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

2016 Annual Report

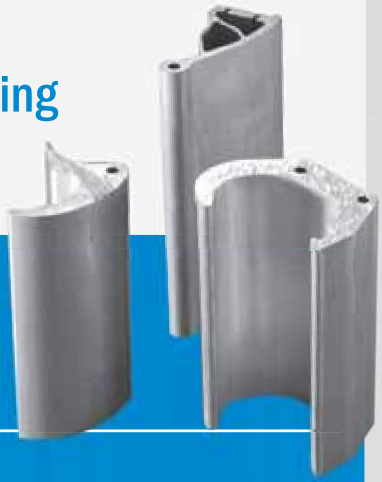
A Leading Fabricated
Aluminium Product
Developer and
Manufacturer in Asia

* For identification purposes only

Committed to light-weight development for a greener world

China Zhongwang is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the largest in Asia, primarily focusing on three core synergistic businesses namely

- Industrial aluminium extrusion
- Deep processing
- Aluminium flat rolling



EBITDA margin

32.1%

Adjusted profit for the year increased by

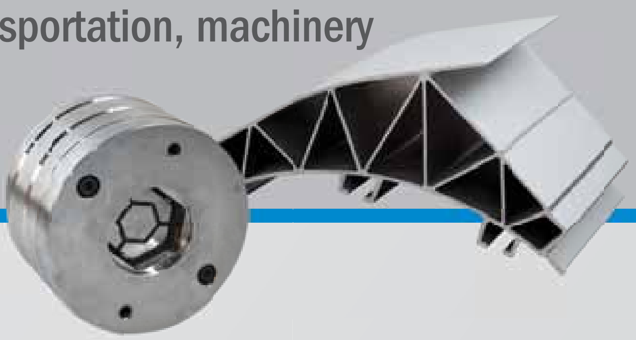
12.1% to

RMB

3.14 billion

A world-leading

fabricated aluminium product developer and manufacturer. Products are widely used in the transportation, machinery and equipment and electric power engineering sectors.



Integrated
light-weight
solution provider

Contents

Corporate Information

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

01333

Executive Directors

Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing *(President)*
Mr. Gou Xihui

Non-executive Director

Mr. Chen Yan

Independent Non-executive Directors

Mr. Wong Chun Wa
Mr. Wen Xianjun
Mr. Shi Ketong
Mr. Lo Wa Kei, Roy

Audit Committee

Mr. Wong Chun Wa *(Chairman)*
Mr. Wen Xianjun
Mr. Shi Ketong

Nomination and Remuneration Committee

Mr. Wen Xianjun *(Chairman)*
Mr. Liu Zhongtian
Mr. Shi Ketong

Corporate Governance Committee

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

Strategy and Development Committee

Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing
Mr. Wen Xianjun

Joint Company Secretaries

Mr. Cui Weiye
Ms. Cheung Yuet Fan

Authorised Representatives

Mr. Lu Changqing
Mr. Cui Weiye

Principal Bankers

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

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business in the PRC

No. 299, Wensheng Road
Liaoyang City
Liaoning 111003
PRC

42/F China World Tower
No. 1 Jianguomenwai Avenue
Beijing 100004
PRC

Place of Business in Hong Kong

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

Legal Advisors

As to Hong Kong laws

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

As to PRC laws

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

Auditor

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

Principal Share Registrar in the Cayman Islands

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

Hong Kong Branch Share Registrar

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

Investor and Media Relations Consultant

Cornerstones Communications Ltd.
Unit 1408–10, 14F
Dominion Centre
43-59 Queen's Road East
Hong Kong

Closure of Register of Members

For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 26 May 2017, the register of members of the Company will be closed from Friday, 19 May 2017 to Friday, 26 May 2017 (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, 18 May 2017, being the last share registration date.

Annual General Meeting

The Company's annual general meeting will be held on 26 May 2017, a notice of which is included in the circular to be dispatched to shareholders together with this annual report.

Company Website

www.zhongwang.com

Corporate Profile

China Zhongwang Holdings Limited (the "Company", together with its subsidiaries, the "Group"), is the second largest industrial aluminium extrusion product developer and manufacturer in the world and the largest in Asia[1]. On 8 May 2009, the Company (stock code: 01333) was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has been primarily focusing on the light-weight development in the transportation, machinery and equipment and electric power engineering downstream sectors through the provision of quality fabricated aluminium products.

The Group was founded in 1993 with its headquarters based in Liaoning Province, China, and is now mainly engaged in industrial aluminium extrusion and deep processing businesses. The Group currently has over 90 aluminium extrusion production lines, including 21 production lines of large-scale aluminium extrusion presses of 75MN or above. Meanwhile, the Group has also built a world-leading aluminium tilt smelting and casting facility which is ancillary to the extrusion production lines, as well as the largest customised industrial aluminium extrusion product die design and manufacturing centre in Asia. The Group has a professional research and development ("R&D") team and was certified by the Chinese Government as a "State Accredited Enterprise Technology Centre", a "State CNAS Laboratory" and an "Aviation and Rail Transit Aluminium Processing Technology National-local Collaborated Research Centre". The Group's unique core competitiveness in the industry lies in the comprehensive strength of its four-in-one model, i.e. the integration of smelting and casting, die design, advanced equipment and R&D capability all under one roof.

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

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

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

1. Rankings and relevant information relating to aluminium extrusion product manufacturers in the world are cited from a report prepared by Beijing Antaike Information Development Co., Ltd. dated April 2016.

Financial Highlights

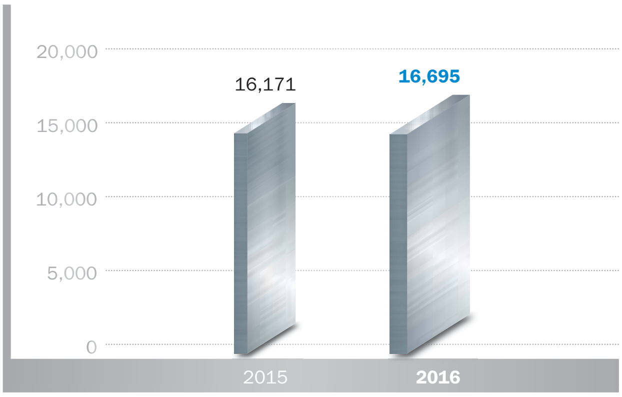
	2016 RMB'000	2015 RMB'000
Revenue	**16,695,543**	16,171,246
Gross profit	**6,288,378**	5,320,023
EBITDA (Note 1)	**5,366,267**	4,820,947
Profit for the year	**2,907,159**	2,804,981
Adjusted profit for the year (Note 2)	**3,143,381**	2,804,981
Earnings per share (RMB) (Note 3)	**0.41**	0.40
Adjusted earnings per share (RMB) (Note 4)	**0.44**	0.40
Final dividend per share (HKD)	**0.10**	0.06
Full year dividend per share (HKD)	**0.21**	0.17
Bank balances and cash (Note 5)	**14,248,739**	13,495,202
Total equity attributable to equity shareholders	**28,015,902**	25,990,998
Total assets	**79,037,746**	71,400,726

	2016	2015
Current ratio (Note 6)	**1.26**	1.08
Inventory turnover in days (Note 7)	**124**	110
Trade receivable turnover in days (Note 8)	**36**	25
Trade payable turnover in days (Note 9)	**176**	121
Gross margin	**37.7%**	32.9%
Gearing ratio (Note 10)	**57.0%**	63.6%
Revenue composition—by business		
Aluminium extrusion business (Note 11)	**85.3%**	87.4%
Deep processing business	**14.6%**	12.1%
Others	**0.1%**	0.5%
Gross profit composition—by business		
Aluminium extrusion business	**86.6%**	86.6%
Deep processing business	**13.1%**	11.9%
Others	**0.3%**	1.5%

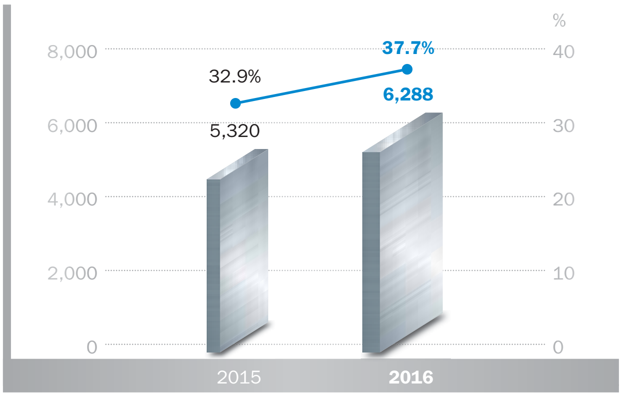
Notes:

1. EBITDA = profit before taxation + finance costs+ amortisation of prepaid lease payments + depreciation of property, plant and equipment
2. Adjusted profit for the year is profit for the year net of the effect of non-cash expenses arising from the recognition of share options which were granted on 6 January 2016 at fair value by the Group and the stamp duty incurred in connection with the internal reorganisation in relation to the Proposed Spin-off and listing of Liaoning Zhongwang, a wholly-owned subsidiary of the Company.
3. Earnings per share is calculated based on the profit attributable to equity shareholders of the Company for each of the years ended 31 December 2016 and 2015 and on the weighted average number of ordinary shares, convertible preference shares and share options during that year.
4. Adjusted earnings per share is calculated based on the adjusted profit attributable to equity shareholders of the Company for each of the years ended 31 December 2016 and 2015 and on the weighted average number of ordinary shares, convertible preference shares and share options for the respective period.
5. Bank balances and cash = cash and cash equivalents + short-term deposits + pledged bank deposits
6. Current ratio = current assets/current liabilities
7. 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
8. 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
9. 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
10. Gearing ratio = total liabilities/total assets* 100%
11. Representing revenue of the aluminium extrusion business from sales to external customers.

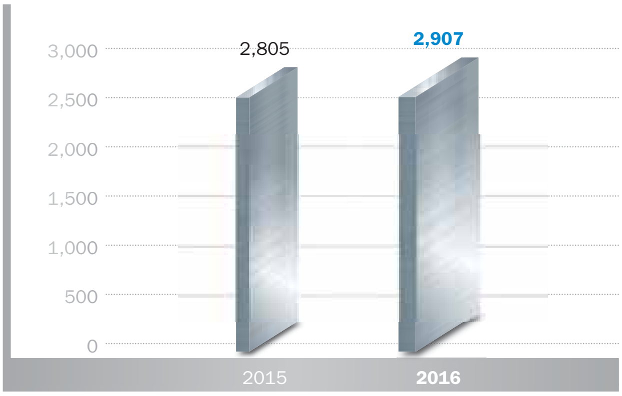
Revenue
(RMB millions)



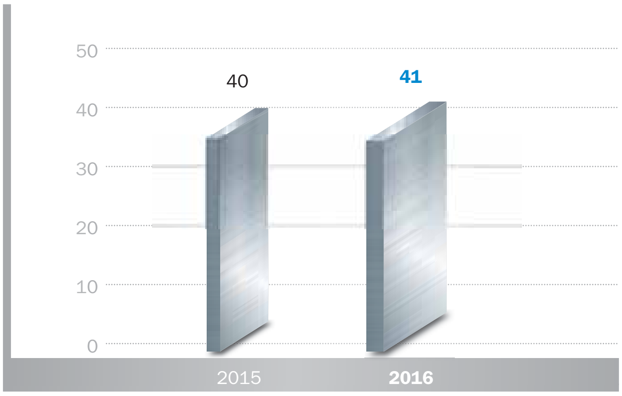
Gross Profit/Gross Margin
(RMB millions)



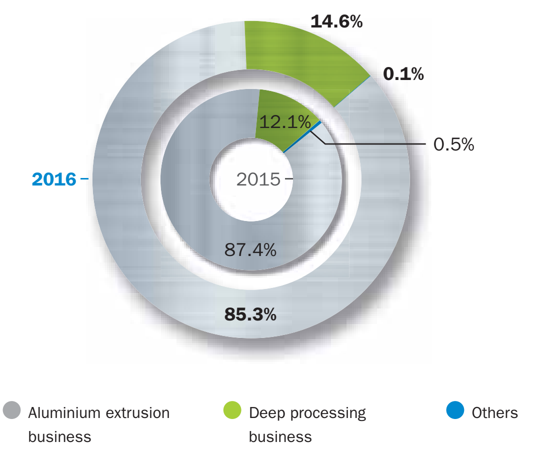
Profit for The Year
(RMB millions)



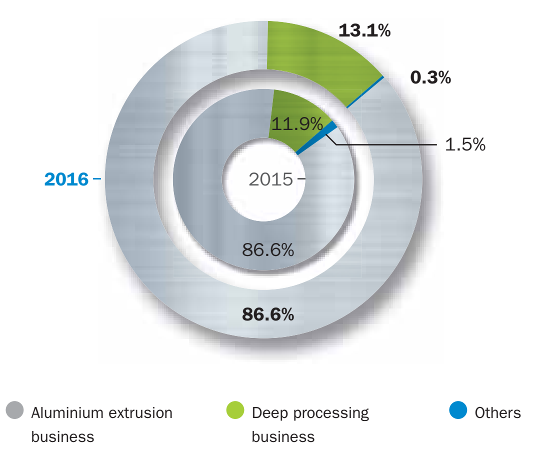
Earnings Per Share
(RMB cents)



Revenue Composition
— By Business



Gross Profit Composition
— By Business



Core Businesses

The three core businesses operate on the basis of upstream and downstream resource-sharing and benefit from mutual advantages, thereby achieving synergy.

The Group focuses on three core businesses, including industrial aluminium extrusion, deep processing and aluminium flat rolling. Leveraging its leading R&D capability and technology advantages, the Group is realising its transition into an integrated light-weight solution provider.

Sales Volume Of
Aluminium Extrusion Business

675,298 Tonnes

Sales Volume Of
Deep Processing Business

89,753 Tonnes

Corporate Milestones

2016

January

- Invention patent for the manufacturing method of aluminium alloy sections used in rail transit vehicle chassis awarded "Chinese Outstanding Patented Invention" by the State Intellectual Property Office

April

- Tianjin Zhongwang accredited with three Quality Management System Certifications in aerospace and automotive industries

- Smelting and casting mill of Liaoning Zhongwang produced a 7075 special aluminium alloy rod with diameter of 784mm, setting a new record in China

June

- Liaoning Zhongwang granted approval to establish National-local Collaborated Engineering Research Centre to focus on aluminium processing for aviation and rail transit sectors

- Hot rolling mill of Tianjin Zhongwang succeeded in rolling a 4300mm ultra-large aluminium alloy plate, setting new Asia record

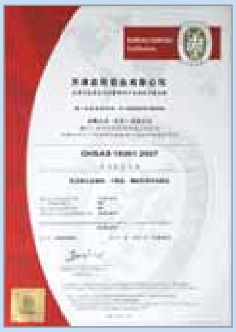
- Smelting and casting plant of Tianjin Zhongwang succeeded in casting an aluminium alloy ingot of 2670mm in width, setting a new record in China

August

- Tianjin Zhongwang succeeded in rolling high-end hard alloy 7055 aluminium plates in different specifications, laying a solid foundation in providing materials for large aircrafts

October

- Tianjin Zhongwang obtained ISO14001 Environment Management System Certification and OHSAS18001 Occupation Health Safety Management System Certification by Bureau Veritas, France



November

- Chery's new-energy BEV car model S51, jointly designed and manufactured by the Group, was officially launched in the market

December

- Installation of one of the two ultra-large 225MN extrusion presses ordered in 2012 was completed, while the other press is being installed

Chairman's Statement

The Group continued to enhance its core competitiveness through product mix optimisation, capacity and equipment upgrade, innovation and technology advancement, and extending its foothold along the industry chain.

Liu Zhongtian
Chairman

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Zhongwang Holdings Limited ("China Zhongwang" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report on the audited results for the year ended 31 December 2016 (the "Year under Review") for your perusal.

OVERALL GROSS MARGIN INCREASED TO

37.7%

ANNUAL DIVIDEND PAYOUT RATIO

45.5%

Maintained Steady Growth

The economy in China continued its slowing pace of growth in 2016. Nevertheless, industry structure optimisation and transformation remained on the path of progression. Demand for eco-friendly, innovative materials rose in tandem with the upgrading in various industries. Aluminium alloy, a light-weight, corrosion-resistant and recyclable material, outperformed other types of conventional materials due to its economic benefits and eco-friendly performance. It has emerged as a perfect alternative material. Leveraging its extensive experience and the commitment in pursuit of excellence, China Zhongwang managed to achieve sustainable growth against global market instability.

Guided by the strategy of "focusing primarily on China and to a lesser extent on the overseas", the Group continued to enhance its core competitiveness through product mix optimisation, capacity and equipment upgrade, innovation and technology advancement, and extending its foothold along the industry chain. During the Year under Review, the Group's revenue amounted to approximately RMB16.70 billion. Overall gross margin increased by 4.8 percentage points, year-on-year, to 37.7%. Adjusted profit for the year increased by 12.1%, year-on-year, to approximately RMB3.14 billion. Adjusted earnings per share was approximately RMB0.44.

To reward our shareholders for their support, the Board has proposed a final dividend of HKD0.10 per share for the year ended 31 December 2016. Together with an interim dividend of HKD0.11 per share for the six months ended 30 June 2016, dividend for the year totalled HKD0.21 per share, equivalent to an annual dividend payout ratio of approximately 45.5%.

Developing Innovative End Products for Customers

China accounts for over 50% of the global consumption of aluminium, with increasingly diversified downstream applications in high-end segments. The strong research and development ("R&D") and technical teams of China Zhongwang enable it to design and manufacture innovative advance-processed semi-finished and finished products according to customer specifications, thereby increasing the share of high value-added products in its product mix during the Year under Review and going a step further to realising its transition into an integrated light-weight solution provider.

While strengthening the sales of our existing high-end large-section fabricated products, we also successfully fostered multi-faceted cooperation with downstream customers. The Group's product and process design team is well-trusted by our customers. The team works seamlessly with customers and takes part in key processes starting from the initial stage of product development, including design, R&D, production and quality control. We will actively explore cooperation with potential customers to jointly develop end products to tap into new business opportunities and increase the Group's profitability.

Increased Production Capacity for High-end Products to Capture Opportunities in Potential Markets

To meet China's rising demand for high-end aluminium products, the Group is expanding and optimising its production capacity. For the extrusion business, we are adding high-end equipment, mainly medium-to large-scale extrusion presses, to fulfill rising market demands. New equipment is expected to be delivered and installed in phases, and will commence operation starting from 2017 and into the next few years. The Group's competitive edge in the production of large-section industrial aluminium extrusions will be further enhanced when these additional capacities are put into full operation.

The development of the aluminium flat rolling project is an important step in the Group's roadmap to expand along the industry chain. During the Year under Review, the first production line started supplying products on a trial basis to external customers. Up to date, the flat rolling project has received authoritative accreditations with respect to quality control, environmental management and safety management systems, including the essential qualifications required for aerospace suppliers. The technology and R&D teams will kick-start the R&D and accreditation works for specific high-end products. Meanwhile, the second production line is in the process of equipment installation. Upon full operation, our flat rolling project will become the world's largest and most advanced eco-friendly flat rolling production base. It will be a new flagship for the aluminium processing industry in China and globally.

Green Future for Our Next Generation

On its path of development, China Zhongwang is also committed to environment conservation and sustainable development to develop a greener world for our next generation. We are delighted with the policies stipulated by local governments of different regions, setting clear goals in increasing the proportion of new energy automobiles in city buses and taxis. Logistics companies are adding aluminium-intensive trucks to increase economic benefits in response to the increasingly stringent overloading restrictions. The manufacturing industry prioritises automation to enhance production efficiency in the process of upgrade and transformation. These are just some examples demonstrating the tremendous potential of aluminium alloys. China Zhongwang will work closely with downstream customers to promote the application of aluminium.

Sustainable development relies on innovative research. In 2016, we continued to invest 3% of our total revenue in R&D, keeping China Zhongwang ahead of the industry with respect to the quality and quantity of new products. We understand that product differentiation lies in details. As such, we provide employees with a stable working environment supported by an abundance of resources to cultivate a spirit of excellence. Such a culture enables the passing-on of technical knowledge and expertise that the Group has accumulated over the years.

Acknowledgements

On behalf of the Board, I would like to express my gratitude to all employees who stood by Zhongwang in the eventful 2016. I would like to extend my appreciation to our Shareholders, business partners, customers and suppliers for their long-term trust and support. China Zhongwang will continue to uphold our commitment of bringing the aluminium processing industry to new heights. I look forward to witnessing the future growth of China Zhongwang with all of you.

Liu Zhongtian
Chairman

Hong Kong, 24 March 2017

Management Discussion and Analysis

With the rising awareness of energy conservation, emissions reduction and sustainable development globally, together with the support of government policies, aluminium is gradually replacing other types of conventional metals and is now widely used in many aspects of national development and everyday life.

I. Business Review

During the Year under Review, the Group adhered firmly to the principal strategy of "focusing primarily on China and to a lesser extent on the overseas". The Group continued to optimise its product mix and upgrade its equipment so as to further increase the proportion of high value-added deep-processed products and gradually transform the Group from a high-end processed aluminum supplier to an integrated light-weight solution provider.

During the Year under Review, total revenue of the Group amounted to approximately RMB16.70 billion. Overall gross margin increased by 4.8 percentage points, year-on-year, to 37.7%. Profit for the year amounted to approximately RMB2.91 billion. Earnings per share was approximately RMB0.41. Net of the effect of non-cash expenses arising from the recognition of share options which were granted on 6 January 2016 at fair value by the Group and the stamp duty incurred in connection with the internal reorganisation in relation to the Proposed Spin-off and listing of Liaoning Zhongwang, a wholly-owned subsidiary of the Company, the Company's adjusted profit for the year would amount to approximately RMB3.14 billion for the Year under Review, representing an increase of 12.1% from approximately RMB2.80 billion for the year ended 31 December 2015 (the "Year 2015").

During the Year under Review, sales volume of the Group's industrial aluminium extrusion segment to external customers increased by 2.9% to 607,932 tonnes from 590,902 tonnes for the Year 2015. Revenue from sales of the Group's industrial aluminium extrusion segment to external customers increased by 1.2% to approximately RMB13.20 billion from approximately RMB13.05 billion for the Year 2015. Gross margin of the Group's industrial aluminium extrusion segment increased by 2.9 percentage points to 34.8% for the Year under Review from 31.9% for the Year 2015, which was mainly attributable to the Group's high-precision aluminium project located in Yingkou, which provided quality raw materials for the Group's industrial aluminium extrusion segment at a price lower than the market rate.

During the Year under Review, sales volume of the Group's deep processing business increased significantly by 22.7% from 73,177 tonnes for the Year 2015 to 89,753 tonnes, which was mainly attributable to the significant increase in sales volume of products including body parts of electric buses, engineered parts for new-energy and conventional vehicles and large-sized aluminium parts of railway vehicles supplied by the Group for the domestic market. Revenue from the Group's deep processing business increased by 25.1% from approximately RMB1.95 billion for the Year 2015 to approximately RMB2.44 billion. Gross margin of the deep processing business increased by 1.3 percentage points from 32.5% for the Year 2015 to 33.8% for the Year under Review.

ADJUSTED PROFIT FOR THE YEAR

RMB **3.14** billion

EARNINGS PER SHARE

RMB **0.41**

Deep-processed products require sophisticated technical know-how and possess higher added value. Therefore the deep processing business is one of the key business segments of the Group.

The Group continued to expand its production capacity and optimise its product mix during the Year under Review. The Group entered into purchase contracts for 99 extrusion production presses during the Year under Review which will further expand the Group's capacity for aluminium extrusion. In addition, the adjustment and trial run of one of the two ultra-large 225MN extrusion presses ordered earlier are fully underway and is expected to commence production in the first half of 2017, while the other press is being installed. These advanced large-tonnage presses will enhance the Group's overall competitiveness in high-end aluminium extrusion products. In terms of products, the Group continues to make use of its new technologies, capitalise on its strength in new product R&D and relentlessly optimise its product mix during the Year under Review, with a specific emphasis on high value-added products such as aluminium alloy products for transportation and construction formworks.

Deep-processed products require sophisticated technical know-how and possess higher added value. Therefore the deep processing business is one of the key business segments of the Group. The Group possesses comprehensive capabilities from independent design to manufacturing and processing. Our new products are energy-saving, environmentally friendly, highly efficient and technologically advanced, and are being applied in transportation and industrial electric products, etc. During the Year under Review, sales volume of products, including large-sized aluminium parts of railway vehicles and body parts of electric buses supplied by the Group for the domestic market increased significantly. Meanwhile, the Group continued to engage in technological cooperation with a number of well-known domestic manufacturers of vehicles and buses, such as CH-Auto Technology Co., Ltd. ("CH-Auto Technology") and Chery New Energy Automotive Technology Co., Ltd. ("Chery New Energy"), to jointly develop aluminium-intensive new energy buses and electric cars in which projects are proceeding smoothly. In particular, the new energy BEV model S51, jointly developed under in-depth cooperation with Chery New Energy, has been officially launched in the market. In addition, corresponding production and supply are being planned for K50, the battery electric sports car model developed under in-depth collaboration between the Group and CH-Auto Technology, with an aim to fulfill future demands for mass production.

During the Year under Review, each of the mills of the first production line of the Group's high value-added aluminium flat rolling project in Tianjin performed well during the trial run, with each production phase operating smoothly. During the Year under Review, ultra-large aluminium alloy plates of 4300mm in width and various aviation-grade aluminium alloy plates were successfully produced, laying a solid foundation for subsequent production of ultra-large aluminium alloy plates for aviation and aerospace, vessel and transportation. Furthermore, during the Year under Review, the high value-added aluminium flat rolling project in Tianjin was accredited with three quality management system accreditations, namely AS9100, TS16949 and ISO9001, indicating that the Company has successfully established and applied a quality management system commensurate with the industry standards in the aviation and automobile industries. Recently, the project has also passed the authoritative certification programme Nadcap for international aviation industry, and passed the accreditation from Det Norske Veritas (DNV), and Nippon Kaiji Kyokai (NK). The credentials demonstrate the superior technological strength, excellent capability in safeguarding equipment and high level of management capacity, which are also strategically significant in that the accreditations are necessary for the project to enter a wider market of aviation and international vessel industries. Currently, the first production line is offering products for customers in the rail transportation, industrial equipment and specialised vehicle sectors on a trial basis.

Another key project of the Group is the high-precision aluminium product project located in Yingkou, Liaoning Province. The project is now mainly supplying high-quality aluminium alloy raw material for internal production. Phase I has been fully put into operation, while Phase II is scheduled to commence production in the second half of 2017. The production base, equipped with internationally advanced purification systems, complies with international emission standards in terms of its key emission indicators.

Liaoning Zhongwang Special Vehicle Manufacturing Company Limited, a wholly-owned subsidiary of the Group, has obtained various licences for the production and sale of a number of aluminium-intensive commercial vehicles. The production line for aluminium-intensive semi-trailers, which has already been completed, is now supplying for small-volume orders for customers in large to middle-sized freight, logistics and express delivery industries on a trial basis.

During the Year under Review, the application for the establishment of the "Aviation and Rail Transit Aluminium Processing Technology National-local Collaborated Research Centre" made by the Group has been officially approved by the National Development and Reform Commission ("NDRC"). The certified state-level R&D platform, aiming to satisfy market demands for aluminium materials used in the international rail transportation and aviation sectors, will be developed into a first-rate technological R&D platform and industrialisation base for high-end aluminium products in China. In addition, Liaoning Zhongwang, an indirect wholly-owned subsidiary of the Group, remains as a High and New Technology Enterprise entitled to a 15% preferential corporate income tax rate. During the Year under Review, the Group developed various new products, covering a number of application fields such as aviation and rail transportation, and filed a number of patent applications. The Group also participated in the formulation of, and amendments to, various national and industry standards. The Group's outstanding R&D capability has enabled it to continuously launch diversified high-end products and optimise its product mix, thereby enhancing its integrated competitiveness.

II. Future Development

With the rising awareness of energy conservation, emissions reduction and sustainable development globally, together with the support of government policies, aluminium is gradually replacing other types of conventional metals and is now widely used in many aspects of national development and everyday life. During the Year under Review, the "Non-ferrous Metals Industry Development Plan (2016–2020)" (《有色金屬工業發展規劃(2016–2020年)》) promulgated by the Ministry of Industry and Information Technology ("MIIT"), proposed to develop high-end materials, such as aluminium alloys, and to broaden its applications in various sectors including aviation and aerospace, vessel, transportation and construction, etc. It is also proposed as a target that aluminium alloy body will be applied in 30% of the oil tankers, trailers and railway freight trains by 2020. This industry development plan delineates the direction of future development for the high-end aluminium industry.

The light-weight developments of automobiles have been under the spotlight in recent years, and the new energy vehicle industry is a particularly strong driving force for the application of aluminium. The "Integrated Work Proposal for Energy Conservation and Emission Reduction for the 13th Five-Year Plan Period" (《「十三五」節能減排綜合工作方案》) issued by the State Council in 2017 states that developments have to be accelerated for strategic emergent industries, such as new energy vehicles and energy-efficient and environmentally-friendly technologies. During the Year under Review, the sales volume of new energy vehicles reached 507,000 units in China, representing a year-on-year increase of 53%. In addition, the "Long-term Development Plan for the Automobile Industry" (《汽車產業中長期發展規劃》) issued by MIIT also projected that the annual output of new energy vehicles in China will reach 2 million units by 2020, and they will account for over 20% of the total sales of passenger cars by 2025. The Government takes an active role in gradually tightening the fuel consumption limit of petrol cars, which widens the aluminium alloy market applied in new energy vehicles. Five ministers and committees, including MIIT, implemented the fourth stage of the "Fuel Consumption Limits for Passenger Cars" (《乘用車燃料消耗量限值》) since the Year under Review, requiring that from 2017 to 2020, passenger cars produced in China should reduce the average fuel consumption from 6.4 liters to 5.0 liters per 100 kilometres. In "Made in China 2025", MIIT further proposed that, the general fuel consumption limit of new passenger vehicles should decrease to 4.0 liters per 100 kilometres by 2025. Therefore, aluminium is being used by various automobile companies in place of steel in order to meet the requirement of reduction of fuel consumption and emission, which brings business opportunities to aluminium alloy to be used in large-sized vehicle body parts such as main body and body frame.

The urbanisation rate in China was approximately 57.4% during the Year under Review and it continues to increase annually. With the urbanisation rate far ahead of the development of rail transit, it is necessary to develop the intra-and inter-city rail transit planning. In May 2016, the "Three-Year Action Plan for Major Construction of Transport Infrastructure" (《交通基礎設施重大工程建設三年行動計劃》) jointly promulgated by the NDRC and Ministry of Transport of the PRC, pointed out that from 2016 to 2018, focus will be placed on promoting the projects in relation to railway, highway and city rail transit. Among them, over 100 projects will be related to city rail transit. Driven by such trends, industry insiders estimate that, about 40,000 additional city railway vehicles will be introduced by 2020. Meanwhile, in June 2016, the State Council approved the "Mid- to Long-term Railway Network Planning (2016–2030)" (《中長期鐵路網規劃(2016–2030)》), whereby the existing grid network of China high-speed railways is upgraded from "four horizontal and four vertical tracks"(「四縱四橫」) to "eight horizontal and eight vertical tracks"(「八縱八橫」), greatly stimulating trans-regional economic cooperation and development. It is likewise proposed that the total length of the China high-speed railways will reach 38,000 kilometres by 2025. Driven by various policies, the construction of railway transport in China will experience a new peak, anticipating greater room for the development of light-weight aluminium.

Furthermore, the Chinese Government consistently increases its inputs in infrastructure construction in cities with a particular focus on procurement of new materials, driving the demands for aluminium in logistics, construction and other industries. As mentioned by the "Roadmap for Energy Conservation and New Energy Automobiles" (《中國節能與新能源汽車技術路線圖》) promulgated by the Society of Automotive Engineers of China, vehicles used for express delivery in cities will be completely replaced with aluminium alloy new energy vehicles in the coming five years. The aluminium trucks are of increasing interest in the market as they have lower fuel consumption and less carbon emissions than traditional trucks, saving energy and conserving the environment without sacrificing economic efficiency. For the construction industry, the use of aluminium formworks testifies to contractors' concern for environmental protection during construction. As for construction of urban infrastructure, various cities show interest in new eco-friendly materials and new products such as aluminium flood protection walls, aluminium pedestrian bridges and aluminium bridge inspection platforms.

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

1. Achieve commercial production of the first production line of the aluminium flat rolling project in Tianjin, adding impetus to the Group's steady development in the long term: The Group will immerse itself in the optimisation of the trial production stage, to ensure the performance in every criterion reaches an optimal state. In the meantime, the Group will accelerate the pace of R&D and product certification process to be fully prepared for the gradual production of high value-added products upon operation;

2. Continue to optimise and expand capacities to reinforce the Group's profitability: the aluminium extrusion equipment purchased by the Group during the Year under Review will be installed and begin production in phases in the coming two to three years. Meanwhile, two 225MN ultra-large extrusion presses will start to be put into production in 2017, further enhancing the Group's leading advantage in terms of capacity for high-precision large-section industrial aluminium extrusion. The optimisation and expansion of capacities will reinforce the Group's integrated competitiveness in the high-end aluminium processing industry;

3. Enhance the diversity of high value-added product offerings and increase the weight of the deep processing business: the Group is optimistic about the enormous potential for development of the deep processing market, leveraging its state-of-the-art techniques of the product and process design team to provide integrated light-weight solutions for customers. In the future, we will continue to take advantage of our superior R&D, relentlessly diversify the deep-processed product offerings and encourage in-depth cooperation, eventually increasing the contribution from the deep processing business to the sales and profit of the Group as a whole; and

4. Strengthen R&D and promote technological innovation to enhance its comprehensive strengths: The Group will continue to place emphasis on its investments in R&D. Through diversified and multilateral cooperation with industry peers, institutions of higher learning and research institutes, the Group will actively explore innovations in technology and production know-how for aluminium processing so as to provide integrated light-weight solutions for customers in a bid to improve the Group's comprehensive competitive strengths.

The above development strategies will fully capitalise the synergy of the Group's three core businesses, helping the Group tap into the opportunities brought by the industrial upgrade in China with a more competitive product mix and more comprehensive business layout. Looking forward, as the projects currently in progress will commence production shortly and become more sophisticated, together with the optimisation of capacity and product mix, the Group's revenue and profit base will expand further, providing satisfactory returns to shareholders.

III. Financial Review

A comparison of the financial results of the Group for the Year under Review and the Year 2015 is set out as follows.

Revenue

During the Year under Review, total revenue of the Group amounted to approximately RMB16.70 billion, representing an increase by 3.2% from approximately RMB16.17 billion for the Year 2015. During the Year under Review, our major revenue was generated from sales in the aluminium extrusion business and deep processing business, which amounted to approximately RMB16.68 billion (Year 2015: approximately RMB16.09 billion). Other revenue primarily comprised metal trade agency commission and amounted to approximately RMB18.43 million (Year 2015: approximately RMB77.84 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 2015:

	For the year ended 31 December								
	2016			2015			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	**16,254,672**	**826,069**	**19,677**	15,392,441	750,049	20,522	5.6%	10.1%	(4.1%)
Industrial aluminium extrusion segment	**15,222,665**	**758,703**	**20,064**	14,297,251	678,124	21,084	6.5%	11.9%	(4.8%)
Construction aluminium extrusion segment	**1,032,007**	**67,366**	**15,319**	1,095,190	71,925	15,227	(5.8%)	(6.3%)	0.6%
Deep processing business	**2,440,800**	**89,753**	**27,195**	1,951,524	73,177	26,669	25.1%	22.7%	2.0%
Others	**18,429**	**N/A**	**N/A**	77,844	N/A	N/A	(76.3%)	N/A	N/A
Subtotal	**18,713,901**	**915,822**	**20,434**	17,421,809	823,226	21,163	7.4%	11.2%	(3.4%)
Elimination of internal sales	**(2,018,358)**	**(150,771)**	**13,387**	(1,250,563)	(87,222)	14,338	61.4%	72.9%	(6.6%)
Total	**16,695,543**	**765,051**	**21,823**	16,171,246	736,004	21,972	3.2%	3.9%	(0.7%)

Revenue from the Group's industrial aluminium extrusion segment consisted of two parts, namely sales revenue from external customers and sales revenue from inter-segment. Sales revenue from inter-segment mainly represents the sales of raw materials required by the deep-processed products to the deep processing business and the high-precision aluminium raw materials used by the high value-added aluminium flat rolling project in Tianjin for trial run.

Sales volume of the Group's industrial aluminium extrusion segment to external customers increased by 2.9% from 590,902 tonnes for the Year 2015 to 607,932 tonnes for the Year under Review. Sales volume of industrial aluminium extrusion products to the deep processing business increased by 21.2% from 75,083 tonnes for the Year 2015 to 91,016 tonnes, which was mainly attributable to the increased demands for raw materials of the deep processing business as a result of the increase in its sales volume. Sales volume of high-precision raw materials to the high value-added aluminium flat rolling project in Tianjin amounted to 59,755 tonnes, representing an increase of 392.3% from 12,139 tonnes for the Year 2015, which is mainly attributable to the increase in demands for raw materials of our aluminium flat rolling project for trial run.

Revenue from sales of the Group's industrial aluminium extrusion segment to external customers increased by 1.2% to approximately RMB13.20 billion for the Year under Review from approximately RMB13.05 billion for the Year 2015. Such increase was mainly attributable to the increase in sales volume of industrial aluminium extrusion products during the Year under Review. Revenue from sales to the deep processing business increased by 21.5% to approximately RMB1.37 billion for the Year under Review from approximately RMB1.12 billion for the Year 2015, which was mainly attributable to the increased demands for raw materials of the deep processing business as a result of the increase in its sales volume. Revenue from sales to the high value-added aluminium flat rolling project in Tianjin amounted to approximately RMB650 million, representing an increase of 417.2% from approximately RMB130 million for the Year 2015, which is mainly attributable to the increase in demands for raw materials for our aluminium flat rolling project for trial run.

The average selling price of the Group's industrial aluminium extrusion products to external customers remained relatively stable from RMB22,079 per tonne for the Year 2015 to RMB21,720 per tonne for the Year under Review.

The Group's sales volume of construction aluminium extrusion products decreased by 6.3% from 71,925 tonnes for the Year 2015 to 67,366 tonnes during the Year under Review. Revenue from the Group's construction aluminium extrusion segment amounted to approximately RMB1.03 billion during the Year under Review, a decrease of 5.8% from approximately RMB1.10 billion for the Year 2015. The average selling price of the Group's construction aluminium extrusion products was RMB15,319 per tonne for the Year under Review, in line with RMB15,227 per tonne for the Year 2015.

Revenue from the Group's deep processing business increased significantly by 25.1% from approximately RMB1.95 billion for the Year 2015 to approximately RMB2.44 billion for the Year under Review, which was mainly attributable to the increase in sales volume of the deep-processed products during the Year under Review. Sales volume of the Group's deep-processed products increased by 22.7% from 73,177 tonnes for the Year 2015 to 89,753 tonnes for the Year under Review, which was mainly attributable to the significant increase in sales volume of products including body parts of electric buses, engineered parts for new-energy and conventional vehicles and large-sized aluminium parts of railway vehicles supplied by the Group for the domestic market during the Year under Review. The average selling price of the Group's deep-processed products was RMB27,195 per tonne for the Year under Review, representing an increase of 2.0% from RMB26,669 per tonne for the Year 2015.

Geographically, the Group's overseas customers mainly came from countries and regions including the United States of America, Germany, Belgium, the Netherlands, the United Kingdom and Japan. For the Year under Review, the Group's revenue from overseas sales amounted to approximately RMB2.48 billion (Year 2015: approximately RMB2.37 billion), accounting for 14.9% of the Group's total revenue (Year 2015: 14.7%).

Cost of Sales

The Group's cost of sales amounted to approximately RMB10.41 billion for the Year under Review, representing a decrease of 4.1% from approximately RMB10.85 billion for the Year 2015.

In particular, the Group's cost of sales of the industrial aluminium extrusion segment for the Year under Review was approximately RMB9.92 billion, in line with approximately RMB9.73 billion for the Year 2015. The unit cost of the Group's industrial aluminium extrusion segment was RMB13,075 per tonne for the Year under Review, representing a decrease of 8.9% from RMB14,355 per tonne for the Year 2015. Cost of sales of the Group's construction aluminium extrusion segment amounted to approximately RMB880 million in the Year under Review, representing a decrease of 15.7% from approximately RMB1.05 billion for the Year 2015. The unit cost of the Group's construction aluminium extrusion segment was RMB13,085 per tonne during the Year under Review, representing a decrease of 10.0% from RMB14,531 per tonne for the Year 2015. The decreases in unit cost of both the industrial aluminium extrusion segment and construction aluminium extrusion segment of the Group were mainly due to the full operation of Phase I of the Group's high-precision aluminium product project located in Yingkou, which provided quality raw materials to the Group's aluminium extrusion business at a price lower than the market rate and thus reduced the cost.

The Group's cost of sales of the deep processing business during the Year under Review was approximately RMB1.61 billion, representing an increase of 22.7% from approximately RMB1.32 billion for the Year 2015, which was mainly attributable to the significant increase in sales volume of the deep-processed products during the Year under Review. The Group's unit cost of the deep processing business was RMB17,992 per tonne for the Year under Review, in line with RMB17,991 per tonne for the Year 2015. The major raw materials used in the production of the Group's deep-processed products were provided by the industrial aluminium extrusion segment under the Group's aluminium extrusion business. During the Year under Review, the cost of the Group's deep-processed products which came from the cost of the Group's industrial aluminium extrusion segment was approximately RMB1.35 billion (Year 2015: approximately RMB1.10 billion).

Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB6.29 billion for the Year under Review, representing an increase of 18.2% from approximately RMB5.32 billion for the Year 2015. The gross margin increased from 32.9% for the Year 2015 to 37.7% for the Year under Review. The following sets forth the segment analysis of gross profit, share in gross profit and gross margin of the Group for the Year under Review and the Year 2015:

	For the year ended 31 December					
	2016			2015		
	Gross profit RMB'000	%	Gross margin %	Gross profit RMB'000	%	Gross margin %
Aluminium extrusion business	**5,453,049**	**86.7%**	**33.5%**	4,612,805	86.7%	30.0%
Industrial aluminium extrusion segment	**5,302,521**	**84.3%**	**34.8%**	4,562,744	85.8%	31.9%
Construction aluminium extrusion segment	**150,528**	**2.4%**	**14.6%**	50,061	0.9%	4.6%
Deep processing business	**825,942**	**13.1%**	**33.8%**	634,971	11.9%	32.5%
Others	**17,348**	**0.3%**		77,222	1.5%	
Subtotal	**6,296,339**	**100.1%**	**33.6%**	5,324,998	100.1%	30.6%
Elimination of unrealised internal sales gross profit	**(7,961)**	**(0.1%)**		(4,975)	(0.1%)	
Total	**6,288,378**	**100.0%**	**37.7%**	5,320,023	100.0%	32.9%

Gross profit of the Group's industrial aluminium extrusion segment was approximately RMB5.30 billion, representing an increase of 16.2% from approximately RMB4.56 billion for the Year 2015. Gross margin from the industrial aluminium extrusion segment increased from 31.9% for the Year 2015 to 34.8% for the Year under Review. Gross profit of the Group's industrial aluminium extrusion segment comprises gross profit of external sales and gross profit of inter-segment sales.

Gross profit of the Group's construction aluminium extrusion segment amounted to approximately RMB150 million for the Year under Review, representing an increase of 200.7% over RMB50.06 million for the Year 2015. Gross margin of the Group's construction aluminium extrusion segment increased from 4.6% for the Year 2015 to 14.6% for the Year under Review.

Gross profit of the Group's deep processing business amounted to approximately RMB830 million for the Year under Review, representing an increase of 30.1% over RMB630 million for the Year 2015. Gross margin of the Group's products of its deep processing business increased from 32.5% for the Year 2015 to 33.8% for the Year under Review.

The increases in gross margin of the Group's aluminium extrusion business and deep processing business were mainly attributable to the full operation of Phase I of the Group's high-precision aluminium product project located in Yingkou during the Year under Review, which provided quality raw materials to the Group's aluminium extrusion business at a price lower than the market rate and thus reduced the cost.

Other (Expenses)/Income

Other (expenses)/income decreased from a net gain of approximately RMB170 million for the Year 2015 to a net loss of approximately RMB15.59 million for the Year under Review, which was mainly due to the significant increase of exchange loss from approximately RMB130 million for the Year 2015 to approximately RMB220 million for the Year under Review arising from the Group's borrowings denominated in foreign currencies, which is caused by the depreciation of Renminbi; and, to a lesser extent, due to the decrease in government subsidies from approximately RMB210 million for the Year 2015 to approximately RMB160 million in the Year under Review. Furthermore, the Group's gain on bargain purchase for the Year 2015 of approximately RMB46.69 million as a result of the Group's acquisition of two subsidiaries was not found in the Year under Review.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise share option expenses, wages, salaries and benefit expenses, R&D expenditures, amortisation of prepaid lease payments, land use taxes, bank handling fees, rentals, intermediary fees and depreciation charges of office equipment. Administrative and other operating expenses increased to approximately RMB1.84 billion for the Year under Review from approximately RMB1.46 billion for the Year 2015, which was primarily attributable to the following factors:

(i) the grant of 450 million share options by the Company during the Year under Review resulted in an increase in non-cash expenses arising from the recognition of share options at fair value from approximately RMB2.71 million for the Year 2015 to approximately RMB200 million for the Year under Review;

(ii) the wages, salaries and benefit expenses accounted for under the Group's administrative and other operating expenses increased from approximately RMB180 million for the Year 2015 to approximately RMB240 million during the Year under Review, mainly attributable to the expansion of business scope and scale of the Group leading to an increase in headcounts; and

(iii) the increase of other administrative and operating related expenses, comprising mainly R&D expenditures, amortisation of prepaid lease payments and depreciation charges of office equipment.

Share of Profits less Losses of Associates

The Group's share of profits less losses of associates for the Year under Review was approximately RMB73.90 million (Year 2015: approximately RMB2.07 million), which was the share of profit or loss of the Group's associates recognised using equity method.

Finance Costs

The Group's finance costs increased from approximately RMB620 million for the Year 2015 to approximately RMB930 million for the Year under Review, mainly due to the increase in the average scale of the Group's indebtedness for the Year under Review as compared to that for the Year 2015.

During the Year under Review, the Group's interest expenses directly capitalised into deposits for acquisitions of property, plant and equipment amounted to approximately RMB860 million (Year 2015: approximately RMB710 million) at an annualised capitalisation rate of 4.59% (Year 2015: 4.31%).

During the Year 2015 and the Year under Review, the Group's loans carried average interest rates of 4.23% and 4.14% per annum, respectively. During the Year under Review, the debentures carried interest rates ranging from 3.49% to 7.50% per annum (Year 2015: from 4.60% to 7.50% per annum).

Profit before Taxation

The Group's profit before taxation increased from approximately RMB3.52 billion for the Year 2015 to approximately RMB3.68 billion for the Year under Review.

Income Tax

The Group's income tax increased from approximately RMB720 million for the Year 2015 to approximately RMB770 million for the Year under Review.

The Group's effective tax rates for the Year 2015 and the Year under Review were 20.4% and 21.0%, respectively.

Profit for the Year

The Company's profit for the year increased to approximately RMB2.91 billion for the Year under Review from approximately RMB2.80 billion for the Year 2015. The Group's net profit margin increased from 17.3% for the Year 2015 to 17.4% for the Year under Review. Net of the effect of non-cash expenses arising from the recognition of share options which were granted on 6 January 2016 at fair value by the Group and the stamp duty incurred in connection with the internal reorganisation in relation to the Proposed Spin-off and listing of Liaoning Zhongwang, a wholly-owned subsidiary of the Company, the Company's adjusted profit for the year would amount to approximately RMB3.14 billion for the Year under Review, representing an increase of 12.1% from approximately RMB2.80 billion for the Year 2015.

Cash Flows

The following sets forth the Group's cash flows for the Year under Review and the Year 2015:

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Net cash generated from operating activities	**4,603,246**	6,771,515
Net cash used in investing activities	**(6,065,032)**	(15,318,114)
Net cash (used in)/generated from financing activities	**(713,753)**	9,283,360

Net Current Assets

At 31 December 2016, the Group's net current assets amounted to approximately RMB5.15 billion, which was approximately RMB3.36 billion higher than net current assets of approximately RMB1.79 billion at 31 December 2015. The increase was mainly due to the decrease in current liabilities.

At 31 December 2016, the Group's current liabilities amounted to approximately RMB19.54 billion, representing a decrease of approximately RMB3.38 billion over approximately RMB22.92 billion at 31 December 2015. The decrease was primarily due to the decrease in debentures, banking and other borrowings.

Liquidity

At 31 December 2016 and 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB8.02 billion and RMB10.20 billion, respectively; balance of short-term deposits amounted to approximately RMB3.33 billion and RMB25.92 million, respectively; and balance of pledged bank deposits under current assets amounted to approximately RMB2.90 billion and RMB2.79 billion, respectively.

Borrowings

At 31 December 2016, the Group's debentures and loans amounted to approximately RMB33.02 billion in aggregate, representing a decrease of approximately RMB3.77 billion from approximately RMB36.79 billion at 31 December 2015.

At 31 December 2016, the Group's debentures and loans under current liabilities amounted to approximately RMB8.32 billion (31 December 2015: approximately RMB14.93 billion) and debentures and loans under non-current liabilities amounted to approximately RMB24.70 billion (31 December 2015: approximately RMB21.86 billion). Relevant details have been disclosed in Notes 26 and 27 to the Financial Statements of this annual report.

The Group's gearing ratio was approximately 57.0% at 31 December 2016, a slight improvement from approximately 63.6% at 31 December 2015. The ratio is calculated by dividing total liabilities by total assets of the Group.

Pledged Assets

At 31 December 2016, assets with a total carrying amount of approximately RMB5.36 billion of the Group were pledged, including pledged bank deposits, property, plant and equipment and prepaid lease payments, for financing arrangements (31 December 2015: approximately RMB8.63 billion were pledged, including pledged bank deposits, available-for-sale financial assets, property, plant and equipment and prepaid lease payments, for financing arrangements).

Contingent Liabilities

At 31 December 2016 and 31 December 2015, the Group had no material contingent liabilities.

Employees

At 31 December 2016, the Group had 16,750 full-time employees responsible for, inter alia, production, R&D, sales and management, representing an increase of 30.2% from 12,861 employees as at 31 December 2015. During the Year under Review, relevant employee costs (including Directors' remuneration) amounted to approximately RMB1.42 billion (including share option charges of approximately RMB200 million), an increase of 34.2% as compared with approximately RMB1.06 billion (including share option charges of approximately RMB2.71 million) in the Year 2015. The Group's employee costs (excluding share option charges) increased mainly due to the increase in number of employees as a result of the Group's business expansion both in scope and size.

Research and Development

Continuous investment in R&D has helped the Group establish a high-level R&D and technical team. At 31 December 2016, the Group had 1,288 R&D and quality control personnel which accounted for 7.7% of the Group's total number of employees. Apart from possessing strong R&D capability in new materials and new technologies, and operating the largest die design and manufacturing centre in Asia, the Group has also built a first-rate product and process design team in particular to meet the ever-increasing demand from clients for light-weight development in order to provide the integrated solution from product design to production services. 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 application scope of aluminium products.

Capital Commitments

At 31 December 2016, the Group's capital expenditures in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements amounted to approximately RMB9.65 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 related to the expansion of its production capacity for extrusion. The Group intends to apply funds generated from operating activities, commercial bank loans and other available means to finance the purchase.

Proposed Spin-off

On 22 March 2016, Liaoning Zhongwang Superior Fabrication Investment Limited* (遼寧忠旺精製投資有限公司) ("Zhongwang Fabrication") (an indirect wholly-owned subsidiary of the Company) entered into an assets transfer agreement with CRED Holding Co., Ltd.* (中房置業股份有限公司) ("CRED Holding") (a company incorporated in the PRC and currently listed on the Shanghai Stock Exchange) for the disposal of all the equity interests in Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang", a direct wholly-owned subsidiary of Zhongwang Fabrication). The agreement has been approved by the Hong Kong Stock Exchange and was passed with a great majority by shareholders of the Company and CRED Holding on 6 September 2016. The agreement is pending approval by relevant regulatory departments in the PRC, including the Ministry of Commerce and China Securities Regulatory Commission.

Event after the Reporting Period

The Group had no material events after the reporting period.

Financial Risks

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

Foreign Currency Risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers and foreign currency denominated loans are settled in foreign currencies. During the Year under Review, approximately 85.1% of the Group's revenue was settled in Renminbi and approximately 14.9% was settled in foreign currencies, while approximately 72.8% of the Group's borrowings was denominated in Renminbi and approximately 27.2% was denominated in foreign currencies at 31 December 2016.

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

Interest Rate Risk

As the Group does not have any significant interest-bearing assets, most of the Group's revenue and operating cash flow are not affected by interest rate changes in the market. Interest rate change risk borne by the Group is primarily derived from debentures and loans. The Group has to face the cash-flow interest rate risk on floating-rate loans and fair value interest rate risk on fixed-rate loans. At 31 December 2016, the Group's fixed-rate loans were approximately RMB5.02 billion (31 December 2015: approximately RMB7.90 billion).

During the Year under Review, the Group issued unsecured debentures of RMB2.5 billion, RMB500 million and RMB4 billion, respectively, with maturity of five years, one year and five years, respectively, which are repayable on 22 March 2021, 8 July 2017 and 26 September 2021, respectively, with effective interest rate of 4.05%, 3.49% and 3.75% per annum, respectively.

During the Year 2015, the Group issued an unsecured debenture of RMB1.2 billion with maturity of three years and repayable on 27 May 2018, and with effective interest rate of 5.40% per annum. In addition, the Group issued unsecured debenture of RMB2 billion with maturity of 270 days and repayable on 9 April 2016, and with effective interest rate of 4.60% per annum, which had been fully settled on its maturity date.

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

During the year ended 31 December 2013, the Group issued an unsecured debenture of RMB500 million with maturity of three years and repayable on 8 October 2016, and with effective interest rate of 6.90% per annum, which had been fully settled on its maturity date.

During the year ended 31 December 2014, two interest rate swap contracts, which were denominated in Hong Kong dollars, with a total notional contracted amount of approximately HKD1.49 billion, have been entered into by the Group with bank counterparties and were designated as cash flow hedges to reduce the interest rate risk arising from the floating-rate bank borrowings during the period from the borrowing date to the repayment date.

The swaps match the maturity of the related loans and have fixed swap rates, with interest rate of 1.94% and 3.40% per annum, respectively. Both have matured in the Year under Review. Relevant details have been disclosed in Note 31(c) to the Financial Statements of this annual report.

Price Fluctuation Risk of Aluminium Ingot

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

Profiles of Directors and Senior Management

Directors

The Board consists of eight 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		
Liu Zhongtian (劉忠田)	53	Chairman
Lu Changqing (路長青)	40	President (strategic planning, operation and management)
Gou Xihui (勾喜輝)	49	Vice president (production and operational management)
Non-executive Director		
Chen Yan (陳岩)	37	Vice president (internal auditing)
Independent Non-executive Directors		
Wong Chun Wa (王振華)	42	Independent non-executive directors
Wen Xianjun (文獻軍)	54	Independent non-executive directors
Shi Ketong (史克通)	48	Independent non-executive directors
Lo Wa Kei, Roy (盧華基)	45	Independent non-executive directors

Executive Directors

Mr. LIU Zhongtian (“Mr. Liu”) (劉忠田), aged 53, is the chairman and executive Director of the Board and the founder of our Group. He is primarily responsible for the Group’s overall strategic planning and management. He is also a member of the board of directors of 4 subsidiaries including Liaoning Zhongwang. He has 24 years of experience in business management and development in aluminium processing industry. Before founding our Group in 1993, he established Liaoyang City Aluminium Profile Manufacturing Factory, Liaoyang Futian Chemical Co., Ltd. and Liaoning Chengcheng Plastics Co., Ltd.. Mr. Liu received a diploma in administrative management from Liaoning Radio and TV University (遼寧廣播電視大學), China in 2002. He is an economist (經濟師) and is a member of the 10th and 11th National People’s Congress, the executive committee member of All-China Federation of Industry and Commerce (中華全國工商業聯合會) and the vice chairman of Liaoning Federation of Industry & Commerce. He was awarded the “Top Model Worker of Liaoning Province (遼寧省特等勞動模範)” by the People’s Government of Liaoning Province (遼寧省人民政府) and the “National May Day Medal (全國五•一勞動獎章)” by the All-China Federation of Trade Unions (中華全國總工會) in 1999, the “National Model Worker (全國勞動模範)” by the State Council of the People’s Republic of China (the “PRC”) (中華人民共和國國務院) in 2000 and the “Constructor of Socialism with Chinese Characteristics (中國特色社會主義事業建設者)” by the Central Committee of the Communist Party of China (中國共產黨中央委員會), the National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會), the Ministry of Personnel of the People’s Republic of China (中華人民共和國人事部), State Administration for Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商行政管理總局) and the All-China Federation of Industry and Commerce in 2004. He was appointed as a Director on 29 January 2008 and chairman of our Board on 1 August 2008. He was president of the Company since the listing of the Company and resigned as president on 22 March 2016.

Mr. LU Changqing (路長青), aged 40, is an executive Director and president of our 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 19 subsidiaries including Liaoning Zhongwang and Tianjin Zhongwang Aluminium Company Limited ("Tianjin Zhongwang"). He has 20 years of experience in investment banking and corporate finance. Before joining our Group in November 2007, Mr. Lu was a senior manager of the investment banking department of Tiantong Securities Company Limited from 1997 to 1999, the general manager of the merger and acquisition department of China Technology Innovation Company Limited from 2000 to 2003 and an executive director and joint company secretary of China Huiyuan Juice Group Limited, a listed company on the Main Board of the Stock Exchange of Hong Kong, from 2003 to 2007. Mr. Lu has a bachelor's degree in economics. He was appointed as a Director 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. GOU Xihui (勾喜輝), aged 49, is an executive Director and a vice president of our Group. He is primarily responsible for production and operational management. He is also a member of the board of directors of 14 subsidiaries including Liaoning Zhongwang and Tianjin Zhongwang. He has 27 years of experience in aluminium processing industry. Before joining us in 1996, he worked at Changchun Crane Factory (長春起重機廠) and Liaoning Anshan Haicheng Hua Zi Yu Aluminium Product Factory (遼寧省鞍山市海城華子嶼鋁材廠) from 1990 to 1996. Mr. Gou received a bachelor's degree in machinery and manufacture from Harbin Electrotechnics College (哈爾濱電工學院), China in 1990. He was appointed as a Director on 1 August 2008.

Non-executive Director

Mr. CHEN Yan (陳岩), aged 37, is a non-executive Director and a vice president of our Group. He is primarily responsible for the Group's internal auditing. He is also a member of the board of directors of 20 subsidiaries including Liaoning Zhongwang and Tianjin Zhongwang. He has 16 years of experience in aluminium processing industry. Mr. Chen has held various positions in financial and operation management since he joined our Group in August 2001. Mr. Chen received a diploma in accounting computerisation 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.

Independent Non-executive Directors

Mr. WONG Chun Wa (王振華), aged 42, 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 each of these entities since then. He acted as an independent non-executive director and the chairman of the audit committee of Maanshan Iron & Steel Company Limited, a company listed in Hong Kong and Shanghai between August 2005 and August 2011. He has been a supervisor of Maanshan Iron & Steel Company Limited since August 2011. He has been serving as an independent non-executive director of Hong Kong and Shanghai-listed Chongqing Iron & Steel Company Limited since June 2015. He worked at KPMG from 1999 to 2001 and Ernst & Young from 2001 to 2004. He received a bachelor's degree in accounting from the Hong Kong Polytechnic University, Hong Kong in 1996. Mr. Wong Chun Wa is a certified public accountant in Hong Kong and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He was appointed as a Director on 1 August 2008.

Mr. WEN Xianjun (文獻軍), aged 54, is an independent non-executive Director. Since April 2008, Mr. Wen has been a member of the party committee (常委) and the vice chairman (副會長) of China Nonferrous Metals Industry Association (中國有色金屬工業協會). He has over 30 years' experience in the nonferrous metals industry. Mr. Wen served as an independent director of Henan Zhongfu Industrial Co., Ltd., a Shanghai listed company (October 2009 to November 2014), and an independent director of Ningxia Orient Tantalum Industry Co., Ltd. (April 2011 to October 2014), Suzhou Lopsking Aluminium Co. Ltd. (October 2013 to October 2014) and Jiaozuo Wanfang Aluminium Manufacturing Co., Ltd. (July 2013 to February 2016), these are Shenzhen listed companies. Mr. Wen was the vice president and general secretary of the aluminium branch of, and the director of the aluminium department of, China Nonferrous Metals Industry Association from 2006 to 2008. He was the director of the Industry Administration Department of the State Nonferrous Metals Industry Administration of China (中國國家有色金屬工業局工業管理司) from 1998 to 2000. He served as an engineer in the technology bureau, and deputy director of the investment and operation department, of China Nonferrous Metals Industry Corporation (中國有色金屬工業總公司) from 1990 to 1992 and from 1996 to 1998, respectively. From 1992 to 1996, Mr. Wen was a deputy director of the Development and Exchange Centre of China Nonferrous Metals Industry Technology (中國有色金屬技術開發交流中心). He served as an assistant engineer in Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院) from 1984 to 1987. Mr. Wen received a bachelor's degree in metallic materials from Central South University (中南大學) (formerly known as Central South Institute of Mining and Metallurgy (中南礦冶學院)), China in 1984 and a master's degree in metallic materials from Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院), China in 1990. He received the title of professor-level senior engineer (教授級高級工程師) from China Nonferrous Metals Industry Association in 2007. He was appointed as a Director on 1 August 2008.

Mr. SHI Ketong (史克通), aged 48, is an independent non-executive Director. Mr. Shi is a senior partner of the Beijing office of Jincheng & Tongda Law Offices (金誠同達律師事務所) where he has been a full-time lawyer since 2001 and he gained 16 years of experience in practicing PRC corporate and securities law and in advising clients in matters related to merger and acquisition transactions and corporate restructuring. He has been serving as an independent director of Shenzhen-listed Kee Ever Bright Decorative Technology Co., Ltd, since June 2015. Prior to joining Jincheng & Tongda Law Offices, he practised law at King & Capital Law Firm (北京京都律師事務所) in Beijing from 2000 to 2001 and at Shandong Luzhong Law Offices (山東魯中律師事務所) from 1994 to 2000. Mr. Shi received a bachelor's degree in economic law from China University of Political Science and Law (中國政法大學), China in 1992. He was appointed as a Director on 12 August 2008.

Mr. LO Wa Kei, Roy (盧華基), aged 45, is an independent non-executive Director. Mr. Lo has 24 years of experience in auditing, accounting and finance. Mr. Lo is the Managing Partner of SHINEWING (HK) CPA Limited. He has been serving as an independent non-executive director of Sun Hing Vision Group Holdings Limited, Sheen Tai Holdings Group Company Limited, China Oceanwide Holdings Limited (previously known as "Hutchison Harbour Ring Limited") and Xinming China Holdings Limited, since 1999, 2012, 2014 and 2015, and he has been serving as an independent non-executive director of Quam Limited and Wan Kei Group Holdings Limited since 2017, all of which are Hong Kong listed companies. He also served as an independent non-executive director of United Photovoltaics Group Limited (previously known as "Time Infrastructure Holdings Limited") and North Mining Shares Company Limited (previously known as "Sun Man Tai Holdings Company Limited"). Mr. Lo received a bachelor's degree in business administration from the University of Hong Kong in 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in 2000. He is a certified public accountant, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. Mr. Lo is also the member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference and the founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association. He was appointed as a Director on 11 February 2009.

Senior Management

Name	Gender	Age	Group Position
Kot Man Tat (葛文達)	Male	44	Chief financial officer of the Company
Wang Deman (王德滿)	Male	52	General manager of Tianjin Zhongwang
Li Pengwei (李鵬偉)	Male	33	Deputy general manager of Liaoning Zhongwang
Cui Weiye (崔維曄)	Male	38	Vice president and joint company secretary of the Company
Tang Yanjie (湯彥杰)	Male	47	Vice president of the Company
Deng Jun (鄧峻)	Male	49	Global legal director of the Company

Mr. KOT Man Tat (葛文達), aged 44, is the chief financial officer of our Company. He is primarily responsible for the Group's finance and accounting. Mr. Kot has 21 years' experience in accounting and financial management. Mr. Kot graduated from the Chinese University of Hong Kong in 1996 with the degree of bachelor in business administration. He had worked with KPMG and Ernst & Young auditing division, and served as head of corporate finance with Zhongsheng Group Holdings Limited (a company listed on the Stock Exchange). Prior to joining the Group, he served as senior vice president with a private equity firm. Mr. Kot was appointed as a chief financial officer of our Company on 28 June 2016.

Mr. WANG Deman (王德滿), aged 52, is a professor-level senior engineer and the general manager of Tianjin Zhongwang who is mainly responsible for management of the operation of Tianjin Zhongwang. Prior to joining the Group, Mr. Wang had over 20 years' experience in aluminium processing in large state-owned enterprises with greater practical and theoretical knowledge. He joined the Group in November 2016, and worked as the deputy general manager and executive deputy general manager of Tianjin Zhongwang. Mr. Wang graduated from Central South University (中南工業大學) with a master's degree majoring in metallic materials and heat processing. He was appointed as the general manager of Tianjin Zhongwang on 6 March 2017.

Mr. LI Pengwei (李鵬偉), aged 33, is a deputy general manager of Liaoning Zhongwang. He is primarily responsible for Liaoning Zhongwang's research and development. He also serves on the board of Liaoning Zhongwang Science & Technology Company Limited, an indirect wholly-owned subsidiary of the Company. After joining Liaoning Zhongwang in 2007, Mr. Li has been working at its research and development centre and was appointed as a deputy general manager of Liaoning Zhongwang in March 2012. Mr. Li has been serving as a deputy managing director of China Non-Ferrous Metals Industry Association and managing director of the Strategic Alliance for Aluminium Fabrication Industry Technology Innovation of Liaoning Province since 2014 and 2015 respectively. Mr. Li has a bachelor's degree in metal materials engineering from Heilongjiang University of Science and Technology and a master's degree in materials process engineering from the School of Metallurgy, Northeastern University.

Mr. CUI Weiye (崔維曄), aged 38, is a vice president and joint company secretary of the Company. He is primarily responsible for the capital market operations of the Company. He also serves on the board of Zhongwang Aluminium Company Limited and Hongkong Zhongwang Investment Limited, the indirect wholly-owned subsidiary of the Company. Mr. Cui worked for China Huiyuan Juice Group Limited before joining the Company. After joining the Company in December 2007, Mr. Cui served as director of capital market department. Mr. Cui has a bachelor's degree in finance from Shandong University and an MBA degree from Capital University of Economics and Business. He was appointed as a joint company secretary of our Company on 28 June 2016 and appointed as a vice president of our Company on 5 July 2016. Mr. Cui became a director of June Life Insurance Company Limited on 24 February 2017, as approved by the China Insurance Regulatory Commission.

Mr. TANG Yanjie (湯彥杰), aged 47, is a vice president of the Company. He is primarily responsible for the development of the Company's overseas businesses and overseas mergers and acquisitions. Before joining the Company, Mr. Tang worked successively at the Ministry of Foreign Affairs, Beijing Foreign Studies University and Encore International, Inc. (Beijing). After joining the Company in July 2010, Mr. Tang served as director of investor relations and director of international business development successively. Mr. Tang has a bachelor's degree in English literature from Beijing Foreign Studies University and a master degree in media and communication regulation from London School of Economics and Political Science. He was appointed as a vice president of our Company on 5 July 2016.

Mr. DENG Jun (鄧峻), aged 49, is the global legal director of the Company. He is primarily responsible for the global legal affairs of the Company. Mr. Deng worked at the Hong Kong office of Morrison & Foerster as an of counsel, and worked respectively as senior legal counsel at Avenue Capital Group and Chinadotcom during different periods. He joined the Company in January 2017. Mr. Deng has a bachelor's degree in international law from Wuhan University, a master degree in international politics from Villanova University, the United States and an LLM from the Law School of Capital University, the United States.

Joint Company Secretaries

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

Ms. CHEUNG Yuet Fan (張月芬), aged 51, is the joint company secretary of our Company. She is a senior manager of the Corporate Services Division of Tricor Services Limited ("Tricor"), a global professional services provider specialising in integrated business, corporate and investor services. She is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Prior to joining Tricor, Ms. Cheung has worked in the role of company secretary and corporate governance area in various Hong Kong listed companies and the company secretarial department of Deloitte Touche Tohmatsu in Hong Kong. She has over 25 years of extensive experience in the corporate secretarial field and has been providing professional corporate services to different clients including listed companies. Ms. Cheung was appointed as a joint company secretary of our Company on 28 June 2016.

Report of the Directors

The Board hereby presents this annual report together with the audited consolidated financial statements (the "Consolidated Financial Statements") of the Group for the year ended 31 December 2016 (the "Year under Review").

Principal Activities

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

For a fair review of the principal activities of the Group during the Year under Review and its likely future development, please refer to Management Discussion and Analysis on pages 16 to 28 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 86 to 91 of this annual report.

The Board recommended to declare a final dividend of HKD0.10 per share for the financial year ended 31 December 2016. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 26 May 2017, the final dividend will be paid on or around Friday, 30 June 2017 to the holders of the Company's ordinary shares and convertible preference shares, whose names appear on the register of members of the Company on Thursday, 8 June 2017.

Should the final dividend distribution proposal be approved by the shareholders, together with an interim dividend of HKD0.11 per share paid during the Year under Review, the total dividend payout ratio of the Company for the Year under Review would amount to approximately 45.5%.

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 144 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 12 to the Financial Statements on pages 113 to 114 of this annual report.

Bank and Other Loans

Details of bank and other loans are set out in Note 26 to the Financial Statements on pages 122 to 124 of this annual report.

Disclosure Pursuant to Rule 13.18 of the Listing Rules

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules at 31 December 2016.

On 16 January 2013, the Company entered into a facility agreement (the "2013 Facility Agreement") with a group of banks and financial institutions relating to a term loan facility in the principal amount of USD200 million (the "2013 Facility") for a term of three years. The 2013 Facility was fully repaid on 15 January 2016 by the Company.

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

On 20 June 2014, the Company entered into a facility agreement (the "2014 Facility Agreement") with a group of banks and financial institutions relating to a term loan facility in the principal amount of USD500 million (the "2014 Facility") for a term of three years. At 31 December 2016, the outstanding amount owed by the Company under the 2014 Facility Agreement was USD500 million.

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

On 24 July 2015, Tianjin Zhongwang Aluminium Company Limited ("Tianjin Zhongwang"), an indirect wholly-owned subsidiary of the Company entered into a syndicated facility agreement (the "2015 Facility Agreement") with a group of banks relating to a term loan facility in the principal amount of up to RMB20 billion or its equivalent (the "2015 Facility") for a term of ten years. At 31 December 2016, the outstanding amount owed by Tianjin Zhongwang under the 2015 Facility Agreement was approximately RMB11.02 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 30 to the Financial Statements on pages 127 to 130 of this annual report.

Reserves

Details of movements in the reserves of the Group and the Company during the Year under Review are set out in the Consolidated Statement of Changes in Equity on page 89 and in Note 30 to the Financial Statements on pages 127 to 130 of this annual report.

Distributable Reserves of the Company

Pursuant to the relevant Rules of the Cayman Islands, the Company's reserves available for distribution to shareholders at 31 December 2016 amounted to RMB8.46 billion (31 December 2015: RMB9.15 billion).

Sufficiency of Public Float

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

Pre-emptive Rights

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

Directors

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

Executive Directors

Mr. Liu Zhongtian *(Chairman)*
Mr. Lu Changqing *(President)*
Mr. Gou Xihui

Non-executive Directors

Mr. Chen Yan[1]
Ms. Zhong Hong[2]

Independent Non-executive Directors

Mr. Wong Chun Wa
Mr. Wen Xianjun
Mr. Shi Ketong
Mr. Lo Wa Kei, Roy

Notes:

1. Mr. Chen Yan was re-designated from an executive Director to a non-executive Director with effect from 19 August 2016.

2. Ms. Zhong Hong was re-designated from an executive Director to a non-executive Director with effect from 19 August 2016. Ms. Zhong Hong passed away on 16 February 2017.

Directors' Profiles

Details of the Directors' profiles are set out in the "Profiles of Directors and Senior Management" on pages 29 to 33 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. Wong Chun Wa, Mr. Shi Ketong and Mr. Gou Xihui will retire from the Board by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Confirmation of Independence from the Independent Non-executive Directors

We have received from each of the independent non-executive Directors, namely Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. Our Corporate Governance Committee has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors had been independent from the date of their appointment to 31 December 2016 and remain independent as at the date of this annual report.

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

At 31 December 2016, the interests and short positions of our Directors and chief executive in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the ordinary shares of the Company at 31 December 2016

Name of Director	Capacity/Nature of Interests	Total number of ordinary shares	% of the relevant class of shares
Mr. Liu	Founder of a discretionary trust/Long position	4,041,500,000(1)	74.16
Gou Xihui	Beneficial owner/Long position	43,300,000(2)	0.79
Lu Changqing	Beneficial owner/Long position	2,000,000	0.04
		42,000,000(2)	0.77
Chen Yan	Beneficial owner/Long position	42,000,000(2)	0.77
Zhong Hong(3)	Beneficial owner/Long position	42,000,000(2)	0.77
Lo Wai Kei, Roy	Beneficial owner/Long position	1,600,000(2)	0.03
Shi Ketong	Beneficial owner/Long position	1,600,000(2)	0.03
Wong Chun Wa	Beneficial owner/Long position	1,600,000(2)	0.03
Wen Xianjun	Beneficial owner/Long position	600,000(2)	0.01

Long positions in the underlying ordinary shares of the convertible preference shares of the Company at 31 December 2016

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

(1) At 31 December 2016, Zhongwang International Group Limited ("ZIGL") had interests in these shares under the SFO. The entire issued share capital of ZIGL is held by a trust the beneficiaries of which are members of the family of Mr. Liu, who is an executive Director and the chairman of the Company, as well as a director of ZIGL.

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

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

Save as disclosed above, at 31 December 2016, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

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

Purchase, Sale or Redemption of the Listed Securities

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

Directors' Interests in Competing Business

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

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

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

Connected Transactions and Continuing Connected Transactions

On 26 April 2016, Yingkou Zhongwang Aluminum Co., Ltd. ("Yingkou Zhongwang"), an indirect wholly-owned subsidiary of our Company, entered into a finance lease agreement (the "Finance Lease Agreement") with Hongtai International Finance Lease (Tianjin) Co., Ltd. ("Hongtai Lease"), an indirect non-wholly-owned subsidiary held by Mr. Liu, who is the controlling shareholder of our Company. Pursuant to the Finance Lease Agreement, Yingkou Zhongwang agreed to transfer to Hongtai Lease certain assets consisting of manufacturing equipment owned by Yingkou Zhongwang, at a transfer consideration of RMB600 million, and to lease such assets from Hongtai Lease for a period of eight years, for an aggregate lease rent of RMB882 million, and to pay Hongtai Lease an aggregate consulting fee of RMB19.2 million. On 20 July 2016, Hongtai Lease agreed to shorten the lease period and allow the early repayment of the lease rent by Yingkou Zhongwang. An aggregate lease rent of RMB609 million was repaid by Yingkou Zhongwang on 28 July 2016.

Save as disclosed above, during the Year under Review, the Group did not enter into any transactions which constituted non-exempt connected transactions or non-exempt continuing connected transactions under the Listing Rules.

Related Party Transactions

During the Year under Review, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these related party transactions are disclosed in Note 34 to the Financial Statements on page 138 of this annual report. These transactions were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

Directors' Interests in Contracts of Significance

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

Directors' Remuneration

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

Retirement Schemes

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

The Group's contributions to the retirement benefits scheme and the MPF Scheme for the Year under Review were RMB93.34 million and RMB0.14 million, respectively. Particulars of these retirement plans are set out in Note 33 to the Financial Statement on page 137 of this annual report.

Employees' Remuneration Policy

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

Management Contracts

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

Permitted Indemnity Provisions

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

Equity-linked Agreement

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

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

At 31 December 2016, to the best knowledge of the Directors and the senior management of the Company, the table below lists out the persons (other than the Directors or chief executives of our Company), who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the ordinary shares of the Company at 31 December 2016

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

Long positions in the underlying ordinary shares of the convertible preference shares of the Company at 31 December 2016

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

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

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

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

Save as disclosed above, at 31 December 2016, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share-based Incentive Schemes

Share Option Scheme

The Company adopted a share option scheme on 17 April 2008 (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, invite directors, senior management and consultants of any member of the Group to participate in the Share Option Scheme to subscribe for the ordinary shares of the Company. The period (the "Option Term") within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than ten years from the date the offer has been made to the grantees. The Share Option Scheme is to provide the participants who have been granted options under the Share Option Scheme to subscribe for Shares with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. The exercise price will be established by the Board at the time the grant of the options is made and shall not be less than the highest of:

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

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

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

The amount payable on acceptance of an option under the Share Option Scheme is HKD1.00 (or its equivalent). Each option granted has a vesting period as set out under the Share Option Scheme and the relevant granting documents. A grantee shall be entitled to exercise his/her options to subscribe for up to 20% of the total number of our ordinary shares under options during each of the one year period commencing on the first, second, third, fourth and fifth anniversary of the date of grant, respectively. Where a grantee has not exercised his/her option in respect of the full amount of the vested shares during such vesting periods, the options shall continue to be exercisable in respect of the unexercised portion of the vested shares during the rest of the Option Term. All outstanding options shall lapse, among other circumstances, when the grantee ceases to be a participant of the Share Option Scheme by reason of the termination of his/her employment.

The maximum number of ordinary shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the ordinary shares in issue upon the Listing (the Company may refresh this 10% limit under certain conditions) or 30% of the ordinary shares in issue from time to time where there are options to be granted and yet to be exercised. As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 544,947,314 shares, representing approximately 10% of the number of ordinary shares in issue, and approximately 7.71% of the aggregate number of ordinary shares and convertible preference shares in issue. The total number of ordinary shares issued and to be issued upon exercise of the options granted to each qualified person under the Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed 1% of the ordinary shares in issue. Any further grant of options which would result in the number of ordinary shares exceeding 1% requires a shareholders' approval with the relevant participant and its associates abstaining from voting.

On 6 January 2016, the Company granted a total of 450 million share options to seven directors and 152 staff of the Company under the Share Option Scheme at the exercise price of HKD3.93 per share to subscribe for a total of 450 million ordinary shares of HKD0.1 each of the Company. The closing price of the shares of the Company on the date of grant of options on 6 January 2016 was HKD3.92 per share, and the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant was HKD3.93 per share.

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

Details of valuation of the options granted during the year ended 31 December 2016 are set out in Note 35 to the Financial Statements on pages 138 to 140 of this annual report.

Movements of the options granted under the Share Option Scheme during the year ended 31 December 2016 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 2016	Number of underlying ordinary shares comprised in the options granted during the twelve months ended 31 December 2016	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the twelve months ended 31 December 2016	Number of underlying ordinary shares comprised in the options exercised during the twelve months ended 31 December 2016	Number of underlying ordinary shares comprised in the options outstanding at 31 December 2016
Directors								
Gou Xihui	22 March 2011	21 March 2021	3.9	3,300,000	–	–	–	3,300,000[2]
	6 January 2016	5 January 2026	3.93	–	40,000,000	–	–	40,000,000[3]
Lu Changqing	22 March 2011	21 March 2021	3.9	2,000,000	–	–	–	2,000,000[2]
	6 January 2016	5 January 2026	3.93	–	40,000,000	–	–	40,000,000[3]
Chen Yan	22 March 2011	21 March 2021	3.9	2,000,000	–	–	–	2,000,000[2]
	6 January 2016	5 January 2026	3.93	–	40,000,000	–	–	40,000,000[3]
Zhong Hong [1]	22 March 2011	21 March 2021	3.9	2,000,000	–	–	–	2,000,000[2]
	6 January 2016	5 January 2026	3.93	–	40,000,000	–	–	40,000,000[3]
Lo Wa Kei, Roy	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000[2]
	6 January 2016	5 January 2026	3.93	–	1,000,000	–	–	1,000,000[3]
Shi Ketong	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000[2]
	6 January 2016	5 January 2026	3.93	–	1,000,000	–	–	1,000,000[3]
Wen Xianjun	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000[2]
Wong Chun Wa	22 March 2011	21 March 2021	3.9	600,000	–	–	–	600,000[2]
	6 January 2016	5 January 2026	3.93	–	1,000,000	–	–	1,000,000[3]
46 Other Employees	22 March 2011	21 March 2021	3.9	33,300,000	–	(1,600,000)	–	31,700,000[2]
152 Other Employees	6 January 2016	5 January 2026	3.93	–	287,000,000	–	–	287,000,000[3]
Total				**45,000,000**	**450,000,000**	**(1,600,000)**	**–**	**493,400,000**

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

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

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

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

Further particulars of the Share Option Scheme mentioned above are set out in Note 35 to the Financial Statements on pages 138 to 140 of this annual report and the Sections headed "Statutory and General Information — Other Information — Share Option Scheme" of the prospectus of the Company issued on 24 April 2009.

Charitable Donations

During the Year under Review, the Group made charitable donations amounting to RMB0.2 million.

Compliance with Laws and Regulations

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

Environmental Policies and Performance

The Group has strictly complied with the environmental laws and regulations in China and in other operation locations, including but not limited to "The Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution", "Law of the People's Republic of China on Prevention and Control of Water Pollution", "Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution", "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste", "Environmental Impact Assessment Law of the People's Republic of China", "Cleaner Production Promotion Law of the People's Republic of China", "Law of the People's Republic of China on Energy Conservation", "Regulations on the Administration of Construction Project Environmental Protection", "The Directory of National Hazardous Wastes", etc. We understand that all applicable laws and regulations will affect our operational and financial performance, thus we implement and execute all relevant compliance work through internal control, supervision, and training. The Group has obtained all necessary environmental permits for the operations that is currently undertaking. During the Year under Review, the Group had no incidence of non-compliance with the relevant environmental laws and regulations. For more details, please refer to Section "Environmental, Social and Governance Report — Environmental Protection" as set out in pages 62 to 67 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 — Employee Care" as set out on pages 68 to 71 and Section "Management Discussion and Analysis — Employees" as set out on page 27 of this annual report.

Relationship with Customers and Suppliers

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

Major Customers and Suppliers

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

	Percentage of the Group's total sales (%)
The largest customer	11.4
Five largest customers in aggregate	39.8

	Percentage of the Group's total purchases (%)
The largest supplier	27.5
Five largest suppliers in aggregate	80.3

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

Compliance with the Code on Corporate Governance Practices

In respect of the Year under Review, save as disclosed in the Corporate Governance Report on pages 47 to 57 of this annual report, the Company complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Principal Risks and Uncertainties

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

Policy Risks

Risks of Changes in International Situation and Policies

Although the Group has significantly increased its profitability by promptly adjusting its strategies to "focusing primarily on China and to a lesser extent on the overseas" after encountering the US anti-dumping and anti-countervailing investigation, part of the products sold by the Group may be adversely affected by amendments to or changes in the relevant policies, laws and regulations of some countries or regions.

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.

Risks of Changes in Environmental Protection Policy

In terms of environmental protection, the Group has in all material respects complied with all the applicable environmental protection laws and obtained all the environmental protection permits required for the businesses that the Group now conducts. 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.

Industry Risks

Risks of Macro-economic Volatility

Certain recent adverse financial developments have affected the PRC's and the global financial markets. Such developments include the general slowdown of global economic growth, the significant volatility of the equity securities market and the volatility of the credit market. Although it is difficult to estimate how long such developments will continue or how the Group's market and businesses may be affected, the risks that such developments constitute against the Group may continue for a certain period, including: the risks of possibly reducing the Group's sales to its customers, increasing the Group's interest expenses for bank loans, or reducing the bank facilities currently available to the Group. If the economic downturn continues, the Group's businesses, financial position and operating performance may be adversely affected.

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 enterprises that have considerable assets, revenues and financial resources, and well-developed brands, of which some are well-known for product quality, some have established immense customer bases and strong sales and distribution networks, some have advanced production facilities and technologies as well as excellent product development teams, and/or more comprehensive production lines for aluminium products. Based on the above reasons, the existing competitors may outperform the Group. If the Group fails to maintain its own competitive edges, it will possibly lose its market shares and/or face the risk of lower profitability.

Business Risks

Risks of Uncertain Revenues from New Project

The Group plans to vigorously develop a high value-added aluminium flat rolling project. While the whole production line is under equipment commissioning, some equipment has been put into trial production. This project needs a large amount of investment and a long period for investment return. Although the aluminium flat rolling project has promising prospects because it is in line with the national policy on energy conservation and emission reduction and the global trend of light-weight in the transportation sector, fills the blank in China's technology and production capacity in many high-end application fields and has a large market demand, nevertheless its profitability is uncertain and therefore the Group faces the risks of uncertain revenues from the new project.

Risks of Changes in Customer Needs

The aluminium processing market is characterised by quality upgrades required by steadily improving technical standards, endless changes in customer-designated specifications, and significant fluctuation of product supply and demand. To support technical improvement or product upgrades, the companies using aluminium products from the Group may change their product lines or production processes from time to time, for which the Group may need to develop new products to meet the evolving professional standards and the changing customer needs. If the Group fails to fully follow the market changes or promptly launch aluminium products that meet customer-designated specifications and quality standards, this may affect the growth of the Group's businesses.

Financial Risks

The principal financial risks are set out in the Section "Management Discussion and Analysis — Financial Risks" on pages 27 to 28 of this annual report.

Major Purchase and Sale of Subsidiaries and Associates

On 22 March 2016, Liaoning Zhongwang Superior Fabrication Investment Limited* (遼寧忠旺精製投資有限公司) ("Zhongwang Fabrication") (an indirect wholly-owned subsidiary of the Company) entered into, 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 Spinoff") of Liaoning Zhongwang Group Company Limited ("Liaoning Zhongwang") (a direct wholly-owned subsidiary of Zhongwang Fabrication) by way of, among other things, disposal of all the 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 ("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 6 June 2016 the Company received confirmation from the Stock Exchange that it may proceed with the Proposed Spin-off.

On 19 August 2016, Zhongwang Fabrication entered into, among other agreements, a supplemental assets transfer agreement with CRED Holding to further confirm certain principal terms of the Proposed Spin-off. Upon completion of the Proposed Spin-off, Liaoning Zhongwang will become an indirect non-wholly owned subsidiary of the Company through CRED Holding.

The shareholders of the Company approved the Proposed Spin-off at the extraordinary general meeting of the Company on 6 September 2016. The Proposed Spin-off is subject to approvals by the relevant PRC regulatory authorities (including the Ministry of Commerce and the China Securities Regulatory Commission).

Save as disclosed above, there was no major purchase and sale of the subsidiaries and associates of the Company during the Year under Review.

Event after the Reporting Period

The Group had no material events after the reporting period.

Model Code for Securities Transactions

Details of our Directors' compliance with the Model Code for Securities Transactions are set out in Corporate Governance Report on pages 47 to 57 of this annual report.

Auditor

The Consolidated Financial Statements have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at our forthcoming annual general meeting.

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

By order of the Board
Liu Zhongtian
Chairman

Hong Kong, 24 March 2017

Corporate Governance Report

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

The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "Governance Code") since its listing on the Stock Exchange in 2009. The Company has periodically reviewed its corporate governance practices to ensure its continuous compliance with the Governance Code.

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

Compliance with the Model Code by Directors

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

The Board of Directors

Responsibilities of the Board

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

During the Year under Review, the Board, among others, considered and approved the annual budget, management results and performance update against annual budget, together with business reports from the management, reviewed and approved the audited annual results for the year ended 31 December 2015, the unaudited quarterly results of the periods ended 31 March 2016 and 30 September 2016, the unaudited interim results for the six months ended 30 June 2016, 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 eight members, including three executive Directors, one non-executive Director and four independent non-executive Directors. An updated list of the Directors is maintained on our Company's website and the Stock Exchange's website. The biographies of the Directors are set out in the Section headed "Profiles of the Directors and Senior Management" of this annual report.

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

Executive Directors

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

Non-executive Directors

Mr. Chen Yan[1]
Ms. Zhong Hong[2]

Independent Non-executive Directors

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

Notes:

1. Mr. Chen Yan was re-designated from an executive Director to a non-executive Director with effect from 19 August 2016.

2. Ms. Zhong Hong was re-designated from an executive Director to a non-executive Director with effect from 19 August 2016. Ms. Zhong Hong passed away on 16 February 2017.

Chairman and Chief Executive Officer

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

The Company deviated from this provision from 1 January 2016 to 21 March 2016 because Mr. Liu performed both the roles of chairman of the Board and the president (i.e. the chief executive) of the Company during this period. Mr. Liu is the founder of the Group and has extensive experience in enterprise operation and management in general. Given the stage of development of the Group, the Board believed that vesting the two roles in the same person provided the Company with strong and consistent leadership and facilitated the implementation and execution of the Group's business strategies which was in the best interests of the Company. As disclosed in the Company's announcement dated 22 March 2016, Mr. Liu has resigned as the president of the Company on the same date for the purpose of improving and optimising the corporate governance of the Company as required by its internal management in light of the implementation of the spin-off of Liaoning Zhongwang. At the same time, Mr. Lu Changqing has been appointed as the president of the Company on 22 March 2016 and his term of office will last up to the date of appointment of the next president by the Board. After this change of president, the Company has complied with code provision A.2.1 of the Governance Code up to the date of this report. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances.

Mr. Liu, as the chairman of the Board, is responsible for ensuring that the Directors are properly briefed on issues arising at board meetings and that they receive adequate information in a timely manner. Mr. Liu also 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. Liu, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. Directors are encouraged to express their views and the Board decisions have fairly reflected their consensus. A culture of openness and constructive relations among Directors has been promoted within the Board. Appropriate steps are also taken to provide effective communication between the shareholders and the Board.

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

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

Independent Non-executive Directors

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

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

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

Appointment, Re-election and Removal of Directors

The Nomination and Remuneration Committee is responsible for formulating the procedures for appointing Directors, nominating suitable candidates for approval at the annual general meeting so as to fill vacancies due to the resignation of directors or appoint additional directors. 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 Mr. Chen Yan and Ms. Zhong Hong was re-designated from an executive Director to a non-executive Director with effect from 19 August 2016 for a term of three years subject to rotation. Ms. Zhong Hong passed away on 16 February 2017. Each of the independent non-executive Directors are appointed on a term of three years subject to rotation. Independent non-executive Directors serving more than nine years are only eligible for re-appointment by separate shareholders' resolution, and the documents to shareholders accompanying that resolution will include the reason why the Board believes they are still independent and should be re-elected. None of the independent non-executive Directors has served more than nine years.

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

In compliance with the provisions of the Articles of the Company, Mr. Wong Chun Wa, Mr. Shi Ketong and Mr. Gou Xihui shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Board Committees

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

Audit Committee

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

The Audit Committee acts as the key representative body for overseeing the Company's relations with the external auditor and is primarily responsible for the review and supervision of the Group's financial reporting process, risk management and internal controls and review of the Company's financial statements. The Audit Committee meets regularly with the Company's external auditor to discuss the audit procedures and accounting issues. The Audit Committee should meet at least twice a year. In the Year under Review, four meetings were held by the Audit Committee. The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2015, the unaudited quarterly results of the periods ended 31 March 2016 and 30 September 2016, the unaudited interim results for the six months ended 30 June 2016 with the senior management of the Company, and has also reviewed the effectiveness of the risk management and internal control systems as well as the internal audit function and financial reporting matters of the Group.

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

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

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

Nomination and Remuneration Committee

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

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

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

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

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

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

Corporate Governance Committee

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

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

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

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

Strategy and Development Committee

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

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

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

Board Meetings and General Meeting

The Board conducts meetings on a regular basis to discuss the overall strategy as well as the operation and financial performance of the Group. During the Year under Review, the Board held twenty-one meetings based on the needs of the operation and business development of the Group. Besides, the Directors also attended the annual general meeting held on 28 June 2016 (the "2016 AGM") and the extraordinary general meeting held on 6 September 2016 (the "EGM") to understand the views of the shareholders.

The attendance of each Director at the Board meetings and the 2016 AGM and the EGM was as follows:

	Attendance		
Members of the Board	**Board Meetings**	**2016 AGM**	**EGM**
Executive Directors			
Mr. Liu	21	1	1
Mr. Lu Changqing	21	1	1
Mr. Gou Xihui	21	1	1
Non-executive Directors			
Mr. Chen Yan	21	1	1
Ms. Zhong Hong *(passed away on 16 February 2017)*	21	1	1
Independent Non-executive Directors			
Mr. Wong Chun Wa	21	1	1
Mr. Wen Xianjun	21	1	1
Mr. Shi Ketong	21	1	1
Mr. Lo Wa Kei, Roy	21	1	1

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

Training for Directors

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

Name of Director	Area(s) of training	Hours of training
Mr. Liu	Regulatory; corporate governance; taxation	11
Mr. Lu Changqing	Regulatory; corporate governance; taxation	11
Mr. Gou Xihui	Regulatory; corporate governance; taxation	11
Mr. Chen Yan	Regulatory; corporate governance; taxation	11
Ms. Zhong Hong *(passed away on 16 February 2017)*	Regulatory; corporate governance; taxation	11
Mr. Wong Chun Wa	Regulatory; taxation; capital market	34
Mr. Wen Xianjun	Regulatory; taxation; industry updates	19
Mr. Shi Ketong	Law and regulatory	25
Mr. Lo Wa Kei, Roy	Regulatory; corporate governance; internal control	25

Training for Joint Company Secretaries

As disclosed in the Company's announcement dated 22 March 2016, Mr. Lu has resigned as a joint company secretary of the Company with effect from the same date due to his appointment as the president of the Company. Following his resignation, the other joint company secretary, Mr. Cheung Lap Kei ("Mr. Cheung"), acted as the sole company secretary of the Company.

As further disclosed in the Company's announcement dated 28 June 2016, Mr. Cheung has resigned as the company secretary and the other positions of the Company with effect from the same date in order to concentrate on other personal development. Following the resignation of Mr. Cheung, Mr. Cui Weiye ("Mr. Cui") and Ms. Cheung Yuet Fan ("Ms. Cheung") have been appointed as the Company's joint company secretaries with effect from 28 June 2016.

Mr. Cui, one of our joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance, Ms. Cheung of Tricor Services Limited, an external service provider, has been engaged by the Company as its joint company secretary. Its primary contact person at the Company is Mr. Cui, who is a joint company secretary and a vice president of the Company.

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

Name of Company Secretary	Area(s) of training	Hours of training
Mr. Cui Weiye	Taxation; accounting; corporate governance	27
Ms. Cheung Yuet Fan	Legal and regulatory; accounting; corporate governance	17

Supply of and Access to Information

All Directors have full and timely access to all relevant information as well as advice and services of the joint company secretaries, with a view to ensuring that the meeting procedures of the Board and all applicable rules and regulations are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions. The chairmen of the Board committees also regularly report at Board meetings on their recommendations and activities. The external auditor attended the 2016 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 9 to the Financial Statements on pages 110 to 111 of this annual report.

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

Remuneration Bands	Number of persons
Nil to RMB1,500,000	3
RMB1,500,001 to RMB3,000,000	2

Directors' and Auditor's Responsibility for the Financial Statements

The Directors of the Company acknowledge their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim results. In preparing the Consolidated Financial Statements for the Year under Review, the Directors have selected appropriate accounting policies and applied them consistently, adopted appropriate International Financial Reporting Standards, and made prudent and reasonable judgments and estimates, and have prepared the Consolidated Financial Statements on an ongoing basis. The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Consolidated Financial Statements for the Year under Review is set out in the Section headed "Independent Auditor's Report" on pages 81 to 85 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 29 to 33 of this annual report.

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

Risk Management and Internal Control

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of the operation of the Group. The goal of our risk management and internal control mechanism is to provide reasonable assurance regarding the achievement of objectives in relation to the following and to promote fulfilment of the Company's corporate development strategy:

(i) effectiveness and efficiency of operations and corporate management processes;

(ii) reliability of financial reporting; and

(iii) compliance with applicable laws and regulation.

Through the Audit Committee, the Board has reviewed the risk management and internal control mechanism in respect of financial, operational and compliance matters of the Group and its subsidiaries and has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The management monitors the assessment of the risk management and internal controls and has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

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 2016, 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 KPMG. At the annual general meeting on 28 June 2016, the shareholders of the Company passed an ordinary resolution to re-appoint KPMG as the auditor of the Group to hold office until the conclusion of the next annual general meeting of the Company.

For the Year under Review, the remuneration payable by the Company to KPMG for statutory audit services and non-audit services were RMB8 million and RMB426,000, respectively. The non-audit services relate to the financial advisory services provided by KPMG in relation to financial due diligence carried out on a potential acquisition.

Communications with Shareholders and Investor Relations Department

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

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

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Chairman of the Board will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM. If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company. Shareholders can propose a candidate for election as a Director at a general meeting by lodging a notice to the Company's head office or registered office within seven days prior to the date of such a meeting. The Company has also ensured that its shareholders have the right to raise questions at general meetings. There are no provisions allowing shareholders to move new resolutions at general meetings under the Companies Law of the Cayman Islands or the Articles of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures as set out above.

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

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

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

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

Continual Communications with Shareholders, Investors and Analysts

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

Site Visits

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

Media Relations

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

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

By order of the Board
Liu Zhongtian
Chairman

Hong Kong, 24 March 2017

Environmental, Social and Governance Report

As a world-leading fabricated aluminium manufacturer, we believe that corporate social responsibility is an integral part of our business strategy.

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

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香港社會服務聯會頒發

The Hong Kong office of China Zhongwang is recognised as a "Caring Company".

About the Report

Reporting Guide

This is the first Environmental, Social and Governance Report ("ESG Report") of China Zhongwang Holdings Limited. It is prepared in compliance with the Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange and is in accordance with the actual situation of the Group. The purpose of this report is to enhance stakeholders' understanding of the Group's ESG performance and its sustainability strategy. The Board of Directors, having reviewed and approved this report, confirms the accuracy, truthfulness and completeness of its content.

Scope of the Report

This report discloses the Group's environmental and social performance for the year from 1 January 2016 to 31 December 2016 ("Year under Review"). It is published together with the Annual Report. The environmental and safety performance data in the report covers the aluminium extrusion and deep processing businesses of the Group at Liaoyang City, while the remaining data pertaining to social performance covers the entire Group. The indicators disclosed can be found in the ESG Content Index at the end of the report.

Feedback

We will continue to improve and refine the content and format of our ESG Report. We welcome your feedback and suggestions. Please find our contact information as below:

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

Chairman's Message

Dear Stakeholders,

I am pleased to present the 2016 Environmental, Social and Governance Report of China Zhongwang Holdings Limited.

Reduce Carbon Footprints and Emissions

China Zhongwang is a mid-to-downstream player in the aluminium processing industry value chain. We put a strong emphasis on environmental protection and technological innovation. All facilities at the Group's production plants are procured from leading suppliers. Our manufacturing process strictly complies with applicable national and industry environmental standards. During the Year under Review, the Group remained committed to protecting the environment, managing emission of pollutants throughout the manufacturing process, and reducing energy consumption in transporting its products. In addition to caring for the environment, we promote sustainable development by focusing our efforts on talent development and product quality control.

Protect the Environment to Build a Green Future

China Zhongwang aims to reduce the environmental impact of its production process. Through effective management and introducing advanced technology and equipment, we strive to reduce energy consumption and mitigate discharge of pollutants in the production process. The Group has set up governance teams and defined management systems at each of its production base, contributing to the development of a green industry.

Lay a Foundation for Long-term Development by Nurturing Talents

Recognising that employees are the most valuable asset of the Group, we put occupational health and safety as our first priority. We are committed to staff development by providing equal opportunities for career advancement. It enables the Group to recruit top talents to lay a solid foundation for its long-term development. Furthermore, we encourage employees to participate in various recreational activities, to strengthen their bonds and enhance their sense of belonging.

Pledge to Provide Products of Highest Quality

The Group places emphasis on product quality. Through continued investment in research and development, introduction of new technology and equipment, and stringent quality assurance procedures, we provide clients with products of the highest quality. Also, we have deepened our collaboration with suppliers by setting up a comprehensive assessment and communication mechanism to ensure the reliability and quality of raw materials. Our corporate culture of upholding high integrity provides assurance to the fair screening of suppliers and their strict compliance with relevant regulations.

Pursue Sustainable Development

Looking ahead, we will continue to create value for both our customers and society by providing light-weight solutions, strengthening our management with regard to environmental and social aspects, and enhancing communication with stakeholders, thus fulfilling our commitment to building a sustainable society.

By order of the Board
Liu Zhongtian
Chairman

Hong Kong, 24 March 2017

Environmental Protection

We aim to be an environmentally-friendly corporation that incorporates recycling and reuse of resources into our daily operations. By integrating waste recycling and pollutant emissions control, we are moving towards a green and low-carbon future.

Quality Management and Regular Review

China Zhongwang is committed to environmental management at all our production sites. In addition to the internationally accredited ISO 14001 Environmental Management System ("EMS") certificate, we have set up an Environmental Division responsible for environmental management of plants, liaison with the Ministry of Environmental Protection, monitoring and measuring pollution sources, and maintaining, upgrading and retrofitting environmental installations to ensure smooth operations. By implementing a set of Environmental Protection and Management Guidelines, we monitor the environmental performance of our plants in a regulated and systematic manner. For projects that require special attention, we have put in place a separate management and monitoring system. For instance, we have established flue gas and sewage management systems for air emissions and effluents respectively. These systems set standards for all activities that have environmental impacts. Also, we regularly identify, review and update related environmental rules and regulations to ensure that our operations are in full compliance. During the Year under Review, the Group strictly abided by local environmental laws and no non-compliance issues were identified.

Strict Emissions Control to Mitigate Pollution [Aspect A1]

The Group reduces the amount of wastewater, exhaust gas and waste generated in the process of production through optimising internal management and introducing technology of high efficiency. Under our EMS endeavours, we have implemented mitigation programmes, such as "Air Pollution Control Programme" and "Waste Management Programme", to regulate the entire pollutant discharge process, ensuring effluents and exhaust gas generated from our production plants comply with national and local environmental protection standards. The waste disposal measures also meet all environmental requirements.

Exhaust Gas Treatment

The Group's Environment Division, Logistics Department, Green Development Department and Equipment Department work closely to effectively manage emissions. Air emissions from our plants mainly comprise exhaust gas from boilers, furnaces, vehicles and canteen. Therefore, we require all departments to monitor the performance of exhaust gas treatment devices on a daily basis in accordance with the operating instructions, conduct monthly site check at production plants which generate smoke and exhaust gas and carry out annual check-ups, facilitating inspection and assessment by the Environmental Department. In addition, managing exhaust gas emitted from boilers and heaters is one of our foci. We continue to strengthen inspections and monitoring, eradicate smoke or emission of odorous gases and provide environmental protection and operational skills training to relevant operators every year. Only employees who have obtained the required certifications are allowed to operate certain devices.

Wastewater Reuse

We comply fully with the "Environmental Protection Law", "Cleaner Production Promotion Law" and other relevant laws and regulations. By setting up a designated environmental protection division, which is responsible for conducting inspections and monitoring emissions and discharge of wastewater, we aim to integrate the concept of clean production into our routine practices.

Our plants generate industrial and domestic wastewater. Through on-site recycling and reuse treatment, the amount of wastewater and concentration of pollutants are reduced. We have set up on-site wastewater treatment plants to improve wastewater quality before discharging into the sewerage system, in compliance with environmental standard. Also, the production plants are equipped with wastewater reuse systems which remove contaminants and facilitate reuse of the wastewater in the production process. In order to monitor the wastewater treatment facilities effectively, an online monitoring office has been set up at the Liaoyang production base. An effluent monitoring system connects directly, through data collection devices, to the system of Environmental Protection Bureau, ensuring retrieval of data in real time.

During the Year under Review, Liaoyang aluminium extrusion and deep processing businesses generated 3.57 million tonnes of wastewater, 114.9 tonnes of chemical oxygen demand (COD) and 34.3 tonnes of ammonia nitrogen. Attributed to the rise in production capacity, wastewater discharge increased compared to the previous year. The concentration of COD, however, is far below the national standard of 150mg/L, and is reduced substantially by over 30%.

LIAOYANG PRODUCTION BASE

WASTEWATER RECOVERY RATE:

70%

WASTEWATER COD:

reduced by over 30%

Our Liaoyang production base, which focuses on aluminium extrusion and deep processing businesses, places strong emphasis on wastewater treatment and reuse. After the aeration dosing and lamellar sedimentation process, treated water that meets the standard can be discharged. A portion of treated wastewater then goes through a three-layer filtration and adsorption after which it meets "The water quality control benchmark applicable to recovered water for use as coolant". The treated water is reused within the plants for daily operation. The recovery rate of our Liaoyang plant reaches 70%.

	Unit	For the year ended 31 December 2016
Wastewater Discharge	’000 Tonnes	3,570
COD Concentration	mg/L	32.2
Total COD	Tonne	114.9
Ammonia Concentration	mg/L	9.6
Total Ammonia	Tonne	34.3

Three-layer Wastewater Filter

Waste Management

The Group has imposed strict control on waste generated from the production process, striving to put in its best efforts for resources recovery. Waste generated during the production processes includes hazardous and non-hazardous waste. These are managed according to waste type and management guidelines by the Environmental Division and the Green Development Department respectively.

With respect to hazardous waste, a comprehensive collection guideline has been implemented. According to waste type, hazardous waste is sorted, collected, stored and transported properly. An accredited service provider is appointed to collect waste for treatment and recycling in order to prevent any hazardous materials from being improperly handled.

For non-hazardous industrial waste, we have devised a recycling approach corresponding to the generation process. For instance, aluminium scrap generated at different stages of production is categorised by the corresponding production departments by different types and is then sent to departments which can recycle and reuse it. To further improve resource utilisation rate, other wastes generated from production and maintenance process, such as steel scrap and aluminium dross, are handled collectively by our Waste Recycling Division.

Through implementing a series of waste recycling measures, our Liaoyang production base successfully recycled 12,400 tonnes of waste, equivalent to a 98.6% recycling rate during the Year under Review; only 180 tonnes of waste were handled by other means.

LIAOYANG PRODUCTION BASE

RECYCLED WASTE

12,400 TONNES

RECYCLING RATE

98.6%

Conservation and Recycling of Resources [Aspect A2]

Growing in tandem with our production scale is the demand for raw materials. To ensure the efficient use of aluminum in our production process, we are committed to reducing, reusing and recycling through the employment of management systems and new technologies and equipment.

Energy Saving

Apart from daily management of energy consumption, the introduction of advanced technology helps to raise the resource usage efficiency. We have adopted heat recovery technology for exhaust gas at production lines to reduce energy consumption. At the plants' office, heated water used for cooling in production is reused to provide heat in winter, making yet another progress in heat recovery.

During the Year under Review, our aluminium extrusion and deep processing businesses consumed 650,409 megawatt hours of electricity, 47.14 million cubic metres of natural gas, 3,841 tonnes of diesel and 337 tonnes of gasoline. With reference to the guidelines of Greenhouse Gas Protocol and regional emission factors, greenhouse gas emissions were calculated from the abovementioned data. During the Year under Review, the total carbon dioxide emission was equivalent to 656,438 tonnes, including 112,891 tonnes of Scope 1[1] emissions and 543,547 tonnes of Scope 2[2] emissions.

	Unit	For the year ended 31 December 2016
Electricity	Megawatt-hour (MWh)	650,409
Natural gas	'000 Cubic metres (m^3)	47,140
Diesel	Tonne	3,841
Gasoline	Tonne	337

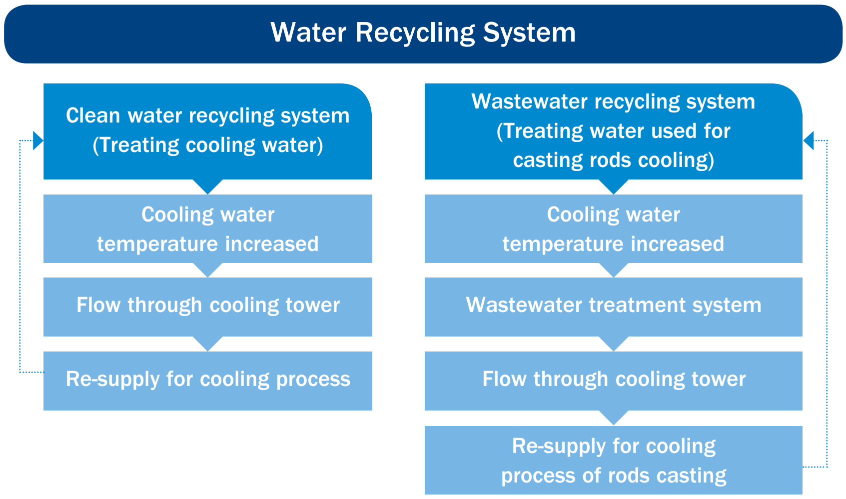
All melting furnaces at our Liaoyang production base are equipped with regenerative burners. The unique design of burners effectively recovers more than 70% of heat energy and provides a more consistent temperature within the furnace. The introduction of heat recovery technology has reduced natural gas usage from 83 to 79 cubic metres per tonne of aluminium used, a reduction of nearly 5% in consumption of natural gas.

1 Scope 1: Greenhouse gas emission generated directly by the Group through the consumption of natural gas, diesel and gasonline.
2 Scope 2: Greenhouse gas emission generated indirectly by the Group through the consumption of electricity and heat energy.

Water Conservation

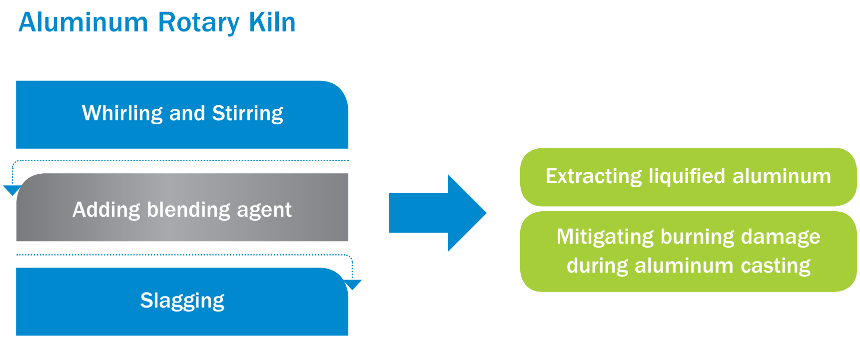
The Group allocates water of different qualities to different plants, according to the required production standards. Water recycling systems are installed according to the quality of wastewater to significantly reduce the consumption of fresh water.

In our Liaoyang production base, water used by the casting and extrusion mills is recycled and reused, with separate clear and wastewater circulation systems. The clear water circulation system is used to treat water used for cooling equipment. The treated water, after flowing through the cooling tower, is then re-supplied for the cooling process. The wastewater circulation system treats water used for rod casting cooling process. Coming out from the wastewater treatment system, the reclaimed water is cooled down by the cooling tower, and then supplied to the casting cooling process through pipelines. As a result of the comprehensive water recycling system, the water reuse rate of the production base reached 98.6%. During the Year under Review, aluminium extrusion and deep processing businesses at the Liaoyang production base consumed 3.97 million tonnes of water.



Reducing Material Consumption

The production process generates aluminium dross with over 40% to 60% of aluminium content. We have adopted aluminium dross reuse technology to reduce the consumption of raw materials during production process. Aluminium dross is processed by stirring, adding blending agent and slagging in tilting aluminium dross rotary furnace. The aluminium is then extracted in the form of liquid. The recovery rate can reach 85% to 95%.



Development of A Green Industry [Aspect A3]

We have been relentlessly developing new products and expanding the applications of aluminium. While meeting the product performance requirements, we also help our customers realise light-weight development.

We have developed light-weight aluminium-intensive trucks for internal transportation use. With the environmentally-friendly advantages of our products, we aim to achieve green production. In our Liaoyang production base, there are 7 aluminium-intensive trucks. In the future, the Group will gradually increase the proportion of aluminium-intensive vehicles used at the plant for transportation.

We also focus on the ecological environment within and outside the production base and have set up a Green Development Department. We take good care of our plants and foliage, indoor and outdoor, at our production sites. During the Year under Review, 2,184 new trees were planted at the Liaoyang production base, increasing the number of trees to approximately 17,000 trees in outdoor areas. These help to provide clean air to the production sites and conserve local water resources.

An aluminum-intensive vehicle of the Group for internal transportation

Employee Care

The Group is committed to a "people-oriented" management approach and has put in place a safe and healthy workplace for employees. By establishing a well-rounded talent management mechanism, we aim to attract and retain top talents.

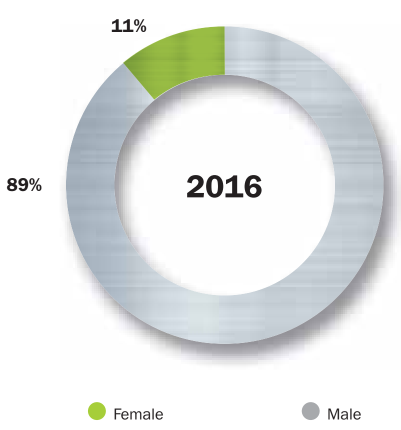
An Attractive Remuneration and Welfare System [Aspect B1]

The Group has strived to build an excellent working environment for its employees. We comply with the relevant laws and regulations, and adhere to the principle of fairness and merit-based policies and principles. We have formulated a competitive talent recruitment system in compliance with the applicable laws and regulations. Moreover, we have established a comprehensive welfare system, and offer promotional opportunities to employees with outstanding performances.

The Group recruits talents with competitive remuneration packages and regularly examines their salary levels to ensure it is up to standard. We collect up-to-date remuneration data for our industry and strive to establish a fair, reasonable and competitive remuneration system. The Group complies with the "Labour Law" and other national social security laws and regulations, providing employees with welfare measures such as medical and social insurance, and safeguarding our employees' holiday entitlements. The Group recruits talents via referrals and open selection processes. We have also established a systematic performance management system and an excellent two-way communication mechanism to optimise our talent management structure.

China Zhongwang has been actively creating employment opportunities for local residents at our locations of operation. The Group has a total of 16,750 employees, of which 89% are male and 11% are female. Regarding the age profile of our employees, we have a reasonable age distribution among the workforce as 71% of our employees are 40 years old or younger. As for employee position, the number of management staff (management level) who are above the production supervisor grade level was 896, comprising 5% of the total workforce.

Employee Gender Distribution



Occupational Health and Safety First [Aspect B2]

The Group has been actively establishing a safe production environment. Our policy emphasises “people-oriented, safety first, prevention-based, integrated governance, and sustainable development”, we therefore have set up a safety accountability system in accordance with the Group’s production characteristics, and adopting the principle of placing emphasis and balance on “management, equipment and training”.

During the Year under Review, the Group has revised and supplemented management regulations and systems such as the “Compilation of Safety Production System” and “Safe Operation Procedure”, and has implemented a more distinct occupational health and safety management system to provide a safe working environment to its employees. The Group’s occupational health and safety system has been certified by OHSAS 18001 (valid for three years) during the Year under Review.

We have been investing in the upgrade and transformation of our production facilities, which improves the safety level of our equipment and safeguards our staff. We have installed dust removal equipment at our production plants, to maintain good ventilation.

The Group has continuously assessed and managed employee education and training to ensure “safety first, prevention-based”. This enhances the safety awareness and self-protecting inclinations of employees, and ensures a safe production environment. During the Year under Review, we amended our “Compilation of Safety Production System”, supplementing and regulating details such as content, timing and organisation of our safety trainings. According to the plan, the Liaoyang production base has organised multiple safety training sessions during the Year under Review, including safety management training for the managerial staff of different production units and departments. We have organised a total of 269 sessions on production safety training, with 100% participation rate of the total workforce. All specialised operators are required to take specific training regularly. During the Year under Review, 100% of specialised operators possessed the required certification. The Group’s work-related injury rate has been maintained at a relatively low level, at 0.042%, and there were no work-related fatalities.

The Group always strives to ensure safe production and has been placing emphasis on preventing, controlling, and eliminating occupational health hazards in our production environment. During the Year under Review, the Group has updated the “Compilation of Safety Production System” with updated occupational disease management. This is in compliance with the newly amended “Law of the People’s Republic of China on Prevention and Control of Occupational Diseases”.

	For the year ended 31 December 2016
Total safety training	269 sessions
Employee participation rate	100%
Rate of specialised operator with legal working certificate	100%
Work-related injury rate	0.042%
Work-related fatalities	0

Safety training for crane workers

First-aid training

Nurture Talents and Promote All-round Development [Aspect B3]

The Group offers protection and support to the career paths of employees, with an aim to achieve simultaneous improvement of both the Group and our people. The Group has been focusing on occupational training specifically for the three core businesses, namely, industrial aluminium extrusions, deep processing and aluminium flat rolling. Such training provides our employees with all-rounded knowledge and skills, and eventually increases their sense of cohesion and foster a learning atmosphere within the Group.

During the Year under Review, the Group improved the “Employee Training System”, and strictly required employees at all levels and positions to obtain the related certifications. We organised a total of 41,894 training sessions, covering all employees, of which 37,284 training sessions were for general-level employees and 4,610 training sessions for employees at management level.

Welding skills competition

Comply with Labour Standards and Safeguard Employees' Rights [Aspect B4]

China Zhongwang's human resources policy and management system have strictly complied with the relevant management regulations and codes of practices prevalent at the operating locations, including international human rights and labour standards. We are committed to protecting labour rights, eliminating any forms of forced labour and banning the employment of child labour.

During the recruitment and employment process, our employees are required to sign contracts which state their position, employee welfare and scope of work, etc. The Group respects the freedom of employees, and strictly prohibits the restriction of their personal freedom or direct forced labour by such ways as collecting deposits or holding up their documents. Since the establishment of China Zhongwang, no incident of child labour or forced labour has occurred at any of its locations. We are against any unfair treatment of employees due to factors such as gender, age, race or religion. During the Year under Review, no incidents of discrimination were reported.

Help Employees In Need to Overcome Difficulties [Aspect B8]

The Group has long been participating in poverty relief activities with the aim of "providing genuine aid to the genuinely impoverished". It has established a long-term poverty relief mechanism that provides assistance for general livelihood, education and medical care. These establish an atmosphere of helping one another.

During the Year under Review, the Group continued to develop its "Charity Relief Foundation" programme, and encouraged employees to actively participate through donations. This programme offers financial assistance to employees and their families in need. The "Charity Relief Foundation" consists of four major funds, namely, the major disease assistance fund, relief fund for accident-caused poverty, student aid fund and livelihood assistance fund. The Group has also established a "Golden Autumn Schooling Assistance" campaign, aiming to provide grants for children of employees facing financial difficulties. The Group has organised an annual "Assembly for Poverty Relief" at the end or the beginning of a year for the past 11 years. This initiative has assisted many employees in solving problems at work and in life.

Ensure Product Quality and Achieve Win-Win Situation with Customers

The foundation of the Group is built on its product quality. Striving to create high-quality products and services, we are committed to achieving mutual win-win development with our customers. Looking ahead, as we pledge to maintain our investment in research and development, we endeavour to produce ever more high-quality and innovative products, to stay at the forefront of the industry.

Establish All-round Supply Chain Management and Strive for Excellence in Quality [Aspect B5]

The Group has been adhering to the principle of "mutual benefits, risk sharing and co-development". Our ultimate goal is to establish an excellent procurement and supply management system for supplier management. We are dedicated to maintaining long-term, stable, and strategic cooperative relationships with leading suppliers at home and abroad. We are committed to a strategic procurement-led approach, achieving co-development with our suppliers on the basis of equality and win-win situation.

During the Year under Review, the Group regularly categorised, assessed and filed suppliers, monitoring their performance in the context of product quality, environment, health and safety and social responsibility. The Group has set out evaluation criteria including passing rate for inspection, timely delivery rate, frequency of extra freight costs, frequency of production interruption, timely response rate to users' feedback, and the extent to which the Group has been affected by the suppliers' quality. Such measures effectively monitor and regulate our procurement process and contribute to a fair, impartial and stringent process of supplier selection to help secure high quality and reliable sources of raw materials and safeguard the product quality of the Group.

Protect Product Quality and Promote Continuous Innovation [Aspect B6]

China Zhongwang believes product quality is pivotal for its sustainable development. We have put in place a full-fledged system to raise the standard of its quality management. During the Year under Review, we continued to strengthen our quality control procedures and management system, effectively preventing the use of defective materials and products, and rectifying non-conforming production procedures. The Group also made efforts to ensure regular disclosure of product quality information and established a product recall and quality assurance system to secure product quality.

Technological innovation has always been our core competitive advantage. We strive to build our brand and become a world leader in the fabricated aluminium product industry. As one of the "National High and New Technology Enterprises", the Group is committed to improving its innovation and product development capability. The technology centre established by the Group was equipped with internationally advanced scientific equipment and maintained by a strong research team. Our technology centre was certified as a "State-accredited Enterprise Technology Centre". During the Year under Review, the Group obtained approval to build a "National-Local Joint Engineering Research Centre", focusing on fabricated aluminium products for aviation and railway transportation industries. It will become the only Joint Engineering Research Centre in Liaoning Province for fabricated aluminium products technology. Upon completion, it will play a major role in leading innovation in research and development as well as the transition towards light-weight production. During the Year under Review, the Group was awarded the "Annual Golden Great Wall Excellent Strategic Corporation" and "Outstanding Contribution in Manufacturing Industry in China" accolades. These achievements recognise our outstanding performance in technological innovation, technical upgrade and brand building.

During the Year under Review, the Group continued to undertake a number of technology projects at national, provincial, municipal and district levels. Our Liaoyang production base submitted a total of 60 patent applications of which we obtained 38 patents, including seven invention patents. Currently, the Group has a total of 396 patents, including 29 invention patents. Our effort was well recognised as we were awarded the "Leading Intellectual Property Enterprise" in Liaoning Province. The Group also achieved numerous technological breakthroughs in alloy manufacturing by making several national records regarding special alloy casting, demonstrating our leading standards and unique exemplary role in the industry. During the Year under Review, the Group had been awarded international accreditations in various sectors, including the Det Norske Veritas Certification, American Bureau of Shipping Certification, Bureau Veritas Certification, China Classification Society Certification, IRIS certification, CE certification, TS16969 certification, AS9100C certification, and ISO9001 certification.


Certificate of Approval

AS9100C Certification

Optimise After-sale Services and Protect Customers' Rights

The Group places strong emphasis on customer relationship management. Devoted effort were made to optimise after-sale services. The Group also continues to revise the contract management organisation and linkage management system. Abiding by the tenet of "integrity and trustworthiness", we have been recognised as a "National Contract-compliance and Honest Enterprise" for 14 consecutive years by the State Administration for Industry and Commerce of the People's Republic of China. We make great efforts to protect consumers' rights and protect their privacy by signing confidentiality agreements. During the Year under Review, we did not receive any complaints related to divulging of consumers' private information.

Maintain a Culture of Honesty and Operate Efficiently [Aspect B7]

The Group strives to establish a culture of probity and honesty and requires strict compliance by all directors, management and employees, preventing any form of corruption. The Group adopts a fair and transparent management approach to protect the rights of business partners, as we continuously strengthen our internal and external management. The Group also provides a fair grievance resolution mechanism which is monitored stringently. During the Year under Review, there were no reported cases of corruption in the Group. The Group will continue to maintain its culture of probity and honesty.

Integrity education activities

Community Contribution [Aspect B8]

China Zhongwang strives to be a socially responsible enterprise, which nurtures the sustainable development of local communities where it operates. With increasing commitment in fulfilling other responsibilities, we aim to embed such beliefs into our long-term strategy.

The Group places emphasis on underprivileged groups such as children and the elderly and practises what it preaches. Since 2011, the Group has arranged regular visits to municipal homes for children's welfare and homes for the disabled in Liaoyang City, and has donated daily necessities to improve their lives. These volunteering activities, led by the Group and actively participated in by our employees, demonstrate that we are active in fulfilling our social responsibilities.

The Group encourages employees to show their love and care to the underprivileged by joining volunteer work and fundraising activities. Since 2011, the Group has donated a total of approximately RMB3.6 million for community welfare programmes. In particular, some of our employees from the Hong Kong office participated in the "Lok Sin Tong Charity Walk 2016", contributing and making donations for public health, education, elderly care, etc. We also supported "Le Sweet Taste" charity mooncake programme organised by Lok Sin Tong, making donations to provide nutritious meals to underprivileged families.

Education and culture are the foundation for social and economic development. We have made financial contributions to the Liaoyang Education Bureau, key primary schools and Dalian Medical University, amongst others. These support scientific research and talent development.

Assembly for Poverty Relief

Going Forward

The Group strives to strike a balance between economic development and social responsibility. While growing our business and strengthening our management, we continue to fulfil our social responsibility as a corporate citizen. The Group will continuously evaluate its performance as to environmental protection, employee care and community investment, creating advantages that lead to sustainable development.

As for environmental protection, the Group will endeavour to allocate resources and undertake various environmental improvement projects, including wastewater treatment and reuse. When it comes to employee care, we will put employee satisfaction and production safety as our top priority. Through ensuring occupational safety and a competitive system, we aim to attract more talents in the technical and management arenas. As far as product quality is concerned, we will continue to provide clients with high-quality products. For community contribution, the Group is committed to fulfilling its social responsibility by taking part in charitable activities and promoting the community's sustainable development.

The Group believes implementing its sustainability strategy will not only help improve business performance, but also boost long-term value for the corporation. Our goal is to become a respectable company that creates more meaningful value for our stakeholders.

Performance Data Summary

		Unit	For the year ended 31 December 2016
Labour Practices	**Full-time employee**	no. of people	16,750
	Age distribution		
	Below 30	no. of people	5,951
	31 to 40		5,914
	41 to 50		4,285
	50 or above		600
	Gender distribution		
	Male	no. of people	14,903
	Female		1,847
	Professional distribution		
	Management[1]	no. of people	896
	General staff		15,854
	Training percentage		100%
Occupational Health and Safety (OHS)^	**Safety performance**		
	Work-related injuries	times	7
	Work-related injury rate		0.042%
	Work-related fatalities		0
	Occupational Health and Safety Education		
	Number of 1st level OHS training	session	269
	Percentage of safety training		100%
	Rate of specialised operator with legal working certificate		100%
Environmental Performance^	**Wastewater**		
	Discharge	'000 tonnes	3,570
	Chemical oxygen demand (COD)		
	Concentration	mg/L	32.2
	Total COD	tonne	114.9
	Ammonia concentration	mg/L	9.6
	Total ammonia	tonne	34.3
	Waste		
	Hazardous	tonne	14
	Non-hazardous	tonne	12,580

		Unit	For the year ended 31 December 2016
Environmental Performance^	**Waste**		
	Recycled	tonne	**12,400**
	Other means of disposal	tonne	**180**
	Energy and Water consumption and conservation		
	Electricity	MWh	**650,409**
	Natural gas	’000 m^3	**47,140**
	Diesel	tonne	**3,841**
	Gasoline	tonne	**337**
	Water	’000 tonnes	**3,970**
	Greenhouse gas (GHG) emission		
	Scope 1[2]	tonne	**112,891**
	Scope 2[3]	tonne	**543,547**
	Environmental benefit		
	Number of trees		**16,987**
	Number of newly planted trees		**2,184**

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

HKEx's Guideline on ESG Report

KPIs	Reporting Guideline	Page
A. ENVIRONMENTAL		
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	62-64
KPI A1.1	The types of emissions and respective emissions data.	
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
Aspect A2	**Use of Resources**	
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials.	65-66
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, petrol or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuers' significant impact on the environment and natural resources.	67
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

KPIs	Reporting Guideline	Page
	B. SOCIAL	
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	68
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	69-70
KPI B2.1	Number and rate of work-related fatalities.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	70
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	71
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	
KPI B5.1	Number of suppliers by geographical region.	72
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	

KPIs	Reporting Guideline	Page
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	72-73
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
KPI B6.4	Description of quality assurance process and recall procedures.	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	
Aspect B7	**Anti-Corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	73
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	
KPI B8.1	Focus areas of contribution (e.g. education, environmental, concerns, labour needs, health, culture, sports).	71, 74
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA ZHONGWANG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Zhongwang Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 86 to 143, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional 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.

Key audit matters (Continued)

Assessment of the impairment of construction in progress in Tianjin ("the Tianjin Project")

Refer to Note 12 to the consolidated financial statements and the accounting policies in Note 2(k)(ii) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2016, the Group was constructing aluminium flat-rolled products machinery in Tianjin. The Tianjin Project consists of two production lines: the first production line is being designed primarily for the production of medium-to-high thickness aluminium alloy plates and the second production line is being designed primarily for the production of aluminium sheets. At 31 December 2016, construction in progress relating to the first and second production lines amounted to RMB17,900 million and RMB8,500 million respectively. The Tianjin Project is a new business line for the Group with significant capital investment required. Management considered that there were uncertainties about the future market demand for aluminium as a replacement for traditional metals, for example in the transportation sector, which is a critical factor in accessing whether the Tianjin Project will be able to generate sufficient future cash inflows which exceed the recoverable amounts of the related assets. Management performed an impairment assessment of the Tianjin Project by estimating the recoverable amounts of the construction in progress based in its value in use by preparing discounted cash flow forecasts for each separately identifiable cash generating unit ("CGU") to which the construction in progress was allocated. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in forecasting aluminium prices and production volumes and in determining appropriate discount rates. We identified assessing impairment of the Tianjin Project as a key audit matter because of the significance of the Tianjin Project to the Group's total assets and because of the inherent uncertainties in management's assessment of impairment which could be subject to error or management bias.	Our audit procedures to assess impairment of the Tianjin Project included the following: • evaluating the appropriateness of the management's identification of CGUs and the allocation of assets to each CGU and assessing management's impairment assessment model with reference to the requirements of the prevailing accounting standards; • challenging the assumptions adopted by management in the preparation of the discounted cash flow forecasts, including estimated future construction cost to completion, projected aluminium prices, forecast sales, forecast margins and forecast production volumes, with reference to a feasibility report of the project issued by a third party specialist and taking into account recent developments in the aluminium flat rolling industry and market specific conditions, including comparing projected aluminium prices with available third party data; • comparing data in the discounted cash flow forecasts to the relevant data, including revenue, cost of sales and other operating expenses, in the financial budget which was approved by the directors; • comparing the estimated costs to complete the construction of the production lines with relevant underlying documents, on a sample basis, including signed contracts relating to the purchase of equipment and construction contracts agreed with contractors; • engaging our internal valuation specialists to assist us in assessing the discount rates applied in the cash flow forecasts by benchmarking against those of other entities in the same industry; • obtaining from management sensitivity analyses of the discount rates, projected aluminium prices and projected production volumes adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and • considering the disclosures in the consolidated financial statements in relation to the impairment assessments of construction in progress with reference to the requirements of the prevailing accounting standards.

Key audit matters (Continued)

Valuation of trade receivables

Refer to Note 18 to the consolidated financial statements and the accounting policies in Note 2(k)(i) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2016, the Group's gross trade receivables totalled RMB1,723 million, against which provisions for doubtful debts of RMB16 million were recorded. The Group's provisions for doubtful debts include a specific element based on individually significant debtors and a collective element for groups of debtors sharing similar risk characteristics, taking into account the credit history of the Group's customers and current market and customer-specific conditions all of which involve a significant degree of management judgement. We identified the valuation of trade receivables as a key audit matter because the assessment of the level of provisions for doubtful debts requires the exercise of significant management judgement.	Our audit procedures to assess the valuation of trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, debt collection and making provisions for doubtful debts; • assessing the classification of individual balances in the trade receivables ageing report by comparing the details in the trade receivables ageing report with relevant underlying documents, including goods delivery notes and payment terms as set out in the contracts with customers, on a sample basis; • obtaining an understanding of the basis of management's judgements about the recoverability of individual balances, on a sample basis, and evaluating the provisions for doubtful debts made by management for these individual balances with reference to the industry in which the debtors are operating, the ageing of overdue balances, historical and post year-end payment records, and recent correspondence with these customers; • recalculating the collective allowance for doubtful debts based on the parameters as set out in the Group's policy for making collective allowances for doubtful debts; • assessing the assumptions and estimates made by management for the provisions for doubtful debts calculated based on a collective assessment by performing a retrospective review of the historical accuracy of these estimates; and • inspecting cash receipts from customers subsequent to the financial year end relating to trade receivable balances at 31 December 2016, on a sample basis.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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 assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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, 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 scepticism 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.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Ho Ying Man Simon.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
24 March 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016
(Expressed in Renminbi ("RMB"))

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	**16,695,543**	16,171,246
Cost of sales		**(10,407,165)**	(10,851,223)
Gross profit		**6,288,378**	5,320,023
Investment income	5	**254,062**	235,783
Other (expenses)/income	6	**(15,589)**	172,852
Selling and distribution costs		**(155,924)**	(136,305)
Administrative and other operating expenses		**(1,839,854)**	(1,455,407)
Share of profits less losses of associates	15	**73,904**	2,070
Finance costs	7(a)	**(925,786)**	(615,894)
Profit before taxation	7	**3,679,191**	3,523,122
Income tax	8	**(772,032)**	(718,141)
Profit for the year		**2,907,159**	2,804,981
Attributable to:			
Equity shareholders of the Company		**2,871,379**	2,804,981
Holders of perpetual capital instruments		**35,780**	—
Profit for the year		**2,907,159**	2,804,981
Earnings per share			
Basic (RMB)	11	**0.41**	0.40
Diluted (RMB)	11	**0.41**	0.40
Profit for the year		**2,907,159**	2,804,981
Other comprehensive income for the year	10		
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of financial statements		**(8,906)**	(60,489)
— Cash flow hedge: net movement in the hedging reserve		**2,913**	(1,700)
— Available-for-sale financial assets: net movements in the fair value reserve		**195**	—
Other comprehensive income for the year		**(5,798)**	(62,189)
Total comprehensive income for the year		**2,901,361**	2,742,792
Attributable to:			
Equity shareholders of the Company		**2,865,581**	2,742,792
Holders of perpetual capital instruments	36	**35,780**	—
Total comprehensive income for the year		**2,901,361**	2,742,792

The notes on pages 92 to 143 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 30(b).

Consolidated Statement of Financial Position

as at 31 December 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	12	**41,220,504**	31,172,208
Prepaid lease payments	13	**6,147,647**	5,909,731
Interest in associates	15	**2,714,922**	2,707,564
Deposits for acquisition of property, plant and equipment and prepaid lease	16	**4,139,933**	6,343,590
Pledged bank deposits	20	**—**	480,307
Deferred tax assets	29(b)	**118,971**	77,322
		54,341,977	46,690,722
Current assets			
Inventories	17	**3,718,262**	3,326,401
Trade and bills receivables	18	**1,834,078**	1,433,664
Other receivables, deposits and prepayments	19	**4,491,610**	5,455,037
Available-for-sale financial assets	21	**266,981**	1,351,418
Prepaid lease payments	13	**136,099**	128,589
Pledged bank deposits	20	**2,897,773**	2,788,873
Short-term deposits	22	**3,326,402**	25,919
Cash and cash equivalents	22	**8,024,564**	10,200,103
		24,695,769	24,710,004
Current liabilities			
Trade payables	23	**1,610,140**	2,405,803
Bills payable	24	**4,301,928**	2,475,856
Other payables and accrued charges	25	**5,065,990**	2,908,927
Current tax liabilities	29(a)	**250,039**	183,344
Debentures	27	**600,000**	2,500,000
Bank and other loans	26(a)	**7,714,354**	12,432,298
Derivative financial instruments	28	**—**	15,403
		19,542,451	22,921,631
Net current assets		**5,153,318**	1,788,373
Total assets less current liabilities		**59,495,295**	48,479,095

Consolidated Statement of Financial Position

as at 31 December 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank and other loans	26(b)	**15,903,057**	19,461,146
Debentures	27	**8,800,000**	2,400,000
Deferred tax liabilities	29(b)	**782,336**	626,951
		25,485,393	22,488,097
NET ASSETS		**34,009,902**	25,990,998
CAPITAL AND RESERVES			
Share capital	30(c)	**605,397**	605,397
Reserves	30(d)	**27,410,505**	25,385,601
Total equity attributable to equity shareholders of the Company		**28,015,902**	25,990,998
Perpetual capital instruments	36	**5,994,000**	—
TOTAL EQUITY		**34,009,902**	25,990,998

Approved and authorised for issue by the board of directors on 24 March 2017.

Lu Changqing
Director

Chen Yan
Director

The notes on pages 92 to 143 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016
(Expressed in RMB)

		Attributable to equity shareholders of the Company													
	Note	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note 30(d)(iv))	Other reserve RMB'000 (Note 30(d)(iii))	Surplus reserve RMB'000 (Note 30(d)(i))	Enterprise development fund RMB'000 (Note 30(d)(ii))	Share option reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Perpetual capital instruments RMB'000 (Note 36)	Total equity RMB'000
At 1 January 2015		605,397	11,222,557	(2,992,978)	635,898	1,774,044	1,774,044	48,460	(4,545)	(1,213)	—	11,266,928	24,328,592	—	24,328,592
Changes in equity for 2015:															
Profit for the year		—	—	—	—	—	—	—	—	—	—	2,804,981	2,804,981	—	2,804,981
Other comprehensive income for the year		—	—	—	—	—	—	—	(60,489)	(1,700)	—	—	(62,189)	—	(62,189)
Total comprehensive income for the year		—	—	—	—	—	—	—	(60,489)	(1,700)	—	2,804,981	2,742,792	—	2,742,792
Final dividends for the year 2014		—	(446,057)	—	—	—	—	—	—	—	—	—	(446,057)	—	(446,057)
Interim dividends for the year 2015		—	(637,043)	—	—	—	—	—	—	—	—	—	(637,043)	—	(637,043)
Recognition of share-based payment	35	—	—	—	—	—	—	2,714	—	—	—	—	2,714	—	2,714
Appropriations		—	—	—	—	292,148	292,148	—	—	—	—	(584,296)	—	—	—
		—	(1,083,100)	—	—	292,148	292,148	2,714	—	—	—	(584,296)	(1,080,386)	—	(1,080,386)
At 31 December 2015 and 1 January 2016		605,397	10,139,457	(2,992,978)	635,898	2,066,192	2,066,192	51,174	(65,034)	(2,913)	—	13,487,613	25,990,998	—	25,990,998
Changes in equity for 2016:															
Profit for the year		—	—	—	—	—	—	—	—	—	—	2,871,379	2,871,379	35,780	2,907,159
Other comprehensive income for the year		—	—	—	—	—	—	—	(8,906)	2,913	195	—	(5,798)	—	(5,798)
Total comprehensive income for the year		—	—	—	—	—	—	—	(8,906)	2,913	195	2,871,379	2,865,581	35,780	2,901,361
Issuance of perpetual capital instruments, net of issuing expenses	36	—	—	—	—	—	—	—	—	—	—	—	—	5,994,000	5,994,000
Final dividends for the year 2015		—	(364,360)	—	—	—	—	—	—	—	—	—	(364,360)	—	(364,360)
Interim dividends for the year 2016		—	(678,425)	—	—	—	—	—	—	—	—	—	(678,425)	—	(678,425)
Recognition of share-based payment	35	—	—	—	—	—	—	202,108	—	—	—	—	202,108	—	202,108
Appropriations		—	—	—	—	1,713,289	316,561	—	—	—	—	(2,029,850)	—	—	—
Distribution for perpetual capital instruments	36	—	—	—	—	—	—	—	—	—	—	—	—	(35,780)	(35,780)
		—	(1,042,785)	—	—	1,713,289	316,561	202,108	—	—	—	(2,029,850)	(840,677)	5,958,220	5,117,543
At 31 December 2016		605,397	9,096,672	(2,992,978)	635,898	3,779,481	2,382,753	253,282	(73,940)	—	195	14,329,142	28,015,902	5,994,000	34,009,902

The notes on pages 92 to 143 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before taxation		**3,679,191**	3,523,122
Adjustments for:			
Finance costs		**925,786**	615,894
Depreciation of property, plant and equipment		**622,358**	553,696
Share-based payment expenses		**202,108**	2,714
Loss on disposal of property, plant and equipment		**5,734**	10,938
Bank deposits interest income		**(205,584)**	(181,368)
Interest income from available-for-sale financial assets		**(48,478)**	(54,415)
Amortisation of prepaid lease payments		**138,932**	128,235
Share of profits less losses of associates		**(73,904)**	(2,070)
Gain on bargain purchase		**—**	(46,688)
Impairment losses on trade and bills receivables		**16,180**	—
Operating cash flows before movements in working capital		**5,262,323**	4,550,058
Increase in inventories		**(391,861)**	(126,544)
Increase in trade and bills receivables		**(416,594)**	(793,564)
Decrease in other receivables, deposits and prepayments		**397,450**	469,901
(Decrease)/increase in trade payables		**(795,663)**	1,650,876
Increase in bills payable		**1,176,794**	936,426
(Decrease)/increase in other payables and accrued charges		**(37,568)**	481,698
Cash generated from operations		**5,194,881**	7,168,851
Income tax paid	29(a)	**(591,635)**	(397,336)
Net cash generated from operating activities		**4,603,246**	6,771,515

Consolidated Cash Flow Statement

for the year ended 31 December 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Investing activities			
(Placement)/withdrawal in short-term deposits		(3,300,483)	100,140
Withdrawal/(placement) in pledged bank deposits		371,407	(1,621,210)
Acquisition of subsidiaries		—	(204,842)
Payment for capital injection of associates		(80,000)	(1,535,000)
Disposal of subsidiaries		1,700,000	(2,999,519)
Disposal of associates		135,000	—
Payment for the purchases of property, plant and equipment and prepaid lease payments		(6,374,526)	(10,196,729)
Interest received from bank deposits		253,809	132,507
Dividends received from associates		103,035	—
Payment for the purchases of available-for-sale financial assets		(975,000)	(645,000)
Proceeds from disposal of available-for-sale financial assets		2,055,000	1,573,600
Interest received from available-for-sale financial assets		46,726	77,939
Net cash used in investing activities		(6,065,032)	(15,318,114)
Financing activities			
Proceeds from bank and other loans		19,258,784	23,160,847
Repayment of bank and other loans		(27,534,817)	(11,445,102)
Proceeds from debentures issued		7,000,000	3,200,000
Repayment of debentures		(2,500,000)	(3,000,000)
Interest paid for bank and other loans		(1,875,697)	(1,549,285)
Dividends paid to equity shareholders of the Company and holders of convertible preference shares		(1,042,785)	(1,083,100)
Net proceeds from issuance of perpetual capital instruments		5,994,000	—
Interest paid for perpetual capital instruments		(13,238)	—
Net cash (used in)/generated from financing activities		(713,753)	9,283,360
Net (decrease)/increase in cash and cash equivalents		(2,175,539)	736,761
Cash and cash equivalents at 1 January		10,200,103	9,463,342
Cash and cash equivalents at 31 December		8,024,564	10,200,103

The notes on pages 92 to 143 form part of these consolidated financial statements.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

1 Corporate information

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

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

2 Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in associates.

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

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

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

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

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

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

2 Significant accounting policies (Continued)

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

(e) Investment in associates

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

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

2 Significant accounting policies (Continued)

(e) Investment in associates (Continued)

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

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

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

(f) Other investments in debt and equity securities

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

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

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

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

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

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

(g) Derivative financial instruments

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

2 Significant accounting policies (Continued)

(h) Cash flow hedges

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

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

(i) Property, plant and equipment

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

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

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

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

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

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

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

(j) Operating lease charges

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

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

2 Significant accounting policies (Continued)

(k) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

— For investments in associates accounted for under the equity method in the consolidated financial statements (Note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(k)(ii).

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

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

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

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

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

2 Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets

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

— property, plant and equipment;

— prepaid lease payments; and

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

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(l) Inventories

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

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

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

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

2 Significant accounting policies (Continued)

(m) Trade and other receivables

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

(n) Interest-bearing borrowings

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

(o) 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. Interests and distributions on perpetual capital instruments classified as equity are recognised as distributions within equity.

(p) Trade and other payables

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

(q) Cash and cash equivalents

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

(r) Employee benefits

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

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

(ii) Share-based payments

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

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

2 Significant accounting policies (Continued)

(s) Income tax

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

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

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

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

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

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

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

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

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies (Continued)

(t) Provisions and contingent liabilities

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

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

(u) Revenue recognition

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

(i) Sale of goods

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

(ii) Rental income from operating leases

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

(iii) Interest income

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

(iv) Government grants

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

(v) Translation of foreign currencies

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

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

2 Significant accounting policies (Continued)

(v) Translation of foreign currencies (Continued)

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

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

(w) Research and development expenditure

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

(x) Borrowing costs

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

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

(y) Related parties

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

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

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

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

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

2 Significant accounting policies (Continued)

(z) Segment reporting

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

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

3 Accounting judgement and estimates

Notes 31 and 35 contain information about the assumptions and their risk factors relating to fair value of financial instruments and share options granted. Other key sources of estimation uncertainty are as follows:

(a) Impairment on property, plant and equipment

Determining whether its property, plant and equipment are impaired requires an estimation of their recoverable amounts. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from those assets and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(b) Impairment of receivables

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

(c) Depreciation

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

4 Revenue and segment reporting

(a) Revenue

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

Revenue represents the sales value of aluminium products sold to customers, metal trade agency commission and revenue generated from financial services. The amount of each significant category of revenue recognised during the year is as follows:

	2016 RMB'000	2015 RMB'000
Sales of aluminium products		
— industrial aluminium extrusion products	**13,204,307**	13,046,688
— deep-processed products	**2,440,800**	1,951,524
— construction products	**1,032,007**	1,095,190
Metal trade agency commission	**18,429**	32,581
Financial services	**—**	45,263
	16,695,543	16,171,246

(b) Segment reporting

Information reported to the Group's executive directors, being the chief operating decision maker, for the purpose of resources allocation and assessment of performance focuses on the type of products (i.e. aluminium extrusion products produced for construction use or industrial use, aluminium deep-processed products and aluminium flat-rolled products). Each type of products has different client base and requires different production technology. The Group's operating segments under IFRS 8 are as follows:

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

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

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

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

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) Segment revenues and profit

The following is an analysis of the Group's revenue and profit by operating segment.

	Segment revenue	
	2016 RMB'000	2015 RMB'000
Industrial		
— Revenue from external customers	**13,204,307**	13,046,688
— Inter-segment sales	**2,018,358**	1,250,563
Deep-processed	**2,440,800**	1,951,524
Construction	**1,032,007**	1,095,190
Others	**18,429**	77,844
	18,713,901	17,421,809
Elimination of inter-segment revenue	**(2,018,358)**	(1,250,563)
Total	**16,695,543**	16,171,246

	Segment profit	
	2016 RMB'000	2015 RMB'000
Industrial	**5,302,521**	4,562,744
Deep-processed	**825,942**	634,971
Construction	**150,528**	50,061
Others	**17,348**	77,222
	6,296,339	5,324,998
Elimination of unrealised inter-segment profits	**(7,961)**	(4,975)
Total	**6,288,378**	5,320,023
Investment income and other (expenses)/income	**238,473**	408,635
Selling and distribution costs	**(155,924)**	(136,305)
Administrative and other operating expenses	**(1,839,854)**	(1,455,407)
Share of profits less losses of associates	**73,904**	2,070
Finance costs	**(925,786)**	(615,894)
Profit before taxation	**3,679,191**	3,523,122
Income tax	**(772,032)**	(718,141)
Profit for the year	**2,907,159**	2,804,981

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

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(ii) Segment assets and liabilities

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

	2016 RMB'000	2015 RMB'000
Industrial	**19,435,894**	16,773,652
Deep-processed	**1,547,358**	1,024,382
Construction	**231,688**	264,412
Flat-rolled	**35,668,412**	29,443,366
Unallocated assets		
— Property, plant and equipment	**2,200,925**	1,722,060
— Prepaid lease payments	**54,885**	57,552
— Available-for-sale financial assets	**266,981**	1,351,418
— Interest in associates	**2,714,922**	2,707,564
— Deferred tax assets	**118,971**	77,322
— Inventories	**2,226,619**	1,955,975
— Other receivables, deposits and prepayments	**322,352**	2,527,821
— Pledged bank deposits	**2,897,773**	3,269,180
— Short-term deposits	**3,326,402**	25,919
— Cash and cash equivalents	**8,024,564**	10,200,103
Total assets	**79,037,746**	71,400,726

For the purpose of monitoring segment performances and allocating resources between segments:

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

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

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

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(iii) Other segment information

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

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

Amounts included in the measure of segment profit or segment assets for the year ended 31 December 2015:

	Industrial RMB'000	Deep-processed RMB'000	Construction RMB'000	Flat-rolled RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	3,020,526	32,466	—	9,487,285	107,528	12,647,805
Additions to prepaid lease payments	480,844	200,515	—	272,910	—	954,269
Additions to deposits for acquisition of property, plant and equipment and prepaid lease	160,172	—	—	4,828,572	—	4,988,744
Depreciation of property, plant and equipment	351,253	17,423	44,101	—	140,919	553,696
Amortisation of prepaid lease payments	87,323	1,501	—	38,337	1,074	128,235
Loss on disposal of property, plant and equipment	10,715	—	—	—	223	10,938

4 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(iv) Geographical information

The management has categorised the revenue by location of customers as follows:

	2016 RMB'000	2015 RMB'000
People's Republic of China ("PRC")	**14,211,311**	13,798,214
United States of America	**1,904,083**	1,781,549
Germany	**83,186**	151,551
Belgium	**75,479**	57,266
Netherlands	**74,500**	56,413
United Kingdom	**67,221**	92,401
Japan	**41,334**	43,307
Others	**238,429**	190,545
	16,695,543	16,171,246

Nearly all non-current assets of the Group are located in the PRC.

(v) Information about major customers

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

	2016 RMB'000	2015 RMB'000
Customer A*	**1,903,216**	1,785,516
Customer B**	**Note**	1,747,343
Customer C**	**Note**	1,642,799

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

* Revenue from Industrial and Deep-processed segment.

** Revenue from Industrial segment.

5 Investment income

	2016 RMB'000	2015 RMB'000
Bank deposits interest income	**205,584**	181,368
Interest income from available-for-sale financial assets	**48,478**	54,415
	254,062	235,783

6 Other (expenses)/income

	2016 RMB'000	2015 RMB'000
Government subsidies (Note)	**160,577**	205,374
Sales of equipment	**109,296**	177,051
Cost of sales of equipment	**(89,390)**	(149,740)
Rental income	**150**	167
Gain on bargain purchase	**—**	46,688
Gain on sales of scrap materials, consumables and moulds	**29,346**	30,478
Loss on disposal of property, plant and equipment	**(5,734)**	(10,938)
Exchange loss	**(219,834)**	(126,228)
	(15,589)	172,852

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

7 Profit before taxation

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

	2016 RMB'000	2015 RMB'000
(a) Finance costs		
Interests on bank loans and other borrowings	**1,761,413**	1,291,697
Less: Interest expense capitalised into property, plant and equipment, and deposits for acquisition of property, plant and equipment*	**(855,103)**	(711,093)
	906,310	580,604
Interest rate swaps: cash flow hedges, reclassified from equity (Note 10(b))	**19,476**	35,290
Total finance costs	**925,786**	615,894

* The borrowing costs have been capitalised at an average interest rate of 4.59% per annum (2015: 4.31%).

	2016 RMB'000	2015 RMB'000
(b) Staff costs#		
Staff costs (including directors' emoluments):		
— Salaries and other benefits	**1,121,106**	991,983
— Contributions to defined contribution retirement plan	**93,484**	61,300
— Equity-settled share-based payment expenses	**202,108**	2,714
	1,416,698	1,055,997
(c) Other items		
Amortisation of prepaid lease payments (Note 13) #	**138,932**	128,235
Depreciation of property, plant and equipment (Note 12) #	**622,358**	553,696
Impairment losses on trade receivables (Note 18(b))	**16,180**	—
Operating lease charges in respect of office premises	**49,548**	70,027
Auditors' remuneration		
— Audit services	**8,000**	8,000
— Other services	**426**	—
Research and development costs	**532,059**	505,463
Cost of inventories recognised as an expense #	**10,407,165**	10,851,223

\# Cost of inventories recognised as an expense includes approximately RMB1,116,756,000 (2015: RMB1,024,097,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

8 Income tax

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

	2016 RMB'000	2015 RMB'000
Current tax — PRC tax		
Provision for the year	**656,072**	486,313
Over-provision in respect of prior years	**—**	(49)
Withholding tax on intra-group interest income	**2,258**	16,538
	658,330	502,802
Deferred taxation (Note 29(b))	**113,702**	215,339
Total income tax	**772,032**	718,141

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

	2016 RMB'000	2015 RMB'000
Profit before taxation	**3,679,191**	3,523,122
Notional tax on profit before taxation, calculated at the PRC income tax rate of 25%	**919,798**	880,781
Tax effect of differential tax rate (Note (i))	**182,015**	184,575
Effect of PRC preferential tax rate (Note (ii))	**(325,256)**	(284,942)
Tax effect of non-deductible expenses	**50,198**	11,769
Tax effect of non-taxable income	**(18,476)**	(518)
Tax relief related to additional tax deduction on research and development costs incurred	**(65,480)**	(62,507)
Tax effect of tax losses not recognised	**57,809**	42,255
Tax effect of utilisation of previously unrecognised tax losses	**(22,770)**	(10,696)
Tax effect of intra-group interest income	**(5,806)**	(42,527)
Over-provision in respect of prior years	**—**	(49)
Actual tax expense	**772,032**	718,141

Note:

(i) The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for the Company and certain subsidiaries of the Group incorporated in countries other than the PRC are subject to income tax rates ranging from 0% to 40% pursuant to the rules and regulations of their respective countries of incorporation.

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

9 Directors' and senior managements' emoluments

	2016 RMB'000	2015 RMB'000
Directors' emoluments		
Salaries and other benefits	8,765	8,673
Retirement benefit scheme contributions	84	63
Employee share option benefits	73,155	706
	82,004	9,442

Directors' emoluments during each of the years ended 31 December 2016 and 2015 are analysed as follows:

	2016				2015			
	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Name of directors			(Note (i))				(Note (i))	
Executive directors:								
Mr. Liu Zhongtian	2,025	6	—	2,031	2,006	6	—	2,012
Mr. Lu Changqing	1,556	47	17,942	19,545	1,551	44	121	1,716
Mr. Gou Xihui	1,549	25	17,957	19,531	1,506	6	199	1,711
Ms. Zhong Hong (Note (iii))	—	—	—	—	1,504	1	121	1,626
Mr. Chen Yan (Note (iii))	—	—	—	—	1,506	6	121	1,633
Non-executive directors:								
Ms. Zhong Hong (Note (iii))	1,515	—	17,942	19,457	—	—	—	—
Mr. Chen Yan (Note (iii))	1,520	6	17,942	19,468	—	—	—	—
Independent non-executive directors:								
Mr. Wong Chun Wa	200	—	455	655	200	—	36	236
Mr. Wen Xianjun (Note(ii))	—	—	7	7	—	—	36	36
Mr. Shi Ketong	200	—	455	655	200	—	36	236
Mr. Lo Wa Kei, Roy	200	—	455	655	200	—	36	236
Total	8,765	84	73,155	82,004	8,673	63	706	9,442

Note:

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(r)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 35.

(ii) 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 2016 and 2015.

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

9 Directors' and senior managements' emoluments (Continued)

For each of the years ended 31 December 2016 and 2015, 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 2016 and 2015, 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.

10 Other comprehensive income

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

	2016			2015		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences arising on translation of financial statements	(8,906)	—	(8,906)	(60,489)	—	(60,489)
Cash flow hedge: net movement in hedging reserve	2,913	—	2,913	(1,700)	—	(1,700)
Available-for-sale financial assets: net movement in the fair value reserve	229	(34)	195	—	—	—
Other comprehensive income	(5,764)	(34)	(5,798)	(62,189)	—	(62,189)

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

	2016 RMB'000	2015 RMB'000
Cash flow hedge:		
Effective portion of changes in fair value of hedging instruments recognised during the year	(16,563)	(36,990)
Reclassification adjustments for amounts transferred to the consolidated income statement (Note 7(a))	19,476	35,290
Net movement in the hedging reserve during the year recognised in other comprehensive income	2,913	(1,700)
Available-for-sale financial assets:		
Change in fair value recognised during the year	229	—
Net deferred tax credited to other comprehensive income	(34)	—
Net movement in the fair value reserve during the year recognised in other comprehensive income	195	—

11 Earnings per share

The calculation of the basic and diluted earnings per share is based on the consolidated profit attributable to the equity shareholders of the Company for each of the years ended 31 December 2016 and 2015 and on the number of shares as follows:

	2016 RMB'000	2015 RMB'000
Profit attributable to equity shareholders of the Company	**2,871,379**	2,804,981

	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares	**5,449,473**	5,449,472
Weighted average number of convertible preference shares	**1,619,125**	1,619,126
Weighted average number of shares for the purpose of basic and diluted earnings per share	**7,068,598**	7,068,598
Earnings per share		
Basic (RMB)	**0.41**	0.40
Diluted (RMB)	**0.41**	0.40

The computation of diluted earnings per share does not assume the exercise of certain share options because they are antidilutive for each of the years ended 31 December 2016 and 2015.

12 Property, plant and equipment

	Buildings RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2015	1,162,642	7,880,690	119,168	66,820	13,325,580	22,554,900
Transfer in/(out)	900,034	2,073,625	4,983	13,727	(2,992,369)	—
Additions	—	44,342	10,773	20,083	4,791,310	4,866,508
Transfer from deposits for acquisition of property, plant and equipment	—	—	—	—	7,578,029	7,578,029
Disposals	—	(65,814)	(6,890)	(2,177)	—	(74,881)
Addition through acquisition of subsidiaries	17,383	5,710	—	11,046	169,129	203,268
Disposal of a subsidiary	—	—	(1,806)	(12,543)	—	(14,349)
At 31 December 2015	2,080,059	9,938,553	126,228	96,956	22,871,679	35,113,475
At 1 January 2016	2,080,059	9,938,553	126,228	96,956	22,871,679	35,113,475
Transfer in/(out)	8,272	361,475	6,412	18,324	(394,483)	—
Additions	41	123,447	10,818	31,420	6,153,464	6,319,190
Transfer from deposits for acquisition of property, plant and equipment	—	—	—	—	4,362,391	4,362,391
Disposals	—	(30,000)	(2,170)	—	—	(32,170)
At 31 December 2016	**2,088,372**	**10,393,475**	**141,288**	**146,700**	**32,993,051**	**45,762,886**
Accumulated depreciation and impairment						
At 1 January 2015	317,537	3,003,174	68,246	41,768	—	3,430,725
Charge for the year	70,499	457,190	17,052	8,955	—	553,696
Written back on disposals	—	(36,888)	(6,115)	(1,958)	—	(44,961)
Addition through acquisition of subsidiaries	2,592	822	—	77	—	3,491
Disposal of a subsidiary	—	—	(233)	(1,451)	—	(1,684)
At 31 December 2015	390,628	3,424,298	78,950	47,391	—	3,941,267
At 1 January 2016	390,628	3,424,298	78,950	47,391	—	3,941,267
Charge for the year	92,971	500,790	16,190	12,407	—	622,358
Written back on disposals	—	(19,400)	(1,843)	—	—	(21,243)
At 31 December 2016	**483,599**	**3,905,688**	**93,297**	**59,798**	**—**	**4,542,382**
Net book value						
At 31 December 2016	**1,604,773**	**6,487,787**	**47,991**	**86,902**	**32,993,051**	**41,220,504**
At 31 December 2015	1,689,431	6,514,255	47,278	49,565	22,871,679	31,172,208

12 Property, plant and equipment (Continued)

At 31 December 2016, certain of the Group's machineries with a carrying amount of approximately RMB3,444,617,000 (2015: RMB3,564,185,000) were used to secure the Group's borrowings (Note 26(b)(ii), Note 26(b)(iii) and Note 26(b)(iv)).

13 Prepaid lease payments

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

	2016 RMB'000	2015 RMB'000
Cost		
At 1 January	**6,500,468**	5,546,199
Additions	**378,300**	175,574
Transfer from deposits for acquisition of prepaid lease	**6,058**	330,450
Addition through acquisition of subsidiaries	**—**	448,245
At 31 December	**6,884,826**	6,500,468
Accumulated amortisation		
At 1 January	**462,148**	319,154
Charge for the year	**138,932**	128,235
Addition through acquisition of subsidiaries	**—**	14,759
At 31 December	**601,080**	462,148
Net book value		
At 31 December	**6,283,746**	6,038,320
Analysed for reporting purpose:		
Current assets	**136,099**	128,589
Non-current assets	**6,147,647**	5,909,731

At 31 December 2016, certain of the Group's land use rights with a carrying amount of approximately RMB1,410,459,000 (2015: RMB1,441,519,000) were used to secure the Group's borrowings (Note 26(b)(ii)).

(Expressed in RMB unless otherwise indicated)

14 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	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Issued and fully paid share capital/ registered capital	Principal activities
Liaoning Zhongwang Superior Fabrication Investment Limited* 遼寧忠旺精製投資有限公司	The PRC	Wholly foreign owned enterprise	The PRC	100%	—	100%	USD2,433,000,000	Investment holding, consulting and research & development
Liaoning Zhongwang Group Company Limited* 遼寧忠旺集團有限公司	The PRC	Wholly foreign owned enterprise	The PRC	100%	—	100%	USD2,233,000,000	Manufacturing of aluminium products
Liaoyang Zhongwang Superior Aluminium Fabrication Company Limited* 遼陽忠旺精製鋁業有限公司	The PRC	Wholly foreign owned enterprise	The PRC	100%	—	100%	USD200,000,000	Manufacturing of aluminium products and investment consulting
Zhongwang Aluminium Company Limited* 忠旺鋁業有限公司	The PRC	Domestic Limited Liability Company ("DLLC")	The PRC	100%	—	100%	RMB300,000,000	Investment holding and trading of aluminium products and other materials
Liaoning Zhongwang Aluminium Company Limited* 遼寧忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB20,650,000,000	Investment holding and manufacturing of aluminium products
Daqing Zhongwang Aluminium Company Limited* 大慶忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB230,000,000	Manufacturing of aluminium products
Yingkou Zhongwang Aluminium Company Limited* 營口忠旺鋁業有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Panjin Zhongwang Aluminium Company Limited* 盤錦忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Tianjin Zhongwang Aluminium Company Limited* 天津忠旺鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB20,000,000,000	Manufacturing of aluminium products
Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited* 遼寧忠旺機械設備製造有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB50,000,000	Manufacturing of machinery
Liaoning Zhongwang Import & Export Trade Company Limited* 遼寧忠旺進出口貿易有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB100,000,000	Trading of aluminium products, ingots, rods and other materials

(Expressed in RMB unless otherwise indicated)

14 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Form of business structure	Place of operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Issued and fully paid share capital/ registered capital	Principal activities
Zhongwang Import & Export Trade Company Limited* 忠旺進出口有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB1,000,000,000	Trading of aluminium ingots, rods and other materials
Liaoning Zhongwang Advanced Aluminium Alloy Processing Company Limited* 遼寧忠旺鋁合金精深加工有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Liaoning Zhongwang Special Vehicle Manufacturing Company Limited* 遼寧忠旺特種車輛製造有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of Special Vehicle and Parts
Liaoning Zhongwang Mould Company Limited* 遼寧忠旺模具有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Designing and manufacturing of aluminium extrusion mould
Liaoning Zhongwang Aluminium Formwork Manufacturing Company Limited* 遼寧忠旺鋁模板製造有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Designing and manufacturing of aluminium alloy construction formwork
Liaoning Zhongwang Aluminium Vehicle Compartment Manufacturing Company Limited* 遼寧忠旺鋁合金車體製造有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Designing and manufacturing of aluminium vehicle compartment
Liaoning Zhongwang Vehicle Manufacturing Company Limited* 遼寧忠旺汽車有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of vehicle compartment
Zhongwang Advanced Fabrication Panjin Aluminium Company Limited* 忠旺高精盤錦鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Liaoning Zhongwang Aluminium Trade Company Limited* 遼寧忠旺鋁合金貿易有限公司	The PRC	DLLC	The PRC	100%	—	100%	RMB100,000,000	Trading of aluminium products, ingots, rods and other materials
Zhongwang (Yingkou) Advanced Fabrication Aluminium Company Limited* 忠旺(營口)高精鋁業有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB200,000,000	Manufacturing of aluminium products
Anhui Zhongwang Advanced Aluminium Alloy Company Limited* 安徽忠旺鋁合金精深加工有限公司**	The PRC	DLLC	The PRC	100%	—	100%	RMB100,000,000	Manufacturing of aluminium products

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

** These companies have not commenced operation at 31 December 2016.

(Expressed in RMB unless otherwise indicated)

15 Interest in associates

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

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

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

Note:

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

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

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

15 Interest in associates (Continued)

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

	Zhongwang Huarong		Zhongwang Xinda		Zhongwang Finance Company		Liaoning Wanning	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Gross amounts of the associates'								
Current assets	**1,719,519**	2,600,007	**1,531,210**	2,650,177	**23,014,117**	4,029,513	**19,158,190**	13,391,420
Non-current assets	**1,560,736**	1,200,700	**1,417,019**	1,124,500	**14,747**	12,665	**1,562,203**	—
Current liabilities	**130,809**	1,100,707	**100,264**	974,677	**19,877,241**	1,042,178	**19,676,013**	12,890,644
Non-current liabilities	**—**	—	**—**	—	**—**	—	**542,000**	—
Equity	**3,149,446**	2,700,000	**2,847,965**	2,800,000	**3,151,623**	3,000,000	**502,380**	500,776
Revenue	**—**	—	**—**	—	**322,550**	—	**6,678,503**	4,714,470
Profit from continuing operations	**49,446**	—	**47,965**	—	**151,623**	—	**1,604**	776
Total comprehensive income	**49,446**	—	**47,965**	—	**151,623**	—	**1,604**	776
Reconciled to the Group's interests in the associates								
Gross amounts of net assets of the associate	**3,149,446**	2,700,000	**2,847,965**	2,800,000	**3,151,623**	3,000,000	**502,380**	500,776
Group's effective interest	**20%**	20%	**20%**	20%	**35%**	35%	**30%**	30%
Group's share of net assets of the associate	**629,889**	540,000	**569,593**	560,000	**1,103,068**	1,050,000	**150,714**	150,233
Carrying amount in the consolidated financial statements	**629,889**	540,000	**569,593**	560,000	**1,103,068**	1,050,000	**150,714**	150,233

Aggregate information of associates that are not individually material:

	2016 RMB'000	2015 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**261,658**	407,331
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operations	**873**	1,837
Total comprehensive income	**873**	1,837

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

	2016 RMB'000	2015 RMB'000
Deposits for acquisition of property, plant and equipment (Note)	**3,753,822**	6,337,532
Deposits for acquisition of prepaid lease	**386,111**	6,058
	4,139,933	6,343,590

Note: Included in deposits for acquisition of property, plant and equipment are deposits paid to two suppliers of equipment for production of aluminium flat-rolled products amounting to approximately RMB2,378,505,000 (2015: deposits paid to three suppliers of equipment for production of aluminium flat-rolled products amounting to approximately RMB4,806,971,000).

17 Inventories

	2016 RMB'000	2015 RMB'000
Raw materials	**2,398,849**	1,942,195
Work in progress	**956,947**	711,043
Finished goods	**362,466**	673,163
	3,718,262	3,326,401

18 Trade and bills receivables

	2016 RMB'000	2015 RMB'000
Trade and bills receivables	**1,850,258**	1,433,664
Less: Impairment losses	**(16,180)**	—
	1,834,078	1,433,664

All of the trade and bills receivables are expected to be recovered within one year.

(a) Ageing analysis

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

	2016 RMB'000	2015 RMB'000
0 to 90 days	**1,610,193**	995,764
91 to 180 days	**72,413**	305,509
Over 180 days	**151,472**	132,391
	1,834,078	1,433,664

For the year ended 31 December 2016, the Group allows an average credit period of 90 days (2015: 90 days) for domestic sales and an average credit period of 180 days (2015: 180 days) for overseas sales. Further details on the Group's credit policy are set out in Note 31(a).

18 Trade and bills receivables (Continued)

(b) Impairment of trade and bills receivables

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

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

	2016 RMB'000	2015 RMB'000
At 1 January	**—**	—
Impairment losses recognised	**17,057**	—
Reversal of impairment losses	**(877)**	—
At 31 December	**16,180**	—

During the year ended 31 December 2016, all of the impairment losses recognised for trade and bills receivables are assessed on a collective basis based on the ageing of the receivables (2015: Nil).

(c) Trade and bills receivables that are not impaired

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**1,620,118**	1,173,226
Less than 3 months past due	**67,760**	134,489
More than 3 months but less than 12 months past due	**106,616**	79,731
Over 12 months past due	**39,584**	46,218
	213,960	260,438
	1,834,078	1,433,664

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

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

19 Other receivables, deposits and prepayments

At 31 December 2016, included in other receivables, deposits and prepayments of the Group are deductible value added tax amounting to approximately RMB4,240,041,000 (2015: RMB2,972,722,000).

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

20 Pledged bank deposits

The Group pledged bank deposits as collateral in respect of issuance of bills (Note 24) and letters of credit by the Group and to secure the Group's bank loans (Note 26(b)(i)). The pledged bank deposits will be released upon the settlement of relevant payables and bank loans.

21 Available-for-sale financial assets

	2016 RMB'000	2015 RMB'000
Unlisted financial products, at fair value (Note 31(e))	**266,981**	1,351,418

At 31 December 2016, the financial products held by the Group generate annual target return rate of 2.45% (2015: ranged from 4.35% to 6.05%).

At 31 December 2016, none of the Group's available-for-sale financial assets (2015: all of the Group's available-for-sale financial assets) were used to secure the Group's bank loans.

22 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.

23 Trade payables

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

	2016 RMB'000	2015 RMB'000
0 to 90 days	**1,562,217**	1,672,120
91 to 180 days	**23,852**	675,500
181 days to 1 year	**24,071**	58,183
	1,610,140	2,405,803

24 Bills payable

At 31 December 2016, all the bills payable are repayable within 365 days (2015: 365 days) and are denominated in Renminbi.

At 31 December 2016, bills payable amounting to RMB651,928,000 (2015: RMB786,356,000) were secured by deposits placed in banks with an aggregate carrying value of RMB651,928,000 (2015: RMB364,400,000).

25 Other payables and accrued charges

All of the other payables and accrued charges are expected to be settled or recognised as revenue within one year or are repayable on demand.

Included in other payables and accrued charges of the Group were approximately RMB3,704,450,000 (2015: RMB1,991,686,000) owed to suppliers who have supplied production machineries and contractors who have provided construction services to the Group.

26 Bank and other loans

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

	2016 RMB'000	2015 RMB'000
Bank loans:		
— Secured by certain financial assets	—	1,950,154
— Guaranteed by subsidiaries	697,710	324,680
— Guaranteed by related parties	—	1,000,000
— Unguaranteed and unsecured	2,459,925	2,564,680
Loans from an associate:		
— Unguaranteed and unsecured	—	992,010
	3,157,635	6,831,524
Add:		
— Current portion of long-term bank and other loans	4,556,719	5,100,774
— Non-current portion of long-term bank loans repayable on demand	—	500,000
	7,714,354	12,432,298

26 Bank and other loans (Continued)

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

	2016 RMB'000	2015 RMB'000
Bank loans:		
— Secured by bank deposits (Note (i))	**500,000**	973,766
— Secured by certain financial assets	**—**	771,413
— Guaranteed by subsidiaries	**4,509,050**	5,519,560
— Guaranteed by subsidiaries and secured by prepaid lease payments and property, plant and equipment (Note (ii))	**11,021,013**	9,567,546
— Guaranteed by related parties	**2,193,700**	649,360
— Guaranteed by a related party and secured by property, plant and equipment (Note (iii))	**525,351**	665,640
— Unguaranteed and unsecured	**330,000**	4,940,000
Other loans:		
— Secured by property, plant and equipment (Note (iv))	**1,380,662**	1,174,635
— Unguaranteed and unsecured	**—**	800,000
	20,459,776	25,061,920
Less:		
— Current portion of long-term bank and other loans	**(4,556,719)**	(5,100,774)
— Non-current portion of long-term bank loans repayable on demand	**—**	(500,000)
	15,903,057	19,461,146

Note:

(i) At 31 December 2016, current portion of long-term bank loan with notional principal of RMB500,000,000 (2015: RMB500,000,000) was secured by pledged bank deposits of RMB500,000,000 (2015: RMB480,307,000) (Note 20).

(ii) At 31 December 2016, a long-term bank loan was guaranteed by subsidiaries and secured by certain land use rights and property, plant and equipment of the Group (Note 12 and Note 13). The aggregate carrying value of the secured land use rights and property, plant and equipment amounted to approximately RMB1,410,459,000 and RMB176,290,000, respectively, at 31 December 2016 (2015: RMB1,441,519,000 and RMB176,290,000, respectively).

(iii) At 31 December 2016, a long-term bank loan was guaranteed by a related party and secured by certain property, plant and equipment of the Group (Note 12). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB915,600,000 at 31 December 2016 (2015: RMB915,600,000).

(iv) At 31 December 2016, certain long-term loans from financial leasing institutions were secured by certain property, plant and equipment of the Group (Note 12). The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB2,352,727,000 at 31 December 2016 (2015: RMB2,472,295,000).

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

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

Accordingly, this indicates that these arrangements do not, in substance, involve a lease under IAS 17, instead, the sales and leaseback transaction is closely interrelated and shall be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The substance of these arrangements are cash borrowings, secured by the underlying assets and repayable in instalments over the lease term. The information of the underlying assets is disclosed in Note 12.

26 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:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	**4,556,719**	5,600,774
After 1 year but within 2 years	**4,551,986**	4,544,326
After 2 years but within 5 years	**7,237,938**	5,349,274
After 5 years	**4,113,133**	9,567,546
	20,459,776	25,061,920

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 2016, none of the covenants relating to drawn down facilities had been breached (2015: Nil).

Details of the Group's management of liquidity risk are set out in Note 31(b).

27 Debentures

During the year ended 31 December 2013, the Group issued an unsecured debenture of RMB500,000,000 with maturity of three years and repayable on 8 October 2016, with effective interest rate of 6.90% per annum, this debenture was fully repaid on its maturity date.

During the year ended 31 December 2014, the Group issued unsecured debentures of RMB100,000,000 and RMB1,100,000,000 with maturity of three years and six years and repayable on 10 January 2017 and 22 October 2020, respectively, and with effective interest rate of 7.50% and 5.48% per annum, respectively.

During the year ended 31 December 2015, the Group issued an unsecured debenture of RMB2,000,000,000 with maturity of 270 days and repayable on 9 April 2016, with effective interest rate of 4.60% per annum, this debenture was fully repaid on its maturity date. The Group also issued an unsecured debenture of RMB1,200,000,000 with maturity of three years and repayable on 27 May 2018, with effective interest rate of 5.40% per annum.

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

28 Derivative financial instruments

	2016 RMB'000	2015 RMB'000
Unlisted interest rate swap (Note 31(e))	—	15,403

The Group uses interest rate swaps to reduce the risk of changes in market interest rates (Note 31(c)). The interest rate swaps entered into by the Group for swapping floating interest rates, usually referenced to HIBOR, into fixed rates are accounted for as cash flow hedges. At 31 December 2016, all the interest rate swap agreements have expired (2015: the notional amount of the outstanding interest rate swap agreements was approximately RMB1,245,179,000).

29 Income tax in the consolidated statement of financial position

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

	2016 RMB'000	2015 RMB'000
At 1 January	183,344	89,779
Current tax (Note 8(a))	658,330	502,802
Income tax paid	(591,635)	(397,336)
Disposal of a subsidiary	—	(11,901)
At 31 December	250,039	183,344

(b) Deferred tax assets/liabilities recognised:

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

Deferred tax assets/ (liabilities) arising from:	Impairment of property, plant and equipment RMB'000	Tax value of losses carried forward RMB'000	Government subsidies RMB'000	Impairment of trade receivables RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Capitalisation of borrowing costs RMB'000	PRC withholding tax RMB'000 (Note 29(e))	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Net movement in the fair value of available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2015	9,470	31,086	—	—	(123,845)	(169,635)	(50,000)	—	—	(302,924)
Acquisition of subsidiaries	—	—	—	—	—	—	—	(31,366)	—	(31,366)
(Charged)/credited to the consolidated income statement (Note 8(a))	(4,547)	26,050	15,263	—	(55,362)	(197,615)	—	872	—	(215,339)
At 31 December 2015	4,923	57,136	15,263	—	(179,207)	(367,250)	(50,000)	(30,494)	—	(549,629)
At 1 January 2016	4,923	57,136	15,263	—	(179,207)	(367,250)	(50,000)	(30,494)	—	(549,629)
(Charged)/credited to profit for the year (Note 8(a))	(4,923)	23,527	19,000	4,045	(53,123)	(103,536)	—	1,308	—	(113,702)
Charged to other comprehensive income (Note 10(b))	—	—	—	—	—	—	—	—	(34)	(34)
At 31 December 2016	—	80,663	34,263	4,045	(232,330)	(470,786)	(50,000)	(29,186)	(34)	(663,365)

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

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

(ii) Reconciliation to the consolidated statement of financial position

	2016 RMB'000	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**118,971**	77,322
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(782,336)**	(626,951)
	(663,365)	(549,629)

(c) Deferred tax assets not recognised

At 31 December 2016, the Group had estimated unused tax losses of approximately RMB608,386,000 (2015: RMB512,331,000) 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 RMB15,924,000, RMB87,988,000, RMB106,503,000, RMB164,315,000 and RMB233,656,000 will expire in 2017, 2018, 2019, 2020 and 2021, respectively.

(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 RMB13,473,051,000 (2015: RMB13,547,730,000) 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.

30 Capital, reserves and dividends

(a) Movements in components of equity

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

The Company

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Hedging reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	605,397	11,222,557	48,460	(1,213)	(1,330,734)	10,544,467
Changes in equity for 2015:						
Profit for the year	—	—	—	—	339,561	339,561
Unrealised loss on cashflow hedges	—	—	—	(1,700)	—	(1,700)
Final dividends for the year 2014	—	(446,057)	—	—	—	(446,057)
Interim dividends for the year 2015	—	(637,043)	—	—	—	(637,043)
Recognition of share-based payment	—	—	2,714	—	—	2,714
At 31 December 2015 and 1 January 2016	**605,397**	**10,139,457**	**51,174**	**(2,913)**	**(991,173)**	**9,801,942**
Changes in equity for 2016:						
Profit for the year	**—**	**—**	**—**	**—**	**356,461**	**356,461**
Realised loss on cashflow hedges	**—**	**—**	**—**	**2,913**	**—**	**2,913**
Final dividends for the year 2015	**—**	**(364,360)**	**—**	**—**	**—**	**(364,360)**
Interim dividends for the year 2016	**—**	**(678,425)**	**—**	**—**	**—**	**(678,425)**
Recognition of share-based payment	**—**	**—**	**202,108**	**—**	**—**	**202,108**
At 31 December 2016	**605,397**	**9,096,672**	**253,282**	**—**	**(634,712)**	**9,320,639**

(b) Dividends

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

	2016 RMB'000	2015 RMB'000
Interim dividend declared and paid of HKD0.11 per ordinary share and convertible preference share (2015: HKD0.11)	**678,425**	637,043
Final dividend proposed after the end of the reporting period of HKD0.10 per ordinary share and convertible preference share (2015: HKD0.06)	**626,631**	355,197

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

30 Capital, reserves and dividends (Continued)

(b) Dividends (Continued)

(ii) Dividends payable to equity shareholders of the Company and holders of convertible preference shares attributable to the previous financial year, approved and paid during the year:

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.06 per ordinary share and convertible preference share (2015: HKD0.08)	**364,360**	446,057

(c) Share capital

(i) Authorised and issued share capital

	No. of shares	Share capital HKD'000	Share capital RMB'000
Ordinary share of HKD0.10 each:			
Authorised:			
At 1 January 2015, 31 December 2015 and 31 December 2016	20,000,000,000	2,000,000	N/A
Issued:			
At 1 January 2015	5,449,472,300	544,947	478,101
Shares issued pursuant to conversion of convertible preference share	840	—	—
At 31 December 2015, 1 January 2016 and 31 December 2016	5,449,473,140	544,947	478,101
Convertible preference share of HKD0.10 each:			
Authorised:			
At 1 January 2015, 31 December 2015 and 31 December 2016	10,000,000,000	1,000,000	N/A
Issued:			
At 1 January 2015	1,619,126,020	161,913	127,296
Shares issued pursuant to conversion of convertible preference share	(840)	—	—
At 31 December 2015, 1 January 2016 and 31 December 2016	1,619,125,180	161,913	127,296

30 Capital, reserve and dividends (Continued)

(c) Share capital (Continued)

(i) *Authorised and issued share capital* (Continued)

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

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

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

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

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

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

30 Capital, reserve and dividends (Continued)

(d) Nature and purpose of reserves

(i) Surplus reserve

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

(ii) Enterprise development fund

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

(iii) Other reserve

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

(iv) Special reserve

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

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes bank and other loans and debentures (Notes 26 and 27) respectively, perpetual capital instruments (Note 36) 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.

31 Financial risk management and fair values of financial instruments

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

(a) Credit risk

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

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

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

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

During the year ended 31 December 2016, the Group had daily average cash and cash equivalents amounted to RMB13,947,484,000 (2015: RMB6,068,420,000) deposited in Liaoyang Rural Commercial Bank, which represented 74% (2015: 68%) of the Group's daily average balance of cash and cash equivalents. At 31 December 2016, Zhongwang Huarong and Zhongwang Xinda, two of the Group's associates (Note 15), held 23.64% and 18.60% equity interests of Liaoyang Rural Commercial Bank, respectively.

At 31 December 2016, 37% (2015: 30%) of the Group's trade and bills receivables were due from the Group's largest customer, which is within the Deep-processed segment.

At 31 December 2016 and 2015, the Group did not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables are set out in Note 18.

(b) Liquidity risk

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

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

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

(b) Liquidity risk (Continued)

		Contractual and undiscounted cash flow					
	Weighted average interest rate %	Within 1 year or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amounts RMB'000
At 31 December 2016							
Non-interest bearing	**—**	**10,846,624**	**—**	**—**	**—**	**10,846,624**	**10,846,624**
Bank and other loans	**4.31**	**8,612,724**	**5,203,530**	**8,335,908**	**4,335,159**	**26,487,321**	**23,617,411**
Debentures	**4.27**	**1,001,280**	**1,576,330**	**8,474,310**	**—**	**11,051,920**	**9,400,000**
		20,460,628	**6,779,860**	**16,810,218**	**4,335,159**	**48,385,865**	**43,864,035**
At 31 December 2015							
Non-interest bearing	—	7,659,351	—	—	—	7,659,351	7,659,351
Bank and other loans	4.24	12,967,739	4,879,176	7,345,013	11,722,138	36,914,066	31,393,444
Long-term bank loans subject to repayment on demand clauses-scheduled repayment	2.39	17,000	507,319	—	—	524,319	500,000
Debentures	5.29	2,736,080	232,580	2,545,640	—	5,514,300	4,900,000
Interest rate swaps held as cash flow hedging instruments (Note 28)		15,442	—	—	—	15,442	15,403
		23,395,612	5,619,075	9,890,653	11,722,138	50,627,478	44,468,198
Adjustments to disclose cash flows on long-term bank loans based on lender's right to demand repayment		483,000	(507,319)	—	—	(24,319)	
		23,878,612	5,111,756	9,890,653	11,722,138	50,603,159	

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

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

(c) Interest rate risk

(i) Hedging

Interest rate swaps, denominated in Hong Kong dollars, have been entered into to reduce the risk of changes in market interest rates. At 31 December 2016, all the interest rate swap agreements have expired (2015: the Group and the Company had interest rate swaps with a notional contract amount of HKD1,486,248,000), which have been designated as cash flow hedges of the interest rate risk inherent in its variable rate bank borrowings.

(ii) Interest rate profile

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

	2016		2015	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	**2.65–5.01**	**5,019,052**	1.30–5.01	7,904,263
Debentures	**3.49–7.50**	**9,400,000**	4.60–7.50	4,900,000
		14,419,052		12,804,263
Variable rate borrowings:				
Bank and other loans	**2.17–5.18**	**18,598,359**	2.27–5.35	23,989,181
Total borrowings		**33,017,411**		36,793,444
Fixed rate borrowings as a percentage of total borrowings		**43.7%**		34.8%

(iii) 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 (2015: 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 2016 would decrease or increase by approximately RMB92,992,000 (2015: RMB119,946,000).

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 2015.

31 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.

	2016 RMB'000	2015 RMB'000
Trade receivables		
USD	792,843	474,302
Other receivables		
HKD	—	857
USD	38,600	511,520
Bank balances		
HKD	126,746	460
USD	282,881	3,069
Other payables		
HKD	—	16,008
USD	119,761	42,264
Bank loans		
HKD	1,010,785	1,896,613
USD	7,970,613	9,084,546

31 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 2015.

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% (2015: 5%) against relevant foreign currencies. For a 5% (2015: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before tax.

	2016 Increase in profit before tax RMB'000	2015 Increase in profit before tax RMB'000
RMB against HKD impact	**44,202**	95,565
RMB against USD impact	**348,803**	406,900

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.

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

(e) Fair value measurement of financial instruments

(i) Financial instruments carried at fair value

Fair value hierarchy

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

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

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

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

		Fair value measurements as at 31 December 2016 categorised into			Fair value measurements as at 31 December 2015 categorised into	
	Fair value at 31 December 2016 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value at 31 December 2015 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements						
Assets:						
Available-for-sale financial assets	**266,981**	**266,981**	**—**	1,351,418	—	1,351,418
Liabilities:						
Interest rate swaps	**—**	**—**	**—**	(15,403)	(15,403)	—

During the years ended 31 December 2015 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

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

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

32 Commitments

(a) Capital commitments

	2016 RMB'000	2015 RMB'000
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	**9,650,432**	7,435,505

(b) Operating lease commitments

The Group as lessee

At 31 December 2016 and 2015, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**37,746**	44,465
After 1 year but within 5 years	**9,436**	31,085
	47,182	75,550

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

33 Retirement benefit plan

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

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

The amounts of contributions made by the Group in respect of the retirement benefit schemes during each of the years ended 31 December 2016 and 2015 are disclosed in Note 7(b).

34 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 9.

(b) Material related party transactions

Particulars of significant related party transactions during the years ended 31 December 2016 and 2015 are as follows:

	2016 **RMB'000**	2015 RMB'000
Provision of guarantees by related parties (Note 26)	**2,719,051**	2,315,000
Short-term deposits and cash and cash equivalents deposited in an associate	**340,670**	—
Short-term loans from an associate	**—**	992,010
Amounts due to an associate	**50,059**	50,000
Proceeds received from disposal of investments to associates	**1,835,000**	250,000
Consideration receivable from associates	**—**	1,700,000
Dividends receivable from an associate	**—**	91,489
Sales of goods to an associate	**7,781**	33,283

35 Share-based payments

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

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

(Expressed in RMB unless otherwise indicated)

35 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		

(Expressed in RMB unless otherwise indicated)

35 Share-based payments (Continued)

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

	2016 Weighted average exercise price	2016 Number of options	2015 Weighted average exercise price	2015 Number of options
Outstanding at the beginning of the year	**HKD3.90**	**45,000,000**	HKD3.90	45,000,000
Exercised during the year	**—**	**—**	—	—
Forfeited during the year	**HKD3.90**	**(1,600,000)**	—	—
Granted during the year	**HKD3.93**	**450,000,000**	—	—
Outstanding at the end of the year	**HKD3.93**	**493,400,000**	HKD3.90	45,000,000
Exercisable at the end of the year	**HKD3.90**	**43,400,000**	HKD3.90	45,000,000

The options outstanding at 31 December 2016 had an exercise price of HKD3.90 or HKD3.93 (2015: HKD3.90) and a weighted average remaining contractual life of 8.60 years (2015: 5.22 years).

(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.

36 Perpetual capital instruments

(a) Perpetual note

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

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

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

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

(b) Perpetual trust loans

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

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

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

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

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

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

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

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

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

37 Company-level statement of financial position

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Interest in subsidiaries		**17,615,378**	19,714,210
Current assets			
Other receivables, deposits and prepayments		**11,694**	32,420
Cash and cash equivalents		**129,102**	31,683
		140,796	64,103
Current liabilities			
Other payables and accrued charges		**28,391**	53,975
Amount due to subsidiaries		**2,887,309**	316,140
Bank loans		**4,479,285**	4,520,013
Derivative financial instruments		**—**	15,403
		7,394,985	4,905,531
Net current liabilities		**(7,254,189)**	(4,841,428)
Total assets less current liabilities		**10,361,189**	14,872,782
Non-current liabilities			
Bank loans		**1,040,550**	5,070,840
NET ASSETS		**9,320,639**	9,801,942
CAPITAL AND RESERVES	30(a)		
Share capital		**605,397**	605,397
Reserves		**8,715,242**	9,196,545
TOTAL EQUITY		**9,320,639**	9,801,942

(Expressed in RMB unless otherwise indicated)

38 Immediate and ultimate controlling party

At 31 December 2016, the directors consider the immediate parent and ultimate controlling party of the Group to be ZIGL and Prime Famous Management Limited, respectively, both of which are incorporated in the British Virgin Islands.

39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

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. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five-year Financial Summary

Results

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**19,695,543**	16,171,246	15,971,218	14,306,751	13,497,170
Profit for the year attributable to:					
Equity shareholders of the Company	**2,871,379**	2,804,981	2,477,020	2,126,625	1,806,783
Non-controlling interests	**35,780**	—	—	—	—

Assets and liabilities

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	**79,037,746**	71,400,726	53,769,415	40,353,143	33,649,698
Total liabilities	**45,027,844**	45,409,728	29,440,823	20,714,251	16,141,715
Total equity attributable to:					
Equity shareholders of the Company	**28,015,902**	25,990,998	24,328,592	19,638,892	17,507,983
Non-controlling interests	**5,994,000**	—	—	—	—

中国忠旺控股有限公司*

China Zhongwang Holdings Limited

Stock Code: 01333