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

ANNUAL REPORT 2020

* For identification purposes only


SILVER FAST

2020 FINANCIAL HIGHLIGHTS

REVENUE
(RMB Million)
20,402

GROSS PROFIT
(RMB Million)
5,936

NET PROFIT
(RMB Million)
1,838

EARNINGS PER SHARE
(RMB cents)
25

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

P.O.Box 2681
Cricket Square, Hutchins Drive
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 2102, 21/F, Overseas Trust Bank Building
160 Gloucester Road, 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 28 May 2021, the register of members of the Company will be closed from Friday, 21 May 2021 to Friday, 28 May 2021 (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, 20 May 2021, being the last share registration date.

Annual General Meeting

The Company's annual general meeting will be held on 28 May 2021, 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 aluminium extruded products for the ecological construction, transportation, machinery and equipment as well as electric power engineering sectors.

CORPORATE PROFILE

China Zhongwang Holdings Limited (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 has synergies with its aluminium extrusion business by sharing their resources. The further fabrication business includes cutting, surface treatment and welding, thereby turning 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 automotive industry. Such certificates of accreditation include Nadcap Aviation Certification, Aerospace Quality Management System Certification, and the letters of accreditation from Det Norske Veritas (DNV), American Bureau of Shipping (ABS), Bureau Veritas (BV), 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 official website at www.zhongwang.com.

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

FINANCIAL HIGHLIGHTS

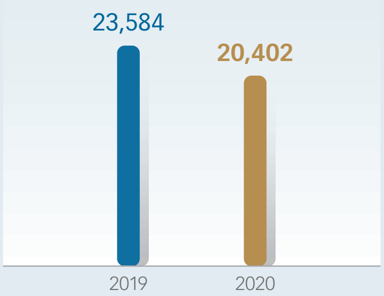
	2020 RMB'000	2019 RMB'000
Revenue	**20,401,559**	23,583,699
Gross profit	**5,936,479**	7,104,387
EBITDA (Note 1)	**6,358,255**	6,658,952
Profit for the year	**1,837,884**	3,178,288
Earnings per share (RMB) (Note 2)	**0.25**	0.43
Total equity attributable to equity shareholders of the Company	**36,364,367**	34,505,173

	2020	2019
Current ratio (Note 3)	**0.85**	1.05
Inventory turnover in days (Note 4)	**192**	195
Trade receivable turnover in days (Note 5)	**287**	194
Trade payable turnover in days (Note 6)	**208**	139
Gross margin	**29.1%**	30.1%
Gearing ratio (Note 7)	**71.1%**	70.9%
Revenue composition-by business		
Aluminium extrusion business	**64.5%**	66.6%
Aluminium flat rolling business	**29.1%**	29.1%
Further fabrication business	**5.2%**	4.2%
Others	**1.2%**	0.1%
Gross profit composition-by business		
Aluminium extrusion business	**75.8%**	88.7%
Aluminium flat rolling business	**18.8%**	9.9%
Further fabrication business	**0.9%**	1.2%
Others	**4.5%**	0.2%

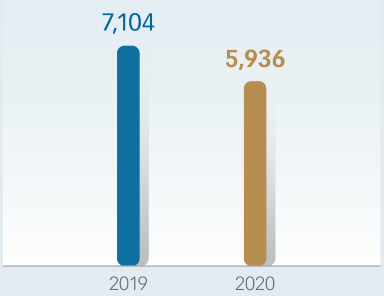
Notes:

1. EBITDA= Profit before taxation + finance costs + depreciation of property, plant and equipment + depreciation of right-of-use assets + depreciation of investment property + 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 2020 and 2019 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%

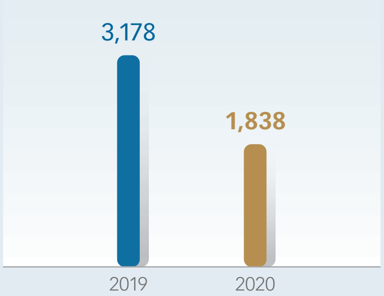
REVENUE
(RMB million)



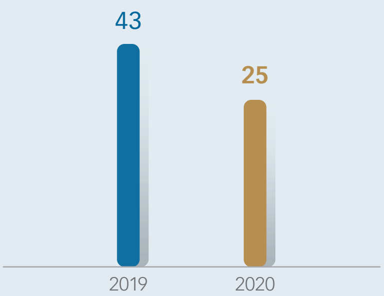
GROSS PROFIT
(RMB million)



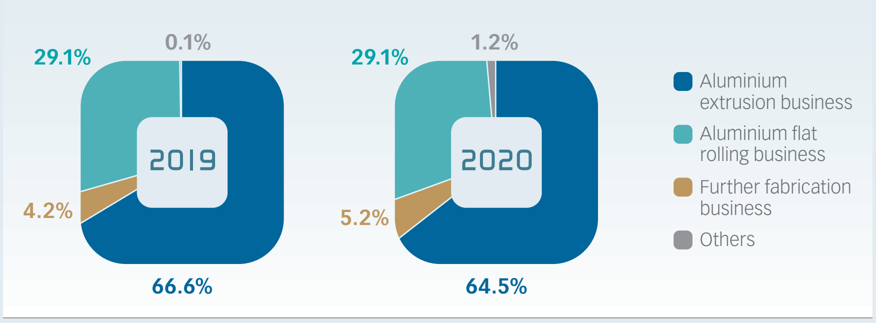
PROFIT FOR THE YEAR
(RMB million)



EARNINGS PER SHARE
(RMB cents)



REVENUE COMPOSITION
— By Business



MILESTONES OF THE YEAR

1. China Zhongwang won the title of "Automobile and Industrial Manufacturing Company with the Best Value" from the Golden Hong Kong Stocks Awards

2. Liaoning Zhongwang was named as a "National Model Enterprise of Intellectual Property"

3. Liaoning Zhongwang was the only aluminium enterprise elected as an "Excellent Supplier" by CRRC Zhuzhou Locomotive

4. Two technologies of Liaoning Zhongwang were awarded the "Provincial Science and Technology Progress Awards"

5. Tianjin Zhongwang won the first place of the "Top 100 in Strategic Emerging Industries" among the private enterprises in Tianjin.

6 Liaoning Zhongwang received the "Annual Social Responsibility Contribution Award" in the China Corporate Social Responsibility Selection

7 Liaoning Zhongwang won the "2020 Excellent Socially Responsible Enterprise Award" and the "2020 Outstanding Innovation Model Enterprise" in the Golden Jubilee Award

8 China Zhongwang won the "Outstanding Contribution Award" in the 2020 China Energy Green Innovation Awards

9 Liaoning Zhongwang Advanced Aluminium Alloy Processing Company Limited won the "Innovation Driven Award", a high recognition during its in-depth cooperation with Foton Motor Group

10 China Zhongwang was named "The Most Promising Public Tech Enterprise"

11 Liaoning Zhongwang received the Most Caring Donor Award of the 3rd "Liaoning Charity Award"

12 Liaoning Zhongwang won the "Most Promising Automotive Material Application Award for 2020"

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited ("China Zhongwang" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report on the audited results for the year ended 31 December 2020 (the "Year under Review") for your perusal.

In 2020, the global economy remained sluggish due to the impact of the Coronavirus Disease 2019 (COVID-19) pandemic. Thanks to its effective pandemic prevention and control strategy and the coordinated efforts of Chinese citizens across the country, China took the lead in economic recovery and has become the only major economy in the world to achieve positive economic growth, which has undoubtedly established confidence for companies to pursue development. In addition, China has announced a series of favourable macro policies, pointing the direction for enterprises to set the direction for their future development. The 2020 Central Economic Work Conference proposed that, in 2021, efforts should be focused on the important tasks of strengthening the national scientific and technological strength and enhancing the autonomous controllability of the industrial chain and supply chain.

As a global leader in the aluminium fabrication industry, China Zhongwang is forging ahead firmly in this direction. On the one hand, China Zhongwang continued to play the main role of scientific and technological innovation and to develop foundation parts, foundation technology, and key base material, in an effort to support national foundation reengineering projects. On the other hand, the Group continued to leverage on the synergistic advantages of its three core businesses, namely, industrial aluminium extrusion, further fabrication and aluminium flat rolling. By providing light-weight solutions which integrate the entire process of research and development (R&D), design, production, manufacturing, and after-sales service, the Company collaborated with upstream and downstream partners to further consolidate its leading position in the industry and jointly explore new prospective markets of eco-friendly development.

During the Year under Review, the Group has recorded overall sales volume of approximately 767,392 tonnes, with total revenue amounting to approximately RMB20.40 billion. Profit for the year was approximately RMB1.84 billion, while earnings per share amounted to approximately RMB0.25. The overall gross margin was 29.1%.

Forging Ahead with Further Strengthened Aluminium Extrusion Business

With China's vigorous implementation of the "new infrastructure" strategy, China Zhongwang has achieved consecutive breakthroughs in the fields related to the "new infrastructure". Relying on the world's leading super-large 225MN aluminium extrusion press, the top aluminium alloy tilting casting equipment in the world, the largest die design and manufacturing centre for specialty industrial aluminium extrusion products in Asia, and its "Four-in-one" comprehensive supporting advantages in the integration of "product R&D", "die design", "smelting and casting", and "advanced equipment", the Group has produced a new generation of aluminium extrusion products with ultra-large specifications and ultra-high width-to-thickness ratio for "Fuxing EMU" high-speed trains. During the year, in addition to serving as a supplier to the blue "Fuxing EMU" high-speed train travelling at 250 km/h, China Zhongwang exclusively supplied all train body aluminium extruded profiles for China's first light rail train exported to Mexico. The Group also carried out cooperation with a world-renowned transportation equipment manufacturer, marking an important step in its expansion into the global rail transportation market.

As for ecological construction, the Group ranks first in China in terms of output of aluminium alloy construction formwork. During the Year under Review, China Zhongwang continued to supply aluminium alloy formwork to the market under the two-pronged business model that combines lease and sales, which has won customers' favor and market praise by virtue of its unique product advantages. Meanwhile, the Group also actively tapped the market potential of aluminium alloy formwork through constant R&D and innovation, and continuously expanded the application of aluminium alloy formwork into more fields such as underground pipe corridors and airport tunnels.

Empowering Further Fabrication Business with Higher Added Value

With its internationally-leading equipment, exceptional production process, outstanding technological R&D team, and decades of experience in the aluminium fabrication industry, China Zhongwang has comprehensive capabilities to provide material R&D, process design, manufacturing, and full-process services. Notably, in the field of new energy vehicles, the Group has the development capabilities from product conceptual design to simulation analysis, from parts manufacture to body assembly, and from monolithic structure to integrated structure.

During the Year under Review, the Group has continued to advance its cooperation with internationally-renowned automobile brands such as Mercedes-Benz and BMW, and directly served as a Tier-1 supplier of high-value-added further fabricated products to many of the world's top original equipment manufacturers (OEMs). It has also cooperated with Volvo, Chery, BYD, FAW and other leading domestic vehicle manufacturers to jointly develop light-weight projects for passenger vehicles, commercial vehicles, and special vehicles. Successful products include but are not limited to the all-aluminium body sports multi-purpose SUV developed in cooperation with Chery, and the first domestic all-aluminium light truck frame developed in cooperation with Foton.

In terms of further fabrication technology R&D, the Group has also made considerable progress during the Year under Review. It has successfully applied fully automatic laser wire filler welding technology, fully automatic bending and welding production line, and "anti-deformation" control methods, and other advanced technologies to the production of key parts and components by a number of mainstream automobile OEMs at home and abroad. Those technologies not only help realise mass production, but also ensure the superb technique and consistent quality of the products, thereby achieving significant social and economic benefits.

Looking ahead, the Group will continue to make use of its unique advantages in development and design as well as its existing advanced equipment and production process, and incorporate more advanced technologies into further fabricated products, in a bid to further increase the added value and comprehensive competitive strength of its products.

Unleashing the Potential of the Aluminium Flat Rolling Business

The Group's aluminium flat rolling project at Tianjin Zhongwang Aluminium Company Limited ("Tianjin Zhongwang") continued to unleash its potential and achieved success in the R&D of high-end plate products and processes during the Year under Review.

Tianjin Zhongwang not only serves as the automotive plate supplier to Chery New Energy, but is also a supplier to various domestic and overseas OEMs including Geely and world-renowned new energy automobile brands. At the same time, it is the first domestic private enterprise which has received the outer plate certification from Great Wall Motors. In addition, Tianjin Zhongwang has received the inner plate certification from many well-known domestic automobile companies, and has earned qualifications from its customers as a supplier. Tianjin Zhongwang has also been steadily moving forward with its certifications from international Tier-1 automobile manufacturers. Furthermore, Tianjin Zhongwang has developed a type of high-end aluminium sheet, which can be applied in the semiconductor industry and boasts better corrosion resistance and voltage breakdown resistance than comparable imported products. Currently, Tianjin Zhongwang is in the process of negotiating with a number of semiconductor processing equipment manufacturers for cooperation, aiming to speed up the transfer to domestic products utilisation.

Significant progress has also been made in the second production line which is performing a pilot run. Specifically, the aluminium foil blanks and body stocks produced by Tianjin Zhongwang in the small-volume pilot production have been commended by its customers, and Tianjin Zhongwang has entered into cooperation with renowned aluminium foil manufacturers in Southeast Asia and two leading global can manufacturers based in Europe and the Middle East.

In terms of technology R&D and process innovation, Tianjin Zhongwang has also made multiple breakthroughs. In addition to receiving international certifications from, amongst others, DNV GL, Tianjin Zhongwang has also obtained the certificate of industrialisation and informatisation integration management system, the ASI PS and COC certification, customs AEO certification, etc., which has greatly enhanced the market competitiveness of its products. Moreover, Tianjin Zhongwang has persistently explored process innovation and technological breakthroughs by drawing on the advantages of its existing technological team and advanced equipment. During the year, it has completed the development of more than a dozen new products and the optimisation of over 60 processes, including 6 series high hardness valve body materials, new capacitor materials, and 0.22 mm ultra-thin high-strength body stocks.

Appreciation

As the harsh winter draws to a close, we welcome the advent of spring.

In the past year, China Zhongwang went through many challenging, complicated and volatile moments. We recognise that our dedicated, diligent, loyal and motivated employees are the most valuable asset and wealth of China Zhongwang. I would like to extend my appreciation to all the colleagues for their dedication and contribution.

In the new year, China Zhongwang will continue to assume its responsibility and honour its commitment as a leading enterprise. It will ride on and stay at the forefront of the "Created in China" campaign and maintain its cooperation with global partners to achieve mutual benefits, striving to achieve the long-term development of the Company and drive the industry forward.

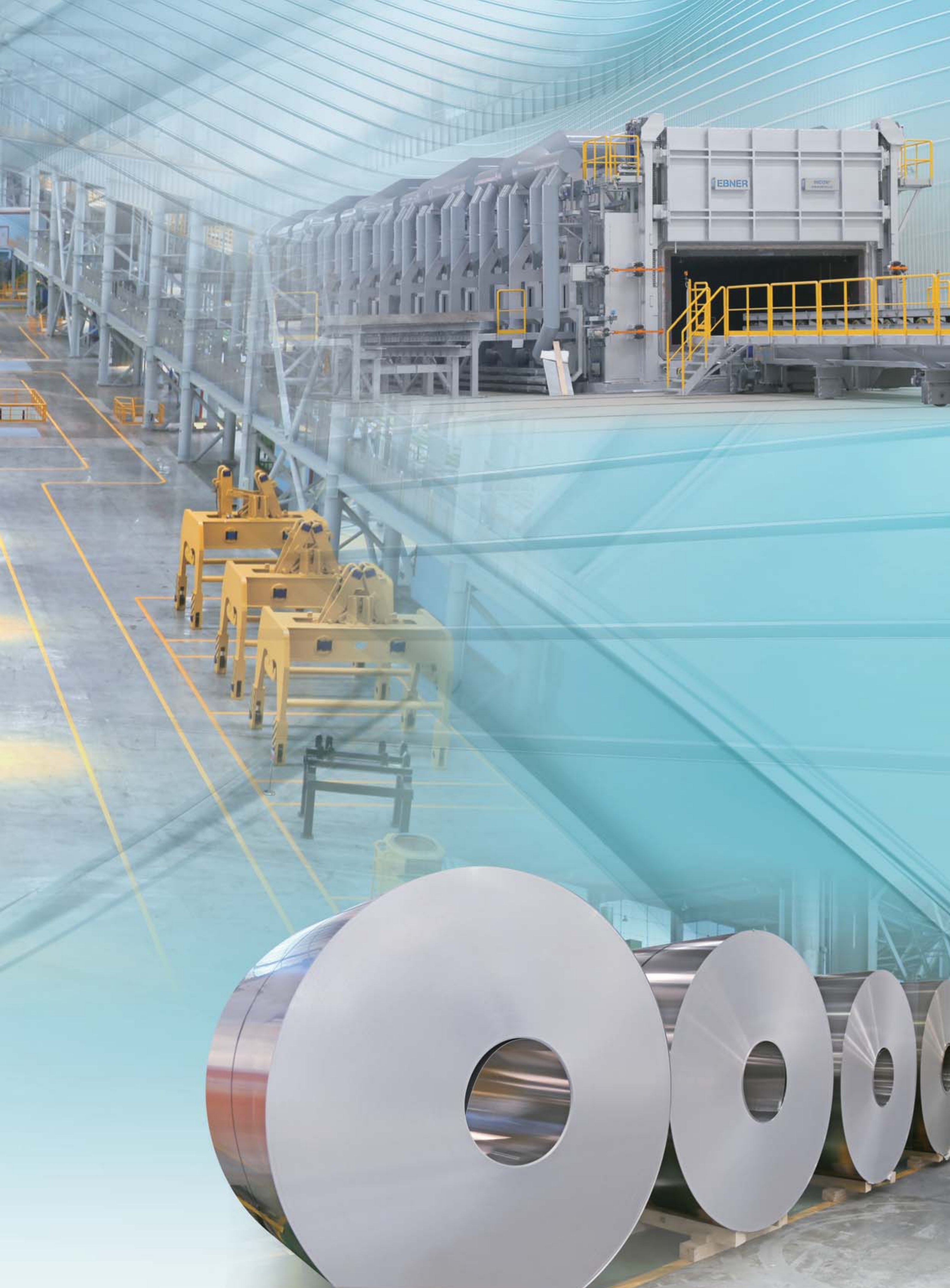
Lu Changqing
Chairman

Hong Kong, 26 March 2021

ALUMINIUM FLAT ROLLING

Strengthened Innovative R&D Efforts to Fill the Domestic Market Gap

The Group has developed innovative corrosion resistant aluminium sheets, which not only can satisfy the demand for the rapidly growing market of integrated circuit specialised equipment in China, but may also hopefully break the monopoly of foreign players through the Group's cross-industry efforts to fill the domestic market gap for the relevant products.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I. BUSINESS REVIEW

In 2020, the global economy was hard hit by the sudden outbreak of the COVID-19 pandemic. Although the pandemic has been effectively contained in China, the overall market environment and economy were still affected. The Group remained committed to its development strategy of "focusing on China market as primary and also on the overseas markets", and further enhanced its overall competitiveness and propelled the long-term sustainable development of its business through continuous improvement of business organisation, proactive R&D and innovation, and quality requirements for constant improvement.

During the Year under Review, the Group has recorded overall sales volume of approximately 767,000 tonnes, with total revenue amounted to approximately RMB20.4 billion. Profit for the year was approximately RMB1.84 billion, while earnings per share amounted to approximately RMB0.25.

Aluminium Extrusion Business – Actively Optimised Production to Maintain a Leading Position

During the Year under Review, sales volume of the Group's aluminium extruded products amounted to 353,000 tonnes, representing a decrease of 25.5% from the Year 2019; and sales amount was approximately RMB13.15 billion, representing a decrease of 16.3% from the Year 2019. Specifically, sales amount of aluminium alloy formwork was approximately RMB9.01 billion, representing an increase of 7.3% from the Year 2019; revenue of leased aluminium alloy formwork amounted to approximately RMB810 million, representing an increase of 15.7% from the Year 2019; and sales amount of industrial aluminium extruded products was approximately RMB3.23 billion, representing a decrease of approximately 51.0% from the Year 2019.

During the Year under Review, the sales volume and sales revenue of the Group's aluminium extrusion business decreased as compared with those for the corresponding period of 2019, which was primarily due to the impact of the COVID-19 pandemic on the domestic economy that affected the Group's procurement, production, and sales to a certain extent. With significant progress achieved on the containment of the pandemic in China and the Group's perseverance in the resumption of its operation and production, sales of aluminium alloy formwork had fully resumed since the second quarter and achieved growth for the year.

The Group has consistently improved its level of expertise, optimised production equipment and tapped application sectors of high-end aluminium extruded profiles in various sectors, striving to maintain its leading position in the industry. In addition, in tandem with the "new infrastructure" development initiative, the Group has developed high-end innovative aluminium products which can be applied to the construction of 5G base stations, intercity high-speed railways, urban rail transit, and UHV power transmission to capitalise on market opportunities and demand, so as to further enhance the Group's market competitiveness through high value-added products. During the Year under Review, the Group has also achieved a major breakthrough in aluminium extrusion technology, and successfully produced the world's largest aluminium extruded products with a circumscribed circle diameter of 1 meter and a length of 60 meters, filling the domestic market gap for the super-large aluminium extruded products.

Aluminium Flat Rolling Business – Strengthened Innovative R&D Efforts to Fill the Domestic Market Gap

During the Year under Review, sales volume of the Group's aluminium flat rolled products amounted to 375,000 tonnes, representing a decrease of 16.8% from the Year 2019; sales amount was approximately RMB5.93 billion, representing a decrease of 13.7% from the Year 2019. Due to the COVID-19 pandemic, the production and sales of the Group's aluminium flat rolled products in the first quarter were affected to a certain extent. Although the Group's performance has gradually stabilised since the second quarter, the pandemic had cast negative effect on the sales for the year, resulting in a decrease in revenue and sales volume of the aluminium flat rolling business.

During the Year under Review, the Group has developed innovative corrosion resistant aluminium sheets, which not only can satisfy the demand for the rapidly growing market of integrated circuit specialised equipment in China, but may also hopefully break the monopoly of foreign players through the Group's cross-industry efforts to fill the domestic market gap for the relevant products. Meanwhile, the Group has also further optimised production facilities to achieve intelligent design, highly integrated production systems, and refined production scheduling control, thereby greatly improving its production efficiency and product quality while effectively reducing production costs. In addition, the Group continued to increase the added value of aluminium flat rolled products, which have been widely used in various sectors including industrial materials, aviation and aerospace, shipbuilding, rail transit, new energy vehicles, and semiconductors. Looking ahead, the aluminium flat rolling business will leverage the Group's comprehensive advantages to further expand the application of high-end aluminium flat rolled products into more sectors.

In terms of automotive body sheets, the Group has stayed committed to strengthening the in-depth cooperation with domestic and foreign automotive manufacturers. During the Year under Review, the Group has supplied its products to well-known domestic automobile OEMs including Chery, BYD, as well as the world's leading new energy vehicle brand, supplying automobile parts such as engine covers, door plates, structural parts, and battery covers. During the Year under Review, the Group continued to push forward the certification with international Tier-1 automobile manufacturers for its automotive plates, and achieved remarkable results.

During the Year under Review, Tianjin Zhongwang, the production base of the Group's aluminium flat rolling business, was also widely recognised in terms of product development and market expansion. In addition to the title of the national "Green Factory" and the recognition of the Hebei Provincial Science Progress Award, Tianjin Zhongwang has also successively received various honorary titles including the "Tianjin High-end Aluminium Alloy Sheet Engineering Research Centre" and the first place of the "Top 100 Private Enterprises in Strategic Emerging Industries in Tianjin".

Further Fabrication Business – Achieving Technological Breakthroughs to Propel the Light-weight Development of the Transportation Sector

During the Year under Review, sales volume of the Group's further fabricated products amounted to 39,000 tonnes, representing an increase of 4.5% from the Year 2019; and sales amount was approximately RMB1.05 billion, representing an increase of 6.9% from the Year 2019.

In terms of the rail transit sector, with China's economic growth, accelerated urbanisation and improvement of rail transit technology, the Group continued its in-depth cooperation with CRRC to constantly tap the market demand for light-weight development of the transportation sector in China and launch high-end aluminium products which can be applied to the rail transit sector. During the Year under Review, the Group has not only continued to supply aluminium extruded profiles for "Fuxing EMU" high-speed trains, but has also served as a supplier to the blue "Fuxing EMU" high-speed train with a speed of 250 km/h, a new member of the "Fuxing" family, thereby maintaining its market position as the leading supplier of "Fuxing EMU" train body aluminium extruded profiles. Meanwhile, the Group has successively supplied all train body aluminium extruded profiles and some further fabricated products for a number of urban rail transit projects such as Xiamen Metro, Hefei Metro and Shanghai Metro. In addition, the Group has spared no effort in driving the development of commercial maglev trains in China. It has become the sole supplier of aluminium train body extruded profiles for Qingyuan Maglev, and helped reduce the weight and increase the maximum speed of this low-to-medium speed maglev train. The Group has also become the sole supplier of aluminium train body extruded profiles for Changsha Maglev Express Line, a commercial maglev train in China, from version 1.0 (travelling at 100 km/h) to version 2.0 (travelling at 160 km/h).

As China's high-speed train continues to expand into the international market, the Group's overseas rail transit business has achieved major breakthroughs. the Group has not only carried out cooperation with a world-renowned transportation equipment manufacturer, but has also exclusively supplied all train body aluminium extruded profiles for Monterrey Light Rail Project, China's first light rail train exported to Mexico. Relying on its years of experience and leveraging its own technology and product advantages, the Group will consistently launch large rail transit components of better quality and with higher added value in larger quantity, striving to move the light-weight development of the transportation sector forward.

In terms of new energy vehicles, with the promotion of low-carbon, eco-friendly and energy-saving initiatives and in the era of intelligent transportation development, the Group relies on its own advantages in light-weight projects and persistently develops in-depth cooperation with automobile manufacturers to formulate a tailor-made package for the development of light-weight vehicles. During the Year under Review, after the Group was selected by the BMW Group as its Tier-1 supplier of high-end aluminium extruded products at the beginning of the year, the Group has become the Tier-1 supplier of one world's leading new energy vehicle brand. In addition, the Group has maintained the leading market position in the domestic market of aluminium alloy body for new energy vehicles, and continued to strengthen its partnerships with well-known domestic automobile manufacturers including Chery, BYD and FAW. Specifically, following the Group's successful collaboration with Chery New Energy on the launch of eQ1, the first all-aluminium body vehicle in China, the two parties jointly developed S61, the first all-aluminium electric SUV in China, during the year, demonstrating the Group's comprehensive strength in the new energy vehicle all-aluminium body market. In addition, the Group has also provided light-weight solutions for Aumark, a model under Foton's high-end brand Auhawk, and received full recognition from the company with the "Innovation Driven Award". Moreover, the Group has received the "Most Promising Automotive Material Application Award for 2020" for its contribution in the R&D of aluminium alloy materials and innovative applications in the automotive field.

II. FUTURE PROSPECTS

In 2020, the sudden outbreak of the pandemic cast a shadow on the global economy, leading to a more complicated and changing market environment. Thanks to the PRC government's adoption of effective infection prevention and control measures and successive introduction of short, medium and long-term strategies to boost the economy, China took the lead in economic recovery and further propelled the recovery of the world economy. Against this backdrop, China's aluminium fabrication industry has been experiencing a stable recovery. The industry still maintains a medium to long-term positive momentum in its fundamentals, especially in the high-end and emerging markets where ample room and bright prospects for development remain.

At present, both domestic and international markets still have strong demands for high-end aluminium products. According to the recent industry report released by credit rating agency Fitch Ratings, the global demand for aluminium products is expected to experience a more comprehensive revival as global economic growth rebounds. Fitch forecasts that the average aluminium price in 2021 will be higher than in 2020, as the application of aluminium products in construction and new energy vehicle assembly is supported by global environmental protection stimulus policies. In the long run, the Group will continue to focus on catering to domestic demand as primary while actively consolidating the competitive strength of China's high-end aluminium materials in the international market. The Group believes that its aluminium alloy products will continue to be widely used and the aluminium application market will be fully expanded.

The "Guiding Opinions on Promoting the Reduction of Construction Waste" (《關於推進建築垃圾減量化的指導意見》) issued by the Ministry of Housing and Urban-Rural Development of the PRC in May 2020 also proposed to promote the application of aluminium alloy formwork, metal protective screening, metal channel plates, and other materials that can be re-used multiple times. With the strong support of national policies, eco-friendly construction is gaining prominence and acceptance. Since its debut in the construction industry, aluminium alloy formwork has been widely used, driving the sustainable development of the domestic construction industry. Based on the above, the prospects for the leasing of aluminium alloy formwork business are promising, and the market will continue to grow. The Group will continue to seize market opportunities to further develop this segment, aiming to further increase the Group's market presence.

On the other hand, the world is moving towards the use of light-weight materials in the transportation sector. China encourages the development of new automotive materials, which has also fuelled the booming development of the new energy vehicle industry. The Group is also actively establishing its presence in related industries, and carrying out technical cooperation with well-known domestic and international automobile manufacturers, including Chery, BYD, and FAW, to jointly develop all-aluminium new energy vehicles and electric passenger cars. In addition, after becoming a high-end aluminium extruded product supplier to the BMW Group at the beginning of the year, the Group has entered into cooperation with a world well-known new energy vehicle brand and has become its Tier-1 supplier. Looking ahead, the Group will deepen its cooperation with various automobile manufacturers at home and abroad. On top of supplying aluminium extruded profiles, the Group will actively obtain certification from various manufacturers for other products. At present, certification with internationally renowned automobile manufacturers is progressing steadily. The Group believes it is likely to be eligible to provide vehicle plate products for the world-renowned new energy vehicle brand in 2021. The Group will continue to expand its cooperation with existing customers and tap its added value.

In 2020, Mr. Li Keqiang, Premier of the State Council, expressly indicated that China needs to "strengthen the fundamental construction of new infrastructure" to drive consumption and structural reforms. Substantial expansion in "new infrastructure" will be China's blueprint for the future. At present, construction of urban rail transit is being expanded into many cities in China, with aluminium alloy materials being widely used in urban rail transit vehicles such as subway trains and light rail trains. In order to cater for the needs of China's urbanisation, the Group will continue to tap the demand for light-weight development of China's transportation industry and stay committed to developing high-end aluminium products in urban rail transit, thereby propelling the advancement of China's rail transit technology.

The market trends and government policies mentioned above are favourable to the aluminium fabrication enterprises 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 enhance 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 enhanced in the high-end aluminium fabrication industry;

2. Increase 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 light-weight solutions. By strengthening its R&D and technological advantages, the Group will continue to broaden its product offerings, improve product quality and enhance the overall added value of the products; and

3. Continue to increase 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 aluminium extrusion production lines to provide customers with high-quality aluminium flat-rolled products. 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 superior product structure and more comprehensive business strategy, thereby creating greater value for the development of society.

III. FINANCIAL REVIEW

A comparison of the financial results of the Group for the Year under Review and the Year 2019 is set out as follows.

Revenue

During the Year under Review, total revenue of the Group amounted to approximately RMB20.40 billion, representing a decrease of 13.5% from approximately RMB23.58 billion for the Year 2019, and total sales volume for the Year under Review decreased by 20.2% to 767,392 tonnes as compared with 962,071 tonnes for the Year 2019. 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, as well as leasing of aluminium alloy formwork, which amounted to approximately RMB20.14 billion (Year 2019: approximately RMB23.57 billion). Other revenue primarily comprised metal trade revenue and amounted to approximately RMB260 million (Year 2019: approximately RMB16.54 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 2019:

	For the year ended 31 December								
	2020			2019			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	**13,150,096**	**353,428**	**37,207**	15,703,008	474,376	33,102	-16.3%	-25.5%	12.4%
Aluminium alloy formwork segment	**9,818,094**	**237,750**	**N/A**	9,092,951	221,484	N/A	8.0%	7.3%	N/A
— Sales of aluminium alloy formwork	**9,008,579**	**237,750**	**37,891**	8,393,515	221,484	37,897	7.3%	7.3%	0.0%
— Leasing of aluminium alloy formwork	**809,515**	**N/A**	**N/A**	699,436	N/A	N/A	15.7%	N/A	N/A
Industrial aluminium extrusion segment	**3,227,326**	**109,805**	**29,391**	6,587,235	251,628	26,178	-51.0%	-56.4%	12.3%
Construction aluminium extrusion segment	**104,676**	**5,873**	**17,823**	22,822	1,264	18,055	358.7%	364.6%	-1.3%
Aluminium flat rolling business	**5,933,134**	**374,538**	**15,841**	6,878,371	449,971	15,286	-13.7%	-16.8%	3.6%
Further fabrication business	**1,053,363**	**39,426**	**26,717**	985,777	37,724	26,131	6.9%	4.5%	2.2%
Others	**264,966**	**N/A**	**N/A**	16,543	N/A	N/A	1,501.7%	N/A	N/A
Total	**20,401,559**	**767,392**	**26,586**	23,583,699	962,071	24,513	-13.5%	-20.2%	8.5%

During the Year under Review, sales volume of the Group's aluminium alloy formwork was 237,750 tonnes, representing an increase of 7.3% from 221,484 tonnes in the Year 2019, with sales amount of approximately RMB9.01 billion, representing an increase of 7.3% from approximately RMB8.39 billion in the Year 2019. Average selling price was RMB37,891 per tonne, which was generally in line with RMB37,897 per tonne for the Year 2019. During the Year under Review, due to the COVID-19 pandemic, the production and sales of aluminium alloy formwork products in the first quarter were affected to a certain extent. With the resumption of its operation and production and the significant progress on the control of the domestic epidemic, the Group's production and sales have fully resumed since the second quarter and achieved growth for the year. During the Year under Review, revenue from the aluminium alloy formwork leasing business amounted to approximately RMB810 million, representing an increase of 15.7% from approximately RMB700 million in the Year 2019.

During the Year under Review, sales amount of the Group's industrial aluminium extrusion segment amounted to approximately RMB3.23 billion (Year 2019: approximately RMB6.59 billion), and sales volume was 109,805 tonnes (Year 2019: 251,628 tonnes). During the Year under Review, average selling price of industrial aluminium extrusion products was RMB29,391 per tonne, representing an increase of 12.3% from RMB26,178 per tonne in the Year 2019. Due to the impact of the pandemic, both sales amount and sales volume of the industrial aluminium extrusion segment recorded a decline during the Year under Review.

Revenue, sales volume and average selling price of the above industrial aluminium extrusion segment have eliminated the internal sales between the industrial aluminium extrusion segment and further fabrication business as well as aluminium flat rolling business, of which sales volume of raw material to further fabrication business was 41,144 tonnes (Year 2019: 40,045 tonnes) with sales amount of approximately RMB640 million (Year 2019: approximately RMB620 million); sales volume of high-precision aluminium raw material to the aluminium flat rolling business amounted to 71,237 tonnes (Year 2019: 278,525 tonnes) with sales amount of approximately RMB860 million (Year 2019: approximately RMB3.40 billion). The substantial decrease in sales volume of high-precision aluminium raw material to the aluminium flat rolling business was due to the disposal of the electrolytic aluminium business by the Group during the Year under Review.

For the Year under Review, revenue of the Group's aluminium flat rolling business amounted to approximately RMB5.93 billion (Year 2019: approximately RMB6.88 billion), sales volume was 374,538 tonnes (Year 2019: 449,971 tonnes) and average selling price was RMB15,841 per tonne (Year 2019: RMB15,286 per tonne). Due to the COVID-19 pandemic, the production and sales of aluminium flat rolling business in the first quarter were affected to a certain extent. With the resumption of its operation and production and the significant progress on the control of the domestic epidemic, the Group's production and sales have fully resumed since the second quarter.

The Group recorded a growth in both sales volume and revenue of the further fabrication business despite the impact of the pandemic. For the Year under Review, revenue of the further fabrication business amounted to approximately RMB1.05 billion, representing an increase of 6.9% from approximately RMB990 million in the Year 2019; sales volume was 39,426 tonnes, representing an increase of 4.5% from 37,724 tonnes in the Year 2019; and average selling price was RMB26,717 per tonne, representing an increase of 2.2% from RMB26,131 per tonne in the Year 2019.

Other revenue primarily comprised metal trade revenue. For the Year under Review, other revenue amounted to approximately RMB260 million, representing a significant increase from approximately RMB16.54 million in the Year 2019. Such increase was mainly because the Group capitalised on the drastic fluctuations in the market price of aluminium ingots during the Year under Review by securing the supply and price of ingots when the market price was low and selling the same at the right time to achieve higher returns.

Geographically, the Group's overseas customers mainly came from, among others, South Korea, the United States of America and Germany. For the Year under Review, the Group's revenue from overseas sales amounted to approximately RMB1.35 billion (Year 2019: approximately RMB2.53 billion), accounting for 6.6% of the Group's total revenue (Year 2019: 10.7%).

Cost of sales

For the Year under Review, the Group's cost of sales decreased by 12.2% to approximately RMB14.47 billion from approximately RMB16.48 billion for the Year 2019, and the unit cost of products increased by 10.0% to RMB18,850 per tonne from RMB17,129 per tonne for the Year 2019. Such increase was mainly due to the decrease in total production volume of the Group as affected by the pandemic, which led to the increase in average unit cost as a result.

Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB5.94 billion for the Year under review (Year 2019: approximately RMB7.10 billion), and its overall gross margin was 29.1% (Year 2019: 30.1%). The decrease of the Group's overall gross margin was primarily due to the decrease of the overall sales volume of the Group as affected by the pandemic during the Year under Review, resulting in an increase of unit cost.

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 2019:

	For the year ended 31 December					
	2020			2019		
	Gross profit RMB'000	**%**	**Gross margin %**	Gross profit RMB'000	%	Gross margin %
Aluminium extrusion business	**4,501,544**	**75.8%**	**34.2%**	6,298,420	88.7%	40.1%
Aluminium alloy formwork segment	**4,010,856**	**67.5%**	**40.9%**	4,130,186	58.2%	45.4%
— Sales of aluminium alloy formwork	**3,766,244**	**63.4%**	**41.8%**	3,620,506	51.0%	43.1%
— Leasing of aluminium alloy formwork	**244,612**	**4.1%**	**30.2%**	509,680	7.2%	72.9%
Industrial aluminium extrusion segment	**503,564**	**8.5%**	**15.6%**	2,167,600	30.5%	32.9%
Construction aluminium extrusion segment	**-12,876**	**-0.2%**	**-12.3%**	634	0.0%	2.8%
Aluminium flat rolling business	**1,114,959**	**18.8%**	**18.8%**	706,731	9.9%	10.3%
Further fabrication business	**55,186**	**0.9%**	**5.2%**	82,877	1.2%	8.4%
Others	**264,790**	**4.5%**	**N/A**	16,359	0.2%	N/A
Total	**5,936,479**	**100.0%**	**29.1%**	7,104,387	100.0%	30.1%

Investment Income

Investment income, which mainly consists of interest income from bank deposits and gain on disposal of subsidiaries, decreased to approximately RMB160 million for the Year under Review from approximately RMB170 million for the Year 2019, which was mainly due to the decrease in the average balance of bank deposits during the Year under Review.

Other Income

Other income decreased to approximately RMB670 million for the Year under Review from approximately RMB810 million for the Year 2019, mainly due to the decrease in profit from sales of equipment during the Year under Review as compared to the Year 2019.

Selling and Distribution Costs

Selling and distribution costs decreased to approximately RMB520 million for the Year under Review from approximately RMB540 million for the Year 2019, primarily due to the decrease in the Group's overall sales revenue as affected by the pandemic, leading to the decrease in, among others, relevant transportation costs, export expenses and packaging fees to a certain extent.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise R&D expenditures, wages, salaries and benefit expenses, depreciation charges of office equipment, land use taxes, expected credit loss on financial assets, financing commission fees, business entertainment expenses, intermediary fees and depreciation of right-of-use assets. Administrative and other operating expenses decreased to approximately RMB2.41 billion for the Year under Review from approximately RMB2.78 billion for the Year 2019. Such decrease was primarily due to a decrease in R&D expenses of the Group during the Year under Review as compared to the Year 2019.

Share of Profits of Associates

The Group's share of profits of associates for the Year under Review was approximately RMB35.53 million (Year 2019: approximately RMB51.73 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 RMB1.87 billion for the Year under Review from approximately RMB1.27 billion for the Year 2019. Such increase was principally due to an increase in the Group's scale of interest-bearing liabilities and average interest rate of borrowings for the Year under Review as compared to that for the Year 2019.

During the Year under Review, the Group's capitalised interest expenses amounted to approximately RMB380 million (Year 2019: approximately RMB500 million).

During the Year under Review and the Year 2019, the Group's interest-bearing loans carried average interest rates of 5.50% and 4.84% per annum, respectively. During the Year under Review, there were no debentures (Year 2019: the debentures carried interest rates ranging from 3.75% to 4.05% per annum).

Profit before Taxation

The Group's profit before taxation decreased to approximately RMB2.00 billion for the Year under Review from approximately RMB3.55 billion for the Year 2019.

Income Tax

The Group's income tax decreased to approximately RMB160 million for the Year under Review from approximately RMB370 million for the Year 2019.

The Group's effective tax rates for the Year under Review and Year 2019 were 8.2% and 10.4%, respectively. The lower effective tax rates for both years were primarily due to the increase in the deferred income tax assets recognised arising from the loss of some operating entities of the Group and the increase in the deferred income tax assets recognised from the Group's unrealised inter-segment transaction.

Profit for the Year

The Group's profit for the year decreased to approximately RMB1.84 billion for the Year under Review from approximately RMB3.18 billion for the Year 2019.

Cash Flows

The following sets forth the Group's cash flows for the Year under Review and the Year 2019:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net cash used in operating activities	**(525,825)**	(606,148)
Net cash generated from/(used in) investing activities	**2,378,596**	(8,037,127)
Net cash used in financing activities	**(2,405,458)**	(5,489,828)

Net Current Assets

As at 31 December 2020, the Group's net current assets amounted to approximately RMB-7.43 billion, which was approximately RMB9.15 billion lower than net current assets of approximately RMB1.72 billion at 31 December 2019. The decrease was primarily because the increase in current liabilities was greater than the increase in current assets.

(i) As at 31 December 2020, the Group's current assets amounted to approximately RMB40.88 billion, representing an increase of approximately RMB2.09 billion over approximately RMB38.79 billion at 31 December 2019, which was primarily due to an increase in trade and bills receivables; and

(ii) As at 31 December 2020, the Group's current liabilities amounted to approximately RMB48.31 billion, representing an increase of approximately RMB11.24 billion over approximately RMB37.07 billion at 31 December 2019, which was primarily due to an increase in short-term bank and other loans.

Liquidity

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB360 million (31 December 2019: approximately RMB920 million); short-term deposits amounted to approximately RMB36 million (31 December 2019: approximately RMB100 million); and balance of pledged bank deposits under current assets amounted to approximately RMB2.25 billion (31 December 2019: approximately RMB2.45 billion).

Borrowings

As at 31 December 2020, the Group's loans amounted to approximately RMB66.92 billion in aggregate, representing an increase of approximately RMB2.13 billion from approximately RMB64.79 billion as at 31 December 2019.

As at 31 December 2020, the Group's loans under current liabilities amounted to approximately RMB25.15 billion (31 December 2019: approximately RMB15.50 billion) and loans under non-current liabilities amounted to approximately RMB41.77 billion (31 December 2019: approximately RMB49.29 billion).

The Group's gearing ratio was approximately 71.1% and 70.9% as at 31 December 2020 and 31 December 2019, respectively. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

As at 31 December 2020, assets with a total carrying amount of approximately RMB18.06 billion (31 December 2019: approximately RMB7.70 billion) of the Group were pledged, including pledged bank deposits, bills receivables, property, plant and equipment and right-of-use assets, for financing arrangements.

Contingent Liabilities

As at 31 December 2020 and 31 December 2019, the Group had no material contingent liabilities.

Employees

As at 31 December 2020, the Group had 37,849 full-time employees responsible for production, R&D, sales and management, representing a decrease of 18.3% from 46,334 full-time employees as at 31 December 2019. During the Year under Review, relevant employee costs (including Directors' remuneration) amounted to approximately RMB3.59 billion (including share option charges of approximately RMB13.29 million), representing a decrease of 22.4% as compared with approximately RMB4.62 billion (including share option charges of approximately RMB27.40 million) for the Year 2019. The Group's employee costs (excluding share option charges) decreased due to a decrease in the number of employees as a result of the disposal of the subsidiary Yingkou Zhongwang Aluminium Material Co., Ltd.* (營口忠旺鋁材料有限公司) ("Zhongwang Aluminium Material") by the Group during the Year under Review, as well as the loss of some production personnel as a result of the decreased sales orders of the Group as affected by the pandemic.

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 2020, the Group had 3,830 R&D and quality control personnel which accounted for 10.1% 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 2020, the Group's capital expenditures in respect of the acquisition of property, plant and equipment and equity investment contracted but not provided for in the consolidated financial statements amounted to approximately RMB14.97 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 Group Co., Ltd. (遼寧忠旺集團有限公司) ("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 an issue price of RMB6.16 per share (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 and the circular of the Company dated 24 October 2020. The assets transfer agreement was approved at the shareholders' meeting of CRED Holding held on 22 April 2020.

On 29 April 2020, CRED Holding received the Acceptance Notice of the Application for Administrative Permission from the CSRC (《中國證監會行政許可申請受理單》) (Acceptance Notice No: 200859). The CSRC has reviewed the application materials submitted by CRED Holding for administrative permission in relation to the material asset restructuring and decided to accept such application.

The Company had submitted a spin-off proposal in relation to the proposed spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and, on 14 August 2020, the Company received confirmation from the Stock Exchange that it may proceed with the proposed spin-off. The proposed spin-off has been considered and approved by the shareholders of the Company at the extraordinary general meeting held on 11 November 2020. The Company is still communicating with the relevant regulators about the proposed spin-off and will publish further announcement(s) as and when appropriate.

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 93.4% of the Group's revenue was settled in Renminbi and approximately 6.6% was settled in foreign currencies, while approximately 97.3% of the Group's borrowings was denominated in Renminbi and approximately 2.7% was denominated in foreign currencies as at 31 December 2020.

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 loans. The Group is subject to the cash-flow interest rate risk on floating-rate loans and fair value interest rate risk on fixed rate loans. As at 31 December 2020, the Group's fixed-rate loans were approximately RMB34.42 billion (31 December 2019: approximately RMB10.92 billion).

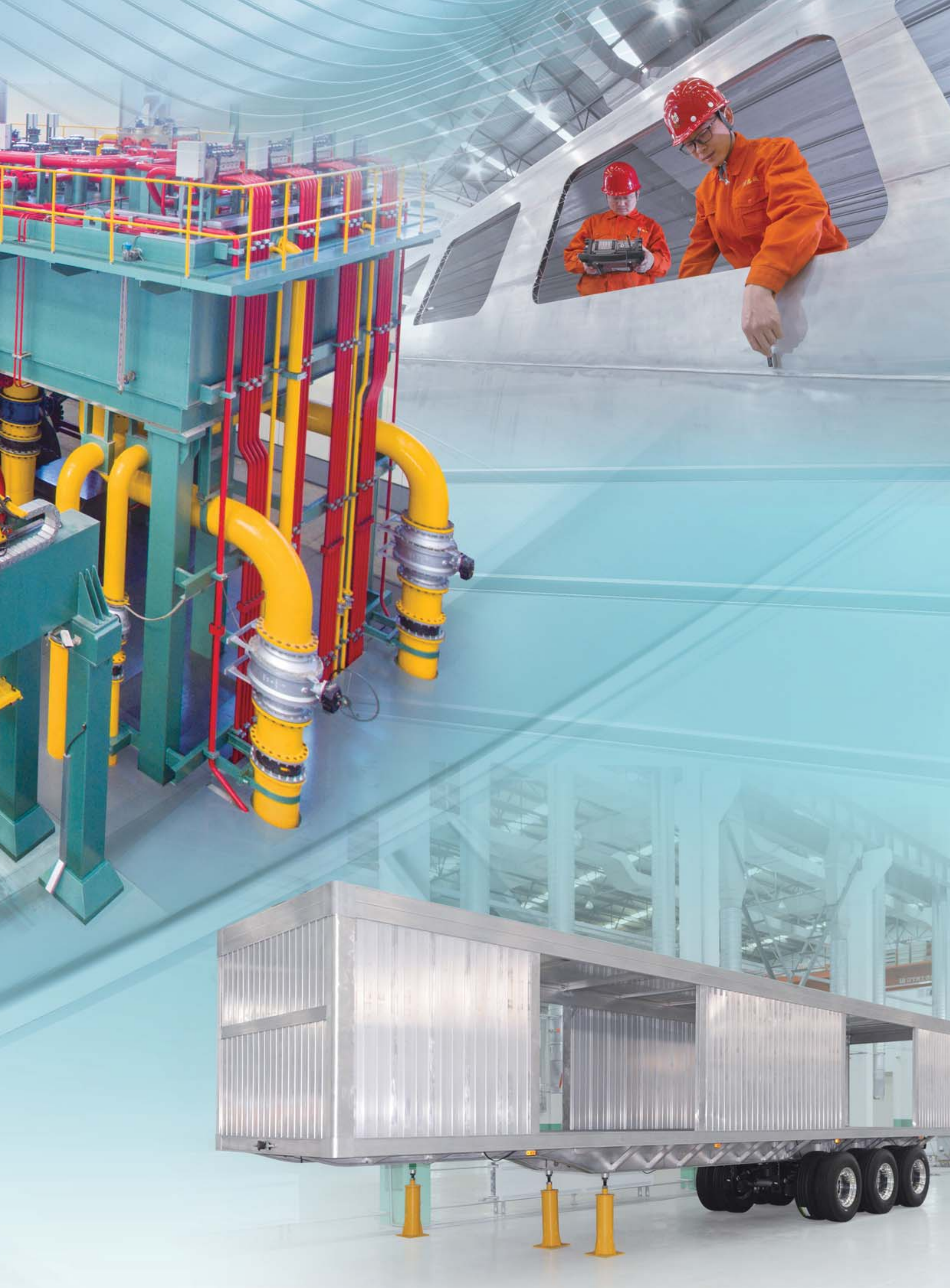
Price Fluctuation Risk of Aluminium Ingot

The Group's principal raw materials in the fabricated aluminium products include aluminium ingots, aluminium rods, magnesium ingots, etc. Generally, the Group's pricing of fabricated 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.

FURTHER FABRICATION

Aluminium-Built Bodies – Lighter and Faster

The Group has maintained the leading market position in the domestic market of aluminium alloy body for new energy vehicles, and continued to strengthen its partnerships with well-known automobile manufacturers at home and abroad to provide them with light-weight solutions.



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)	44	Chairman and president
Ma Qingmei (馬青梅)	43	Vice president of the Company
Non-executive Directors		
Chen Yan (陳岩)	41	Chairman and General manager of Liaoning Zhongwang
Lin Jun (林軍)	49	Deputy general manager of Liaoning Zhongwang
Wei Qiang (魏强)	42	Deputy general manager of Liaoning Zhongwang
Independent Non-executive Directors		
Wong Chun Wa (王振華)	46	Independent non-executive director
Wen Xianjun (文獻軍)	58	Independent non-executive director
Shi Ketong (史克通)	52	Independent non-executive director
Lo Wa Kei, Roy (盧華基)	49	Independent non-executive director

Executive Directors

Mr. LU Changqing (路長青), aged 44, 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 11 subsidiaries including Liaoning Zhongwang. He has 24 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 43, is an executive Director of the Group. She is primarily responsible for the planning, operation and management of the Company. 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 41, is a non-executive Director of the Group. He is primarily responsible for the Liaoning Zhongwang's planning, operation and management. He is also a member of the board of directors of 21 subsidiaries including Liaoning Zhongwang and Tianjin Zhongwang. He has 20 years of experience in aluminium fabrication 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 49, 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 13 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 42, 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 10 subsidiaries including Tianjin Zhongwang. He has 17 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 46, 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 58, is an independent non-executive Director. He has been serving as an independent director of Hong Kong listed China Hongqiao Group Limited, since March 2021. Mr. Wen served as an independent director of Henan Zhongfu Industrial Co., Ltd., a Shanghai listed company (October 2009 to November 2014), and an independent director of Ningxia Orient Tantalum Industry Co., Ltd. (April 2011 to October 2014), Suzhou Lopsking Aluminium Co. Ltd. (October 2013 to October 2014) and Jiaozuo Wanfang Aluminium Manufacturing Co., Ltd. (July 2013 to February 2016), these are Shenzhen listed companies. Mr. Wen was 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) from 2008 to 2021. 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 52, 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 20 years of experience in providing legal services to clients on PRC corporate investment, stock issuance and listing, mergers and acquisitions, restructuring and liquidation. He has been serving as an independent director of Shenzhen-listed Zhongrun Resources Investment Incorporated Company, since September 2020. 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 49, 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 China Oceanwide Holdings Limited (previously known as "Hutchison Harbour Ring Limited") and Xinming China Holdings Limited, since 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 Sun Hing Vision Group Holdings Limited, Sheen Tai Holdings Group Company Limited, 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	49	Chief financial officer of the Company
Cui Weiye (崔維曄)	Male	42	Vice president and company secretary of the Company
Deng Jun (鄧峻)	Male	53	Global legal director of the Company
Li Pengwei (李鵬偉)	Male	38	Deputy general manager of Liaoning Zhongwang
Wang Fei (王飛)	Male	34	Chairman of Tianjin Zhongwang

Mr. KOT Man Tat (葛文達), aged 49, 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 a chief financial officer of the Company on 28 June 2016.

Mr. CUI Weiye (崔維曄), aged 42, 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 53, 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 38, 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 34, 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 5 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.

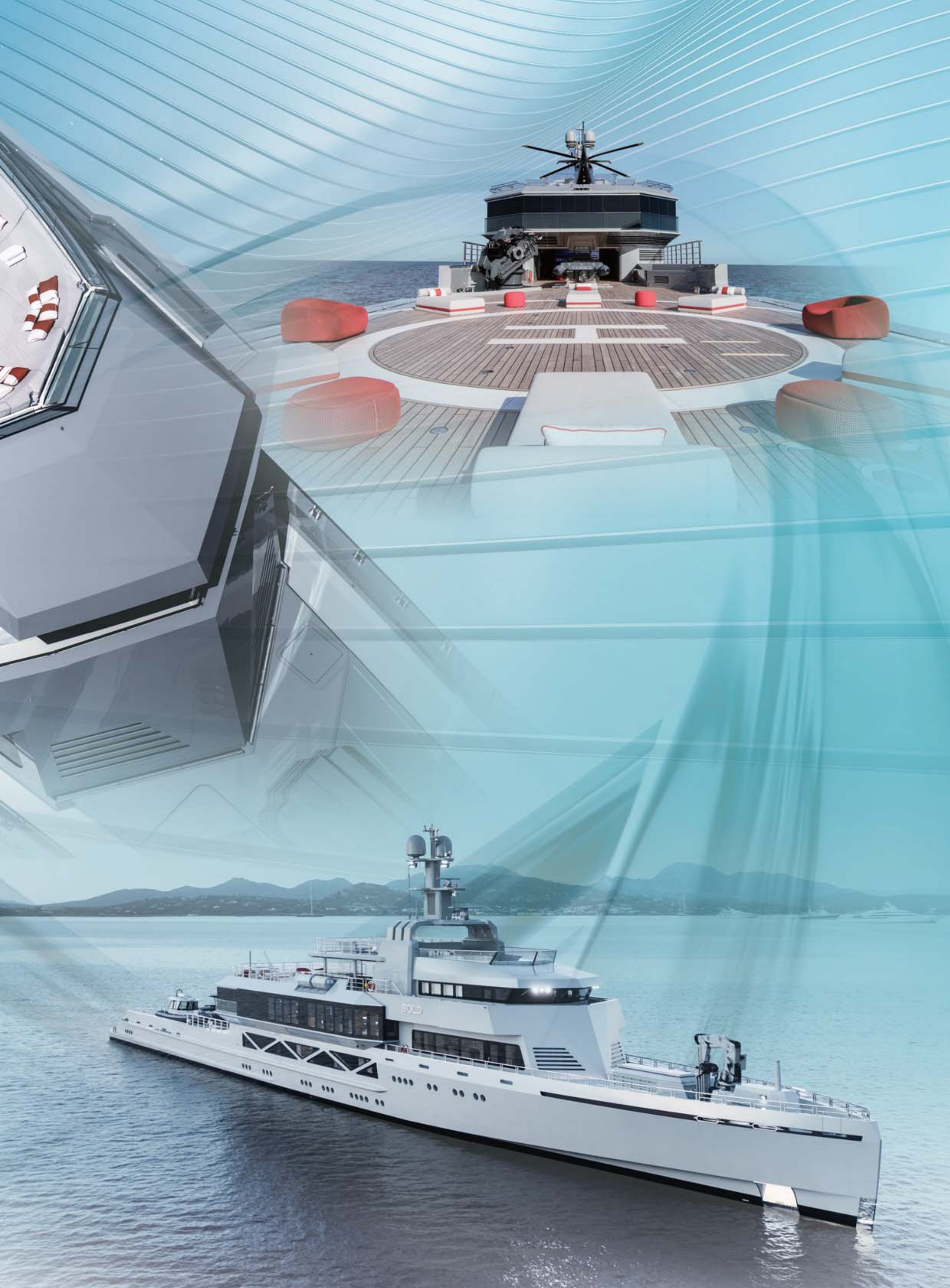
Company Secretary

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

SILVER YACHTS

Simplicity, Efficiency, Speed

SILVER YACHTS, a subsidiary of China Zhongwang, launched “BOLD”, an all-aluminium alloy superyacht model with an over 85-metre hull, which was awarded “Outstanding Innovative Design of the Year” by *BOAT Magazine* in 2020. With its expertise in aluminium fabrication, China Zhongwang has currently started building the first all-aluminium alloy superyacht in Jiangmen, Guangdong Province.



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 2020 (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 16 to 27 of this annual report.

Results and Appropriations

The results of the Group for the Year under Review are set out in the Consolidated Financial Statements on pages 118 to 123 of this annual report.

The Board has proposed not to declare the final dividend for the financial year ended 31 December 2020.

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 page 156 of this annual report.

Bank and Other Loans

Details of bank and other loans are set out in Note 34 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 2020.

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 2020, the outstanding amount owed by Tianjin Zhongwang under the 2015 Facility Agreement was approximately RMB8.16 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 173 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 2020, 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 2020		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 RMB0.25 has been calculated on a fully-diluted basis.

Reserves

Details of movements in the reserves of the Group and the Company during the Year under Review are set out in the Consolidated Statement of Changes in Equity on page 121 and in Note 36 to the Financial Statements on pages 173 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 2020 amounted to RMB3 billion (31 December 2019: RMB4.07 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. Lin Jun
Mr. Wei Qiang

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 30 to 35 of this annual report.

Directors' Service Contracts

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

In accordance with the Company's Articles, Mr. Lu, Mr. Wong Chun Wa and Ms. Ma Qingmei will retire from the Board by rotation at the forthcoming annual general meeting.

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 2020 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 2020, 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 2020

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 2020, 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

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 177 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 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 RMB121 million, RMB0.06 million, RMB14.12 million and RMB6.55 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

Save as disclosed in this annual report, 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 2020, 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 2020

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 2020

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 share capital in issue 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 2020, 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 2020 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 2020	Number of underlying ordinary shares comprised in the options granted during the twelve months ended 31 December 2020	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2020	Number of underlying ordinary shares comprised in the options exercised during the twelve months ended 31 December 2020	Number of underlying ordinary shares comprised in the options outstanding at 31 December 2020
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)
Lin Jun	6 January 2016	5 January 2026	3.93	3,800,000	–	–	–	3,800,000(2)
Wei Qiang	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				382,900,000	–	–	–	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. As at 21 March 2021, all the options granted by the Company on 22 March 2011 were not exercised and had been lapsed.

(2) The options granted on 6 January 2016 were vested in five equal tranches on 6 January 2017, 6 January 2018, 6 January 2019, 6 January 2020 and 6 January 2021, respectively. Each tranche is exercisable on or before 5 January 2026.

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 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 Protection" as set out on pages 94 to 103 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 82 to 93 and Section "Management Discussion and Analysis — Employees" as set out on page 25 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	27.1
Five largest customers in aggregate	49.9

	Percentage of the Group's total purchase (%)
The largest supplier	45.2
Five largest suppliers in aggregate	77.1

None of our Directors or any of their close associates or any shareholders (which to the best knowledge of our Directors owned more than 5% of our Company's share capital in issue) 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 55 to 68 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 27 of this annual report.

Major Purchase and Sale of Subsidiaries and Associates

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 RMB4.6 billion. Upon completion, the Company would 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. For details of the disposal of 100% equity interests in Zhongwang Aluminium Material, please refer to the announcement dated 26 February 2020 and the circular dated 24 March 2020 of the Company.

On 17 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) and Liaoning Zhongwang Group Company Limited (遼寧忠旺集團有限公司) ("Liaoning Zhongwang") entered into a termination agreement with each of 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)), respectively, to terminate the transfer of equity interests of Liaoning Zhongwang to each of 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)) (the "Termination"). For details of the Termination, please refer to the announcement dated 17 March 2020 of the Company.

On 20 March 2020, Zhongwang Fabrication entered into, among other agreements, an assets transfer agreement with CRED Holding Co., Ltd.* (中房置業股份有限公司) ("CRED Holding") (a company incorporated in the PRC and currently listed on the Shanghai Stock Exchange) in relation to the proposed spin-off (the "Proposed Spin-off") of Liaoning Zhongwang (an indirect non-wholly owned subsidiary of Zhongwang Fabrication) by way of, among other things, disposal of 96.55% equity interests in Liaoning Zhongwang to CRED Holding. The asset restructuring contemplated under the assets transfer agreement constitutes a spin-off pursuant to the applicable requirements under Practice Note 15 of the Listing Rules (the "Practice Note 15"). The Company submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 in relation to the Proposed Spin-off, and on 14 August 2020 the Company received confirmation from the Stock Exchange that it may proceed with the Proposed Spin-off. The shareholders of the Company approved the Proposed Spin-off at the extraordinary general meeting of the Company on 11 November 2020. The Proposed Spin-off is subject to approvals by the relevant PRC regulatory authorities (including the China Securities Regulatory Commission). For details of the Proposed Spin-off, please refer to the announcements dated 20 March 2020, 14 April 2020, 22 April 2020, 29 April 2020, 14 August 2020 and 29 October 2020 and the circular dated 24 October 2020 of the Company.

Save for the transactions above, there was no other major purchase or sale of the subsidiaries and associates of the Company during the Year under Review.

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 55 to 68 of this annual report.

Auditor

The Company's independent auditor is BDO Limited. At the annual general meeting on 29 May 2020, 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.

Discussion on Qualified Opinion

Management Analysis on the Impact of the Qualified Opinion on the Group's Financial Position

The management noted that the auditor of the Company has issued a qualified audit report on the Group's consolidated financial statements for 2020 based on the matters set out in the section headed "Basis for Qualified Opinion" of the independent auditor's report. The matter leading to the qualified opinion is related to the Group's finished goods amounting to approximately RMB631 million included in the inventories and kept at the overseas ports.

According to a customer's purchase orders and instructions, the Group delivered aluminium products amounting to approximately RMB631 million to overseas destinations in 2020. However, due to the global outbreak of the COVID-19 pandemic, transportation has been severely delayed. Therefore, the Group was unable to deliver the goods in accordance with the agreed timetable and failed to fulfill the terms of the purchase orders. In view of the adverse impact arising from the outbreak of the COVID-19 pandemic on overseas ports, as at 31 December 2020 and up to the date of approval of these financial statements, such goods have been kept at the overseas ports, and the Group was unable to arrange the auditor to conduct a stock-taking or inspection thereon. As such, the auditor was unable to perform necessary audit procedures and obtain relevant supporting documents on these inventories located at the overseas ports. As a result of the above-mentioned limitation on the scope of its work on the inventories, the auditor issued a qualified opinion.

The management believes that the qualified audit opinion has no substantial impact on the Group's consolidated financial position as at 31 December 2020 or its consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2020.

The Management's and the Audit Committee's View on the Qualified Audit Opinion

The management has considered the auditor's opinion set out in the "Basis for Qualified Opinion" of the independent auditor's report and believes that the audit qualified opinion has been properly addressed.

The Audit Committee has also reviewed the independent auditor's report including the qualified opinion expressed therein and concurs with the treatment adopted by the auditor. For the year ended 31 December 2020, there was no disagreement on qualified audit opinion between the Audit Committee and the management of the Company.

The Group's Proposed Plan to Address the Qualified Audit Opinion

The Group has taken all reasonable measures to address this qualified audit opinion. The Board expects that as the global pandemic is gradually brought under control, such inventories will be properly handled as soon as practical.

By order of the Board
Lu Changqing
Chairman

Hong Kong, 26 March 2021

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 to 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 to the Listing Rules as its code of conduct regarding its Directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Year under Review 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 2019, the unaudited interim results for the six months ended 30 June 2020, 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
Mr. Wei Qiang

Independent Non-executive Directors

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

Chairman and Chief Executive Officer

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

During the Year under Review, the Company deviated from this provision because Mr. Lu performed both the roles of chairman of the Board and the president (i.e. the chief executive) of the Company. Mr. Lu has joined the Group for a long period of time and was appointed to various important managerial functions in the Group. He does not only have a wealth of experience in the business operation as well as the overall management, but also 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 judgement, 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.

Under paragraph A.5.5 (2) of Appendix 14 to the Listing Rules, where a listed issuer proposes to elect an individual as an independent non-executive director at a general meeting and the individual will be holding his seventh (or more) listed company directorship, it must explain why the board believes the individual would still be able to devote sufficient time to the board in the relevant shareholder circular and/or explanatory statement accompanying the meeting notice. Pursuant to the Articles of Association of the Company, Mr. Lo Wa Kei, Roy ("Mr. Lo") has retired by rotation from the Board at the annual general meeting of the Company dated 29 May 2020 (the "2020 AGM") and offered himself for re-election. The re-election of Mr. Lo has been considered and approved on the 2020 AGM. The reason why the Board believed Mr. Lo would still be able to devote sufficient time to the Board despite his directorship in seven listed companies or more was not disclosed in the circular for the 2020 AGM. The Company did not make the disclosure required under the Appendix 14 to the Listing Rules mainly because at the Company's 2020 AGM, Mr. Lo was purely subject to re-election due to a technical mechanism of retirement by rotation provided under the Articles of Association of the Company and the Companies Law of the Cayman Islands, rather than being elected as a new independent non-executive director of the Company. The Board is of the view that Mr. Lo is experienced in matters of Hong Kong listed companies and familiar with the Listing Rules and other laws and regulations in Hong Kong, has maintained his profession in various directorship of listed companies he served and has devoted sufficient time in the Company's matter in the past, so his time committed for his Director's duties would not be affected.

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 judgements.

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 proposal for re-election of retiring directors for approval at the annual general meeting. When selecting candidates for appointment as our Directors, the Nomination and Remuneration Committee will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors.

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 to 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 Mr. Wong Chun Wa 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 Mr. Wong Chun Wa remains independent; (ii) the Nomination and Remuneration Committee of the Company has assessed and is satisfied of the independence of Mr. Wong Chun Wa; and (iii) the Board considers that Mr. Wong Chun Wa remains independent of management and free of any relationship which could materially interfere with the exercise of his independent judgement. In view of the aforesaid factors and the experience and knowledge of the relevant individual, the Board would recommend Mr. Wong Chun Wa for re-election at the Annual General Meeting.

Pursuant to the articles 84(1) and (2) of the Articles of the Company, at each annual general meeting, at least one-third of the Directors for the time being will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board.

In compliance with the provisions of the Articles of the Company, Mr. Lu, Mr. Wong Chun Wa and Ms. Ma Qingmei shall retire by rotation at the forthcoming annual general meeting.

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, three meetings were held by the Audit Committee. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2019, the unaudited interim results for the six months ended 30 June 2020 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	3
Mr. Wen Xianjun	3
Mr. Shi Ketong	3

Nomination and Remuneration Committee

We established a remuneration committee in accordance with the requirements of Appendix 14 to 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 and other professions 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. Two meetings were held by the Nomination and Remuneration Committee during the Year under Review to discuss the nomination and remuneration of Directors and to review the diversity of the Board and assess relevant policies. 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	2
Mr. Lu	2
Mr. Shi Ketong	2

Corporate Governance Committee

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

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

The Corporate Governance Committee should meet at least twice a year. Two 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	2
Mr. Wen Xianjun	2
Mr. Shi Ketong	2

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 six meetings based on the needs of the operation and business development of the Group. Besides, the Directors also attended the 2020 AGM and the extraordinary general meeting held on 11 November 2020 to understand the views of the shareholders.

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

	Attendance	
Members of the Board	**Board Meetings**	**General Meetings**
Executive Directors		
Mr. Lu	6	2
Ms. Ma Qingmei	6	2
Non-executive Directors		
Mr. Chen Yan	6	2
Mr. Lin Jun	6	2
Mr. Wei Qiang	6	2
Independent Non-executive Directors		
Mr. Wong Chun Wa	6	2
Mr. Wen Xianjun	6	2
Mr. Shi Ketong	6	2
Mr. Lo Wa Kei, Roy	6	2

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 the matters considered and decisions made during the Board meetings in sufficient details. 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	17
Ms. Ma Qingmei	Regulatory; finance; industry	17
Mr. Chen Yan	Regulatory; finance; industry	17
Mr. Lin Jun	Regulatory; finance; industry	17
Mr. Wei Qiang	Regulatory; finance; industry	17
Mr. Wong Chun Wa	Regulatory; finance; industry	44
Mr. Wen Xianjun	Regulatory; finance; industry	17
Mr. Shi Ketong	Regulatory; finance; industry; corporate governance	19
Mr. Lo Wa Kei, Roy	Taxation; Regulatory; finance; industry	36

Company Secretary

During the Year under Review, Mr. Cui Weiye has acted 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	25

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 2020 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 152 to 153 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 judgements and estimates, and have prepared the Consolidated Financial Statements on an ongoing basis. The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Consolidated Financial Statements for the Year under Review is set out in the Section headed "Independent Auditor's Report" on pages 113 to 117 of this annual report.

Management Function

The Company's Articles set out matters which are specifically reserved to the Board for its decision. The management team of the Company holds meetings regularly to review and discuss with executive Directors on daily operational issues, financial and operating performance as well as to monitor and ensure the management properly implement the directions and strategies set by the Board. The responsibilities of the senior management members are set out in their respective biographies in the Section headed "Profiles of the Directors and Senior Management" on pages 30 to 35 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 but not absolute 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 2020.

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 2020, 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 29 May 2020, the shareholders of the Company passed an ordinary resolution to re-appoint BDO Limited as the auditor of the Group to hold office until the conclusion of the next annual general meeting of the Company.

For the Year under Review, the remuneration payable by the Company to BDO Limited for statutory audit services and non-audit services were RMB5.47 million and RMB1.41 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.

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, 26 March 2021

ABOUT THE REPORT

This is the fifth 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 the management methods for major environmental and social issues. 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. This report presents the environmental and social performance of the Group during the Year under Review based on the following disclosure principles:

Materiality:

The Group has conducted a materiality assessment based on the results of stakeholder communication and identified major sustainable development issues to ensure that stakeholders' concerns are addressed.

Quantitative:

The quantitative data disclosed in this report is comparable after analysis. Please refer to the "Performance Data Summary" in this report for the standards referenced when calculating environmental key performance indicators.

Balance:

The Group discloses its work and performance in respect of various sustainable development issues on an impartial basis for objective review by stakeholders.

Consistency:

Unless otherwise stated, the methodologies used in this report for statistical disclosures are consistent with those used in the past.

Scope of the Report

This report discloses the Group's performance in the environmental and social aspects from 1 January 2020 to 31 December 2020 ("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 expand its disclosure step by step. For an overview of the disclosure of the indicators, please refer to the Performance Data Summary and Content Index at the end of this report.

Feedback

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

China Zhongwang Holdings Limited
Telephone: +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,

Since the outbreak of the novel coronavirus ("COVID-19"), China Zhongwang has implemented the requirements of the national pandemic prevention policy, and consistently attached great importance to the health of its employees. The Group has formulated the "COVID-19 Pandemic Prevention and Control Plan", established its prevention and control headquarters and implemented a series of stringent prevention and control measures including daily disinfection of the working environment, regular temperature measurement of employees and provision of pandemic control supplies for employees, aiming to ensure the orderly resumption of production and employees' safe return to work. I would like to express my sincere gratitude to each employee who has contributed to the resumption of operation and production and the safeguard of people's livelihood. At the same time, we have also actively given back to community and fulfilled our social responsibilities to overcome difficulties together by donating a total of nearly RMB11 million to fight against the COVID-19 pandemic.

Although the impact of the COVID-19 pandemic has not yet bottomed out, we have never slowed down our pace of promoting sustainable development. We recognise that innovation and R&D are the drivers of sustainable development. During the Year under Review, the Group submitted 333 patent applications, including 107 invention patents, 213 utility patents and 13 design patents. As of the end of 2020, the Group was awarded a total of 712 licensed patents. Leveraging its excellent design and process capabilities, the Group actively participates in the whole process of design, R&D, production and after-sales of new products of customers and provides them with integrated lightweight solutions. During the Year under Review, the Group won the "Most Promising Automotive Material Application Award for 2020". It will continue to steadily deepen its cooperation with the world's top brands of new energy vehicles.

Talent development is the foundation of the sustainable development of the Group. During the Year under Review, the Group continued to refine its staff training system, increase investment in the training of its key talents, improve the overall educational level of its employees and recommended outstanding talents for talent selection. Through various employee communication channels including the "Window of Zhongwang" WeChat official account, employee opinion collection boxes and the psychological consultation and interview room, we maintained good communication with employees and improved their sense of belonging and satisfaction.

During the Year under Review, the Group optimised the Safety Production Committee, which was led by Mr. Chen Yan, a non-executive Director, together with other general manager-level senior management. Mr. Chen Yan is the first responsible person for the safety production of all production entities and he oversees the safety production of the Group. During the Year under Review, the safety management systems of the Tianjin aluminium flat rolling production base and Liaoyang production base have reached the more rigorous ISO 45001:2018 certification standard. The Group has also achieved both safe production goals of zero serious injury and death and zero occupational disease. However, instead of being complacent, we have refined our safety management system to effectively maintain excellent safety performance.

Adhering to the energy management policy of "regulatory compliance for cleaner production and enhanced energy efficiency for continuous improvement", the Group vigorously promotes cleaner production while improving energy efficiency and reducing energy consumption by adopting emerging energy-saving technologies, new processes and new materials. The Group's aluminium flat rolling production base in Tianjin has passed ISO 50001 energy management system certification and cleaner production audit. During the Year under Review, it was selected as a national green factory thanks to its outstanding performance in energy conservation and environmental protection.

Looking ahead, as the world's leading developer and manufacturer of fabricated aluminium products, the Group will continue to develop light-weight solutions for green construction, transportation, mechanical equipment and power engineering and other fields, and vigorously propel the eco-friendly transformation of the "new infrastructure" industry. In addition, we will gradually improve information disclosure and create long-term shared value by working with all stakeholders.

By order of the Board
Lu Changqing
Chairman

Hong Kong, 26 March 2021

SUSTAINABLE DEVELOPMENT MANAGEMENT

The Group's sustainable development is led by multiple departments, 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 is required to report its performance to the deputy general managers and the general managers who are in charge of related functions.

Materiality Assessment

China Zhongwang has an extensive network of stakeholders, including customers, employees, investors, communities, suppliers, regulators and environmental groups. The Group attaches great importance to the opinions of stakeholders and integrates their expectations of the Group into its business philosophy so as to promote sustainable development. The Group maintains regular communication with stakeholders through multiple communication channels including 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 and 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	• 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
Corresponding Chapter					
• Caring for employees	• Operational excellence	• Annual reports • Operational excellence	• Operational excellence	• Environmental protection • Giving back to community	• Giving back to community

With reference to the "HKEX ESG Reporting Guide" and the "GRI Sustainability Reporting Standards", the Group identified the materiality issues based on its interviews and online surveys carried out in 2018 and through four steps, namely identification, prioritisation, validation and review of major issues. After being reviewed during the Year under Review, the listed materiality issues are still highly relevant to the Group.

The Group prioritised the issues into four levels 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 Group.

1 Identification

25 sustainable development issues are identified with reference to the HKEX ESG Reporting Guide and the GRI Sustainability Framework.

2 Prioritisation

The issues are prioritised based on their impacts of internal and external stakeholders on the Group.

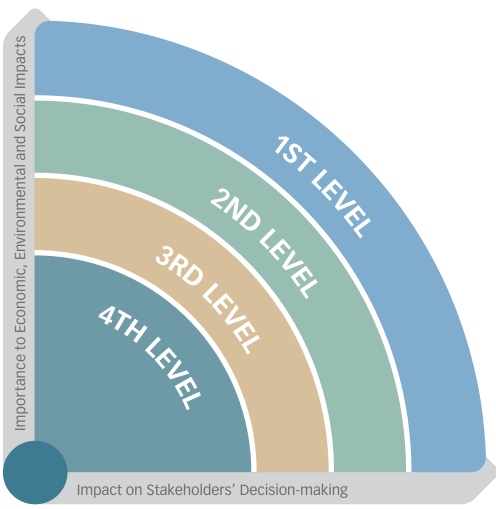
3 Validation

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

4 Review

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

MATERIALITY MATRIX



1ST 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 health and safety
- Occupational health and safety

2ND LEVEL

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

3RD LEVEL

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

4TH 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 actions it has taken on such issues during the Year under Review, as well as its sustainable development goals corresponding to these issues.

Materiality Issues	Actions in 2020	Corresponding SDGs
Occupational health and safety	* The Group achieved the goal of zero incidence of occupational disease and zero major safety accidents * Obtained ISO 45001:2018 certification * Carried out third-party occupational disease assessments on a regular basis	8 DECENT WORK AND ECONOMIC GROWTH
Training and development	* Conducted targeted training for newly recruited employees, on-the-job technical personnel and on-the-job management personnel * Carried out vocational skills competition	
Child labour and forced labour	* Formulated a number of regulatory documents for the prevention of child labour and forced labour, as well as remedial measures * The identity documents of each candidate were checked by the Human Resources Department during the recruitment process.	
R&D and intellectual property rights	* Named as a National Model Enterprise of Intellectual Property by the National Intellectual Property Administration * Obtained the GB/T 29390-2013 Intellectual Property Rights Management System certification * Conducted intellectual property-related training	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Products safety and health	* Obtained a number of international 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 * Established a rigorous quality monitoring workflow, including sample testing of products by the laboratories at our centres so as to ensure the compliance with laws, regulations and customer requirements * Tianjin aluminium flat rolling production base passed the assessment of the industrialisation and informatisation integration ("I&I Integration") management system, the ASI performance standard certification of the aluminium industry management initiatives, and the certification of CoC chain of custody standards * Engaged third-party organisations to conduct gap analysis on production bases and carry out quality improvement projects	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Light-weight products	* Cooperated with several well-known automakers at home and abroad in jointly launching all-aluminium new energy automobiles and electric passenger cars * Provided vehicle body aluminium profiles and high value-added further fabricated products for a number of urban rail transit projects at home and abroad to accelerate the development of light-weight solutions for eco-friendly transportation * Received the "Most Promising Automotive Material Application Award for 2020"	13 CLIMATE ACTION
Raw material and supplier management	* Established the "Risk Analysis and Assessment Form" to identify potential environmental and social risks in different stages * Carried out comprehensive assessments on suppliers, covering environment, quality, safety and other elements * Gave priority to using environmentally friendly products	17 PARTNERSHIPS FOR THE GOALS

OPERATIONAL EXCELLENCE

Innovative R&D

The innovative R&D platforms of the Group, including 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[1] nationally-accredited laboratory, serve as the driving force for sustainable development. In order to motivate employees for innovative R&D, the Group has established an incentive system to reward employees who have actively participated in invention and creation and have made outstanding contributions in accordance with the "Measures for Intellectual Property Reward". In 2020, the Group submitted 333 patent applications, including 107 invention patents, 213 utility patents and 13 design patents. As of the end of 2020, the Group was awarded a total of 712 licensed patents.

The Sales Department of the Group proactively identifies the market demand and the R&D centre conducts product research and development to address customer requests and helps solve market issues. During the Year under Review, the Group's scientific research projects in automotive, aerospace and semiconductor applications all achieved remarkable results.

A Case of Innovation: Rotating Aluminium Ladder Products for Outdoor Escape

The Group has developed revolving aluminium ladder products for outdoor escape, which have passed the scientific and technological achievement evaluation, and have received 3 invention patents and 8 utility model patents, based on which 1 enterprise standard has been developed. Meanwhile, the product has successfully passed the new product appraisal organised by the Liaoning Provincial Department of Industry and Information Technology.

A Case of Innovation: 6061-T651 Alloy for Precision Structural Parts of Semiconductor Equipment

Previously, the 6061-T651 alloy material supply in the industry was under foreign monopoly for a long time. Tianjin Zhongwang has invested in the R&D of this project, and has broken the monopoly by successfully developing the production capacity of 6061-T651 alloy for precision structural parts of semiconductor equipment with all the thickness specifications required by the market. This project is still going on, aiming to develop aluminium alloy materials with better performance, more stability, more eco-friendly and more energy-saving production processes.

1 CNAS refers to China National Accreditation Service for Conformity Assessment

Protection of Intellectual Property Rights

Intellectual property is one of the key assets of China Zhongwang. The Group's intellectual property management system has obtained the certification of GB/T 29390-2013 standards as well as the honorary title of "National Model Enterprise of Intellectual Property" by the National Intellectual Property Administration. As a "Pilot Enterprise of Industrial Intellectual Property" recognised by the Ministry of Industry and Information Technology, the Group played a key demonstration role by carrying out a number of tasks during the Year under Review to continuously improve the effectiveness of its use of intellectual property rights.

In order to improve employees' awareness of protecting intellectual property rights, the Group conducted intellectual property training for its departments and explained the application conditions and procedures of intellectual property rights, the use thereof and their importance to the development of the Group. The Group has also improved the professional quality of its intellectual property team. As a result, three of its employees have obtained the certificate of patent attorney qualifications. During the Year under Review, the Group had no patent disputes.

1. To standardise the work process of intellectual property rights and realise standardised management
2. To carry out intellectual property training for various departments on a regular basis so as to enhance employees' awareness of intellectual property protection
3. To standardise the work process of intellectual property rights and realise standardised management
4. To coordinate R&D efforts and intellectual property rights, tap into patented technology in an in-depth manner and complete the patent deploy work to safeguard independent intellectual property rights from multiple dimensions

Pilot Enterprise Work for the Application of Industrial Intellectual Property

Promote the Eco-friendly Transformation of the Industry

China Zhongwang actively responds to the call of the country, closely follows the national environmental protection policy, especially the newly issued "Aluminium Industry Specification Conditions", and focuses on environmental protection, high efficiency and safe production. Since 2020, with the development concept of "new infrastructure[2]" in the country, and as the world's leading aluminium further fabrication product R&D manufacturer, the Group has continuously developed light-weight solutions for green construction, transportation, mechanical equipment and power engineering and other fields, which is highly aligned with the "new infrastructure" concept, aiming to propel the eco-friendly transformation of the industry.

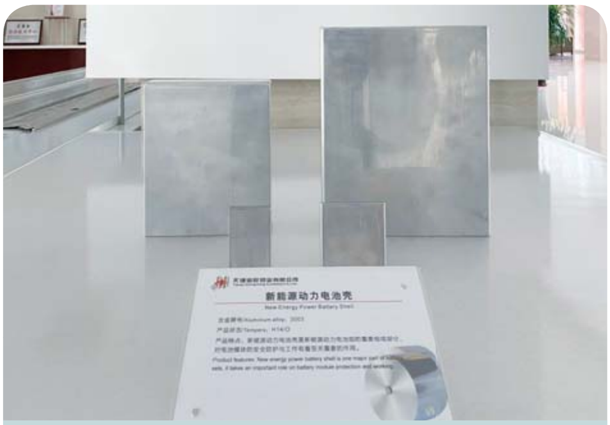
New Energy Vehicles

The Group has a long-standing deployment in the field of new energy vehicles and is equipped with all-round capabilities from independent design to manufacturing and further fabrication, capable of developing and researching 100% all-aluminium body vehicles. It has reached in-depth cooperation with Chery, BYD, FAW and other automobile manufacturers to jointly launch all-aluminium new energy vehicles and electric passenger cars. The Group has also received the "Most Promising Automotive Material Application Award for 2020". In overseas markets, the Group is a supplier of aluminium extruded products for the BMW Group and a Tier-1 supplier of the world's leading new energy vehicle brand. Looking ahead, the Group will continue to steadily deepen its cooperation with the world's top brands of new energy vehicles.

Rail Transportation

China Zhongwang is a supplier of multiple subway rail systems. During the Year under Review, we have made progress on multiple fronts in urban rail transportation, including the provision of all body aluminium extruded products and some further fabricated products for the three subway lines in Xiamen to meet the light-weight standards for rail transit products. The Group also assisted Hefei Metro in optimising the design of the subway train body to achieve both an increase in passenger capacity and a reduction in body weight, thereby significantly reducing the energy consumption of the train during operation. In addition, the Group has expanded into the international market with its high-quality products, and provided vehicle body aluminium profiles and high value-added further fabricated products for a number of overseas rail transit projects in, among others, Mexico, Turkey and Malaysia, in a bid to accelerate the development of light-weight solutions for eco-friendly transportation.

Automobile Hood



New Energy Power Battery Shell

2 The new infrastructure refers to new infrastructure construction, which mainly includes seven sectors, namely 5G base station construction, UHV power transmission, inter-city high-speed railway and urban rail transit, charging points for new energy vehicles, big data centres, artificial intelligence and industrial internet.

Building Brand on the Basis of Quality

The Group reviews its quality management system on a regular basis. During the Year under Review, a total of 14 procedural documents and 40 third-level documents were added and revised.

In addition, we rely on a series of quality management systems to continuously improve product quality. At present, we have obtained certifications for a number of international quality management systems including ISO9001:2015, IATF16949:2016, ISO/TS22163:2017, AS9100D, 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), Bureau Veritas (BV), Lloyd's Register of Shipping (LR), Nippon Kaiji Kyokai (NK), Korean Register of Shipping (KR) and China Classification Society (CCS), as well as International Railway Industry Standard (IRIS) Certification. In 2020, our Tianjin Aluminium flat rolling production Base passed the assessment of the industrialisation and informatisation integration ("I&I Integration") management system[3], the ASI performance standard certification of the aluminium industry management initiatives, and the certification of CoC chain of custody standards. It has also initiated the process expansion and product expansion certification from Lloyd's, which is expected to be completed in May 2021.

In addition to continuing to strengthen the application of automated production technologies including robotic arms, automatic transportation systems and stereoscopic warehouses to ensure stable product quality and reduce labour intensity and safety risks for workers, the Group has implemented stringent quality monitoring work to ensure that the requirements of customers and national laws and regulations are met.

Cross-inspection	Self-inspection	Tour-inspection	Specialised inspection
• Conducted by operators of the same job or operators before and after the procedures	• Operators conduct self-inspection based on regulations, screen and record unqualified products	• Sampled by the Technical Department and Quality Control Department in accordance with quality standards and related technical documents	• Inspected the product quality at different inspection points along the production line by a designated inspector

Quality Inspection Procedures

3 I&I Integration is a high-level and in-depth combination of informatisation and industrialisation, which means that industrialisation is mobilised by information technology while information technology is boosted by industrialisation. It is a new path to industrialisation.

Tianjin aluminium flat rolling production base invited senior experts in the industry to carry out quality improvement projects and implemented improvement measures including the launch of a series of professional training programs for quality management personnel at all levels of the Company, the integration of management system and the establishment of a quality statistical big data analysis model, which is constructive to the continuous improvement of its product quality control level.

The Group complied with laws and regulations relating to products and customer services[4]. 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.

Building Reliable Partnerships

Suppliers are close partners of China Zhongwang. Building high-quality supply chain management capabilities is the foundation for the Group to provide excellent products and services.

The Group pursues the principle of "openness, impartiality and fairness" and implements consistent management system. According to the "Supplier Management Procedures", the Group standardises the selection, evaluation, daily management and quality assessment of suppliers, and updates its regulatory documents on a regular basis according to actual conditions. In order to comprehensively identify the environmental and social risks of each link of the supply chain, the Group has established the "Risk Analysis and Assessment Form" to identify potential environmental and social risks in different stages and to evaluate the risks according to their materiality and probability. The following sets out the identified potential risks and case study of risk control measures.

Supplier Risk Analysis and Assessment Form

Risk Identification	Risk Control
• Suppliers fail to deliver goods in a timely manner or have quality issues in their products due to problems (including environmental impact, financial impact, etc.) arising during their own production and operation	• To develop and implement a procurement interruption contingency plan • To conduct quality and delivery assessments on suppliers on a regular basis
• There may be a fraudulent behaviour between procurement personnel and suppliers	• To optimise the knowledge structure of supplies procurement personnel • To cultivate the professional quality of supplies procurement personnel and strengthen the training on sense of responsibility • To formulate employees' code of conduct, set up an inspection team to engage in dedicated supervision and management

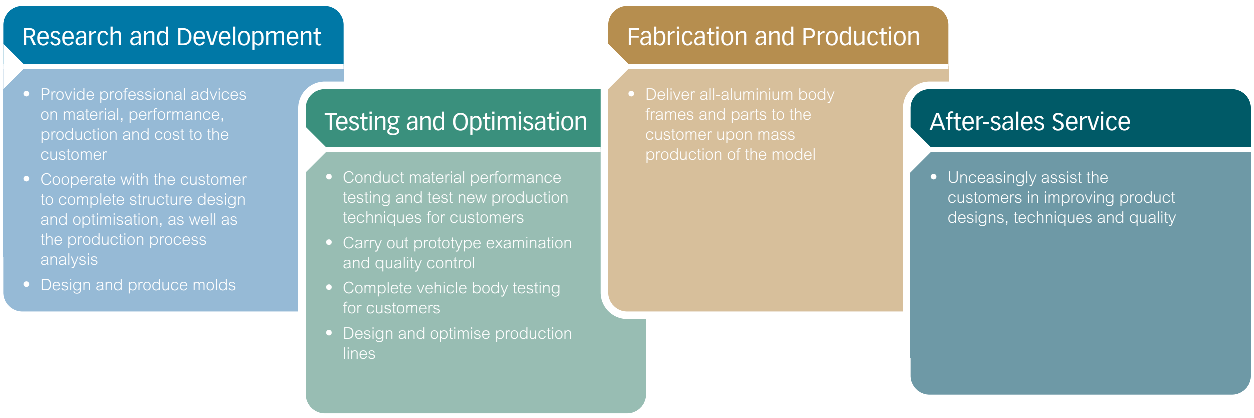
In addition to regular product price and quality factors, the Group conducts a comprehensive assessment of suppliers' performance in terms of sustainable development. The Group has prepared the "Supplier Basic Information Survey Form" to collect information on management system certification certificates covering environment, quality, occupational health and safety, etc., and to investigate the current management status and operational compliance of suppliers, as well as the information on whether their employees have received education on environmental, occupational health and safety awareness, etc. In addition, the Group gives priority to the use of environmentally friendly products and prohibits the purchase of the equipment set out in the "National List of Eliminated High Energy Consuming Equipment" (《國家淘汰高耗能設備名錄》).

[4] Please see the section headed "Laws and Regulations" for details of laws and regulations related to products and services

Maintaining Good Customer Relations

Catering for Customer Needs

Being customer-oriented and relying on its technological advantages and its outstanding product and process design team, China Zhongwang fully participates in the design, R&D, production and after-sales of new downstream products of customers and provide them with integrated lightweight solutions. During the Year under Review, there were no product recalls due to safety and health issues.



R&D Process of New Energy Vehicles

Increasing Customer Satisfaction

The Group follows up, investigates and handles feedback or complaints received from customers in a timely manner in accordance with the "Customer Complaint Control Procedures" to maximise their satisfaction. If there is a quality-related product issue, each department performs its own duties to address it. The Sales Department is responsible for receiving and tracking customer complaints. The relevant departments shall propose a solution within the specified time period, which will be arranged to handle immediately upon approval by the head. Errors are corrected at the source of the issue. The Sales Department replies to customers about the handling measures until being confirmed by customers. The Group will implement precaution measures for the issues raised by customers, regularly count the number and type of customer complaints, and draw lessons from past experiences to prevent the recurrence of such issues. In addition, the Group attaches great importance to customer privacy and security to ensure that each customer's data and information are fully protected. Where requested, the Group also signs confidentiality agreements with customers.

Building an Integrity Corporate Culture

The Group requires its employees to abide by business ethics, conduct disciplinary inspections on all important links, strictly control the operation of internal anti-corruption related policies and systems, establish relevant departments to supervise anti-corruption efforts, and actively organise training on integrity culture. As for employees' code of conduct, as set out in the Employee Handbook, bribery, abuse of positions of authority and improper business practices are expressly prohibited. The Group has also established the Inspection and Supervision Department, the Disciplinary Inspection Division and a reporting platform, and standardised the implementation of anti-fraud work in accordance with relevant laws and regulations to improve the effectiveness and efficiency of supervision. 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[5] that had a significant impact on the Group.

Whistle-blowing is an important channel for discovering violations. The Group provides multiple whistle-blowing channels such as via letters, emails, telephones. In addition, the Group strictly implements the confidentiality policy, protects whistle-blowers, and requires persons involved to be investigated in an appropriate manner. Once the reported violations prove to be true, the persons involved will be dealt with by the Legal Affairs Department. Where the influence is significant, the Legal Affairs Department will work with the public security authorities to address the issue. During the Year under Review, Tianjin aluminium flat rolling production base required all its staff to receive training on the document titled "Promotion of Legal, Disciplinary and Ethic Compliance" (《普法宣傳、法紀德規》) in accordance with the instructions of the Disciplinary Inspection Division of the Group. The company also carried out educational answering activities focusing on the "Legal, Disciplinary and Ethic Compliance" (《法紀道規》), and inspected management cadres above division level in its key departments. In addition, the Base Security Department organised internal training on the document titled "Interpretation of Common Duty Crimes and Bribery Crimes of Non-State Functionary".

"Legal, Disciplinary and Ethic Compliance"(*《法紀道規》*) themed Promotional Activity

In-house Training on Prevention of Bribery Crimes of Non-State Personnel

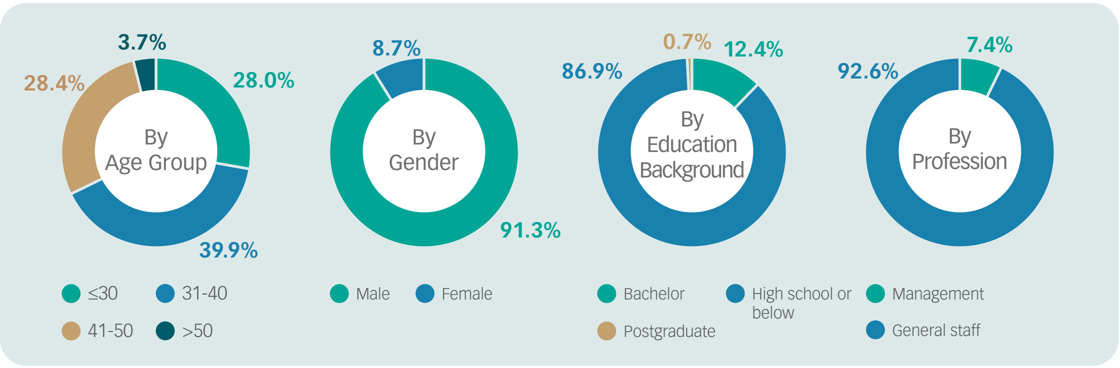
5 Please see the section headed "Laws and Regulations" for laws and regulations related to anti-corruption

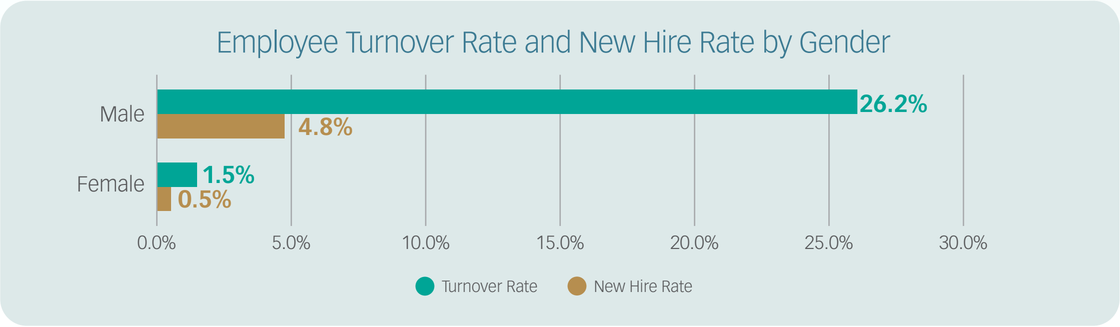
CARING FOR EMPLOYEES

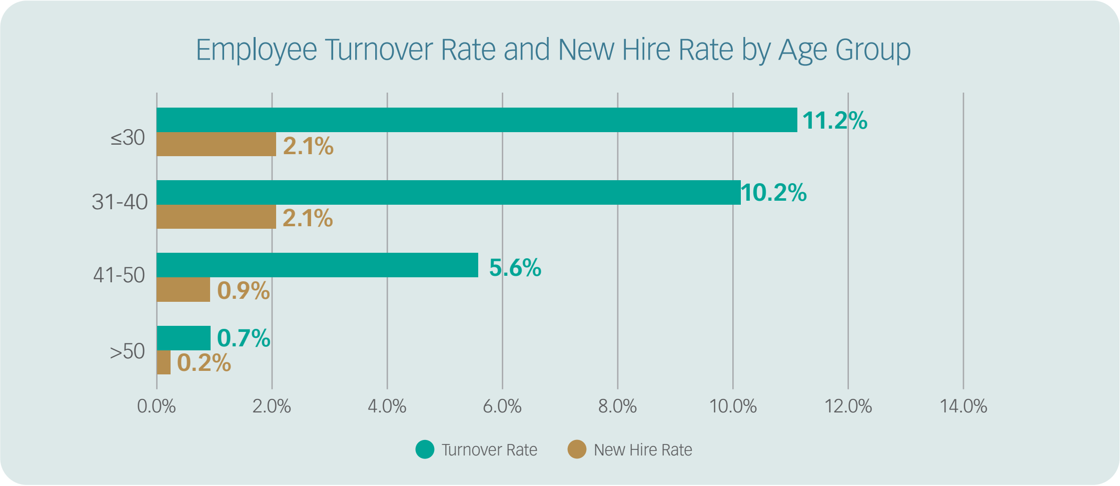
The Group treats employees equally, implements anti-discrimination management, safeguards basic human rights and dignity, insists on providing humane treatment to employees, and prohibits corporal punishment, coercion and provocation of hostile emotions. In addition, the Group fully safeguards women's rights and interests, provides assistance to female employees during their pregnancy, childbirth and breastfeeding period, and ensures that male and female employees of the same position enjoy the same salary and benefits.

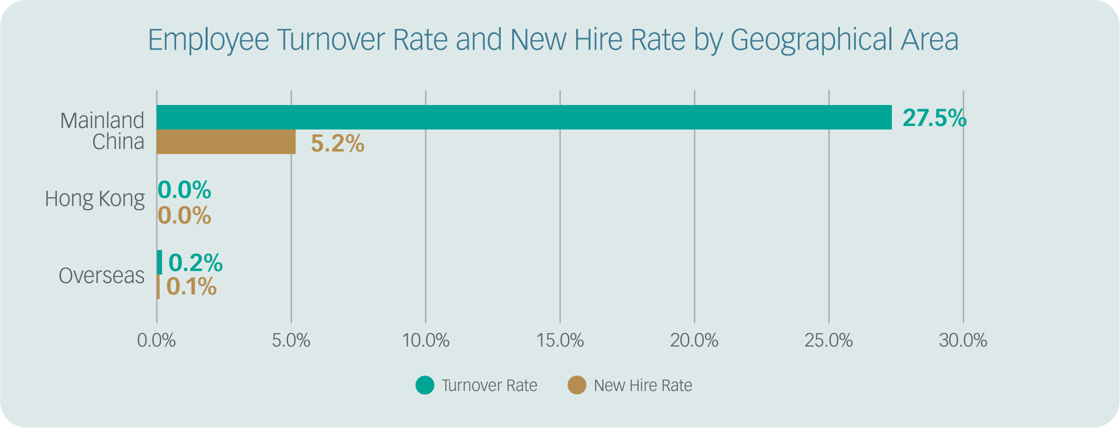
Composition of Employees

As at the end of 2020, the Group had a total of 37,849 employees, all of whom were full-time employees. Among them, 67.9% of whom were under the age of 40, and 7.4% 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 27.7%, and the new hire rate was 5.3%.




Employee Turnover Rate and New Hire Rate by Gender
Male
26.2%
4.8%
Female
1.5%
0.5%
0.0%
5.0%
10.0%
15.0%
20.0%
25.0%
30.0%
Turnover Rate
New Hire Rate


Employee Turnover Rate and New Hire Rate by Age Group
≤30
11.2%
2.1%
31-40
10.2%
2.1%
41-50
5.6%
0.9%
>50
0.7%
0.2%
0.0%
2.0%
4.0%
6.0%
8.0%
10.0%
12.0%
14.0%
Turnover Rate
New Hire Rate


Employee Turnover Rate and New Hire Rate by Geographical Area
Mainland China
27.5%
5.2%
Hong Kong
0.0%
0.0%
Overseas
0.2%
0.1%
0.0%
5.0%
10.0%
15.0%
20.0%
25.0%
30.0%
Turnover Rate
New Hire Rate

Employee Rights and Benefits

Remuneration and Benefits

In order to embody the Group's recruitment system of "hiring people on their merits of integrity and ability, and promoting employees on their performance and achievement", the Group has formulated independent remuneration and welfare policies for its corresponding factories and bases in accordance with the Company's standards, including the "Employee Handbook" and the "Administrative Measures for Remuneration and Benefit", and strictly abides by relevant laws and regulations[6]. The Group adheres to the principles of fairness, competitiveness, motivation, economical efficiency, simplicity and practicality so as to ensure that employees are provided with sound and fair remuneration and benefits. In addition to basic post salary, the Group provides employees with performance-based salary and incentive salary to promote the common development of employees and the Company.

In order to coordinate with its daily operations, the Group implements 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. In addition to the "Five Social Insurances and One Housing Fund"[7] paid by the Group to its employees with whom labour contracts have been signed, the Group maintains a sound and comprehensive policy for various benefits including allowance-type benefits, festival benefits, rewarding benefits, etc., covering meal allowance, housing allowance, housing allowance, high temperature allowance, seniority-based salary, year-end rewards, etc. In order to retain high-end talents, the Group has formulated a diverse range of subsidies for highly-educated talents, research grants and competition allowances to encourage our employees to keep improving.

The Division of Party and Masses' Affairs of the Group cares for its employees, and took the lead in organising the on-site distribution of 8,175 shares of heatstroke prevention and cooling items. The Division of Party and Masses' Affairs constantly improves the long-term mechanism for serving employees, actively seeks benefits for employees and safeguards their fundamental rights and interests.

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.

6 Please see the section headed "Laws and Regulations" for details of laws and regulations related to employment

7 "Five Social Insurances and One Housing Fund" include the retirement insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance and housing provident fund

Prohibition 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" and the "Administrative Measures for Labour Occupational Ethics" to prevent the employment of child labour, ensure that our employees work on a voluntary basis, safeguard their free employment rights, and select employees of working age in accordance with relevant laws and regulations. During the recruitment, the Group strictly implements age verification procedures by checking their ID cards and conducting interviews where necessary, with complete filing information recorded. If child labour is found within the Group, the issue will be immediately reported to the Human Resources Department. The Group will ensure that child labourers leave their post, and will contact their guardians and arrange to complete their compulsory education after soliciting their own opinions. 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.

Expanding the Talent Pool

China Zhongwang recruits talents based on the principle of "open recruitment and merit-based hiring" in accordance with human resource development plans and job requirements. We strictly follow relevant laws and regulations and prohibit any form of discrimination during our recruitment process, regardless of race, age, gender, sexual orientation, ethnicity, disability, pregnancy, breastfeeding, belief, political affiliation, social status, marital status and union membership. In order to further implement its talent development strategy, the Group has broadened the talent introduction channels, and accurately recruited matching talents through social recruitment, campus recruitment, in-house competition and recommendation, headhunting, re-employment after retirement and special talent recruitment.

In order to achieve the synchronous progress of employees and the Group, the Group selects outstanding talents into its reserve cadre team and builds long-term career planning with employees, including opening dual channels of management sequence and professional sequence, formulating tailor-made development plans for its key employees based on their respective characteristics and development requirements to clarify their direction of development, and helping them improve their knowledge and skills through training. Outstanding technical talents may apply to the Group for professional sequence promotion, and may be entitled to preferential treatment at the corresponding sequence level upon review and approval by their respective departments and the Human Resources Department.

Talent Training

China Zhongwang is committed to promoting the upgrade of industrial structure through technological innovation. Therefore, the sustainable development of talents is regarded as the foundation of the sustainable development of the Company. In order to improve its competitiveness, the Group has put in place the "Administrative Measures for Training" to standardise the training process and ensure training effectiveness. The training programs of the Group are managed and planned by the Human Resources Department. Each training program is provided with comprehensive administrative measures, with detailed plan for the applicable schedule and workflows.

During the Year under Review, the Group refined its learning and training mechanism, increased efforts and resources in the training of its key talents, improved the overall educational level of its employees and recommended outstanding talents for talent selection. The training courses of the Group mainly include training for newly recruited employees, on-the-job technical personnel and on-the-job management personnel In addition, the Group provides employees with external trainings as needed, including training courses organised by external institutions, scholars' lectures and degree education, etc., in a bid to encourage employees to continuously improve their innovation awareness and business capabilities, and lay a solid foundation for the long-term development of both individuals and the Group.

Orientation Training	On-the-job Technical Staff Training	Management Training
• To help new employees quickly adapt themselves to the corporate environment • To clarify role positioning	• To help on-the-job employees to reduce work mistakes • To improve work efficiency	• To enhance communication skills • To improve teamwork ability • To promote standardised, scientific and technology-driven corporate management

Competition in Lieu of Training

During the Year under Review, in order to vigorously cultivate highly skilled talents and improve their professional quality, skill level and innovation capability, Liaoyang production base launched five professional skill competitions for welders, millers, fitters, lathes and electricians, which were comprised of written examinations and practical exercises. A total of 500 employees have participated in the competitions.

Employee Communication

Team cohesion can be enhanced by establishing channels for effective communication with employees. The Group understands and analyses the needs and demands of its employees through multiple communication channels, and is committed to building multiple transparent and convenient communication platforms which protect personal privacy. The Group has put in place channels for employee complaints and suggestions. Employees may lodge complaints to their superiors, labour unions, the Human Resources Department and the Disciplinary Inspection Division of the Security Department through telephone, WeChat, email and written submissions.

During the Year under Review, the Group maintained good communications with its employees mainly through three channels, namely "Window of Zhongwang" WeChat official account, employee "opinion collection boxes" and the "psychological counseling room", aiming to promote the spirit of corporate culture, keep updated with employees' thoughts in a timely manner to better serve employees, and effectively improve their sense of belonging and satisfaction.

WeChat Official Account	Official Account Complaint Channel	Complaint Window
• Push information such as commuting route arrangements to facilitate employees	• A total of 1,579 messages have been handled by the WeChat official account • 29 complaints from its employees have been resolved	• Optimised complaint window • Complaint information data are generated in a faster and more efficient manner
		

In order to cultivate corporate culture, during the Year under Review, Tianjin aluminium flat rolling production base invited senior management members and employees to have themed seminars and meals together on a weekly basis to answer collected employee questions covering the Company's development and strategic positioning, personal development and welfare guarantee, practical issues related to business, etc. This 6-month activity has effectively shortened the distance between senior management and employees and promptly put forward improvement plans for relevant issues, enabling common growth of the Company and its employees.

In addition, the Group has established a labour union, responsible for maintaining close contact with employees, and providing protection and assistance to employees where the lawful rights and interests of union members are infringed or their difficulties cannot be resolved. During the Year under Review, we carried out a number of employee care activities, including warm-hearted visits to employees in difficulty, safety production promotion and photography contests so as to improve the living standards of our employees. The Group has also established the Charity Relief Foundation to help employees and their immediate family members who are in difficulty.

Health and Safety

The Group actively builds a safe and healthy environment for production and operation, adheres to the policy of "people-oriented, safety first, prevention-oriented, comprehensive treatment and sustainable development". The Group has established 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 made adjustments to the Safety Production Committee (Safety Committee) by referring to the composition model of member units of the Safety Production Committee under the State Council while taking into account the actual conditions of its own safe production. The chairman of the Group serves as the director of the Safety Committee, and the general managers and deputy general managers of each department, as well as the general managers of its subsidiaries and factories, serve as the deputy general managers and are the first responsible persons to lead their respective production units, thereby monitoring and controlling the safety production of the Group. The Safety Committee is required to convene an annual plenary meeting to formulate the Group's safety production goals and deploy safety production efforts to ensure the smooth operation of the Group.

Main Functions of the Safety Committee

1. To carry out all requirements and implement the instructions and policies of the superior safety regulatory department
2. To formulate the Group's safety production goals and implement the main responsibility for safe production of all units
3. To convene safe production work meetings on a regular basis, deploy efforts for safe operation, address safety issues and implement safety and health supervision work
4. To organise safe production inspections, investigate and eliminate hidden dangers, and assess the safety and health goals and regulations of each unit
5. To participate in the investigation of major safety incidents and put forward suggestions for handling them

We have established an office under the Safety Committee. All members of the Safety Supervision Department of the Group serve as the members of the Safety Committee and are responsible for collecting safety suggestions. Our employees may reflect their opinions through the labour union and assists the Group in continuously improving its safety management. The Group regularly collects updated occupational safety and health related laws and regulations on the government websites, and makes timely amendments to the safety management policy according to the actual conditions of the Group.

Safe Production

During the Year under Review, the safety management systems of the Tianjin aluminium flat rolling production base and Liaoyang production base have successively reached the rigorous ISO 45001:2018 certification standard. In addition, the Group has formulated a number of safe production goals regarding accidents, occupational diseases and safety training according to the actual conditions of its plants. To achieve the corresponding safe production goals, all factory bases have actively cooperated to accomplish various tasks, with parts of their initiatives set out as follows:

- To carry out safety inspections, including special inspections on key areas, and conduct inspections on special equipment in a regular manner
- To require special equipment operators, employees working at heights, electricians and welders to hold valid operating certificates. All the special operators at Tianjin aluminium flat rolling production base and Liaoyang production base are holders of relevant certificates.
- To put up hazard warning signs
- To strengthen employees' safety awareness, organise safety and health training and conduct regular physical examinations
- To formulate emergency plans for safe production accidents and organise emergency drills
- To establish rescue teams for branch departments

The Group has successfully accomplished the safe production goals set at the beginning of the year, but we are not complacent and expect to maintain excellent performance through continuous improvement of our management system. There was no incidence of any material violations of relevant laws and regulations[8] related to occupational health and safety during the Year under Review.

Targets of the Group

Serious injuries and fatal accidents	Occupational disease incidence rate
0%	0%

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

The Group engages professional occupational health technical service organisations and occupational health evaluation companies to conduct occupational health testing and evaluation for employees on a regular basis. The Group conducts tests on various toxic and hazardous substances that may exist in the workplace in accordance with relevant laws and regulations. The testing scope mainly covers smelting workshops, sheets workshops[9], automotive body sheets plants, material workshops, waste treatment workshops, etc. Different occupational hazards should be established according to different workshop positions, work types, locations and contact time, and protective facilities of workshops and personal protective equipment should be strengthened. In order to ensure the safety of its plants and workshops, the Group has assigned qualified full-time safety officers to strictly perform weekly safety inspections in the plant area. Once a hidden risk is discovered, it will be immediately rectified, or the Safety Department will be notified for handling as soon as possible, and the rectification progress will be tracked in real time to make sure safety risks are reduced effectively.

Occupational Disease Assessment Results	
Occupational Hazards	**Evaluation Results and Management Measures**
• Harmful chemical factors and dust	• Concentration conforming to the national occupational health standard limit • Equipped with anti-poison and dust-proof masks • To clean and maintain the ventilation facilities of workshops in a timely manner
• Noise pollution	• To enhance sound insulation, sound absorption, shock absorption and other measures • To reduce staff's exposure time to high noise
• Operations at high temperature	• To provide operators with heatstroke prevention drinks to ensure their supplement of water and salt • To shorten staff's working time at high temperature

When an accident occurs, the Group will take emergency and rescue measures in accordance with the emergency plan, send the injured to the hospital as soon as possible, establish an investigation team to analyse the cause of the accident and designate corrective measures. When necessary, the Group will hold accountable for the accident and punish the involved personnel.

[9] Including hot rolling workshop, medium and high thickness sheets workshop, cold rolling workshop and finishing workshop

Safety Training

The Group helps employees raise their awareness of "safety first, prevention-oriented", strengthens employee education and training, and enhances safety awareness and self-protection capabilities. The Group also fully implements the safety education management policy, under which our employees must receive safety training at least twice a year, including but not limited to first, second and third level safety training, emergency drills, simulation training, etc. to improve employees' ability to identify and respond to risks. 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 and remarkable progress has been achieved.

In June 2020, Tianjin company organised a production safety month event with the theme of "eliminating hidden accidents and consolidating the line of defence", covering various activities including safety knowledge contest, forklift skills contest, crane skills contest, emergency drills and hidden danger investigations.

Fighting Against the COVID-19 Pandemic

Since the outbreak of the COVID-19 pandemic, China Zhongwang has strictly implemented the relevant national pandemic prevention policies and requirements, coordinated the promotion of pandemic prevention and control, and focused on safe production, demonstrating the Group's commitment to fulfilling its responsibilities. While staying committed to delivering quality products and catering for customers' needs, the Group always puts the health of its employees at the foremost position to ensure the Company's smooth production of and stable employment. The Group has formulated a series of strict prevention and control measures including daily disinfection of the work environment, regular temperature measurement of employees, provision of corresponding pandemic prevention supplies for employees, etc., and has introduced a complete "COVID-19 Pandemic Prevention and Control Plan" and established a command centre for COVID-19 pandemic prevention and control so as to to safeguard the health and safety of employees and to ensure stable production after resumption of work at our subsidiaries in various locations.

Safety and Environment Department

- Carried out overall deployment work, actively performed its duties, strengthened close communication and overall coordination with leaders of the inspection team
- Formulated the "Employee Code for COVID-19 Prevention" and other documents, purchased pandemic prevention supplies and distributed them to various departments to ensure employees' safety during work

Division of Party and Masses' Affairs

- Assisted security personnel at entrances and exits of our plants in batches to register and measure the temperature of employees and to maintain traffic order

Security Department

- Formulated the "Administrative Measures for the Entry of the COVID-19 Pandemic Prevention and Control Personnel", required the personnel to wear face masks and carried out temperature monitoring, identity registration and vehicle disinfection
- Placed disinfection blankets at entrances and exits, sprayed disinfectant on a regular basis, and added an automatic spray disinfection channel for large-sized trucks

Human Resources Department

- Adopted the staggered rush hour plan, changed face recognition to mobile phone clocking, and implemented a contactless attendance system
- Required employees to measure temperature and report twice a day to ensure their health and safety during work
- Focused on the changing conditions of our personnel through daily inspections, registrations and real-time updates

Administration Department — Factory Operations

- Increased efforts in the disinfection of the factory and living areas, and engaged disinfection vehicles instead of labour
- Improved ventilation in public areas
- Set up centralised collection points for discarded face masks to prevent secondary pollution

Administration Department
— Hygiene of Dormitories and Canteens

- Arranged to dine in batches and at different session and to queue at intervals of 1.5 metres, strictly forbidding crowd gathering
- Performed regular disinfection of dormitories and canteens without dead ends to ensure the health of employees

General Office — Fleet of Vehicles

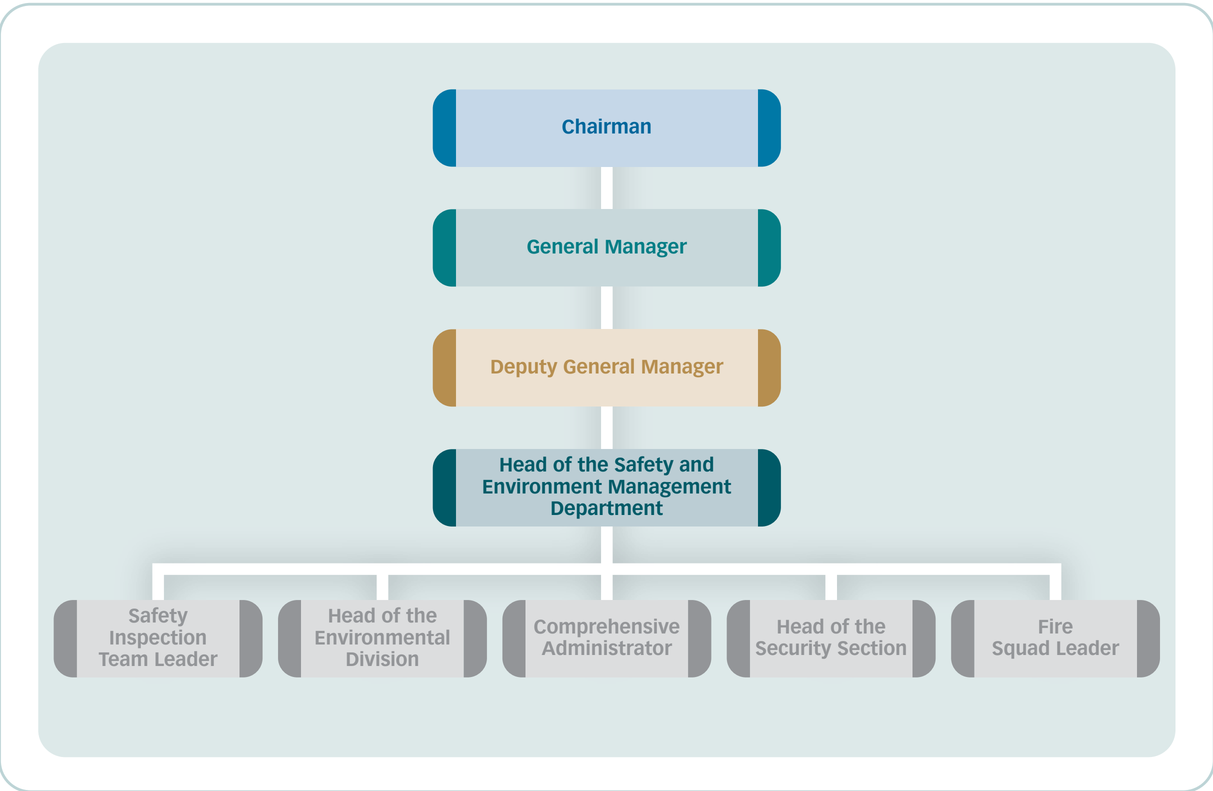
- Formulated the "Administrative Rules for the Use of Vehicles during the Pandemic", disinfected vehicles on a daily basis, and conducted temperature checks on passengers, thereby continuously strengthening vehicle management and control during the pandemic

Pandemic Prevention and Control Measures at Tianjin Aluminium Flat Rolling Production Base

ENVIRONMENTAL PROTECTION

Environmental Management

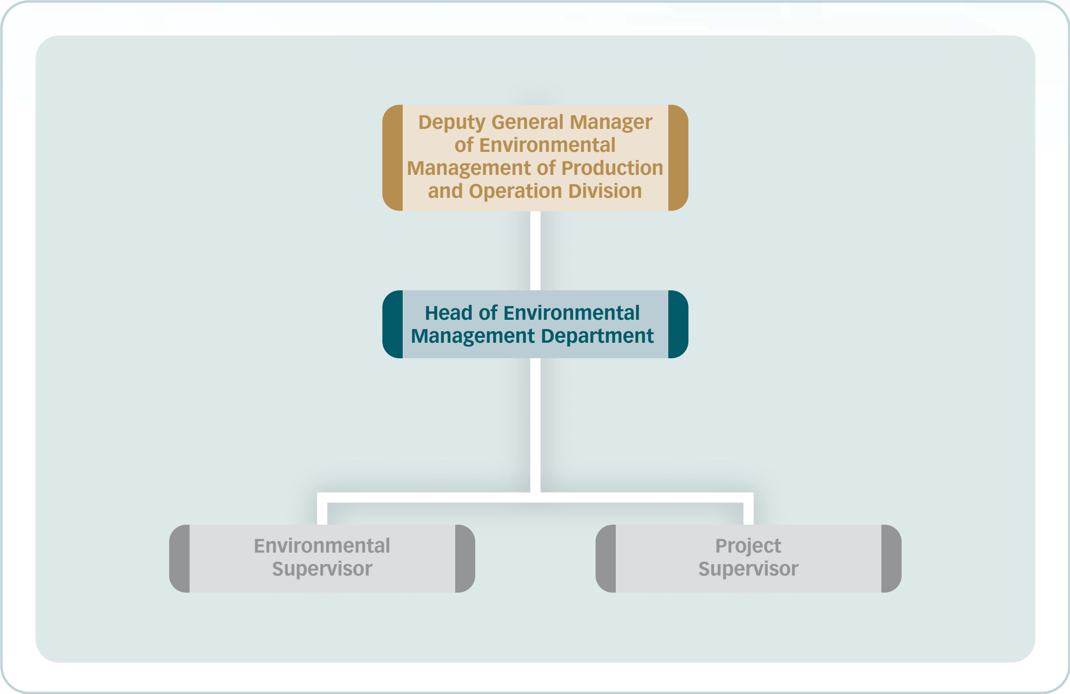
Adhering to the EHS[10] management policy of "full participation, pollution prevention, energy conservation and consumption reduction and safety; legal compliance, risk mitigation, continuous improvement and negotiation for common progress", the Group implements the environmental management system in an orderly manner to ensure that its production process complies to the local laws and regulations[11] where it operates, and regularly reviews the updates of relevant regulations, and immediately make rectifications for any non-compliance. The Group's production bases have a clear environmental management structure. The environmental management of Tianjin aluminium flat rolling production base of the Group is led by the chairman of the Board of Directors and in the charge of the Safety and Environment Department, and the corresponding work is reported by the head of the Environmental Management Department to the deputy general manager and general manager in charge. The Safety and Environment Department is responsible for daily environmental management, establishing and improving the Group's responsibility system, organising environmental protection-related training and other work, and reporting relevant work progress to the deputy general manager and general manager on a regular basis. While the deputy general manager of environmental management of the Production and Operation Division is responsible for Liaoyang Production Base.



EHS Management Organisational Structure of Tianjin Aluminium Flat Rolling Production Base

10 EHS is the abbreviation of Environment, Health and Safety.

11 Please see the section headed "Laws and Regulations" for laws and regulations related to environment



EHS Management Organisational Structure of Liaoyang Production Base

Regarding new production bases and production lines, the Group strictly complies with relevant laws and regulations to conduct environmental impact assessments for new projects to determine the feasibility of pollution prevention measures to be taken and ensure that such measures can effectively reduce the impact on the surrounding environment. Liaoyang production base and Tianjin aluminium flat rolling production base of the Group both have been certified with ISO 14001 Environmental Management System. 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 wastes.

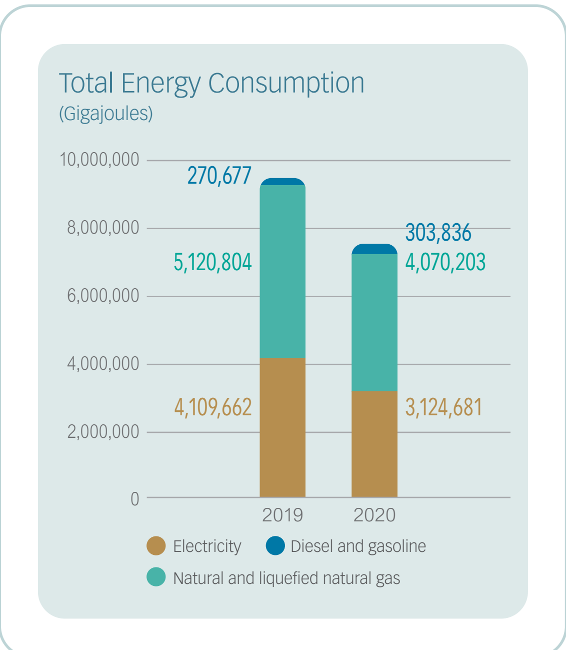
Resources Conservation

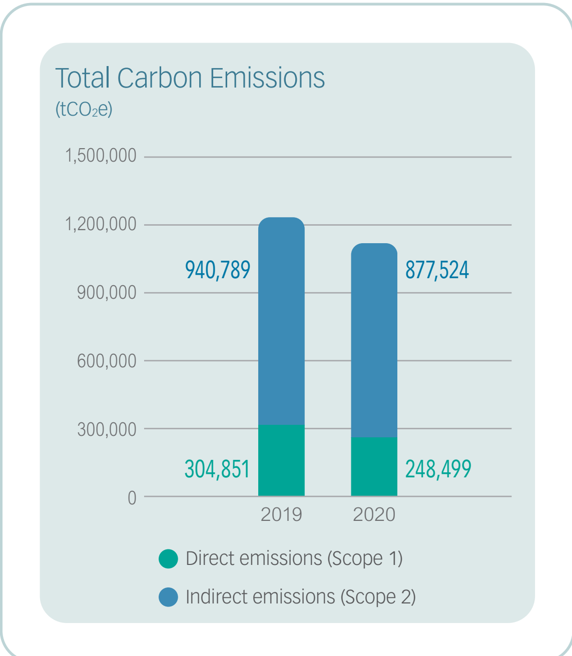
The Group strictly abides by the national environmental laws and regulations, and has formulated the "Corporate Energy Management Work System", the "EnMS[12] Energy Management Manual" and other systems and policies. It has also implemented a scientific and information-based energy management system, continuously improved resource utilisation efficiency, preserved and improved ecological environment, in a bid to achieve sustainable development goals.

The Group sets energy management targets and indicators, regularly conducts energy consumption monitoring, measurement and analysis, and actively adopts energy-saving measures in its products and services. 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. Thanks to its outstanding performance in energy conservation and environmental protection, Tianjin aluminium flat rolling production base of the Group was selected as a national green factory and certified with ISO 5001 Energy Management System and cleaner production audit during the Year under Review.

Energy Consumption

The energy consumption of the Group mainly involves the use of electricity, natural gas, diesel and gasoline. During the Year under Review, Tianjin aluminium flat rolling production base and Liaoyang production base of the Group consumed a total of 7,498,720 Gigajoules of energy, representing a decrease of approximately 21% as compared with that of 2019, mainly due to the impact of the pandemic on normal operations.





12 EnMS is the abbreviation of Environmental Energy Management System

Greenhouse Gas Emissions

The Group's greenhouse gas emissions are mainly derived from direct emissions from the consumption of natural gas, diesel and gasoline (Scope 1) during production and in the office, and indirect emissions from the consumption of purchased electricity (Scope 2). During the Year under Review, the Group recorded total greenhouse gas emissions of 1,126,023 tonnes of carbon dioxide equivalents[13], representing a decrease of 10% as compared with that of 2019, of which 248,499 tonnes of carbon dioxide equivalents was generated from Scope 1 and 877,524 tonnes of carbon dioxide equivalents from Scope 2.

Climate change has become the focal point of the international community today. China has also proposed the goal of achieving carbon neutrality by 2060. The Group actively responds to the call of the country by promoting the development of a low-carbon economy, aiming to address climate change issues. The Group discloses actions taken on climate change by reference to the recommendations of TCFD[14].

- Climate change has been included in China Zhongwang's ESG management system as one of the environmental issues

- We recognise the possible impacts of climate change, such as physical risks including extreme weather, and transformational risks including policy risk
- We are committed to providing light-weight solutions to conserve resources and reduce greenhouse gas emissions

- The environmental management system and energy management system of the Group have obtained ISO 14001 and ISO 50001 certification, and can effectively manage the risks arising from climate change

- We monitor energy consumption and greenhouse gas emissions on a regular basis
- Tianjin aluminium flat rolling production base set a full-year energy-saving target at the beginning of 2020: annual energy consumption to be reduced by 10% as compared with that of 2019

13 Description of method for calculation of carbon emissions:
the emission factors have been adjusted from the those disclosed in the 2019 report. The 2019 greenhouse gas data has been recalculated and adjusted. The method for calculation of greenhouse gas emissions is referenced from the Greenhouse Gas Protocol. The emission factors for the calculation of greenhouse gas emissions are referenced from the "2019 Baseline Emission Factors for Regional Power Grids in China" and "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange. The global warming potential is based on the "Fifth Assessment Report" of the Intergovernmental Panel on Climate Change (IPCC).

14 TCFD is the abbreviation of Taskforce on Climate-related Financial Disclosures

Energy Conservation and Emission Reduction

Adhering to the energy management policy of "regulatory compliance for cleaner production and enhanced energy efficiency for continuous improvement", the Group vigorously promotes cleaner production, reduces energy consumption from the source, and adopts emerging energy-saving technologies, new processes and new materials, so as to reduce energy consumption, improve energy efficiency and promote the development of circulation economy. The following sets forth some of the energy-saving and emission-reduction measures taken by Tianjin aluminium flat rolling production base of the Group during the Year under Review:

Refined circulating water return pipes
Previously, circulating water was returned to the hot pool before lifted by water pumps to the cooling tower to cool down. After transformation, circulating water return pipe is connected to the upper water pipe of the cooling tower, where it is raised to the cooling tower using recovery pressure, or directed to the return pool when cooling is not required. As such, power consumption is lowered as the use of water pumps is reduced

Adjusted night production lighting
Night production lighting has been re-adjusted to turn on lights every other line without affecting production, thereby reducing energy consumption

Optimised production process
The ratio of slag ash and slag-aluminium separator for rotary kiln has been optimised to reduce the use of slag-aluminium separator without affecting the output of aluminium, saving 120 tonnes of separator per month

Transformed instruments and equipment
Tension roller cleaning device has been transformed to extend the service cycle of its components by approximately 1.5 times, which saves the use of components while reducing downtime

Training on energy conservation
The "Energy Conservation Training Management System" has been formulated to strengthen the management of energy-saving training and increase all employees' awareness of energy conservation. In addition, we organise online and offline training in various forms, such as posters, seminars and conferences, to strengthen the exchange of energy conservation information and work experience as well as the publicity and promotion of modern energy conservation management methods and energy-saving retrofitting technologies.

Updated working mode
We previously used five main pumps with one spare in our hydraulic low-pressure system. Without compromising production, we changed our working method to use four main pumps with two spare, which is expected to save 52,800 kilowatt-hours of electricity per month.

In order to increase all staff's awareness of energy conservation, the Group has formulated the "Reward and Punishment Regulations on Energy Conservation" to encourage employees to make suggestions on energy conservation, and commended and rewarded departments and individuals which proposed major energy conservation measures to promote the resource and energy conservation, and prevent and reduce the occurrence of environmental pollution accidents.

Packaging Materials

The packaging materials consumed during the Group's operations are mainly wood, paper board and plastic film. During the Year under Review, the consumption of packaging materials was effectively reduced by minimising the use of unnecessary packaging materials and using the polyvinyl chloride angle bead of used plastic materials to replace paper angle bead.

Consumption of Packaging Materials	2019	2020
Wood (sticks)[15]	868,729	**742,839**
Wood (PCS)	132,322	**118,731**
Paper board (PCS)[15]	1,162,247	**372,992**
Paper board (tonnes)	1,941	**1,140**
Plastic film (tonnes)	1,522	**1,189**

Cherishing Water Resources

The Group is committed to saving water and reusing wastewater to improve the efficiency of water use. Liaoyang production base and Tianjin aluminium flat rolling production base consumed nearly 2,396 tonnes of water in total during the Year under Review, down by approximately 32% on a year-on-year basis due to the impact of the pandemic. The Group has 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.

[15] The classification and unit of both wood consumption and paper consumption for 2019 have been revised

Green Office

The Group integrates the concept of resource conservation and eco-friendly development into daily office work, and implements green office initiatives in the office, which helps improve office work efficiency while conserving public resources.

Office Power Management	Lights at the office area are turned on and off in time according to the intensity of daylight; turning on the lights should be avoided when there is sufficient daylight
	The air conditioner temperature in the office is set to 26 degrees Celsius in summer and 18 degrees Celsius in winter; when the temperature of working environment is suitable, air conditioners should be turned off and natural wind should be used for ventilation; and air conditioners should not be turned on when there is no one in the room
	For power-consuming equipment such as printers, power plugs should be unplugged in time when not in use
Conserving Office Supplies	To conserve office supplies, office stationery and office consumables are managed by the back office so as to avoid the waste of office supplies due to natural environment and human action
	Double-sided printing and copy are encouraged, and documents should be copied according to the actual number of copies needed so as to avoid wasting paper due to excessive printing. In addition, used paper is collected at the office in a timely manner to be reused as secondary paper
	Paperless office is encouraged where possible by using electronic documents in lieu of printed files and using emails instead of paper letters
	Online review and approval of daily office forms are adopted to conserve resources while improving office efficiency

Control of Discharges

The Group reduces the environmental impact of operations by controlling pollutants at the source and during the production process, in a bid to preserve the ecological environment. Tianjin aluminium flat rolling production base previously set an emission management target, which has been accomplished.

Targets of Tianjin Aluminium Flat Rolling Production Base

To **meet** noise, waste gas, and wastewater **discharge standards**	To achieve hazardous waste treatment efficiency of **100%**

Waste Management

The Group manages waste produced during operations in accordance with the corresponding national laws and regulations, and strictly regulates the collection, storage and treatment of general waste and hazardous waste. During the Year under Review, the general waste produced by the Group mainly included employees' domestic waste and general production waste, totalling 18,567 tonnes. The Group deals with the produced waste by strictly following the requirements set out in the "General Solid Waste Management Regulations", and collects, stores and disposes of waste by category. The Group uses its best endeavour to recycle waste paper, scrap iron and waste wood and other recyclable materials, while the non-recyclables are collected and processed by qualified institutions or designated units such as the environmental protection department. During the Year under Review, the Group engaged recyclers to recycle nearly 17,167 tonnes of general waste.

Hazardous wastes produced during the Group's production and operation are mainly the waste mineral oils, sludge after wastewater sedimentation, waste cutting fluids produced by industrial aluminium machines during fabrication. During the Year under Review, a total of 1,557 tonnes of hazardous wastes were produced, all of which were collected by qualified institutions or units established by the environmental protection department. The Group has clarified the classification of hazardous wastes and regulates its storage and disposal procedures based on its chemical and physical properties. The day-to-day management of the hazardous waste warehouse is in the charge of dedicated personnel from the Safety and Environment Department, and the departments which produce hazardous wastes are responsible for self-inspection of hazardous waste as well as the loading, unloading and transportation of inbound and outbound hazardous wastes. At the same time, the Safety Department cooperates with all production units to recycle and store hazardous wastes in a safe and effective manner to prevent environmental pollution incidents.

Storage of Hazardous Wastes

- Liquid hazardous wastes are stored in special barrelled containers, and effective safety precautions should be taken during storage, cleaning and transportation to prevent leakage and fire accidents
- Solid hazardous wastes are classified and stored in designated packaging containers and sealed to prevent leakage, diffusion and pollution during storage, cleaning and transportation
- Containers for long-term storage of hazardous waste must be covered with hazardous waste identification signs
- The waste storage devices of all departments should neatly stacked up in designated areas and should not be dumped or spilled at will

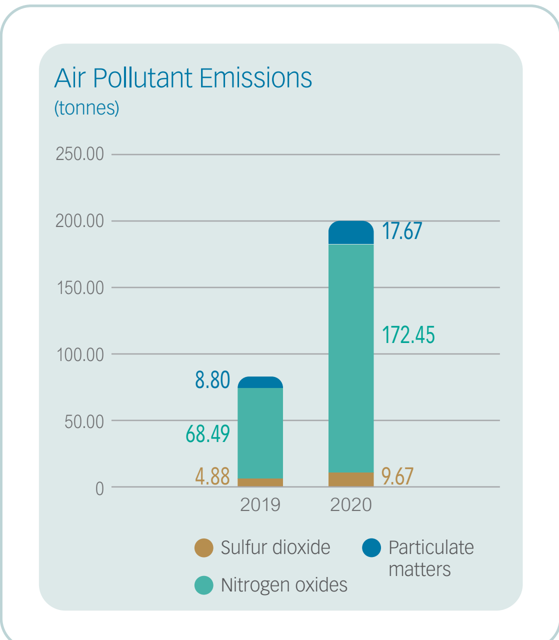
In order to save raw materials and reduce the waste produced, aluminium dross, aluminium scraps and aluminium powder generated during the production process are collected through pipelines and transported to the waste plant. They are then processed in the dual-chamber waste melting furnace and the intermediate frequency induction furnace in a centralised manner to recycle metal aluminium. During the Year under Review, a total of 27,762 tonnes of aluminium ash were internally recycled through the above-mentioned methods.

Wastewater Discharge Control

The Group strictly implements the national water pollution prevention and control guidelines and policies and discharge permit management system, and has set up wastewater treatment facilities at the plants and living areas. The collected wastewater is discharged after being processed to the standard stipulated. Both Liaoyang production base and Tianjin aluminium flat rolling production base have put in place online monitoring systems to record monitored data in real time, and thus can adjust the monitoring indicators in time to ensure compliance with emission standards. In addition, the Group engages qualified companies that provide environmental monitoring services to monitor wastewater discharges on a regular basis. The wastewater discharged by the Group includes cleaning wastewater, boiler sewage and domestic wastewater during the production process. During the Year under Review, the total wastewater discharged by the Group amounted to 1,928,000 tonnes, up 19% over that of last year.

Exhaust Emissions

The air pollutants generated by the daily operations of the Group are mainly derived from aluminium alloy production, welding and vehicle use. Regarding related emissions, the Group regularly conducts tests on exhaust gas from fixed emission sources to ensure that it meets the national "Integrated Emission Standard for Air Pollutants" and "Emission Standard of Air Pollutants for Boiler". During the Year under Review, Tianjin aluminium flat rolling production base newly employed online monitoring equipment to monitor data related to sulfur dioxide, nitrogen oxides and particulate matters, so that exhaust emissions-related data can be viewed in real time.



Noise Control

The Group adopts various measures to reduce the noise produced during the production process, including, among others, regular maintenance of equipment, installation of anti-vibration pads and sound-proof doors and windows. The Group also regularly monitors the noise produced during the production process. If the noise level exceeds the standard, the Group will immediately take measures such as noise reduction and isolation until the standard is met.

Ecosystem Conservation

During the Year under Review, the Group newly planted 286,744 trees and continued to contribute to ecosystem conservation. In addition, the Group has formulated the "Compilation of Administrative Regulations for Landscaping Maintenance" to provide guidelines for landscaping maintenance, clarifying the responsibilities of each department and the monthly work priorities set based on seasonal weather changes.

The Group attaches great importance to the impact of its business operations on the natural environment, and continuously improves the Group's environmental emergency management capabilities. The Group has formulated an emergency response mechanism for environmental accidents in accordance with relevant national laws and regulations, and has established systems including the "Investigation and Management System for Hidden Hazards of Environmental Emergencies", the "Contingency Management Plan for Chemical Leakage" and "Contingency Management Plan for Inclement Weather" so as to standardise the environmental emergency response process and to improve management capabilities. The Safety and Environment Department and the Environmental Management Department regularly organises emergency drills for environmental incidents, such as hazardous waste leakage to improve the emergency response capabilities of employees, and to prevent personnel from being injured and causing environmental pollution.

GIVING BACK TO COMMUNITY

Fight the Pandemic Together

The COVID-19 pandemic has swept the world, posing a serious impact on the national medical system. As a socially responsible citizen, the Group donated RMB10 million through Liaoyang Charity Federation to the Wuhan Charity Federation for pandemic prevention and control. In addition, China Zhongwang Party Committee initiated a donation from Party members and employees of the Group and raised additional more than RMB800,000 as our continued efforts to fight the COVID-19 pandemic. This donation was made in the form of cash and supplies. Among them, a donation of RMB323,375 was made to the Charity Federation of Hongwei District, Liaoyang City, a donation of RMB200,000 was made to the Red Cross Society of Wensheng District, Liaoyang City, a donation of RMB200,000 was made to the Red Cross Society of Dengta City, and a donation of 25,000 disposable medical masks worth RMB150,000 was made to the Red Cross Society of Liaoyang City. In addition, on behalf of all staff in Tianjin, the Division of Party and Masses' Affairs of Tianjin Zhongwang donated RMB131,990 to the Red Cross Society of Wuqing District, Tianjin to fight the pandemic and to offer our care.

Pandemic Prevention Supplies were Donated to Liaoyang Red Cross

LAWS & REGULATIONS, PERFORMANCE DATA SUMMARY & CONTENT INDEX

Aspect	Applicable Laws and Regulations
Environmental	• Environmental Protection Law of the People's Republic of China • Water Pollution Prevention and Control Law of the People's Republic of China • Air 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 • Law of the People's Republic of China on the Protection of Disabled Persons • 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	• Production Safety Law of the People's Republic of China • Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases • 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 • Law of the People's Republic of China on the Protection of Intellectual Property Rights • Patent 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

		2020	2019
Employment	**Total full-time Employees (no. of employees)**	37,849	46,334
	By Geographical Distribution (full time)		
	Mainland China	37,297	45,747
	Hong Kong	7	7
	Overseas	545	580
	By Age Group		
	Below 31	10,609	16,421
	31 to 40	15,098	17,337
	41 to 50	10,731	11,378
	Above 50	1,411	1,198
	By Gender		
	Male	34,569	42,703
	Female	3,280	3,631
	By Education Background		
	Postgraduate	266	316
	Bachelor	4,695	5,871
	High school or below	32,888	40,147
	By Profession Distribution		
	Management[16]	2,799	3,278
	General staff	35,050	43,056
	Employee Turnover Rate (%)	27.7	19
	By Geographical Distribution (full time)		
	Mainland China	27.5	19
	Hong Kong	0.0	0.0
	Overseas	0.2	0.0
	By Age Group		
	Below 31	11.2	10
	31 to 40	10.2	5
	41 to 50	5.6	4
	Above 50	0.7	0.4
	By Gender		
	Male	26.2	18
	Female	1.5	1

16 Management: workshop director or above.

		2020	2019
Employment	**New Hire Rate (%)**	5.3	30
	By Geographical Distribution (full time)		
	Mainland China	5.2	30
	Hong Kong	0.0	0.0
	Overseas	0.1	0.0
	By Age Group		
	Below 31	2.1	13
	31 to 40	2.1	11
	41 to 50	0.9	6
	Above 50	0.2	0.3
	By Gender		
	Male	4.8	27
	Female	0.5	3
Health and Safety	**Occupational Safety and Health Performance**		
	Work accidents (cases)	44	53
	Work-related injury (persons)	44	53
	Lost days due to work injury (days)	4,358	4,456
	Work-related fatalities (persons)	0	0
	Occupational Safety and Health Education		
	Total number of occupational safety and health trainings (sessions)	357	395
	Person-time trained (person-times)	66,582	75,990
	Percentage of safety training	100%	100%
	Percentage of special operators with certificates	100%	100%

		2020	2019
Environmental	**Air Pollutant Emissions**[17]		
	Sulfur dioxide (tonnes)	9.67	4.88
	Nitrogen oxides (tonnes)	172.45	68.49
	Particular matters (tonnes)	17.67	8.80
	Wastewater Discharge		
	Discharges (10,000 tonnes)	192.80	161.75
	Average COD concentration of Liaoyang (mg/l)[18]	23.40	24.17
	Average COD concentration of Tianjin (mg/l)	48.70[19]	22.4
	COD (tonnes)	58.89	38.99
	Average ammonia concentration of Liaoyang (mg/l)[18]	2.31	1.84
	Average ammonia concentration of Tianjin (mg/l)	0.81	0.02
	Ammonia nitrogen (tonnes)	4.20	2.88
	Waste		
	Hazardous waste (tonnes)	1,557	5,315
	Disposal of non-hazardous waste (tonnes)[20]	1,400	1,979
	Recycling of non-hazardous waste (tonnes)	17,167	13,953
	Energy and Water Consumption		
	Electricity (MWh)	867,967	1,141,573
	Natural gas ('000 m^3)	103,479	129,771
	LNG (tonnes)	830	1,235
	Diesel (tonnes)	6,728	6,031
	Gasoline (tonnes)	396	315
	Water ('000 tonnes)	2,396	3,508
	Packaging Materials		
	Plastic film (tonnes)	1,189	1,522
	Wood (PCS)[21]	118,731	132,322
	Wood (sticks)	742,839	868,729
	Paper board (tonnes)[22]	1,140	1,941
	Paper board (PCS)	372,992	1,162,247
	Greenhouse Gas (GHG) Emission		
	Scope 1 (tCO_2e)	248,499	304,851
	Scope 2 (tCO_2e)[23]	877,524	940,789
	Environmental Benefit		
	Disposal of aluminium ash (tonnes)	27,762	18,254
	Number of newly planted trees	286,744	25,273

17 As Tianjin base has installed an online monitoring system, some equipment recorded longer operating time, leading to the increase in certain data

18 The data for Liaoyang production base in 2019 was calculated by the formula (average COD concentration=COD/wastewater discharge; average ammonia concentration=ammonia nitrogen/wastewater discharge). Starting from 2020, the disclosed data was obtained for the online monitoring system

19 As a wastewater treatment plant has been established in the production base, the sewage discharge is only required to meet the third-level standard. After processed by the wastewater treatment station, the water to be discharged meets the local discharge standard of Tianjin

20 Non-hazardous wastes for 2019 have been reclassified based on the methods of recycling and otherwise

21 The classification and unit of wood consumption for 2019 have been revised

22 The classification and unit of paper board consumption for 2019 have been revised

23 Description of method for calculation of carbon emissions: the emission factors have been adjusted from the those disclosed in the 2019 report. The 2019 greenhouse gas data has been recalculated and adjusted. The method for calculation of greenhouse gas emissions is referenced from the Greenhouse Gas Protocol. The emission factors for the calculation of greenhouse gas emissions are referenced from the "2019 Baseline Emission Factors for Regional Power Grids in China" and "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange. The global warming potential is based on the "Fifth Assessment Report" of the Intergovernmental Panel on Climate Change (IPCC).

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

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

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

香港干諾道中111號
永安中心25樓

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

Qualified Opinion

We have audited the consolidated financial statements of China Zhongwang Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 118 to 195, which comprise the consolidated statement of financial position as at 31 December 2020, 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, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view, of the consolidated financial position of the Group as at 31 December 2020, 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 Qualified Opinion

As disclosed in Note 23 to the consolidated financial statements, the Group's finished goods amounted to approximately RMB631 million included in the inventories as at 31 December 2020 were kept at the overseas ports. The Group delivered those finished goods to overseas destinations according to a customer's purchase orders and instructions during the year ended 31 December 2020. Upon arrival at the destinations, the goods were kept at the overseas ports and were still kept at the overseas ports as at 31 December 2020 and up to the date of the report.

In view of the conditions of the overseas ports as a result of the adverse impact arising from the COVID-19 epidemic outbreak, the Group was unable to arrange the stocktake inspections. We were unable to perform necessary audit procedures and obtain relevant supporting documents on these inventories located at the overseas ports as at 31 December 2020 and up to the date of the report. There were no alternative procedures that we could perform to satisfy ourselves as to the existence and conditions of the finished goods as at 31 December 2020. As a result of the above-mentioned limitation on the scope of our work on the inventories, we were unable to determine whether adjustments might have been necessary in respect of these inventories recorded at approximately RMB631 million in the consolidated statement of financial position as at 31 December 2020. Any adjustments to the carrying amount of inventories as at 31 December 2020 found necessary would increase the Group's net current liabilities and decrease its net assets as at 31 December 2020, reduce its profits and total comprehensive income for the year then ended and would have an impact on the presentation in the consolidated statement of cash flows for the year ended 31 December 2020 and the respective disclosures included in the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 Note 4(q) to the consolidated financial statements.

The Group had the following goodwill and other non-financial assets as at 31 December 2020:

Items	RMB'000
Property, plant and equipment	68,591,324
Investment property	668,662
Right-of-use assets	7,518,673
Goodwill	379,000
Other intangible assets	274,281
Total	77,431,940

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 and the recoverable amounts 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 followings:

- 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.

Key Audit Matters (Continued)

Impairment of trade and bills receivables

Refer to Note 24 and the accounting policies in Note 4(i)(ii) to the consolidated financial statements.

At 31 December 2020, the Group's gross trade and bills receivables totalled RMB20,718 million, against which loss allowances of RMB777 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 and bills 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 inherent uncertainties in the management's estimation which could be subject to error or management bias.

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 in 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 consolidation financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

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

(Continued)

- 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.

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, 26 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020
(Expressed in Renminbi ("RMB"))

	Notes	2020 RMB'000	2019 RMB'000
Revenue	7	**20,401,559**	23,583,699
Cost of sales		**(14,465,080)**	(16,479,312)
Gross profit		**5,936,479**	7,104,387
Investment income	8	**160,956**	173,421
Other income	9	**667,324**	809,564
Selling and distribution costs		**(519,585)**	(536,438)
Administrative and other operating expenses		**(2,408,771)**	(2,784,666)
Share of profits of associates		**35,532**	51,725
Finance costs	10	**(1,870,938)**	(1,272,104)
Profit before taxation	11	**2,000,997**	3,545,889
Income tax	13	**(163,113)**	(367,601)
Profit for the year		**1,837,884**	3,178,288
Attributable to:			
Equity shareholders of the Company		**1,789,473**	3,022,014
Non-controlling interests		**(14,612)**	3,513
Holders of perpetual capital instruments		**63,023**	152,761
Profit for the year		**1,837,884**	3,178,288
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		**60,187**	(15,959)
Other comprehensive income for the year		**60,187**	(15,959)
Total comprehensive income for the year		**1,898,071**	3,162,329
Total comprehensive income attributable to:			
Equity shareholders of the Company		**1,845,906**	3,006,565
Non-controlling interests		**(10,858)**	3,003
Holders of perpetual capital instruments		**63,023**	152,761
Total comprehensive income for the year		**1,898,071**	3,162,329
Earnings per share	15		
Basic (RMB)		**0.25**	0.43
Diluted (RMB)		**0.25**	0.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020
(Expressed in RMB)

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	16	**68,591,324**	65,273,178
Right-of-use assets	17	**7,346,168**	6,967,388
Investment property	18	**668,662**	–
Goodwill	19	**379,000**	379,000
Other intangible assets	20	**274,281**	274,665
Interests in associates	21	**3,869,504**	3,833,972
Deposits for acquisition of non-current assets	22	**3,545,695**	4,840,312
Deferred tax assets	35(b)	**757,840**	506,925
Other non-current assets	25	**1,654,534**	2,456,272
		87,087,008	84,531,712
Current assets			
Inventories	23	**6,122,566**	9,694,949
Trade and bills receivables	24	**19,940,273**	12,130,982
Other receivables	25	**11,997,805**	8,725,838
Right-of-use assets	17	**172,505**	156,374
Pledged bank deposits	26	**2,250,683**	2,452,932
Short-term deposits	27	**36,000**	101,000
Cash and cash equivalents	27	**363,179**	915,866
		40,883,011	34,177,941
Assets classified as held for sale	28	**–**	4,613,891
		40,883,011	38,791,832
Current liabilities			
Trade payables	29	**3,173,662**	3,100,688
Bills payables	30	**8,378,286**	6,219,200
Other payables	31	**10,901,936**	10,846,382
Contract liabilities	32	**192,280**	371,557
Lease liabilities	33	**233,049**	346,121
Current tax liabilities	35(a)	**284,117**	141,266
Bank and other loans	34(a)	**25,153,463**	15,495,075
		48,316,793	36,520,289
Liabilities classified as held for sale	28	**–**	553,452
		48,316,793	37,073,741
Net current (liabilities)/assets		**(7,433,782)**	1,718,091
Total assets less current liabilities		**79,653,226**	86,249,803

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank and other loans	34(b)	**41,770,596**	49,295,542
Lease liabilities	33	**8,270**	116,236
Deferred tax liabilities	35(b)	**936,990**	949,071
		42,715,856	50,360,849
NET ASSETS		**36,937,370**	35,888,954
Capital and reserves			
Share capital	36(c)	**605,397**	605,397
Reserves	36(d)	**35,758,970**	33,899,776
Equity attributable to equity shareholders of the Company		**36,364,367**	34,505,173
Non-controlling interests		**173,003**	183,781
Perpetual capital instruments	41	**400,000**	1,200,000
TOTAL EQUITY		**36,937,370**	35,888,954

On behalf of the directors

Lu Changqing
Director

Chen Yan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020
(Expressed in RMB)

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Surplus reserve RMB'000	Enterprise development fund RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	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	–	–	–	–	–	–	–	–	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)	–	–	1,111,235	–	27,397	–	(1,111,235)	(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

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Surplus reserve RMB'000	Enterprise development fund RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	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
Profit for the year	–	–	–	–	–	–	–	–	1,789,473	1,789,473	63,023	(14,612)	1,837,884
Other comprehensive income	–	–	–	–	–	–	–	56,433	–	56,433	–	3,754	60,187
Total comprehensive income	–	–	–	–	–	–	–	56,433	1,789,473	1,845,906	63,023	(10,858)	1,898,071
Disposal of a non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	80	80
Recognition of share-based payment	–	–	–	–	–	–	13,288	–	–	13,288	–	–	13,288
Appropriations	–	–	–	–	214,277	–	–	–	(214,277)	–	–	–	–
Repayment of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	(800,000)	–	(800,000)
Distribution for perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	(63,023)	–	(63,023)
	–	–	–	–	214,277	–	13,288	–	(214,277)	13,288	(863,023)	80	(849,655)
At 31 December 2020	605,397	4,666,371	(2,992,978)	635,898	6,706,644	2,382,753	435,965	(12,309)	23,936,626	36,364,367	400,000	173,003	36,937,370

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020
(Expressed in RMB)

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Profit before taxation		**2,000,997**	3,545,889
Adjustments for:			
Finance costs		**1,870,938**	1,272,104
Depreciation		**2,053,825**	1,664,080
Share-based payment expenses		**13,288**	27,397
Loss/(gain) on disposal of property, plant and equipment		**2,272**	(1,978)
Bank deposits interest income		**(95,730)**	(137,766)
Gain on disposal of subsidiaries	44	**(65,226)**	(35,655)
Depreciation of right-of-use assets		**427,647**	175,731
Amortisation of other intangible assets		**4,848**	1,148
Share of profits of associates		**(35,532)**	(51,725)
Expected credit loss on financial assets		**521,640**	205,671
Operating cash flows before movements in capital changes		**6,698,967**	6,664,896
Increase in trade and bills receivables		**(9,987,300)**	(915,144)
Increase in other receivables		**(6,897,968)**	(3,939,048)
Decrease/(increase) in inventories		**2,617,670**	(4,043,999)
Increase/(decrease) in trade payables		**2,594,244**	(1,654,135)
Increase in bills payables		**2,002,494**	3,884,504
Increase in other payables		**2,729,326**	415,968
Cash (used in)/generated from operations		**(242,567)**	413,042
Income tax paid	35(a)	**(283,258)**	(1,019,190)
Net cash used in operating activities		**(525,825)**	(606,148)
Cash flows from investing activities			
Withdrawals/(placements) in short-term deposits		**65,000**	(101,000)
Payments for capital injection in associates		**–**	(30,000)
Proceeds from disposals of subsidiaries (nets of cash and cash equivalent disposed of)	44	**4,379,928**	192,873
Purchases of property, plant and equipment, right-of-use assets and other intangible assets		**(2,148,277)**	(8,213,904)
Interest received from bank deposits		**59,930**	113,296
Proceeds from disposal of property, plant and equipment		**22,015**	1,608
Net cash generated from/(used in) investing activities		**2,378,596**	(8,037,127)

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Proceeds from bank and other loans	45	**36,166,407**	34,067,960
Repayments of bank and other loans	45	**(34,120,755)**	(22,026,084)
Payments to related parties		**(1,291,898)**	(5,384,939)
Repayments of debentures	45	**–**	(6,500,000)
Interest paid	45	**(2,084,774)**	(1,765,888)
Dividends paid		**–**	(1,692,415)
Repayments of perpetual capital instruments		**(800,000)**	(2,000,000)
Interest paid for perpetual capital instruments		**(38,796)**	(168,031)
Repayments of principal portion of the lease liabilities	45	**(235,642)**	(20,431)
Net cash used in financing activities		**(2,405,458)**	(5,489,828)
Net decrease in cash and cash equivalents		**(552,687)**	(14,133,103)
Cash and cash equivalents at beginning of year		**915,866**	15,048,969
Cash and cash equivalents at the end of year		**363,179**	915,866

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 P.O. Box 2681, Cricket Square, Hutchins Drive, 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, Yuanan 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 or amended IFRSs

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:

- Amendments to IFRS 3, Definition of a Business
- Amendments to IAS 1 and IAS 8, Definition of Material
- Amendments to IAS 39, IFRS 7 and IFRS 9, Interest Rate Benchmark Reform

None of these new or amended IFRSs has a material impact on the Group's results and financial position for the current or prior period.

The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended IFRSs are summarised below.

(b) New or amended IFRSs that have been issued but are not yet effective

The following new or amended 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 IAS 1, Classification of Liabilities as Current or Non-current and IFRIC Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
- Amendments to IAS 16, Proceeds before Intended Use[2]
- Amendments to IAS 37, Onerous Contracts — Cost of Fulfilling a Contract[2]
- IFRS 17 — Insurance Contracts[4]
- Amendments to IFRS 3, Reference to the Conceptual Framework[3]
- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
- Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16, Interest Rate Benchmark Reform — Phase 2[1]
- Annual Improvements to IFRSs 2018–2020[2]

2. ADOPTION OF IFRSs (Continued)

(b) New or amended IFRSs that have been issued but are not yet effective (Continued)

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
[4] Effective for annual periods beginning on or after 1 January 2023.
[5] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

Amendments to IAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of this amendment will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of this amendment will likely impact on the Group's accounting policies in respect of the construction of assets, as certain proceeds of selling items produced whilst bringing assets under construction are currently deducted from the cost of the asset.

Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of this amendment will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of this amendment will likely impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

2. ADOPTION OF IFRSs (Continued)

(b) New or amended IFRSs that have been issued but are not yet effective (Continued)

Amendments to IFRS 3, Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC-Int 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of this amendment in the future will have an impact on the consolidated financial statements.

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 directors of the Company anticipate that the application of this amendment may have an impact on the consolidated financial statements in future periods should such transaction arise.

Annual Improvements to IFRSs 2018–2020

The annual improvements amends a number of standards, including:

- IFRS 1, First-time Adoption of International Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- IFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of this amendment in the future will have an impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated 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 and going concern assumption

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

The financial statements have been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of RMB7,434 million as at 31 December 2020. This condition may cast significant doubt about the Group's ability to continue as a going concern.

In view of this condition, management of the Group has prepared a cash flow forecast for the next fifteen months after the end of the reporting period and the Board is of the opinion that the Group will have sufficient resources to satisfy its future working capital and other financing requirements over the period covered by the aforesaid cash flow forecast on the basis that the Group will be able to renew or replace certain bank and other borrowings which will be due in the next fifteen months. Subsequent to reporting date, the Group successfully obtained new bank loans from certain of the Group's lenders, to replace certain borrowings and to replenish working capital of the Group, in aggregate of approximately RMB15.4 billion. Based on the foregoing, the Board considers that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of such adjustments has not yet been reflected in the financial statements.

(c) Functional and presentation currency

The consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

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.

(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 consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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 on a pro-rata 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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) Leasing

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)

(f) Leasing (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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The Group measures its investment property at cost, including related transaction costs and where applicable borrowing costs. Depreciation is calculated using the straight-line method to allocate their cost over its estimated useful life, which is 20 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

These are assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost and 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.

(ii) Impairment loss on financial assets

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

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

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.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

(iii) Financial liabilities

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

The Company classifies its financial liabilities at amortised cost. These are initially measured at fair value, net of directly attributable costs incurred. These including trade, bills and other payables and borrowings, which are subsequently measured at amortised cost, using 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(v) Equity instruments

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

(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) Assets held for sale

Assets 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Assets held for sale (Continued)

Assets 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 assets are not depreciated. The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Revenue recognition (Continued)

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.

(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 operates in metal trading. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Foreign currency (Continued)

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.

(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 plans

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;
- Investment property;
- right-of-use assets;
- Goodwill and other 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 Group's parent.

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

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

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 JUDGEMENTS 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-financial assets

Determining whether goodwill and non-financial assets are impaired requires an estimation of the value in use of the cash-generating units to which these assets have 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 of receivables

The Group estimates the amount of loss allowance for ECLs on receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured at the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(iii) Depreciation

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

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 Group's reportable segments are as follows:

- Aluminium Alloy Formwork — manufacturing and selling aluminium alloy formwork
- Industrial — manufacturing and selling aluminium extrusion products for industrial purpose
- Construction — manufacturing and selling aluminium extrusion products for construction purpose
- Flat-rolled — manufacturing and selling aluminium flat-rolled products
- Further-fabricated — manufacturing and selling further-fabricated products
- Leasing — leasing of aluminium alloy formwork
- Others, which mainly consist of metal trade

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	
	2020 RMB'000	2019 RMB'000
Aluminium Alloy Formwork	**9,008,579**	8,393,515
Industrial		
— Revenue from external customers	**3,227,326**	6,587,235
— Inter-segment revenue	**1,500,339**	4,020,646
Construction	**104,676**	22,822
Flat-rolled		
— Revenue from external customers	**5,933,134**	6,878,371
— Inter-segment revenue	**91,646**	–
Further-fabricated	**1,053,363**	985,777
Leasing	**809,515**	699,436
Others	**264,966**	16,543
	21,993,544	27,604,345
Elimination of inter-segment revenue	**(1,591,985)**	(4,020,646)
Total	**20,401,559**	23,583,699
Timing of revenue recognition:		
Point in time	**18,538,681**	21,898,486
Over time	**1,862,878**	1,685,213
Total	**20,401,559**	23,583,699

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	
	2020	2019
	RMB'000	RMB'000
Aluminium Alloy Formwork	**3,766,244**	3,620,506
Industrial	**471,000**	1,790,757
Construction	**(12,876)**	634
Flat-rolled	**1,116,475**	975,963
Further-fabricated	**55,186**	136,992
Leasing	**244,612**	509,680
Others	**264,790**	16,359
	5,905,431	7,050,891
Elimination of unrealised inter-segment loss	**31,048**	53,496
Total	**5,936,479**	7,104,387
Investment income and other income	**828,280**	982,985
Selling and distribution costs	**(519,585)**	(536,438)
Administrative and other operating expenses	**(2,408,771)**	(2,784,666)
Share of profits of associates	**35,532**	51,725
Finance costs	**(1,870,938)**	(1,272,104)
Profit before taxation	**2,000,997**	3,545,889
Income tax	**(163,113)**	(367,601)
Profit for the year	**1,837,884**	3,178,288

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

6. SEGMENT REPORTING (Continued)

Segment assets and liabilities

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

	2020 RMB'000	2019 RMB'000
Aluminium Alloy Formwork	**15,012,935**	11,910,576
Industrial	**33,881,650**	30,302,946
Construction	**32,747**	22,073
Flat-rolled	**57,370,142**	54,251,295
Further-fabricated	**3,985,312**	4,259,697
Leasing	**3,974,535**	3,197,200
Unallocated assets		
— Property, plant and equipment	**2,393,642**	2,589,184
— Right-of-use assets	**417,021**	675,614
— Goodwill	**379,000**	379,000
— Interests in associates	**3,869,504**	3,833,972
— Deferred tax assets	**757,840**	506,925
— Investment property	**668,662**	–
— Inventories	**2,012,013**	1,511,890
— Other receivables	**565,154**	1,799,483
— Short-term deposits	**36,000**	101,000
— Pledged bank deposits	**2,250,683**	2,452,932
— Cash and cash equivalents	**363,179**	915,866
— Assets classified as held for sale	**–**	4,613,891
Total assets	**127,970,019**	123,323,544

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, goodwill, interests in associates, deferred tax assets, investment property, certain raw materials and certain work in progress included in inventories, certain other receivables, short-term deposits, pledged bank 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, 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 measurement of segment results or segment assets for the year ended 31 December 2020:

	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	**234,953**	**1,756,565**	**–**	**2,377,868**	**214,993**	**1,446,853**	**24,935**	**6,056,167**
Additions to/(transfer out of) right-of-use assets	**–**	**557,614**	**–**	**126,256**	**138,983**	**14,604**	**(14,899)**	**822,558**
Additions to deposits for acquisition of non-current assets	**55,888**	**181,137**	**–**	**65,983**	**63,458**	**–**	**9,726**	**376,192**
Depreciation of property, plant and equipment	**52,081**	**773,679**	**–**	**511,614**	**72,683**	**404,513**	**208,710**	**2,023,280**
Depreciation of investment property	**–**	**–**	**–**	**–**	**–**	**–**	**30,545**	**30,545**
Amortisation of other intangible assets	**–**	**4,848**	**–**	**–**	**–**	**–**	**–**	**4,848**
Depreciation of right-of-use assets	**15,937**	**90,961**	**–**	**55,977**	**20,004**	**1,074**	**243,694**	**427,647**
Gain/(loss) on disposal of property, plant and equipment	**–**	**(3,634)**	**–**	**–**	**–**	**457**	**905**	**(2,272)**
Expected credit loss on trade and bills receivables	**445,003**	**3,172**	**5,670**	**3,816**	**2,658**	**1,542**	**36,545**	**498,406**

Amounts included in the measurement 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
Gain on disposal of property, plant and equipment	–	26	–	1,347	–	–	605	1,978
Expected credit loss/(reversal of expected credit loss) on trade receivables, net	148,756	30,337	824	47,550	359	658	(36,692)	191,792

6. SEGMENT REPORTING (Continued)

Other segment information (Continued)

Geographic information

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

	2020 RMB'000	2019 RMB'000
People's Republic of China ("PRC")	**19,048,207**	21,049,131
South Korea	**216,060**	201,337
United States of America	**208,027**	484,451
Germany	**205,405**	478,313
Others	**723,860**	1,370,467
	20,401,559	23,583,699

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:

	2020 RMB'000	2019 RMB'000
Customer A*	**5,536,456**	5,944,905
Customer B*	**2,899,476**	Note

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

* Revenue from aluminium alloy formwork and industrial segment

7. REVENUE

The principal activities of the Group are manufacturing and sales of aluminium products.

Revenue represents the sales value of aluminium products sold to customers and metal trading revenue. The amount of each significant category of revenue recognised during the year is as follows:

	2020 RMB'000	2019 RMB'000
Sales of aluminium products		
— aluminium alloy formworks	**9,008,579**	8,395,515
— industrial aluminium extrusion products	**3,227,326**	6,587,235
— construction products	**104,676**	22,822
— aluminium flat-rolled products	**5,933,134**	6,878,371
— further-fabricated products	**1,053,363**	985,777
Leasing	**809,515**	699,436
Others	**264,966**	16,543
	20,401,559	23,583,699

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

	2020 RMB'000	2019 RMB'000
Trade and bills receivables	**19,940,273**	12,130,982
Contract liabilities (Note 32)	**192,280**	371,557

8. INVESTMENT INCOME

	2020 RMB'000	2019 RMB'000
Interest income from bank deposits	**95,730**	137,766
Gain on disposal of subsidiaries (Note 44)	**65,226**	35,655
	160,956	173,421

9. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Profit on sales of equipment	**21,330**	310,236
Exchange gains, net	**60,334**	49,049
Sales of scrap materials, consumables, moulds and carbon products	**82,879**	105,761
Government subsidies (Note)	**493,047**	340,853
(Loss)/gain on disposal of property, plant and equipment	**(2,272)**	1,978
Rental income arising from investment property, net	**4,622**	–
Others	**7,384**	1,687
	667,324	809,564

Note: The amounts mainly represent subsidies received from the PRC government 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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**13,139**	759
Interest on bank loans and other borrowings	**2,237,513**	1,766,375
Less: Amount capitalised*	**(379,714)**	(495,030)
	1,870,938	1,272,104

* Borrowing costs have been capitalised at an average interest rate of 5.03% per annum (2019: 4.63%).

11. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020 RMB'000	2019 RMB'000
Auditors' remuneration		
— Audit services	**5,470**	6,570
— Other services	**1,410**	230
Total auditors' remuneration	**6,880**	6,800
Staff costs (including directors' emoluments):		
— Salaries and other benefits	**3,431,031**	4,313,143
— Contributions to defined contribution retirement plan	**141,516**	279,956
— Equity-settled share-based payment expenses	**13,288**	27,397
Total employee benefit expenses	**3,585,835**	4,620,496
Costs of inventories recognised as expenses*	**14,465,080**	16,479,312
Depreciation of property, plant and equipment*	**2,023,280**	1,664,080
Depreciation of investment property	**30,545**	–
Amortisation of other intangible assets	**4,848**	1,148
Depreciation of right-of-use assets	**427,647**	175,731
Expected credit loss on financial assets	**521,640**	205,671
Interest on lease liabilities	**13,139**	759
Short-term leases expense and property management fee	**24,023**	15,920
Research and development costs*	**1,058,377**	1,160,683

* Cost of inventories recognised as an expense includes approximately RMB4,464,024,000 (2019: RMB5,271,129,000) relating to staff costs, depreciation and amortisation expenses, research and development costs, which are also included in the respective total amounts disclosed separately above.

12. DIRECTORS' EMOLUMENTS

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

	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
For the year ended 31 December 2020				
Executive directors				
Mr. Lu Changqing	**1,570**	**4**	**1,503**	**3,077**
Ms. Ma Qingmei	**1,550**	**27**	**142**	**1,719**
Non-executive directors				
Mr. Chen Yan	**1,513**	**10**	**1,503**	**3,026**
Mr. Lin Jun	**1,513**	**10**	**143**	**1,666**
Mr. Wei Qiang	**1,513**	**10**	**143**	**1,666**
Independent non-executive directors				
Mr. Wong Chun Wa	**200**	**–**	**38**	**238**
Mr. Wen Xianjun (Note (iv))	**–**	**–**	**–**	**–**
Mr. Shi Ketong	**200**	**–**	**38**	**238**
Mr. Lo Wa Kei, Roy	**200**	**–**	**38**	**238**
	8,259	**61**	**3,548**	**11,868**
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

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) Mr. 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 2020 and 2019.

For each of the years ended 31 December 2020 and 2019, 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 2020 and 2019, 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 amounts of taxation in the consolidated statement of comprehensive income represents:

	2020 RMB'000	2019 RMB'000
Current tax		
— Provision for the year (Note)	**434,840**	710,629
— Over provision in respect of prior years	**(8,731)**	(22,459)
	426,109	688,170
Deferred taxation (Note 35(b))	**(262,996)**	(320,569)
Total income tax	**163,113**	367,601

13. INCOME TAX (Continued)

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	**2,000,997**	3,545,889
Notional tax on profit before taxation, calculated at the PRC income tax rate of 25% (2019: 25%)	**500,249**	886,472
Effect of different tax rates of subsidiaries operating in other jurisdictions (Note (i))	**(88,672)**	(579)
Effect of PRC preferential tax rate (Note (ii))	**(194,201)**	(394,924)
Tax effect of expenses not deductible for tax purposes	**20,070**	15,379
Tax effect of revenue not taxable for tax purposes	**(70,905)**	(32,263)
Tax relief related to additional tax deduction on research and development costs incurred	**(107,418)**	(145,041)
Tax effect of tax losses not recognised	**116,848**	205,574
Utilisation of tax losses previously not recognised	**(4,127)**	(102,551)
Over provision in respect of prior years	**(8,731)**	(22,459)
Others	**–**	(42,007)
Total income tax	**163,113**	367,601

Note:

(i) Provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for the Company and certain subsidiaries of the Group incorporated in countries other than the PRC are subject to income tax rates ranging from 0% to 33% pursuant to the rules and regulations of their respective countries of incorporation.

(ii) Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang"), Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited, Yingkou Zhongwang Aluminium Company Limited, Tianjin Zhongwang Aluminium Company Limited, Zhongwang (Liaoyang) Aluminium Formwork Manufacturing Company Limited and Anhui Zhongwang Advanced Aluminium Alloy 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

	2020			2019		
	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	**60,187**	**–**	**60,187**	(15,959)	–	(15,959)

(b) There were no reclassification adjustments relating to components of other comprehensive income during the year (2019: 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 2020 and 2019 and on the number of shares as follows:

	2020 **RMB'000**	2019 RMB'000
Profit for the year attributable to equity shareholders of the Company	**1,789,473**	3,022,014

	2020 **'000**	2019 '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	**–**	–
Weighted average number of shares for the purposes of diluted earnings per share	**7,068,598**	7,068,598
Earnings per share		
Basic (RMB)	**0.25**	0.43
Diluted (RMB)	**0.25**	0.43

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 2020 and 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 2019	6,908,174	23,790,045	362,986	345,434	32,486,388	–	63,893,027
Transferred 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
Transferred 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 and 1 January 2020	9,901,829	23,848,114	383,054	388,071	36,966,331	2,403,998	73,891,397
Transferred in/(out)	403,104	848,075	–	2,717	(1,253,896)	–	–
Additions	31,085	393,089	3,118	19,959	3,312,533	1,436,531	5,196,315
Transferred from deposits for acquisition of non-current assets	–	–	–	–	859,852	–	859,852
Transferred to investment property	(818,322)	–	–	–	–	–	(818,322)
Disposals	–	(3,602)	(20,549)	(10,857)	–	(2,459)	(37,467)
Conversion differences in foreign currency statements	7,289	19,874	(11)	538	–	–	27,690
At 31 December 2020	**9,524,985**	**25,105,550**	**365,612**	**400,428**	**39,884,820**	**3,838,070**	**79,119,465**
Accumulated depreciation and impairment							
At 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 and 1 January 2020	1,355,089	6,771,691	187,360	215,886	–	88,193	8,618,219
Charged for the year	409,751	1,124,074	48,708	37,304	–	403,443	2,023,280
Transferred to investment property	(119,115)	–	–	–	–	–	(119,115)
Written back on disposals	–	(866)	(8,509)	(6,512)	–	(477)	(16,364)
Conversion differences in foreign currency statements	4,184	17,482	6	449	–	–	22,121
At 31 December 2020	**1,649,909**	**7,912,381**	**227,565**	**247,127**	**–**	**491,159**	**10,528,141**
Net book value							
At 31 December 2020	**7,875,076**	**17,193,169**	**138,047**	**153,301**	**39,884,820**	**3,346,911**	**68,591,324**
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 2020, certain property, plant and equipment of the Group with a carrying amount of approximately RMB7,629,729,000 (2019: RMB6,276,588,000) were pledged to secure the Group's borrowings (Note 34), and approximately RMB2,777,240,000 (2019: nil) were pledged to secure the bills payables of the Group (Note 30), respectively.

17. RIGHT-OF-USE ASSETS

	Land RMB'000	Buildings RMB'000	Total RMB'000
Net book value at 1 January 2019	6,237,620	17,371	6,254,991
Depreciation charged for the year	(160,160)	(15,571)	(175,731)
Additions	576,693	467,809	1,044,502
Net book value at 31 December 2019 and 1 January 2020	6,654,153	469,609	7,123,762
Depreciation charged for the year	(187,697)	(239,950)	(427,647)
Additions	87,970	14,604	102,574
Transferred from deposits for acquisition of payments for leasehold land held for own use under operating leases	734,881	–	734,881
Disposals	(14,897)	–	(14,897)
Net book value at 31 December 2020	7,274,410	244,263	7,518,673

Analysed for reporting purpose:	2020 RMB'000	2019 RMB'000
Current assets	172,505	156,374
Non-current assets	7,346,168	6,967,388
	7,518,673	7,123,762

As at 31 December 2020, the Group had right-of-use assets arising from leases with a company controlled by the owner of the ultimate holding company. Please refer to Note 33 for details.

At 31 December 2020, certain land use rights of the Group with a carrying amount of approximately RMB3,442,450,000 (2019: RMB1,317,280,000) were pledged to secure the Group's borrowings (Note 34), and approximately RMB1,370,956,000 (2019: nil) were pledged to secure the bills payables of the Group (Note 30), respectively.

18. INVESTMENT PROPERTY

	RMB'000
Cost	
At 1 January and 31 December 2019	–
Transferred from property, plant and equipment	818,322
At 31 December 2020	818,322
Accumulated depreciation	
At 1 January and 31 December 2019	–
Transferred from property, plant and equipment	119,115
Depreciation charged for the year	30,545
At 31 December 2020	149,660
Net book value	
At 31 December 2020	668,662
At 31 December 2019	–

(i) As at 31 December 2020, the Group had no investment property pledged as security for the Group's borrowings (2019: nil).

(ii) As at 31 December 2020, the fair values of the investment property approximate to RMB847,772,000.

An independent valuation of the Group's investment property was performed to determine the fair value of the investment property as at 31 December 2020. The valuation was performed by Pan-China Assets Valuation Co., Ltd*（遼寧眾華資產評估有限公司）, who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment property valued. The current use of the investment property equates to the highest and best use.

As at 31 December 2020 as certain of significant inputs used in the determination of fair value of investment property are arrived at by reference to certain significant unobservable market data, the fair value of the investment property of the Group is included in level 3 of the fair value measurement hierarchy.

Fair value of the investment property is derived using the depreciated replacement cost approach. This method is based on the estimate of the market value for the existing use of the property, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. The key input of depreciated replacement cost approach is the building construction cost per square metre. A significant increase/decrease in unit replacement cost per metre used would result in a significant increase/decrease in the fair value of the investment property.

19. GOODWILL

	2020 RMB'000	2019 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:

	2020 RMB'000	2019 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 CGUs has been determined from value-in-use calculations. 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 (2019: same). 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.	
	2020	2019	2020	2019
Discount rate	**11.35%**	10.52%	**13.11%**	12.84%

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.

20. OTHER INTANGIBLE ASSETS

	Design and engineering packages RMB'000 (Note (i))	Other intangible asset RMB'000 (Note (ii))	Total RMB'000
Cost			
As at 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 and 1 January 2020	311,161	–	311,161
Additions	–	–	–
Conversion differences in foreign currency statements	5,388	–	5,388
At 31 December 2020	316,549	–	316,549
Accumulated amortisation and impairment			
As at 1 January 2019	35,488	–	35,488
Amortisation charged for the year	1,148	–	1,148
Conversion differences in foreign currency statements	(140)	–	(140)
At 31 December 2019 and 1 January 2020	36,496	–	36,496
Amortisation charged for the year	4,848	–	4,848
Conversion differences in foreign currency statements	924	–	924
At 31 December 2020	42,268	–	42,268
Net book value			
At 31 December 2020	274,281	–	274,281
At 31 December 2019	274,665	–	274,665

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.

21. 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 RMB'000	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%	3,100,000	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%	2,800,000	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%	5,000,000	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.

21. 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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Gross amounts of the associates'						
Current assets	**1,825,904**	1,826,175	**1,511,790**	1,512,822	**38,379,092**	41,446,747
Non-current assets	**2,483,828**	2,460,261	**2,327,439**	2,304,586	**22,896**	22,086
Current liabilities	**790,774**	790,773	**652,496**	653,409	**32,453,115**	35,591,377
Non-current liabilities	**–**	–	**–**	–	**–**	–
Equity	**3,518,958**	3,495,663	**3,186,733**	3,163,999	**5,948,873**	5,877,456
Revenue	**–**	–	**–**	–	**159,482**	395,665
Profit for the year	**23,295**	73,152	**22,734**	61,135	**71,417**	59,867
Total comprehensive income	**23,295**	73,152	**22,734**	61,135	**71,417**	59,867
Reconciled to the Group's interests in the associates						
Gross amounts of net assets of the associate	**3,518,958**	3,495,663	**3,186,733**	3,163,999	**5,948,873**	5,877,456
Group's interest in the associate	**20%**	20%	**20%**	20%	**35%***	35%*
Group's share of net assets of the associate	**703,792**	699,133	**637,347**	632,800	**2,082,106**	2,057,110
Carrying amount in the consolidated financial statements	**703,792**	699,133	**637,347**	632,800	**2,082,106**	2,057,110

* The Group held 13% (2019: 13%) effective interest in the equity of Zhongwang Finance Company through Huarong and Xinda as at 31 December 2020.

Aggregate financial information of associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**446,259**	444,929
Aggregate amounts of the Group's share of those associates'		
Profit and total comprehensive income for the year	**1,330**	3,915

22. DEPOSITS FOR ACQUISITION OF NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Deposits for acquisition of property, plant and equipment	**3,161,577**	3,747,198
Deposits for acquisition of payments for leasehold land held for own use under operating leases	**384,118**	1,093,114
	3,545,695	4,840,312

23. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**1,052,373**	3,434,968
Work-in-progress	**3,430,136**	4,478,889
Finished goods	**1,008,820**	1,781,092
Finished goods kept at overseas ports (Note)	**631,237**	–
	6,122,566	9,694,949

Note: According to the purchases orders and instructions placed by a customer, the Group agreed to deliver aluminium goods amounting to approximately RMB631 million to overseas destinations in 2020. However, due to COVID-19 epidemic global outbreak, shipping had been severely delayed. The Group was unable to deliver the goods in accordance with the agreed time schedule and the terms of the purchase orders had not been fulfilled. In view of the conditions of the overseas ports as a result of the adverse impact arising from the COVID-19 epidemic outbreak, the goods were kept at the overseas ports as at 31 December 2020 and up to the date of approval of these financial statements.

24. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**10,675,062**	11,788,367
Less: Loss allowance	**(289,582)**	(279,053)
Trade receivables, net	**10,385,480**	11,509,314
Bills receivables	**10,042,670**	621,668
Less: Loss allowance	**(487,877)**	–
Bills receivables, net	**9,554,793**	621,668
	19,940,273	12,130,982

24. TRADE AND BILLS RECEIVABLES (Continued)

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

	2020 RMB'000	2019 RMB'000
Current or less than 90 days	**7,695,797**	9,519,957
91 to 180 days	**650,843**	1,452,927
More than 180 days	**2,038,840**	536,430
	10,385,480	11,509,314

At 31 December 2020, bills receivables with a carrying amount of RMB800,000,000 (2019: nil) were pledged to secure the Group's borrowings (Note 34(a)).

The Group and the Company recognised impairment loss based on the accounting policy stated in Note 4(i)(ii) for the year ended 31 December 2020 and 2019, respectively.

For the year ended 31 December 2020, the Group allows an average credit period of 90–180 days (2019: 90–180 days) for domestic sales and an average credit period of 180 days (2019: 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 RMB3,006,000 are included in trade receivables as at 31 December 2020, which are repayable on normal trade terms (2019: RMB7,261,000).

25. OTHER RECEIVABLES

At 31 December 2020, included in other receivables are mainly prepayment on purchases, deductible input value added tax ("VAT receivables") and other receivables. Amounts due from related parties of approximately RMB2,657,000 are also included as other receivables (2019: RMB417,000). Amounts due from related parties are unsecured, interest-free repayable on demand.

At 31 December 2020, VAT receivables amounting to approximately RMB5,044,100,000 (2019: RMB5,925,165,000) of which RMB1,654,534,000 (2019: RMB2,456,272,000) 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.

26. PLEDGED BANK DEPOSITS

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

27. 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.

28. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In October 2019 the board resolved 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 Aluminium Co., Ltd. ("Yingkou Zhongwang") to undertake the Electrolytic Aluminium Business. Yingkou Zhongwang had transferred the Electrolytic Aluminium Business to Zhongwang Aluminium Material during such corporate separation. 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 which was subsequently disposed of.

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.

	2019 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 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.

On 26 February 2020, 100% equity interests in Zhongwang Aluminium Material were disposed to independent third-party.

29. TRADE PAYABLES

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

	2020 RMB'000	2019 RMB'000
Less than 90 days	**2,349,173**	2,268,861
91 to 180 days	**240,451**	182,302
More than 180 days	**584,038**	649,525
	3,173,662	3,100,688

30. BILLS PAYABLES

All the bills payables are repayable within 365 days as at 31 December 2020 (2019: 365 days) and are denominated in Renminbi. Bills payables amounting to RMB5,837,989,000 (2019: RMB5,369,200,000) were secured by an aggregate carrying amount of RMB1,747,616,000 deposits placed with banks (Note 26) (2019: RMB1,762,811,000), property, plant and equipment (Note 16) amounting to RMB2,777,240,000 (2019: nil) and land use rights (Note 17) amounting to RMB1,370,956,000 (2019: nil) as at 31 December 2020.

31. 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 RMB5,236,311,000 (2019: RMB5,215,393,000) owed to production machineries suppliers and construction services contractors as at 31 December 2020.

Amounts due to related parties of approximately RMB974,053,000 (2019: RMB2,107,223,000) are included in other payables as at 31 December 2020. These amounts are unsecured, interest-free and repayable on demand.

32. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Contract liabilities arising from:		
Advance from customers	**192,280**	371,557

Contract liabilities represent advance consideration received from customers, where the Group has unconditional right to considerations before goods or services are delivered.

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB192,280,000. This amount represents revenue expected to be recognised in the future from uncompleted 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.

32. CONTRACT LIABILITIES (Continued)

The Group has applied practical expedient to its sales contracts for 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 products that had an original expected duration of one year or less.

There were no significant change in the balance during the year, other than received consideration from customers and recognition of revenue, except for a refund of approximately RMB150,000,000 to one of the Group's customer, the remaining balance at 31 December 2019 was fully recognised as revenue for the year.

33. LEASES AND LEASE LIABILITIES

The Group leased a number of properties in the jurisdictions from which it operates. Periodic rent is fixed over the lease term. The Group also leases certain items of plant and equipment.

	Minimum lease payments 2020 RMB'000	Interest 2020 RMB'000	Present value 2020 RMB'000
Not later than one year	**236,153**	**3,104**	**233,049**
Later than one year and not later than two years	**4,974**	**266**	**4,708**
Later than two years and not later than five years	**3,753**	**191**	**3,562**
	244,880	**3,561**	**241,319**

	Minimum lease payments 2019 RMB'000	Interest 2019 RMB'000	Present value 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

33. LEASES AND LEASE LIABILITIES (Continued)

On 6 December 2019, the Group concluded lease contracts which 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 were two years. The Group recognised right-of-use assets RMB223,044,000 and lease liabilities of RMB228,075,000 as at 31 December 2020, accordingly. (2019: the right-of-use assets and lease liabilities both were RMB446,088,000).

The present value of future lease payments are analysed as:

	2020 RMB'000	2019 RMB'000
Current liabilities	**233,049**	346,121
Non-current liabilities	**8,270**	116,236
	241,319	462,357

Operating Leases – Lessor

Rental income from leasing out aluminium alloy formwork is recognised in profit or loss on straight-line method over the term of the relevant lease. Rental income from aluminium alloy formwork during the year ended 31 December 2020 was RMB809,515,000 (2019: RMB699,436,000).

The Group also leased out certain production facilities during the current reporting period. Rental income is also recognised in profit or loss on straight-line method over the term of the relevant lease. Rental income from production facilities during the year ended 31 December 2020 was RMB35,168,000 (2019: nil).

Minimum rent receivables from the above operating leases, under non-cancellable operating lease, are receivable not later than one year amounting to RMB192,728,000 (2019: RMB792,228,000); the minimum rent receivables are receivable before 30 September 2022 amounting to RMB31,651,000 (2019: nil).

34. BANK AND OTHER LOANS

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

	2020 RMB'000	2019 RMB'000
Bank loans		
— Secured by right-of-use assets and property, plant and equipment (Note (i))	**4,639,998**	–
— Guaranteed by subsidiaries	**1,800,979**	1,000,000
— Guaranteed by related parties	**1,270,000**	1,270,000
— Guaranteed by a subsidiary and secured by property, plant and equipment (Note(ii))	**1,957,552**	–
— Guaranteed by subsidiaries and related parties and secured by a subsidiary's right-of-use assets (Note(iii))	**450,000**	–
— Guaranteed by a subsidiary and secured by a third party's property, plant and equipment	**230,000**	–
— Pledged by bills receivables	**800,000**	–
— Unguaranteed and unsecured	**5,155,449**	8,920,000
Other loans		
— Unguaranteed and unsecured (Note(iv))	**30,000**	30,000
	16,333,978	11,220,000
Add:		
— Current portion of long-term bank and other loans	**8,819,485**	4,275,075
	25,153,463	15,495,075

Note:

(i) At 31 December 2020, the balances were secured by certain land use rights and property, plant and equipment of the Group (Note 17 and Note 16). The aggregate carrying value of the secured land use rights and property, plant and equipment amounted to approximately RMB1,302,795,000 and RMB1,720,403,000, respectively, at 31 December 2020 (2019: nil).

(ii) At 31 December 2020, the balance was guaranteed by a subsidiary 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 RMB1,449,201,000 at 31 December 2020 (2019: nil).

(iii) At 31 December 2020, the balance was guaranteed by subsidiaries and related parties and secured by a subsidiary's land use rights (Note 17). The aggregate carrying value of the secured land use rights amounted to approximately RMB853,434,000 at 31 December 2020 (2019: nil).

(iv) At 31 December 2020, the balance amounting to approximately RMB30,000,000 (2019: RMB30,000,000) was due from an associate of the Group. It was unguaranteed and unsecured with the interest rate of 3.05% (2019: 3.05%) per annum. It will be repaid within one year.

34. BANK AND OTHER LOANS (Continued)

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

	2020 RMB'000	2019 RMB'000
Bank loans		
— Secured by property, plant and equipment (Note (i))	**65,968**	48,241
— Guaranteed by subsidiaries and secured by right-of-use assets and property, plant and equipment (Note (ii))	**8,157,893**	9,655,357
— Guaranteed by a related party and secured by property, plant and equipment (Note (iii))	**72,755**	105,026
— Guaranteed by subsidiaries, related parties and third parties	**1,600,000**	–
— Unguaranteed and unsecured	**16,260,664**	5,148,000
Other loans		
— Secured by property, plant and equipment (Note (iv))	**1,432,801**	3,600,404
— Unguaranteed and unsecured (Note (v))	**23,000,000**	35,013,589
	50,590,081	53,570,617
Less:		
— Current portion of long-term bank and other loans	**(8,819,485)**	(4,275,075)
	41,770,596	49,295,542

Note:

(i) At 31 December 2020, the balances were secured by certain property, plant and equipment of the Group (Note 16). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB114,217,000 at 31 December 2020 (2019: RMB119,548,000).

(ii) At 31 December 2020, the balance was guaranteed by subsidiaries and secured by certain land use rights and property, plant and equipment of the Group (Note 17 and Note 16). The aggregate carrying value of the secured land use rights and property, plant and equipment amounted to approximately RMB1,286,221,000 and RMB160,113,000, respectively, at 31 December 2020 (2019: RMB1,317,280,000 and RMB164,848,000, respectively).

(iii) At 31 December 2020, the balance 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 RMB667,437,000 at 31 December 2020 (2019: RMB705,586,000).

(iv) At 31 December 2020, certain long-term loans from financial leasing institutions were secured by certain property, plant and equipment of the Group (Note 16). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB3,518,358,000 at 31 December 2020 (2019: RMB5,286,606,000).

(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 were 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 2020, several long-term loans with aggregate amount of approximately RMB19,500,000,000 (2019: 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 (2019: RMB2,500,000,000) were from an associate of the Group. They were unguaranteed, unsecured and three-year terms with interest rates 3.33% (2019: 3.33%) per annum. They will be repaid within one year.

34. 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:

	2020 RMB'000	2019 RMB'000
Within one year or on demand	**8,819,485**	4,275,075
More than one year, but not exceeding two years	**15,889,613**	8,589,337
More than two years, but not exceeding five years	**6,378,600**	6,438,563
After five years	**19,502,383**	34,267,642
	50,590,081	53,570,617

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 2020 and 2019, 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).

35. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2020 RMB'000	2019 RMB'000
At 1 January	**141,266**	472,286
Current tax (Note 13)	**426,109**	688,170
Income tax paid	**(283,258)**	(1,019,190)
At 31 December	**284,117**	141,266

35. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

(b) Deferred tax assets/liabilities recognised:

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

Deferred tax assets/(liabilities) arising from:	Tax value of losses carried forward RMB'000	Unrealised intra-group profits 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	Contingent settlement RMB'000	Total RMB'000
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	256,994	–	50,981	(3,842)	(18,922)	–	4,885	2,039	320,569
At 31 December 2019	146,487	256,994	14,013	72,849	(296,015)	(504,399)	(50,000)	(84,114)	2,039	(442,146)
At 1 January 2020	**146,487**	**256,994**	**14,013**	**72,849**	**(296,015)**	**(504,399)**	**(50,000)**	**(84,114)**	**2,039**	**(442,146)**
(Charged)/credited to profit for the year (Note 13)	**119,318**	**(1,710)**	**–**	**129,889**	**(7,132)**	**–**	**–**	**4,670**	**17,961**	**262,996**
At 31 December 2020	**265,805**	**255,284**	**14,013**	**202,738**	**(303,147)**	**(504,399)**	**(50,000)**	**(79,444)**	**20,000**	**(179,150)**

(ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**757,840**	506,925
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(936,990)**	(949,071)
	(179,150)	(442,146)

(c) Deferred tax assets not recognised

At 31 December 2020, the Group had estimated unused tax losses of approximately RMB2,056,186,000 (2019: RMB1,968,683,000) available for offset against future profits, deferred tax asset has not been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax value of these losses carried forward of approximately RMB138,527,000, RMB561,341,000, RMB217,093,000, RMB546,218,000, and RMB261,021,000 will expire in 2021, 2022, 2023, 2024 and 2025, respectively. The remaining tax losses do not expire under current tax legislation.

35. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(d) Deferred tax liabilities not recognised

No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences relating to the undistributed profits of a PRC subsidiary amounting to approximately RMB15,870,778,000 (2019: RMB16,351,154,000) 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 2019	605,397	6,364,786	395,280	(1,012,653)	6,352,810
Changes in equity for 2019:					
Profit and total comprehensive income 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 and 1 January 2020	605,397	4,672,371	422,677	(606,285)	5,094,160
Changes in equity for 2020:					
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**(1,064,534)**	**(1,064,534)**
Recognition of share-based payment	**–**	**–**	**13,288**	**–**	**13,288**
At 31 December 2020	**605,397**	**4,672,371**	**435,965**	**(1,670,819)**	**4,042,914**

36. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

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

	2020 RMB'000	2019 RMB'000
Interim dividend declared and paid of HKD0 per ordinary share and convertible preference share (2019: HKD0.10)	–	636,034

No final dividend was proposed after the years ended 31 December 2019 and 2020 to equity shareholders of the Company and holders of convertible preference shares.

(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:

	2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0 per ordinary share and convertible preference share (2019: HKD0.17)	–	1,056,381

(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 2019, 1 January 2020 and 31 December 2020	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2019, 1 January 2020 and 31 December 2020	5,449,473,140	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2019, 1 January 2020 and 31 December 2020	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2019, 1 January 2020 and 31 December 2020	1,619,125,180	161,913	127,296

36. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

Authorised and issued share capital (Continued)

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

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

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

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

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

(d) Nature and purpose of reserves

(i) Surplus reserve

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

(ii) Enterprise development fund

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

36. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(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 (Note 34), 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 RMB36,937,370,000 as at the year ended 31 December 2020 (2019: RMB35,888,954,000).

37. CAPITAL COMMITMENTS

	2020 **RMB'000**	2019 RMB'000
Capital commitments in respect of the acquisition of property, plant and equipment and equity investment contracted for	**14,970,572**	16,639,783

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 EUR6,900.

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 2020 and 2019 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 2020 and 2019 are as follows:

Related party relationship	Transactions	2020 RMB'000	2019 RMB'000
Companies controlled by the owner of the ultimate holding company	Sales of goods to related parties	**2,037**	9,130
Companies controlled by the owner of the ultimate holding company	Interest expenses on related parties loan	**84,244**	166,808

The Group have certain bank and other loans guaranteed by related parties as at the year ended 31 December 2020 and 2019. Please refer to Note 34 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:

	2020 Weighted average exercise price	2020 Number of options	2019 Weighted average exercise price	2019 Number of options
Outstanding at the beginning of the year	**HKD3.93**	**382,900,000**	HKD3.93	399,900,000
Exercised during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**–**	HKD3.92	(17,000,000)
Granted during the year	**–**	**–**	–	–
Outstanding at the end of the year	**HKD3.93**	**382,900,000**	HKD3.93	382,900,000
Exercisable at the end of the year	**HKD3.93**	**312,200,000**	HKD3.93	241,500,000

The options outstanding at 31 December 2020 had an exercise price of HKD3.90 or HKD3.93 (2019: HKD3.90 or HKD3.93) and a weighted average remaining contractual life of 4.7 years (2019: 5.7 years).

No options were exercised during the year (2019: 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

Perpetual trust loans

On 1 December 2016, a subsidiary of the Company (the "Borrower") issued perpetual trust loans with a principal of RMB2,000,000,000. This perpetual trust loans was issued at par value with initial distribution rate of 6.10% per annum. As at 31 December 2020, a total of RMB1,600,000,000 perpetual trust loans were repaid.

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

The distribution rates for the perpetual trust loans from the borrowing date to 31 December 2017 are fixed at 6.10% per annum. the applicable distribution rate for the perpetual trust loans was reset after 31 December 2017 as following: 6.3058% per annum for the second and third year; 8.3732% per annum for the fourth year; 10.4406% per annum for the fifth year; 12.5080% per annum for the sixth year and thereafter.

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 Borrower declared (was declared) to liquidate; 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 2020, profit attributable to the holders of perpetual trust loans, calculated based on the applicable distribution rate, was RMB63,023,000 (2019: RMB78,788,000).

42. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Interest in subsidiaries		**16,711,385**	17,828,280
Current assets			
Cash and cash equivalents		**575**	3,274
Right-of-use assets		**12,847**	–
		13,422	3,274
Current liabilities			
Trade payables		**–**	236,276
Other payables and accrued charges		**5,552,670**	5,618,458
Amount due to subsidiaries		**7,116,087**	6,882,660
Lease liabilities		**13,136**	–
		12,681,893	12,737,394
Net current liabilities		**(12,668,471)**	(12,734,120)
Total assets less current liabilities		**4,042,914**	5,094,160
NET ASSETS		**4,042,914**	5,094,160
Capital and reserves	36(a)		
Share capital		**605,397**	605,397
Reserves		**3,437,517**	4,488,763
TOTAL EQUITY		**4,042,914**	5,094,160

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%	USD2,567,000,000	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	96.55%	–	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	96.55%	–	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	96.55%	–	100%	RMB7,100,000,000	Manufacturing of aluminium products
Panjin Zhongwang Aluminium Company Limited* 盤錦忠旺鋁業有限公司	The PRC	DLLC	The PRC	96.55%	–	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
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	96.55%	–	100%	RMB100,000,000	Trading of aluminium products, ingots, rods and other materials

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 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	96.55%	–	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	96.55%	–	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	96.55%	–	100%	RMB200,000,000	Designing and manufacturing of aluminium alloy construction formwork
Liaoyang Zhongwang Aluminium Formwork Leasing Company Limited* 遼陽忠旺鋁模板租賃有限公司	The PRC	DLLC	The PRC	96.55%	–	100%	RMB50,000,000	Leasing aluminium formwork
Shenzhen Zhongwang Aluminium Formwork Leasing Company Limited* 深圳忠旺鋁模板租賃有限公司	The PRC	DLLC	The PRC	96.55%	–	100%	RMB50,000,000	Leasing aluminium formwork
Chongqing Zhongwang Aluminium Formwork Leasing Company Limited* 重慶忠旺鋁模板租賃有限公司	The PRC	DLLC	The PRC	96.55%	–	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	96.55%	–	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			Issued and fully paid share capital/registered capital	Principal activities
				Group's effective interest	Held by the Company	Held by subsidiaries		
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%	RMB8,200,000,000	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	96.55%	–	100%	RMB200,000,000	Trading and manufacturing of aluminium furniture
Hanseatic Marine Engineering Pty Limited	Australia	Limited Liability Company ("LLC")	Australia	64.37%	–	66.67%	AUD1,000	Designing and manufacturing of aluminium vessel
Silver Yachts Limited	Cayman Islands	LLC	Cayman Islands	64.37%	–	66.67%	USD50,000	Designing and manufacturing of aluminium vessel
Aluminiumwerk Unna AG.	Germany	Company Limited	Germany	96.28%	–	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	96.55%	–	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 2020.

44. DISPOSAL OF SUBSIDIARIES

In 2020, the Group disposed of three PRC-incorporated subsidiaries, Zhongwang Aluminium Material (Note 28), Zhongwang Import & Export Trade Company Limited* (忠旺進出口有限公司) ("Zhongwang Import & Export") and Yingkou Xintai Aluminium Company Limited* (營口鑫泰鋁業有限公司) ("Yingkou Xintai") at cash consideration of RMB4,380,000,000, RMB100,000 and nil consideration respectively. The combined net assets of Zhongwang Aluminium Material, Zhongwang Import & Export and Yingkou Xintai as at the dates of disposal were as follows:

	RMB'000
Property, plant and equipment	2,524,247
Deposits for acquisition of non-current assets	1,320,789
Other intangible assets	369,788
Inventories	323,722
Trade and bills receivables	42,191
Other receivables	4,075,541
Cash and cash equivalents	172
Trade payables	(3,563,768)
Other payables	(777,888)
Net assets disposed of	4,314,794
Gain on disposal of subsidiaries (Note 8)	65,226
Non-controlling interests as at the dates of disposal	80
Total consideration	4,380,100
Satisfied by:	
Cash	4,380,100
Net cash inflow arising on disposal:	
Cash consideration	4,380,100
Cash and cash equivalents balances disposed of	(172)
	4,379,928

45. NOTES TO SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank and other loans and interest payables RMB'000 (Note 34)	Lease liabilities RMB'000 (Note 33)	Total RMB'000
At 1 January 2020	**64,830,226**	**462,357**	**65,292,583**
Changes from cash flows:			
Proceeds from new bank and other loans	**36,166,407**	**–**	**36,166,407**
Repayment of bank and other loans	**(34,120,755)**	**–**	**(34,120,755)**
Repayments of principal portion of the lease liabilities	**–**	**(235,642)**	**(235,642)**
Interest paid	**(2,071,635)**	**(13,139)**	**(2,084,774)**
Total changes from financing cash flows	**(25,983)**	**(248,781)**	**(274,764)**
Other changes:			
Acquisition — leases (Note 17)	**–**	**14,604**	**14,604**
Interest expenses (Note 10)	**1,857,799**	**13,139**	**1,870,938**
Capitalised interest expenses (Note 10)	**379,714**	**–**	**379,714**
Exchange difference and others	**(117,697)**	**–**	**(117,697)**
At 31 December 2020	**66,924,059**	**241,319**	**67,165,378**

	Bank and other loans and interest payables RMB'000 (Note 34)	Debentures RMB'000	Lease liabilities RMB'000 (Note 33)	Total RMB'000
At 1 January 2019	52,777,652	6,500,000	14,220	59,291,872
Changes from cash flows:				
Proceeds from new bank and other loans	34,067,960	–	–	34,067,960
Repayment of bank and other loans	(22,026,084)	–	–	(22,026,084)
Repayment of debentures	–	(6,500,000)	–	(6,500,000)
Repayment 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	10,275,988	(6,500,000)	(20,431)	3,755,557
Other changes:				
Acquisition — leases (Note 17)	–	–	467,809	467,809
Interest expenses (Note 10)	1,271,345	–	759	1,272,104
Capitalised interest expenses (Note 10)	495,030	–	–	495,030
Exchange difference and others	10,211	–	–	10,211
At 31 December 2019	64,830,226	–	462,357	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.

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.

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 directors consider the credit risk on bills receivables is low since the issuers or the banks which guarantee payments of bills receivables are of high credit rating.

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 2020, 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:

	2020			2019		
	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)	**3.0**	**17,782,958**	**(532,368)**	0.3	8,050,824	(23,242)
1–90 days past due	**2.2**	**1,102,431**	**(24,153)**	4.2	2,206,990	(92,947)
91–365 days past due	**7.8**	**1,048,235**	**(81,397)**	6.0	1,799,149	(107,908)
More than 365 days past due	**17.8**	**784,108**	**(139,541)**	15.6	353,072	(54,956)
	3.8	**20,717,732**	**(777,459)**	2.2	12,410,035	(279,053)

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.

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

(a) Credit risk (Continued)

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

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**291,395**	87,470
Amounts written off during the year	**(2,190)**	(209)
Impairment losses for trade and bill receivables recognised during the year	**500,596**	193,329
Impairment losses for other receivables recognised during the year	**21,044**	12,342
Impairment losses classified to held for sale assets	**–**	(1,537)
Balance at 31 December	**810,845**	291,395

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 2020, 42% (2019: 45%) 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 2020 and 2019, the Group did not provide any guarantees which would expose the Group to credit risk.

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

(b) Liquidity risk

The Group's liquidity position is monitored on a daily basis by the management and is reviewed monthly by the directors of the Company. The following 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 undiscounted 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 2020							
Non-interest bearing		**22,292,635**	**285,016**	**68,513**	**–**	**22,646,164**	**22,646,164**
Lease liabilities	**4.52**	**236,153**	**4,974**	**3,753**	**–**	**244,880**	**241,319**
Bank and other loans	**5.51**	**27,076,518**	**16,744,328**	**6,850,863**	**19,509,004**	**70,180,713**	**66,924,059**
		49,605,306	**17,034,318**	**6,923,129**	**19,509,004**	**93,071,757**	**89,811,542**
At 31 December 2019							
Non-interest bearing		20,764,906	318,766	7,607	–	21,091,279	21,091,279
Lease liabilities	4.52	359,136	117,402	1,558	–	478,096	462,357
Bank and other loans	4.84	16,695,776	9,327,207	7,431,035	34,357,976	67,811,994	64,790,617
		37,819,818	9,763,375	7,440,200	34,357,976	89,381,369	86,344,253

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:

	2020		2019	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	**0–9.00**	**53,920,155**	0–8.00	42,415,401
Variable rate borrowings:				
Bank and other loans	**0.34–8.46**	**13,003,904**	0.34–8.46	22,375,216
Total borrowings		**66,924,059**		64,790,617
Fixed rate borrowings as a percentage of total borrowings		**80.6%**		65.5%

(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 (2019: 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 2020 would decrease or increase by approximately RMB65,020,000 (2019: RMB111,876,000).

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 2019.

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.

	2020 RMB'000	2019 RMB'000
Trade receivables		
USD	**112,923**	107,039
EUR	**384**	39,020
GBP	**2,206**	1,277
Other receivables		
USD	**1,100,163**	1,154,730
EUR	**77,535**	136,471
Bank balances		
HKD	**467**	–
USD	**57,668**	82,573
EUR	**5,469**	5
GBP	**153**	–
Trade payables		
USD	**11,949**	6,750
EUR	**55**	54
GBP	**405**	–
Other payables		
HKD	**15,142**	979,606
USD	**1,362,250**	612,751
EUR	**3,747**	13,598
GBP	**–**	3,647
Bank loans		
USD	**1,707,893**	2,130,357

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 2019.

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% (2019: 5%) against relevant foreign currencies. For a 5% (2019: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before tax.

	2020 Increase in profit before tax RMB'000	2019 Increase in profit before tax RMB'000
RMB against HKD impact	**734**	48,980
RMB against USD impact	**90,597**	70,628

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

The Impact of Coronavirus

Since the outbreak of the COVID-19 epidemic in January 2020, the prevention and control of the COVID-19 has been going on throughout the PRC. Although the pandemic has been effectively contained in the PRC and the Group's operation has gradually stabilised since the second quarter, the overall market environment and economy were still affected.

This may continue to affect the quality of trade and other receivables and results of the Group to a certain degree. The degree of impact depends on the continuous development of the pandemic and any new implementation of preventive measures and regulatory policies after the reporting date. The Group will pay continuous attention on the situation, to assess and react actively to its impacts on the financial position and results of the Group.

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 of any allegations that it may have violated any law and confirms that there has been 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 26 March 2021.

FIVE-YEAR FINANCIAL SUMMARY

Results

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**20,401,559**	23,583,699	25,600,434	19,458,826	16,695,543
Profit for the year attributable to:					
Equity shareholders of the Company	**1,789,473**	3,022,014	4,195,221	3,533,431	2,871,379
Non-controlling interests	**(14,612)**	3,513	1,214	364	–
Holders of perpetual capital instruments	**63,023**	152,761	270,296	334,400	35,780

Assets and liabilities

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	**127,970,019**	123,323,544	119,298,533	101,267,864	79,037,746
Total liabilities	**91,032,649**	87,434,590	82,734,572	64,578,232	45,027,844
Total equity attributable to:					
Equity shareholders of the Company	**36,364,367**	34,505,173	33,166,475	30,487,891	28,015,902
Non-controlling interests	**173,003**	183,781	203,486	207,741	–
Holders of perpetual capital instruments	**400,000**	1,200,000	3,194,000	5,994,000	5,994,000

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