months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and (ii) 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.

The Group has elected to measure loss allowances for trade and bills receivables 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.

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: (i) 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 (ii) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (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 are financial liabilities designated upon initial recognition as at fair value through profit or loss.

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 payables, bills payables, other payables and 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

Effective interest method is a method of calculating amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. 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) Financial Instruments (Continued)

(vi) 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.

(j) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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. 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.

(l) Revenue recognition

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 production

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Revenue recognition (Continued)

(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.

(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.

(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.

Contract liabilities

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.

(m) 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income taxes (Continued)

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.

(n) 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 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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.

(p) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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;
- right-of-use assets;
- intangible assets; and
- investments in subsidiaries and associates (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.

(r) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) 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); and

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

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.

(u) 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 and non-current assets

Determining whether goodwill and non-current assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and assets under assessment has been allocated and their recoverable amounts. The recoverable amount calculation requires the directors 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.

(ii) Impairment loss on trade and bills receivables

Under IFRS 9 simplified approach when determining ECLs based on lifetime ECLs, the directors have 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 ECLs, trade and bills 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.

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:

Revenue from contracts with customer within the scope of IFRS 15

— 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");

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

Revenue from other source

— leasing of aluminium alloy formworks ("Leasing").

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	
	2019	2018
	RMB'000	RMB'000
Aluminium Alloy Formwork	**8,393,515**	12,914,414
Industrial		
— Revenue from external customers	**6,587,235**	6,483,257
— Inter-segment revenue	**4,020,646**	1,952,458
Construction	**22,822**	14,507
Flat-rolled	**6,878,371**	5,049,531
Further-fabricated	**985,777**	1,115,874
Leasing	**699,436**	–
Others	**16,543**	22,851
	27,604,345	27,552,892
Elimination of inter-segment revenue	**(4,020,646)**	(1,952,458)
Total	**23,583,699**	25,600,434
Timing of revenue recognition:		
Point in time	**21,898,486**	24,484,560
Over time	**1,685,213**	1,115,874
Total	**23,583,699**	25,600,434

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	
	2019	2018
	RMB'000	RMB'000
Aluminium Alloy Formwork	**3,620,506**	5,574,852
Industrial	**1,790,757**	2,122,982
Construction	**634**	1,317
Flat-rolled	**975,963**	505,016
Further-fabricated	**136,992**	136,906
Leasing	**509,680**	–
Others	**16,359**	22,851
	7,050,891	8,363,924
Elimination of unrealised inter-segment loss/(profits)	**53,496**	(2,243)
Total	**7,104,387**	8,361,681
Investment income and other income	**982,985**	959,014
Selling and distribution costs	**(536,438)**	(309,957)
Administrative and other operating expenses	**(2,784,666)**	(2,676,286)
Share of profit of associates	**51,725**	164,747
Finance costs	**(1,272,104)**	(1,262,066)
Profit before taxation	**3,545,889**	5,237,133
Income tax	**(367,601)**	(770,402)
Profit for the year	**3,178,288**	4,466,731

Segment results represents 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:

	2019 RMB'000	2018 RMB'000
Aluminium Alloy Formwork	**11,910,576**	11,347,172
Industrial	**30,302,946**	28,712,573
Construction	**22,073**	26,831
Flat-rolled	**54,251,295**	48,344,602
Further-fabricated	**4,259,697**	3,184,805
Leasing	**3,197,200**	–
Unallocated assets		
— Property, plant and equipment	**2,589,184**	2,167,651
— Right-of-use assets/prepaid lease payments	**675,614**	198,307
— Goodwill	**379,000**	379,000
— Interests in associates	**3,833,972**	3,752,247
— Deferred tax assets	**506,925**	153,934
— Inventories	**1,511,890**	921,815
— Other receivables	**1,799,483**	3,358,408
— Pledged bank deposits	**2,452,932**	1,702,219
— Short-term deposits	**101,000**	–
— Cash and cash equivalents	**915,866**	15,048,969
— Assets classified as held for sale	**4,613,891**	–
Total assets	**123,323,544**	119,298,533

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 right-of-use assets/prepaid lease payments, goodwill, interests in associates, deferred tax assets, certain raw materials and certain work in progress included in inventories, certain other receivables, pledged bank deposits, short-term deposits, cash and cash equivalents and assets classified as held for sale which are commonly used by all segments or used for corporate operation.

Segment assets mainly comprise of property, plant and equipment, right-of-use assets/prepaid lease payments, other intangible assets, inventories, deposits for acquisition of non-current assets, other non-current assets, trade and bills receivables, and other receivables 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.

6. SEGMENT REPORTING (Continued)

Other segment information

Amounts included in the measure of segment results or segment assets for the year ended 31 December 2019:

	Aluminium Alloy Formwork RMB'000	Industrial RMB'000	Construction RMB'000	Flat-rolled RMB'000	Further-fabricated RMB'000	Leasing RMB'000	Unallocated RMB'000	Total RMB'000
Additions to property, plant and equipment	**383,176**	**2,681,818**	**–**	**6,638,430**	**497,613**	**2,397,978**	**673,733**	**13,272,748**
Additions to other intangible assets	**–**	**1,237**	**–**	**–**	**–**	**–**	**–**	**1,237**
Additions to right-of-use assets	**245,756**	**63,676**	**–**	**267,261**	**–**	**–**	**507,039**	**1,083,732**
Additions to/(utilisation of) deposits for acquisition of non-current assets	**115,277**	**435,949**	**–**	**(1,962,639)**	**149,315**	**–**	**53,930**	**(1,208,168)**
Depreciation of property, plant and equipment	**54,561**	**352,110**	**–**	**439,969**	**57,692**	**87,656**	**248,978**	**1,240,966**
Amortisation of other intangible assets	**–**	**1,148**	**–**	**–**	**–**	**–**	**–**	**1,148**
Depreciation of right-of-use assets	**27,584**	**73,842**	**–**	**49,515**	**16,917**	**–**	**29,732**	**197,590**
Impairment losses/(reversal of impairment loss) on trade receivables,net	**148,756**	**30,337**	**824**	**47,550**	**359**	**658**	**(36,692)**	**191,792**
Gain on disposal of property, plant and equipment	**–**	**26**	**–**	**1,347**	**–**	**–**	**605**	**1,978**

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 non-current assets	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 losses/(reversal of impairment loss) 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)

Geographic information

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

	2019 RMB'000	2018 RMB'000
People's Republic of China ("PRC")	**21,049,131**	23,062,118
United States of America	**484,451**	447,145
Germany	**478,313**	598,965
Others	**1,571,804**	1,492,206
	23,583,699	25,600,434

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:

	2019 RMB'000	2018 RMB'000
Customer A*	**5,944,905**	2,735,396
Customer B**	**Note**	4,003,053
Customer C**	**Note**	3,647,731

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

* Revenue from aluminium alloy formwork and industrial segment

** Revenue from aluminium alloy formwork 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 and leased to customers and metal trade agency commission. The amount of each significant category of revenue recognised during the year is as follows:

	2019 **RMB'000**	2018 RMB'000
Sales of aluminium products		
— aluminium alloy formworks	**8,393,515**	12,914,414
— industrial aluminium extrusion products	**6,587,235**	6,483,257
— construction products	**22,822**	14,507
— aluminium flat-rolled products	**6,878,371**	5,049,531
— further-fabricated products	**985,777**	1,115,874
Leasing	**699,436**	–
Metal trade agency commission	**16,543**	22,851
	23,583,699	25,600,434

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

	2019 **RMB'000**	2018 RMB'000
Trade and bills receivables	**12,130,982**	12,937,800
Contract liabilities (Note)	**371,557**	466,680

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

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB371,557,000. This amount represents revenue expected to be recognised in the future from not yet completed sales contracts. The Group will recognise the expected revenue in future when or as the transaction 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

	2019 RMB'000	2018 RMB'000
Interest income		
— Bank deposits	**137,766**	145,985
— Financial assets at amortised costs	**–**	73,819
Gain on disposal of a subsidiary	**35,655**	–
	173,421	219,804

9. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Profit of sales of equipment	**310,236**	288,747
Exchange gains/(losses), net	**49,049**	(29,283)
Gain on sales of scrap materials, consumables and moulds	**105,761**	147,826
Government subsidies (Note)	**340,853**	329,510
Gain on disposal of property, plant and equipment	**1,978**	2,076
Others	**1,687**	334
	809,564	739,210

Note: The amounts mainly represent subsidies received from the Finance Bureau and other government departments 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.

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	**759**	–
Interest on bank loans and other borrowings	**1,766,375**	1,711,456
Less: Amount capitalised*	**(495,030)**	(449,390)
	1,272,104	1,262,066

* Borrowing costs have been capitalised at an average interest rate of 4.63% per annum (2018: 4.97%).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

11. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2019 RMB'000	2018 RMB'000
Auditors' remuneration		
— Audit services	**6,570**	5,380
— Other services	**230**	214
Total auditors' remuneration	**6,800**	5,594
Staff costs (including directors' emoluments):		
— Salaries and other benefits	**4,313,143**	3,518,239
— Contributions to defined contribution retirement plan	**279,956**	235,158
— Equity-settled share-based payment expenses	**27,397**	29,826
Total employee benefit expenses	**4,620,496**	3,783,223
Costs of inventories recognised as expenses*	**16,479,312**	17,238,753
Depreciation of property, plant and equipment*	**1,664,080**	1,245,396
Amortisation of other intangible assets*	**1,148**	1,049
Depreciation of right-of-use assets/amortisation of prepaid lease payments#	**175,731**	148,523
Expected credit loss on financial assets (Note 23)	**205,671**	79,496
Interest on lease liabilities	**759**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	95,453
Short-term leases expense	**15,920**	–
Research and development costs	**1,160,683**	1,147,053

* Cost of inventories recognised as an expense includes approximately RMB5,271,129,000 (2018: RMB4,065,977,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above.

\# The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred or amortised under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See Note 2(a).

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 2019				
Executive directors				
Mr. Lu Changqing	**1,576**	**50**	**3,100**	**4,726**
Ms. Ma Qingmei	**1,555**	**34**	**295**	**1,884**
Non-executive directors				
Mr. Chen Yan	**1,515**	**13**	**3,100**	**4,628**
Mr. Lin Jun (Note (ii))	**758**	**6**	**147**	**911**
Mr. Wei Qiang (Note (ii))	**758**	**6**	**147**	**911**
Mr. Liu Zhisheng (Note (iii))	**757**	**6**	**147**	**910**
Mr. Zhang Hui (Note (iii))	**757**	**7**	**147**	**911**
Independent non-executive directors				
Mr. Wong Chun Wa	**200**	**–**	**78**	**278**
Mr. Wen Xianjun (Note (iv))	**–**	**–**	**–**	**–**
Mr. Shi Ketong	**200**	**–**	**78**	**278**
Mr. Lo Wa Kei, Roy	**200**	**–**	**78**	**278**
	8,276	**122**	**7,317**	**15,715**
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 (iv))	–	–	–	–
Mr. Shi Ketong	200	–	151	351
Mr. Lo Wa Kei, Roy	200	–	151	351
	8,246	111	14,274	22,631

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(p). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 40.

(ii) Ms. Lin Jun and Mr. Wei Qiang have been appointed as non-executive director on 26 July 2019.

(iii) Mr. Liu Zhisheng and Mr. Zhang Hui resigned from the position of non-executive directors on 26 July 2019.

(iv) 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 2019 and 2018.

For each of the years ended 31 December 2019 and 2018, 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 2019 and 2018, 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:

	2019	2018
	RMB'000	RMB'000
Current tax		
— Provision for the year (Note)	**710,629**	732,222
— (Over)/Under provision in respect of prior years	**(22,459)**	6,527
	688,170	738,749
Deferred taxation (Note 35(b))	**(320,569)**	31,653
Total income tax	**367,601**	770,402

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:

	2019 RMB'000	2018 RMB'000
Profit before taxation	**3,545,889**	5,237,133
Notional tax on profit before taxation, calculated at the PRC income tax rate of 25 % (2018: 25%)	**886,472**	1,309,283
Effect of different tax rates of subsidiaries operating in other jurisdictions (Note (i))	**(579)**	219,696
Effect of PRC preferential tax rate (Note (ii))	**(394,924)**	(458,732)
Tax effect of expenses not deductible for tax purposes	**15,379**	(41,788)
Tax effect of revenue not taxable for tax purposes	**(32,263)**	(156,349)
Tax relief related to additional tax deduction on research and development costs incurred	**(145,041)**	(126,465)
Tax effect of tax losses not recognised	**205,574**	84,641
Utilisation of tax losses previously not recognised	**(102,551)**	(66,411)
(Over)/under provision in respect of prior years	**(22,459)**	6,527
Others	**(42,007)**	–
Total income tax	**367,601**	770,402

Notes:

(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) Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang"), Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited, Yingkou Zhongwang Aluminium Company Limited ("Yingkou Zhongwang"), Tianjin Zhongwang and Zhongwang (Liaoyang) Aluminium Formwork Manufacturing Company Limited were recognised as a High and New Technology Enterprise ("HNTE") by government, and are to be re-assessed every three years. Qualified HNTE enjoys a preferential tax rate at the enterprise income tax rate of 15%.

14. OTHER COMPREHENSIVE INCOME

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

	2019			2018		
	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	**(15,959)**	**–**	**(15,959)**	(19,765)	–	(19,765)

(b) There were no reclassification adjustments relating to components of other comprehensive income during the year (2018: nil).

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 2019 and 2018 and on the number of shares as follows:

	2019 RMB'000	2018 RMB'000
Profit for the year attributable to equity shareholders of the Company	**3,022,014**	4,195,221

	2019 '000	2018 '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	**7,068,598**	7,071,279
Earnings per share		
Basic (RMB)	**0.43**	0.59
Diluted (RMB)	**0.43**	0.59

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for 2019.

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	Leasing aluminium alloy formwork RMB'000	Total RMB'000
Cost							
At 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 non-current assets	–	–	–	–	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 and 1 January 2019	6,908,174	23,790,045	362,986	345,434	32,486,388	–	63,893,027
Transfer in/ (out)	2,993,629	2,391,546	18,848	5,118	(5,409,141)	–	–
Additions	1,080	638,543	21,012	39,149	7,746,536	2,403,998	10,850,318
Transfer from deposits for acquisition of non-current assets	–	–	–	–	2,422,592	–	2,422,592
Disposals	–	(28,409)	(13,240)	(1,721)	(245,526)	–	(288,896)
Conversion differences In foreign currency statements	(1,054)	(2,771)	5	108	–	–	(3,712)
Classified as held for sale	–	(2,940,840)	(6,557)	(17)	(34,518)	–	(2,981,932)
At 31 December 2019	**9,901,829**	**23,848,114**	**383,054**	**388,071**	**36,966,331**	**2,403,998**	**73,891,397**
Accumulated depreciation and impairment							
At 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 and 1 January 2019	1,006,760	6,092,761	151,361	165,494	–	–	7,416,376
Charged for the year	348,857	1,126,110	50,239	50,681	–	88,193	1,664,080
Written back on disposals	–	(25,006)	(10,803)	(372)	–	–	(36,181)
Conversion differences In foreign currency statements	(528)	(2,499)	3	83	–	–	(2,941)
Classified as held for sale	–	(419,675)	(3,440)	–	–	–	(423,115)
At 31 December 2019	**1,355,089**	**6,771,691**	**187,360**	**215,886**	**–**	**88,193**	**8,618,219**
Net book value							
At 31 December 2019	**8,546,740**	**17,076,423**	**195,694**	**172,185**	**36,966,331**	**2,315,805**	**65,273,178**
At 31 December 2018	5,901,414	17,697,284	211,625	179,940	32,486,388	–	56,476,651

At 31 December 2019, certain of the Group's property, plant and equipment with a carrying amount of approximately RMB6,276,588,000 (2018: RMB4,119,850,000) were pledged to secure the Group's borrowings (Note 33(b)).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

17. RIGHT-OF-USE ASSETS/PREPAID LEASE PAYMENTS

	Right-of-use assets			
	Land RMB'000	Buildings RMB'000	Prepaid lease payments RMB'000	Total RMB'000
Cost				
At 1 January 2018	–	–	6,228,469	6,228,469
Additions	–	–	706,043	706,043
At 31 December 2018	–	–	6,934,512	6,934,512
Initial application of IFRS 16	6,934,512	39,230	(6,934,512)	39,230
Restated balance as at 1 January 2019	6,934,512	39,230	–	6,973,742
Additions	576,693	467,809	–	1,044,502
At 31 December 2019	7,511,205	507,039	–	8,018,244
Accumulated depreciation and amortisation				
At 1 January 2018	–	–	548,369	548,369
Amortisation	–	–	148,523	148,523
At 31 December 2018	–	–	696,892	696,892
Initial application of IFRS 16	696,892	21,859	(696,892)	21,859
Restated balance as at 1 January 2019	696,892	21,859	–	718,751
Depreciation	160,160	15,571	–	175,731
At 31 December 2019	857,052	37,430	–	894,482
Net book value				
At 31 December 2019	6,654,153	469,609	–	7,123,762
At 31 December 2018	–	–	6,237,620	6,237,620

Analysed for reporting purpose:	**2019** **RMB'000**	2018 RMB'000
Current assets	**156,374**	143,476
Non-current assets	**6,967,388**	6,094,144
	7,123,762	6,237,620

As at 31 December 2019, the Group has right-of-use assets from a company controlled by the owner of the ultimate holding company. Please refer to Note 32 for details.

Land use rights with a carrying amount of approximately RMB1,317,280,000 were pledged to secure the Group's borrowings (Note 33(b)) as at 31 December 2019 (2018: RMB1,348,340,000).

18. GOODWILL

	2019	2018
	RMB'000	RMB'000
At 1 January and 31 December	**379,000**	379,000

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

	2019	2018
	RMB'000	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 (2018: nil). The growth rate does not exceed the long-term average growth rate of the businesses in which the CGU operates.

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

	Silver Yachts Ltd.		**Aluminiumwerk Unna AG.**	
	2019	2018	**2019**	2018
Discount rates	**10.52%**	9.50%	**12.84%**	12.94%

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

19. OTHER INTANGIBLE ASSETS

	Design and engineering packages RMB'000 (Note (i))	Other intangible assets RMB'000 (Note (ii))	Total RMB'000
Cost			
As at 1 January 2018	307,330	–	307,330
Additions	499	369,788	370,287
Conversion differences in foreign currency statements	2,907	–	2,907
At 31 December 2018 and 1 January 2019	310,736	369,788	680,524
Additions	1,237	–	1,237
Conversion differences in foreign currency statements	(812)	–	(812)
Classified as held for sale	–	(369,788)	(369,788)
At 31 December 2019	311,161	–	311,161
Accumulated amortisation and impairment			
As at 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 and 1 January 2019	35,488	–	35,488
Charge for the year	1,148	–	1,148
Conversion differences in foreign currency statements	(140)	–	(140)
At 31 December 2019	36,496	–	36,496
Net book value			
At 31 December 2019	274,665	–	274,665
At 31 December 2018	275,248	369,788	645,036

Notes:

(i) Design and engineering packages represented the results of research and development of superyacht foundation designs, which are fundamental in the design of future projects.

(ii) Other intangible asset represented 322,500 tonnes electrolytic aluminium capacity quota acquired for the year ended 31 December 2018. The asset was classified as held for sale as at 31 December 2019, which was measured at the lower of its carrying amount and fair value less costs to sell.

20. 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.

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

20. 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	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Gross amounts of the associates'						
Current assets	1,826,175	1,772,780	1,512,822	1,470,857	41,446,747	36,152,545
Non-current assets	2,460,261	2,440,505	2,304,586	2,285,429	22,086	9,088
Current liabilities	790,773	790,774	653,409	653,422	35,591,377	30,344,044
Non-current liabilities	–	–	–	–	–	–
Equity	3,495,663	3,422,511	3,163,999	3,102,864	5,877,456	5,817,589
Revenue	–	–	–	–	395,665	585,649
Profit for the year	73,152	156,572	61,135	142,024	59,867	312,682
Total comprehensive income	73,152	156,572	61,135	142,024	59,867	312,682
Reconciled to the Group's interests in the associates						
Gross amounts of net assets of the associate	3,495,663	3,422,511	3,163,999	3,102,864	5,877,456	5,817,589
Group's interest in the associate	20%	20%	20%	20%	35%*	35%*
Group's share of net assets of the associate	699,133	684,502	632,800	620,573	2,057,110	2,036,156
Carrying amount in the consolidated financial statements	699,133	684,502	632,800	620,573	2,057,110	2,036,156

* The Group held 13% (2018: 13%) effective interest of the associate through Huarong and Xinda in the equity of Zhongwang Finance Company as at 31 December 2019.

Aggregate financial information of associates that are not individually material:

Period ended 31 December	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	444,929	411,016
Aggregate amounts of the Group's share of those associates'		
Profit/(Loss) and total comprehensive income/(loss) for the year	3,915	(4,411)

21. DEPOSITS FOR ACQUISITION OF NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Deposits for acquisition of property, plant and equipment	**3,747,198**	6,116,660
Deposits for acquisition of payments for leasehold land held for own use under operating leases	**1,093,114**	1,047,690
	4,840,312	7,164,350

22. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**3,434,968**	3,644,684
Work-in-progress	**4,478,889**	3,527,252
Finished goods	**1,781,092**	1,547,024
	9,694,949	8,718,960

23. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade and bills receivables	**12,410,035**	13,025,270
Less: Loss allowance	**(279,053)**	(87,470)
	12,130,982	12,937,800

23. TRADE AND BILLS RECEIVABLES (Continued)

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:

	2019	2018
	RMB'000	RMB'000
Current or less than 90 days	**10,141,625**	9,052,039
91 to 180 days	**1,452,927**	2,922,615
More than 180 days	**536,430**	963,146
	12,130,982	12,937,800

The Group and the Company recognised impairment loss based on the accounting policy stated in Note 4(i)(ii) for the years ended 31 December 2018 and 2019.

For the year ended 31 December 2019, the Group allows an average credit period of 90-180 days (2018: 90-180 days) for domestic sales and an average credit period of 180 days (2018: 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 46(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.

Amounts due from related parties of approximately RMB7,261,000 are included in trade receivables as at 31 December 2019, which are repayable on normal trade terms (2018: RMB3,074,000).

24. OTHER RECEIVABLES

At 31 December 2019, included in other receivables are mainly deductible input value added tax ("VAT receivables"), prepayment on purchases and other receivables. Amounts due from related parties of approximately RMB417,000 are also included as other receivables (2018: nil). Amounts due from related parties are unsecured, interest-free and repayable on demand.

At 31 December 2019, VAT receivables amounting to approximately RMB5,925,165,000 (2018: RMB5,048,684,000) of which RMB2,456,272,000 (2018: RMB2,829,111,000) 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 are expected to be recovered or recognised as expenses within one year.

25. PLEDGED BANK DEPOSITS

The Group pledged bank deposits as collateral in respect of issuance of bills (Note 29) and letters of credit by the Group. These pledged bank deposits will be released upon the settlement of relevant payables.

26. SHORT-TERM DEPOSITS AND CASH AND CASH EQUIVALENTS

Short-term deposits are fixed deposits with banks with an original maturity of more than three months but not more than one year. Cash and cash equivalents comprise cash held by the Group with an original maturity of three months or less.

27. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In October 2019, the Group decided to dispose of Yingkou Zhongwang Aluminium Material Co., Ltd. ("Zhongwang Aluminium Material"). Zhongwang Aluminium Material was incorporated under the laws of the PRC with limited liability as a wholly-owned subsidiary of Liaoning Zhongwang Aluminium Co., Ltd. ("Zhongwang Aluminium") in September 2019 by way of corporate separation from Yingkou Zhongwang to undertake the Electrolytic Aluminium Business. Yingkou Zhongwang had transferred the Electrolytic Aluminium Business to Zhongwang Aluminium Material during such corporate separation. As at the date of this annual report, the Electrolytic Aluminium Business is the only asset of Zhongwang Aluminium Material.

Due to the high production costs including costs of electricity, the Electrolytic Aluminium Business has been loss-making in recent years, so the Group has decided to establish Zhongwang Aluminium Material by way of corporate separation, transferred the Electrolytic Aluminium Business to Zhongwang Aluminium Material and then disposed of.

As of the end of reporting period, the Board has received expression of interest and anticipants that the sale will complete within 2020. The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the consolidated statement of financial position.

	RMB'000
Property, plant and equipment	2,558,817
Deposits for acquisition of non-current assets	2,488
Other intangible assets	369,788
Inventories	321,255
Trade and bills receivables	40,653
Other receivables	1,320,884
Cash and cash equivalents	6
Assets classified as held for sale	4,613,891
Trade payables	498,520
Other payables	54,932
Liabilities classified as held for sale	553,452

The business of Zhongwang Aluminium Material does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation. The fair value less costs to sell of the disposal group was estimated using asset-based approach and is classified within level 3 of the fair value hierarchy. Fair value was determined by minus liabilities from the value of assets after making market value adjustments to the disposal group's assets and liabilities.

As at the date of this annual report, the 100% equity interests in Zhongwang Aluminium Material has been disposed to independent third-party.

28. 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:

	2019 RMB'000	2018 RMB'000
Current or less than 90 days	**2,268,861**	4,855,647
91 to 180 days	**182,302**	202,633
More than 180 days	**649,525**	194,944
	3,100,688	5,253,224

29. BILLS PAYABLES

All the bills payables are repayable within 365 days as at 31 December 2019 (2018: 365 days) and are denominated in Renminbi. Bills payables amounting to RMB5,369,200,000 (2018: RMB744,200,000) were secured by an aggregate carrying amount of RMB1,762,811,000 deposits placed in banks (Note 25) as at 31 December 2019 (2018: RMB244,400,000).

30. OTHER PAYABLES

All other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

Included in other payables, there are approximately RMB5,215,393,000 (2018: RMB3,390,936,000) owed to production machineries suppliers and construction services contractors as at 31 December 2019.

Amounts due to related parties of approximately RMB2,107,223,000 are included in other payables as at 31 December 2019 (2018: RMB7,432,062,000). The amounts are unsecured, interest-free and repayable on demand.

31. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract liabilities arising from:		
Advance from customers	**371,557**	466,680

Contract liabilities represent advances from customers, where the Group has unconditional right to considerations before goods or services are delivered. Balance as at 31 December 2019 are received and not yet recognised as revenue during the reporting period.

32. LEASES

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2(a)(iv). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in Note 4(g)A(i).

LEASE LIABILITIES

The group leases a number of properties in the jurisdictions from which it operates. Periodic rent is fixed over the lease term.

	Minimum lease payments 31 December 2019 RMB'000	Interest 31 December 2019 RMB'000	Present value 31 December 2019 RMB'000
Not later than one year	359,136	13,015	346,121
Later than one year and not later than two years	117,402	2,694	114,708
Later than two years and not later than five years	1,558	30	1,528
	478,096	15,739	462,357

	Minimum lease payments 1 January 2019 RMB'000	Interest 1 January 2019 RMB'000	Present value 1 January 2019 RMB'000
Not later than one year	9,343	475	8,868
Later than one year and not later than two years	2,078	211	1,867
Later than two years and not later than five years	3,636	151	3,485
	15,057	837	14,220

Notes:

(i) The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17.

(ii) On 6 December 2019, the Group concluded lease contracts which will commence on 1 January 2020 in respect of certain office building from a company controlled by the owner of the ultimate holding company of the Group. The lease term for these contracts are two years. The Group recognised right-of-use assets and lease liabilities of RMB446,088,000 as at 31 December 2019, accordingly.

32. LEASES (Continued)

LEASE LIABILITIES (Continued)

The present value of future lease payments are analysed as:

	2019	2018
	RMB'000	RMB'000
Current liabilities	**346,121**	–
Non-current liabilities	**116,236**	–
	462,357	–

Operating leases — lessee

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

	2018
	RMB'000
Not later than one year	28,374
Later than one year and not later than two years	17,623
Later than two years and not later than five years	3,636
	49,633

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.

Operating leases — lessor

The Group have started its leasing business during the current year. Rental income from these operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. The rental income during the year ended 31 December 2019 was RMB699,436,000 (2018: nil).

The minimum rent receivables under non-cancellable operating leases repayable not later than one year amounted to RMB792,228,000 (2018: nil).

33. BANK AND OTHER LOANS

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

	2019 RMB'000	2018 RMB'000
Bank loans		
— Guaranteed by subsidiaries	**1,000,000**	1,438,100
— Guaranteed by related parties	**1,270,000**	2,120,000
— Unguaranteed and unsecured	**8,920,000**	5,140,000
Other loans		
— Unguaranteed and unsecured (Note)	**30,000**	2,638,016
	11,220,000	11,336,116
Add:		
— Current portion of long-term bank and other loans	**4,275,075**	2,623,486
	15,495,075	13,959,602

Note: At 31 December 2019, a short-term loan was with amount of approximately RMB30,000,000 (2018: RMB2,638,016,000) was from an associate of the Group. It was unguaranteed and unsecured. The interest rate was 3.05% (2018: 3.05% to 3.48%) per annum. It will be repaid within one year.

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

	2019 RMB'000	2018 RMB'000
Bank loans		
— Secured by property, plant and equipment (Note (i))	**48,241**	61,908
— Guaranteed by subsidiaries and secured by right-of-use assets/ prepaid lease payments and property, plant and equipment (Note (ii))	**9,655,357**	10,651,655
— Guaranteed by a related party and secured by property, plant and equipment (Note (iii))	**105,026**	245,088
— Unguaranteed and unsecured	**5,148,000**	2,842,441
Other loans		
— Secured by property, plant and equipment (Note (iv))	**3,600,404**	2,183,713
— Unguaranteed and unsecured (Note (v))	**35,013,589**	25,300,000
	53,570,617	41,284,805
Less:		
— Current portion of long-term bank and other loans	**(4,275,075)**	(2,623,486)
	49,295,542	38,661,319

33. BANK AND OTHER LOANS (Continued)

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

Note:

(i) At 31 December 2019, certain long-term loans from bank were secured by certain property, plant and equipment of the Group (Note16). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB119,548,000 at 31 December 2019 (2018: RMB128,381,000).

(ii) At 31 December 2019, 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 16 and Note 17). The aggregate carrying value of the secured right-of-use assets — land and property, plant and equipment amounted to approximately RMB1,317,280,000 and RMB164,848,000, respectively, at 31 December 2019 (2018: RMB1,348,340,000 and RMB169,582,000, respectively).

(iii) At 31 December 2019, 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 RMB705,586,000 at 31 December 2019 (2018: RMB753,020,000).

(iv) At 31 December 2019, certain long-term loans from financial leasing institutions were secured by certain property, plant and equipment of the Group (Note16). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB5,286,606,000 at 31 December 2019 (2018: RMB3,068,867,000).

(v) At 30 October 2019, the Group entered into a capital contribution agreement with an equity fund (the "Fund"), pursuant to which the Fund agreed to contribute RMB1,000,000,000 in cash to Liaoning Zhongwang, a wholly-owned subsidiary within the Group (the "Capital Contribution"). Upon completion of the Capital Contribution, the Group's ownership interests was diluted from 100% to 96.55%. Pursuant to a shareholder's agreement entered into between the Group and the Fund on the same date, a buy-back right was granted to the Fund to request the Group to buy back its 3.45% ownership interests in Liaoning Zhongwang at a fixed buy-back price, subject to the event of whether Liaoning Zhongwang is subsequently successful in the proposed restructuring as set out in the Company's announcement dated 20 March 2020. Given that the Group and the Fund have entered into a mutual agreement that results in the present ownership interest of the shares in Liaoning Zhongwang which are subject to the buy back right residing with the Group, the Capital Contribution was treated as a 3-year loan from the Fund.

At 31 December 2019, two long-term loans with aggregate amount of approximately RMB31,500,000,000 were from related parties of the Group. They were interest-free, unsecured and with no fixed repayable date. Several long-term loans with aggregate amount of approximately RMB2,500,000,000 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 two years.

33. 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:

	2019 RMB'000	2018 RMB'000
Within one year or on demand	4,275,075	2,623,486
More than one year, but not exceeding two years	8,589,337	21,274,335
More than two years, but not exceeding five years	6,438,563	13,254,177
After five years	34,267,642	4,132,807
	53,570,617	41,284,805

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 2019 and 2018, 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 46(b).

34. DEBENTURES

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. The Group had early settled the amounts in full during the year ended 31 December 2019.

35. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019 RMB'000	2018 RMB'000
At 1 January	**472,286**	479,168
Current tax (Note 13)	**688,170**	738,749
Income tax paid	**(1,019,190)**	(745,631)
At 31 December	**141,266**	472,286

(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 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	Unrealised inter-segment transaction RMB'000	Contingent settlement RMB'000	Total RMB'000
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)
At 1 January 2019	**118,053**	**14,013**	**21,868**	**(292,173)**	**(485,477)**	**(50,000)**	**(88,999)**	**–**	**–**	**(762,715)**
(Charged)/credited to profit for the year (Note 13)	**28,434**	**–**	**50,981**	**(3,842)**	**(18,922)**	**–**	**4,885**	**256,994**	**2,039**	**320,569**
At 31 December 2019	**146,487**	**14,013**	**72,849**	**(296,015)**	**(504,399)**	**(50,000)**	**(84,114)**	**256,994**	**2,039**	**(442,146)**

35. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

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

(ii) Reconciliation to the consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**506,925**	153,934
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(949,071)**	(916,649)
	(442,146)	(762,715)

(c) Deferred tax assets not recognised

At 31 December 2019, the Group had estimated unused tax losses of approximately RMB1,968,683,000 (2018: RMB1,487,713,000) 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. These tax losses carried forward of approximately RMB76,566,000, RMB153,011,000, RMB564,117,000, RMB233,421,000 and RMB687,653,000 will expire in 2020, 2021, 2022, 2023,and 2024, respectively. The remaining tax losses do not expire under current tax legislation.

(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 RMB16,351,154,000 (2018: RMB11,401,452,000) 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.

36. 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 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 and 1 January 2019	605,397	6,364,786	395,280	(1,012,653)	6,352,810
Changes in equity for 2019:	**–**				
Profit for the year	**–**	**–**	**–**	**406,368**	**406,368**
Final dividends for the year 2018	**–**	**(1,056,381)**	**–**	**–**	**(1,056,381)**
Interim dividends for the year 2019	**–**	**(636,034)**	**–**	**–**	**(636,034)**
Recognition of share-based payment		**–**	**27,397**	**–**	**27,397**
At 31 December 2019	**605,397**	**4,672,371**	**422,677**	**(606,285)**	**5,094,160**

(b) Dividends

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

	2019 **RMB'000**	2018 RMB'000
Interim dividend declared and paid of HKD0.10 per ordinary share and convertible preference share (2018: HKD0.10)	**636,034**	626,358
Final dividend proposed after the end of the reporting period of HKD0 per ordinary share and convertible preference share (2018: HKD0.17)	**–**	1,029,704

(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:

	2019 **RMB'000**	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.17 per ordinary share and convertible preference share (2018: HKD0.15)	**1,056,381**	891,068

36. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

Authorised and issued share capital

	No. of shares	Share capital	
		HKD'000	RMB'000
Ordinary share of HKD0.10 each:			
Authorised:			
At 1 January 2018, 1 January 2019 and 31 December 2019	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2018, 1 January 2019 and 31 December 2019	5,449,473,140	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2018, 1 January 2019 and 31 December 2019	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2018, 1 January 2019 and 31 December 2019	1,619,125,180	161,913	127,296

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.

36. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Surplus reserve

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

(ii) Enterprise development fund

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

(iii) Other reserve

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

(iv) Special reserve

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

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes bank and other loans and debentures (Notes 33 and 34) respectively, perpetual capital instruments (Note 41) 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 RMB35,888,954,000 as at the year ended 31 December 2019 (2018: RMB36,563,961,000).

37. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**16,639,783**	16,713,884

38. 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 EUR6,700.

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 2019 and 2018 are disclosed in Note 11.

39. 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 2019 and 2018 are as follows:

Related party relationship	**Transactions**	**2019 RMB'000**	2018 RMB'000
Company controlled by the owner of the ultimate holding company	Sales of goods to related parties	**9,130**	4,065
Company controlled by the owner of the ultimate holding company	Interest expenses on related parties loan	**166,808**	170,594

The Group have certain bank and other loans guaranteed by related parties as at the year ended 2019 and 2018. Please refer to Note 33 for details.

40. 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.

40. SHARE-BASED PAYMENTS (Continued)

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

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

40. SHARE-BASED PAYMENTS (Continued)

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

	2019 Weighted average exercise price	2019 Number of options	2018 Weighted average exercise price	2018 Number of options
Outstanding at the beginning of the year	**HKD3.93**	**399,900,000**	HKD3.93	493,400,000
Exercised during the year	**–**	**–**	–	–
Forfeited during the year	**HKD3.92**	**(17,000,000)**	HKD3.93	(93,500,000)
Granted during the year	**–**	**–**	–	–
Outstanding at the end of the year	**HKD3.93**	**382,900,000**	HKD3.93	399,900,000
Exercisable at the end of the year	**HKD3.93**	**241,500,000**	HKD3.92	180,960,000

The options outstanding at 31 December 2019 had an exercise price of HKD3.90 or HKD3.93 (2018: HKD3.90 or HKD3.93) and a weighted average remaining contractual life of 5.7 years (2018: 6.6 years).

No options were exercised during the year (2018: 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.

41. 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. In 2019, this perpetual note was fully repaid.

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 2019, profit attributable to the holders of perpetual note, based on the applicable distribution rate, was RMB73,973,000 (2018: 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.

41. PERPETUAL CAPITAL INSTRUMENTS (Continued)

(b) Perpetual trust loans (Continued)

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 follows: 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; and

(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 2019, profit attributable to the holders of perpetual trust loans, based on the applicable distribution rate, was RMB78,788,000 (2018: RMB180,296,000).

42. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Interest in subsidiaries		**17,828,280**	17,484,630
Current assets			
Cash and cash equivalents		**3,274**	73,475
		3,274	73,475
Current liabilities			
Trade payables		**236,276**	236,276
Other payables and accrued charges		**5,618,458**	3,547,850
Amount due to subsidiaries		**6,882,660**	6,983,069
Bank loans		**–**	438,100
		12,737,394	11,205,295
Net current liabilities		**(12,734,120)**	(11,131,820)
Total assets less current liabilities		**5,094,160**	6,352,810
NET ASSETS		**5,094,160**	6,352,810
Capital and reserves	36(a)		
Share capital		**605,397**	605,397
Reserves		**4,488,763**	5,747,413
TOTAL EQUITY		**5,094,160**	6,352,810

On behalf of the directors

Lu Changqing
Director

Chen Yan
Director

43. 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%	USD2,513,000,000	Investment holding, consulting and research & development
Liaoning Zhongwang Group Company Limited* 遼寧忠旺集團有限公司	The PRC	Chinese-foreign equity joint venture	The PRC	96.55%	–	96.55%	USD2,312,750,000	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%	RMB710,000,000	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

43. 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 construction formwork
Liaoning Zhongwang Aluminium Formwork Leasing Company Limited* 遼寧忠旺鋁模板租賃有限公司	The PRC	DLLC	The PRC	100%	–	100%	RMB50,000,000	Leasing Aluminium 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

43. 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 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
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%	RMB8,000,000,000	Manufacturing of aluminium products
Anhui Zhongwang Advanced Aluminium Alloy Company Limited* 安徽忠旺鋁合金精深加工有限公司	The PRC	DLLC	The PRC	100%	–	100%	RMB100,000,000	Manufacturing of aluminium products
Liaoning Zhongwang Aluminium Intelligent Furniture Technology Company Limited* 遼寧忠旺全鋁智能家具科技有限公司	The PRC	DLLC	The PRC	100%	–	100%	RMB200,000,000	Trading and manufacturing of aluminium furniture
Hanseatic Marine Engineering Pty Limited	Australia	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 as at 31 December 2018 and 2019.

44. DISPOSAL OF SUBSIDIARY

On 10 July 2019, the Group disposed of its subsidiary, Project Silver Loft Ltd., which is incorporate in the Cayman Islands. The net assets of Project Silver Loft Ltd. at the date of disposal were as follows:

	RMB'000
Inventories	644,445
Gain on disposal of subsidiary	35,655
Total consideration	680,100
Satisfied by:	
Cash	192,873
Advance payment	395,978
Receivables from buyer	91,249
Total	680,100
Net Cash inflow arising on disposal from cash consideration	192,873

45. NOTES TO SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financial activities:

	Bank and other loans (Note 33) RMB'000	Debentures (Note 34) RMB'000	Lease liabilities (Note 32) RMB'000	Interest payables RMB'000	Total RMB'000
At 1 January 2019	52,620,921	6,500,000	14,220	156,731	59,291,872
Changes from cash flows:					
Proceeds from new bank and other loans	34,067,960	–	–	–	34,067,960
Repayments of bank and other loans	(22,026,084)	–	–	–	(22,026,084)
Repayments of debentures	–	(6,500,000)	–	–	(6,500,000)
Repayments of principal portion of the lease liabilities	–	–	(20,431)	–	(20,431)
Interest paid	–	–	–	(1,765,888)	(1,765,888)
Total changes from financing cash flows	12,041,876	(6,500,000)	(20,431)	(1,765,888)	3,755,557
Other changes:					
Acquisition — leases (Note17)	–	–	467,809	–	467,809
Interest expenses (Note10)	–	–	759	1,271,345	1,272,104
Capitalised interest expenses (Note10)	–	–	–	495,030	495,030
Exchange difference and others	127,820	–	–	(117,609)	10,211
At 31 December 2019	64,790,617	–	462,357	39,609	65,292,583

46. 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.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

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

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

During the year ended 31 December 2019, the Group had daily average cash and cash equivalents amounted to RMB8,498,755,000 (2018: RMB7,833,636,000) deposited in Liaoyang Rural Commercial Bank Co., Ltd., which represented 66% (2018: 51%) of the Group's daily average balance of cash and cash equivalents. At 31 December 2019, Huarong and Xinda, two of the Group's associates (Note 20), held 6.34% and 4.99% equity interests of Liaoyang Rural Commercial Bank Co., Ltd., 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 2019, loss allowances for all other receivables are measured an amount equal to 12-month ECLs.

The Group measures loss allowances for trade and bills 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.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables at the end of each reporting period:

	2019			2018		
	Expected credit loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected credit loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.3	8,050,824	(23,242)	–	11,780,077	–
1–90 days past due	4.2	2,206,990	(92,947)	3.5	633,056	(21,294)
91–365 days past due	6.0	1,799,149	(107,908)	9.3	470,851	(43,988)
More than 365 days past due	15.6	353,072	(54,956)	15.3	141,286	(21,558)
	2.2	12,410,035	(279,053)	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.

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 receivables during the year is as follows:

	2019 RMB'000	2018 RMB'000
Balance at 31 December under IAS 39	87,470	21,831
Adjusted balance at 1 January	87,470	21,831
Amounts written off during the year	(209)	(13,857)
Impairment losses for trade and bill receivables recognised during the year	193,329	79,496
Impairment losses for other receivables recognised during the year	12,342	–
Impairment losses classified to held for sale assets	(1,537)	–
Balance at 31 December	291,395	87,470

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

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 2019, 45% (2018: 22%) 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 2019 and 2018, the Group did not provide any guarantees which would expose the Group to credit risk.

(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 table show the Group's remaining contractual maturities for its financial liabilities at the end of the reporting period. The table have been drawn up based on undiscounted cash flows and on agreed scheduled repayments set out in the loan agreements for bank and other loans. The discounted cash flows includes both principle and interest computed using contractual rates. For rates that are at variable, the undiscounted cash flows amount is derived from rates current at the end of the reporting period.

The maturity dates for other non-interest bearing liabilities are based on agreed repayment dates.

		Contractual and undiscounted cash flow					
	Weighted Average interest rate	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019							
Non-interest bearing		**21,227,263**	**318,766**	**7,607**	**–**	**21,553,636**	**21,553,636**
Bank and other loans	**4.84**	**16,695,776**	**9,327,207**	**7,431,035**	**34,357,976**	**67,811,994**	**64,790,617**
		37,923,039	**9,645,973**	**7,438,642**	**34,357,976**	**89,365,630**	**86,344,253**
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

46. 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:

	2019		2018	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	0–8.00	42,415,401	0–8.01	31,853,195
Debentures	–	–	3.75–5.40	6,500,000
		42,415,401		38,353,195
Variable rate borrowings:				
Bank and other loans	0.34–8.46	22,375,216	0.40–8.46	20,767,726
Total borrowings		64,790,617		59,120,921
Fixed rate borrowings as a percentage of total borrowings		65.5%		64.9%

(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 (2018: 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 2019 would decrease or increase by approximately RMB111,876,000 (2018: RMB88,570,000).

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 2018.

46. 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.

	2019 RMB'000	2018 RMB'000
Trade receivables		
USD	107,039	108,160
EUR	39,020	23,299
GBP	1,277	1,032
Other receivables		
USD	1,154,730	1,127,742
EUR	136,471	206
Bank balances		
HKD	–	1,047
USD	82,573	59,419
EUR	5	78,858
Trade payables		
USD	6,750	18,376
EUR	54	3,979
Other payables		
HKD	979,606	6,182
USD	612,751	78,791
EUR	13,598	11,506
GBP	3,647	3,077
Bank loans		
HKD	–	438,100
USD	2,130,357	2,320,405

46. 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 2018.

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% (2018: 5%) against relevant foreign currencies. For a 5% (2018: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before tax.

	2019 Increase in profit before tax RMB'000	2018 Increase in profit before tax RMB'000
RMB against HKD impact	**48,980**	22,123
RMB against USD impact	**70,628**	47,398

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.

47. EVENTS AFTER THE REPORTING DATE

Disposal of 100% Equity Interests in Zhongwang Aluminium Material

On 26 February 2020, Zhongwang Aluminium and Yidian Holding Group (Luoyang) Nonferrous Metals Co., Ltd. (伊電控股集團(洛陽)有色金屬有限公司) ("Yidian Luoyang") entered into a share transfer agreement, pursuant to which Zhongwang Aluminium agreed to sell, and Yidian Luoyang agreed to purchase the 100% equity interests in Zhongwang Aluminium Material at the consideration of RMB4,600,000,000. Upon completion, the Company will cease to hold any equity interests in Zhongwang Aluminium Material, and the financial results of Zhongwang Aluminium Material would no longer be consolidated in the consolidated financial statements of the Group. As at the date of this annual report, the transaction has been completed.

47. EVENTS AFTER THE REPORTING DATE (Continued)

The Impact of Novel Coronavirus

Since the outbreak of novel coronavirus ("COVID-19") in January 2020, the prevention and control of the COVID-19 has been going on throughout the PRC. COVID-19 has certain impacts on the business operation and overall economy in some areas or industries. This may affect the operation and results of the Group in a degree. The degree of impact depends on the escalation and the duration of the epidemic, the situation of the epidemic preventive measures and the implementation of regulatory policies. However, the Group will keep continuous attention on the situation, assess and react actively to its impacts on the financial position and results of the Group. The assessment up to the date of this annual report is still in progress.

Termination of the Equity Transfer Agreements

On 17 March 2020, Zhongwang Fabrication and Liaoning Zhongwang entered into a termination agreement with Jiaxing Liding Changhao Equity Investment Partnership Enterprise (Limited Partnership) (嘉興力鼎昌浩股權投資合夥企業(有限合夥)) and Zibo Yingke Baiyao Pioneer Investment Partnership Enterprise (Limited Partnership) (淄博盈科百耀創業投資合夥企業(有限合夥)), pursuant to which, the equity transfer agreements entered into among each party and the transactions contemplated thereunder were terminated on 17 March 2020, and rights and obligations of Jiaxing Liding Changhao Equity Investment Partnership Enterprise (Limited Partnership) and Zibo Yingke Baiyao Pioneer Investment Partnership Enterprise (Limited Partnership) under the shareholders' agreement dated 30 October 2019 shall concurrently terminate on 17 March 2020.

48. OTHER MATTERS

The Company noted there were certain related allegations, including those made in an article published on the website of the Wall Street Journal and a news released on the website of the Department of Justice of the United States (the "DOJ") on 31 July 2019 (the "Relevant Reports") in relation to a proceeding indicted by a federal grand jury on charges, including tax evasion, against, among others, the controlling shareholder of the Company and the Company (the "Alleged Proceeding") and the DOJ has obtained an indictment against the Company and its controlling shareholder in relation to the Alleged Proceeding. As stated in the Relevant Reports, an indictment is only an allegation, and each person named in an indictment is presumed to be innocent. If the allegations were proven in court, the Company could face monetary penalties.

The controlling shareholder of the Company has confirmed to the Company that he had not been served with any legal instrument or notice in relation to the Alleged Proceeding. Based on its best knowledge, the Company also confirms that it has not been served with any legal instrument or notice in relation to the Alleged Proceeding. The Company takes seriously any allegations that it may have violated any law and confirms that there is no update on the Alleged Proceeding since the publication of the announcements of the Company dated 1 August 2019 and 5 August 2019. Consequently, no provision has been made in accordance with the Accounting Policy set out in Note 4(s).

49. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 27 March 2020.

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

FIVE-YEAR FINANCIAL SUMMARY

Results

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**23,583,699**	25,600,434	19,458,826	16,695,543	16,171,246
Profit for the year attributable to:					
Equity shareholders of the Company	**3,022,014**	4,195,221	3,533,431	2,871,379	2,804,981
Non-controlling interests	**3,513**	1,214	364	–	–
Holders of perpetual capital instruments	**152,761**	270,296	334,400	35,780	–

Assets and liabilities

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	**123,323,544**	119,298,533	101,267,864	79,037,746	71,400,726
Total liabilities	**87,434,590**	82,734,572	64,578,232	45,027,844	45,409,728
Total equity attributable to:					
Equity shareholders of the Company	**34,505,173**	33,166,475	30,487,891	28,015,902	25,990,998
Non-controlling interests	**183,781**	203,486	207,741	–	–
Holders of perpetual capital instruments	**1,200,000**	3,194,000	5,994,000	5,994,000	–

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