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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

GROUP FINANCIAL HIGHLIGHTS

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

Notes:

1. EBITDA= Profit before taxation + finance costs + depreciation of property, plant and equipment + depreciation of right-of-use assets + depreciation of investment property + amortisation of other intangible assets

2. Earnings per share is calculated based on the profit attributable to equity shareholders of the Company for each of the years ended 31 December 2020 and 2019 and on the weighted average number of ordinary shares, convertible preference shares and share options during that year.

* *For identification purposes only*

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Zhongwang Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Year under Review**"), together with the comparative figures for the year ended 31 December 2019 (the "**Year 2019**"), as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	2020 RMB'000	2019 RMB'000
Revenue	4	**20,401,559**	23,583,699
Cost of sales		**(14,465,080)**	(16,479,312)
Gross profit		**5,936,479**	7,104,387
Investment income	5	**160,956**	173,421
Other income	6	**667,324**	809,564
Selling and distribution costs		**(519,585)**	(536,438)
Administrative and other operating expenses		**(2,408,771)**	(2,784,666)
Share of profits of associates		**35,532**	51,725
Finance costs	7	**(1,870,938)**	(1,272,104)
Profit before taxation	8	**2,000,997**	3,545,889
Income tax	9	**(163,113)**	(367,601)
Profit for the year		**1,837,884**	3,178,288
Attributable to:			
Equity shareholders of the Company		**1,789,473**	3,022,014
Non-controlling interests		**(14,612)**	3,513
Holders of perpetual capital instruments		**63,023**	152,761
Profit for the year		**1,837,884**	3,178,288

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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

	Notes	2020 RMB'000	2019 RMB'000
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements		**60,187**	(15,959)
Other comprehensive income for the year		**60,187**	(15,959)
Total comprehensive income for the year		**1,898,071**	3,162,329
Total comprehensive income attributable to:			
Equity shareholders of the Company		**1,845,906**	3,006,565
Non-controlling interests		**(10,858)**	3,003
Holders of perpetual capital instruments		**63,023**	152,761
Total comprehensive income for the year		**1,898,071**	3,162,329
Earnings per share	*10*		
Basic *(RMB)*		**0.25**	0.43
Diluted *(RMB)*		**0.25**	0.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(Expressed in RMB)

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**68,591,324**	65,273,178
Right-of-use assets		**7,346,168**	6,967,388
Investment property		**668,662**	–
Goodwill	*12*	**379,000**	379,000
Other intangible assets	*13*	**274,281**	274,665
Interests in associates		**3,869,504**	3,833,972
Deposits for acquisition of non-current assets	*14*	**3,545,695**	4,840,312
Deferred tax assets		**757,840**	506,925
Other non-current assets	*17*	**1,654,534**	2,456,272
		87,087,008	84,531,712
Current assets			
Inventories	*15*	**6,122,566**	9,694,949
Trade and bills receivables	*16*	**19,940,273**	12,130,982
Other receivables	*17*	**11,997,805**	8,725,838
Right-of-use assets		**172,505**	156,374
Pledged bank deposits		**2,250,683**	2,452,932
Short-term deposits		**36,000**	101,000
Cash and cash equivalents		**363,179**	915,866
		40,883,011	34,177,941
Assets classified as held for sale		**–**	4,613,891
		40,883,011	38,791,832
Current liabilities			
Trade payables	*18*	**3,173,662**	3,100,688
Bills payables	*19*	**8,378,286**	6,219,200
Other payables	*20*	**10,901,936**	10,846,382
Contract liabilities	*21*	**192,280**	371,557
Lease liabilities	*22*	**233,049**	346,121
Current tax liabilities		**284,117**	141,266
Bank and other loans	*23(a)*	**25,153,463**	15,495,075
		48,316,793	36,520,289
Liabilities classified as held for sale		**–**	553,452
		48,316,793	37,073,741

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2020
(Expressed in RMB)

	Notes	2020 RMB'000	2019 RMB'000
Net current (liabilities)/assets		**(7,433,782)**	1,718,091
Total assets less current liabilities		**79,653,226**	86,249,803
Non-current liabilities			
Bank and other loans	*23(b)*	**41,770,596**	49,295,542
Lease liabilities	*22*	**8,270**	116,236
Deferred tax liabilities		**936,990**	949,071
		42,715,856	50,360,849
NET ASSETS		**36,937,370**	35,888,954
Capital and reserves			
Share capital		**605,397**	605,397
Reserves		**35,758,970**	33,899,776
Equity attributable to equity shareholders of the Company		**36,364,367**	34,505,173
Non-controlling interests		**173,003**	183,781
Perpetual capital instruments	*25*	**400,000**	1,200,000
TOTAL EQUITY		**36,937,370**	35,888,954

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020
(Expressed in RMB unless otherwise indicated)

1. CORPORATE INFORMATION

The Company is a public limited company incorporated in the Cayman Islands. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The addresses of its principle place of business are No. 299, Wensheng Road, Liaoyang City, Liaoning 111003, China and 39/F, Zhongwang Tower, Yuanan Road, Chaoyang District, Beijing 100102, China. The Group, comprising the Company and its subsidiaries, is principally engaged in manufacturing and sales of aluminium products.

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

2. ADOPTION OF IFRSs

(a) Adoption of new or amended IFRSs

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

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

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

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

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

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

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

2. ADOPTION OF IFRSs (CONTINUED)

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

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

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

Amendments to IAS 16, Proceeds before Intended Use

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

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

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

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

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

Amendments to IFRS 3, Reference to the Conceptual Framework

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

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

2. ADOPTION OF IFRSs (CONTINUED)

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

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

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

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

Annual Improvements to IFRSs 2018–2020

The annual improvements amends a number of standards, including:

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

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

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

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

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

3. SEGMENT REPORTING

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

The Group reportable segments are managed separately as each business offers different products and services and requires different business strategies. The Group's reportable segments are as follows:

- Aluminium Alloy Formwork — manufacturing and selling aluminium alloy formwork

- Industrial — manufacturing and selling aluminium extrusion products for industrial purpose

- Construction — manufacturing and selling aluminium extrusion products for construction purpose

- Flat-rolled — manufacturing and selling aluminium flat-rolled products

3. SEGMENT REPORTING (CONTINUED)

- Further-fabricated — manufacturing and selling further-fabricated products
- Leasing — leasing of aluminium alloy formwork
- Others, which mainly consist of metal trade

Segment revenue and results

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

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

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

3. SEGMENT REPORTING (CONTINUED)

Segment revenue and results (Continued)

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

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

3. SEGMENT REPORTING (CONTINUED)

Segment assets and liabilities

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

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

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

All assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, goodwill, interests in associates, deferred tax assets, investment property, certain raw materials and certain work in progress included in inventories, certain other receivables, short-term deposits, pledged bank deposits, cash and cash equivalents and assets classified as held for sale which are commonly used by all segments or used for corporate operation.

Segment assets mainly comprise of property, plant and equipment, right-of-use assets, other intangible assets, inventories, deposits for acquisition of non-current assets, other non-current assets, trade and bills receivables, and other receivables that can be identified to a particular operating segment.

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

3. SEGMENT REPORTING (CONTINUED)

Other segment information

Amounts included in the measurement of segment results or segment assets for the year ended 31 December 2020:

	Aluminium Alloy Formwork *RMB'000*	**Industrial** *RMB'000*	**Construction** *RMB'000*	**Flat-rolled** *RMB'000*	**Further-fabricated** *RMB'000*	**Leasing** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Additions to property, plant and equipment	**234,953**	**1,756,565**	**–**	**2,377,868**	**214,993**	**1,446,853**	**24,935**	**6,056,167**
Additions to/(transfer out of) right-of-use assets	**–**	**557,614**	**–**	**126,256**	**138,983**	**14,604**	**(14,899)**	**822,558**
Additions to deposits for acquisition of non-current assets	**55,888**	**181,137**	**–**	**65,983**	**63,458**	**–**	**9,726**	**376,192**
Depreciation of property, plant and equipment	**52,081**	**773,679**	**–**	**511,614**	**72,683**	**404,513**	**208,710**	**2,023,280**
Depreciation of investment property	**–**	**–**	**–**	**–**	**–**	**–**	**30,545**	**30,545**
Amortisation of other intangible assets	**–**	**4,848**	**–**	**–**	**–**	**–**	**–**	**4,848**
Depreciation of right-of-use assets	**15,937**	**90,961**	**–**	**55,977**	**20,004**	**1,074**	**243,694**	**427,647**
Gain/(loss) on disposal of property, plant and equipment	**–**	**(3,634)**	**–**	**–**	**–**	**457**	**905**	**(2,272)**
Impairment loss on trade and bills receivables	**445,003**	**3,172**	**5,670**	**3,816**	**2,658**	**1,542**	**36,545**	**498,406**

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

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

3. SEGMENT REPORTING (CONTINUED)

Geographic information

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

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

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

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

Information about major customers

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

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

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

* Revenue from aluminium alloy formwork and industrial segment

4. REVENUE

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

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

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

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

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

5. INVESTMENT INCOME

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

6. OTHER INCOME

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

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

7. FINANCE COSTS

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

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

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

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

9. INCOME TAX

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

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

9. **INCOME TAX (CONTINUED)**

Note:

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

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

10. **EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company for each of the years ended 31 December 2020 and 2019 and on the number of shares as follows:

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

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,449,473**	5,449,473
Weighted average number of convertible preference shares for the purposes of basic earnings per share	**1,619,125**	1,619,125
Weighted average number of shares for the purposes of basic earnings per share	**7,068,598**	7,068,598
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**–**	–
Weighted average number of shares for the purposes of diluted earnings per share	**7,068,598**	7,068,598
Earnings per share		
Basic (RMB)	**0.25**	0.43
Diluted (RMB)	**0.25**	0.43

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for 2020 and 2019.

11. DIVIDENDS

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

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

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

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

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

12. GOODWILL

	2020	2019
	RMB'000	*RMB'000*
At 1 January and 31 December	**379,000**	379,000

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

	2020	2019
	RMB'000	*RMB'000*
Silver Yachts Ltd.	**225,002**	225,002
Aluminiumwerk Unna AG.	**153,998**	153,998
	379,000	379,000

The recoverable amount for the CGUs has been determined from value-in-use calculations. For Aluminiumwerk Unna AG., the cash flow projection covers a 5-year period; for Silver Yachts Ltd., the cash flow projection covers a 10-year period, a longer projection period reflecting long build-up time for superyachts. No growth for cash flow beyond the projected period are extrapolated (2019: same). The growth rate does not exceed the long-term average growth rate of the businesses in which the CGU operates.

12. GOODWILL (CONTINUED)

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

	Silver Yachts Ltd.		Aluminiumwerk Unna AG.	
	2020	2019	**2020**	2019
Discount rate	**11.35%**	10.52%	**13.11%**	12.84%

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

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

13. OTHER INTANGIBLE ASSETS

	Design and engineering packages *RMB'000* *(Note (i))*	**Other intangible asset** *RMB'000* *(Note (ii))*	**Total** *RMB'000*
Cost			
As at 1 January 2019	310,736	369,788	680,524
Additions	1,237	–	1,237
Conversion differences in foreign currency statements	(812)	–	(812)
Classified as held for sale	–	(369,788)	(369,788)
At 31 December 2019 and 1 January 2020	311,161	–	311,161
Additions	–	–	–
Conversion differences in foreign currency statements	5,388	–	5,388
At 31 December 2020	316,549	–	316,549
Accumulated amortisation and impairment			
As at 1 January 2019	35,488	–	35,488
Charged for the year	1,148	–	1,148
Conversion differences in foreign currency statements	(140)	–	(140)
At 31 December 2019 and 1 January 2020	36,496	–	36,496
Charged for the year	4,848	–	4,848
Conversion differences in foreign currency statements	924	–	924
At 31 December 2020	42,268	–	42,268
Net book value			
At 31 December 2020	274,281	–	274,281
At 31 December 2019	274,665	–	274,665

13. OTHER INTANGIBLE ASSETS (CONTINUED)

Notes:

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

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

14. DEPOSITS FOR ACQUISITION OF NON-CURRENT ASSETS

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

15. INVENTORIES

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

Note:

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

16. TRADE AND BILLS RECEIVABLES

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

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

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

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

For the year ended 31 December 2020, the Group allows an average credit period of 90–180 days (2019: 90–180 days) for domestic sales and an average credit period of 180 days (2019: 180 days) for overseas sales.

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

Amounts due from related parties of approximately RMB3,006,000 are included in trade receivables as at 31 December 2020, which are repayable on normal trade terms (2019: RMB7,261,000).

17. OTHER RECEIVABLES

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

At 31 December 2020, VAT receivables amounting to approximately RMB5,044,100,000 (2019: RMB5,925,165,000) of which RMB1,654,534,000 (2019: RMB2,456,272,000) is expected to be deducted after one year and is classified as "Other non-current assets" in the financial statement.

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

18. TRADE PAYABLES

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

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

19. BILLS PAYABLES

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

20. OTHER PAYABLES

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

Included in other payables, there are approximately RMB5,236,311,000 (2019: RMB5,215,393,000) owed to production machineries suppliers and construction services contractors as at 31 December 2020.

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

21. CONTRACT LIABILITIES

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

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

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB192,280,000. This amount represents revenue expected to be recognised in the future from uncompleted sales contracts. The Group will recognise the expected revenue in future when or as the transaction is completed, which is expected to occur within the next 12 months.

21. CONTRACT LIABILITIES (CONTINUED)

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

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

22. LEASES AND LEASE LIABILITIES

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

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

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

On 6 December 2019, the Group concluded lease contracts which commence on 1 January 2020 in respect of certain office building from a company controlled by the owner of the ultimate holding company of the Group. The lease term for these contracts were two years. The Group recognised right-of-use assets RMB223,044,000 and lease liabilities of RMB228,075,000 as at 31 December 2020, accordingly. (2019: the right-of-use assets and lease liabilities both were RMB446,088,000).

22. LEASES AND LEASE LIABILITIES (CONTINUED)

The present value of future lease payments are analysed as:

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

Operating Leases — Lessor

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

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

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

23. BANK AND OTHER LOANS

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

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

23. BANK AND OTHER LOANS (CONTINUED)

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

Note:

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

(ii) At 31 December 2020, the balance was guaranteed by a subsidiary and secured by certain property, plant and equipment of the Group. The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB1,449,201,000 at 31 December 2020 (2019: nil).

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

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

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

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

23. BANK AND OTHER LOANS (CONTINUED)

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

Note:

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

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

(iii) At 31 December 2020, the balance was guaranteed by a related party and secured by certain property, plant and equipment of the Group. The aggregate carrying value of the secured property, plant and equipment amounted to approximately RMB667,437,000 at 31 December 2020 (2019: RMB705,586,000).

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

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

At 31 December 2020, several long-term loans with aggregate amount of approximately RMB19,500,000,000 (2019: RMB31,500,000,000) were from related parties of the Group. They were interest-free, unsecured and with no fixed repayable date. Several long-term loans with aggregate amount of approximately RMB2,500,000,000 (2019: RMB2,500,000,000) were from an associate of the Group. They were unguaranteed, unsecured and three-year terms with interest rates 3.33% (2019: 3.33%) per annum. They will be repaid within one year.

24. CAPITAL COMMITMENTS

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

25. PERPETUAL CAPITAL INSTRUMENTS

Perpetual trust loans

On 1 December 2016, a subsidiary of the Company (the "**Borrower**") issued perpetual trust loans with a principal of RMB2,000,000,000. This perpetual trust loans was issued at par value with initial distribution rate of 6.10% per annum. In 2018 and 2020, a total of RMB1,600,000,000 perpetual trust loans were repaid.

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

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

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

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

(b) The Borrower declared (was declared) to liquidate; and

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

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

For the year ended 31 December 2020, profit attributable to the holders of perpetual trust loans, calculated based on the applicable distribution rate, was RMB63,023,000 (2019: RMB78,788,000).

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. FUTURE PROSPECT

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

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

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

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

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

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

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

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

3. Continue to increase the value of the Group's aluminium flat rolling plant in Tianjin, thus adding new impetus to the Group's long-term development: the Group will further improve the product quality and production efficiency of aluminium extrusion production lines to provide customers with high-quality aluminium flat-rolled products. The Group will also step up its effort in developing new products and obtaining certifications for high-end products, paving the way for the optimisation of product portfolio.

The above development strategies will fully capitalise on the synergy of the Group's core businesses, and enable the Group to tap the opportunities brought about by the industrial upgrade in China with a superior product structure and more comprehensive business strategy, thereby creating greater value for the development of society.

III. FINANCIAL REVIEW

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

Revenue

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

The following sets forth the breakdown by segments of the Group's revenue, sales volume and average selling price of the Group for the Year under Review and the Year 2019:

	For the year ended 31 December								
	2020			2019			Change		
	Revenue	**Sales volume**	**Average selling price**	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	RMB'000	***tonnes***	***RMB/tonne***	*RMB'000*	*tonnes*	*RMB/tonne*	*%*	*%*	*%*
Aluminium extrusion business	**13,150,096**	**353,428**	**37,207**	15,703,008	474,376	33,102	-16.3%	-25.5%	12.4%
Aluminium alloy formwork segment	**9,818,094**	**237,750**	**N/A**	9,092,951	221,484	N/A	8.0%	7.3%	N/A
— Sales of aluminium alloy formwork	**9,008,579**	**237,750**	**37,891**	8,393,515	221,484	37,897	7.3%	7.3%	0.0%
— Leasing of aluminium alloy formwork	**809,515**	**N/A**	**N/A**	699,436	N/A	N/A	15.7%	N/A	N/A
Industrial aluminium extrusion segment	**3,227,326**	**109,805**	**29,391**	6,587,235	251,628	26,178	-51.0%	-56.4%	12.3%
Construction aluminium extrusion segment	**104,676**	**5,873**	**17,823**	22,822	1,264	18,055	358.7%	364.6%	-1.3%
Aluminium flat rolling business	**5,933,134**	**374,538**	**15,841**	6,878,371	449,971	15,286	-13.7%	-16.8%	3.6%
Further fabrication business	**1,053,363**	**39,426**	**26,717**	985,777	37,724	26,131	6.9%	4.5%	2.2%
Others	**264,966**	**N/A**	**N/A**	16,543	N/A	N/A	1,501.7%	N/A	N/A
Total	**20,401,559**	**767,392**	**26,586**	23,583,699	962,071	24,513	-13.5%	-20.2%	8.5%

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

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

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

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

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

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

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

Cost of sales

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

Gross Profit and Gross Margin

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

The following table sets forth the segment analysis of gross profit, share in gross profit and gross margin of the Group for the Year under Review and the Year 2019:

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

Investment Income

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

Other Income

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

Selling and Distribution Costs

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

Administrative and Other Operating Expenses

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

Share of Profits of Associates

The Group's share of profits of associates for the Year under Review was approximately RMB35.53 million (Year 2019: approximately RMB51.73 million), which was the share of profits of the Group's associates recognised using equity method.

Finance Costs

The Group's finance costs increased to approximately RMB1.87 billion for the Year under Review from approximately RMB1.27 billion for the Year 2019. Such increase was principally due to an increase in the Group's scale of interest-bearing liabilities and average interest rate of borrowings for the Year under Review as compared to that for the Year 2019.

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

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

Profit before taxation

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

Income Tax

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

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

Profit for the year

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

Cash Flows

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

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

Net Current Assets

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

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

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

Liquidity

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

Borrowings

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

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

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

Pledged Assets

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

Contingent Liabilities

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

Employees

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

Research and Development

Continuous investment in R&D has helped the Group establish a high-level R&D and technical team. As at 31 December 2020, the Group had 3,830 R&D and quality control personnel which accounted for 10.1% of the Group's total number of employees. Apart from possessing strong R&D capability in new materials and new technologies, and operating the largest mold design and manufacturing centre in Asia, the Group has also established a first-class product and process design team to meet the ever-increasing demand from clients for the integrated solution from product design to production of light-weight materials. In addition, the Group has entered into cooperation with various leading industrial research institutions as well as scientific research institutes to vigorously upgrade the Group's scientific research level while effectively expanding the downstream scope of application of aluminium products.

Capital Commitments

As at 31 December 2020, the Group's capital expenditures in respect of the acquisition of property, plant and equipment and equity investment contracted but not provided for in the consolidated financial statements amounted to approximately RMB14.97 billion, which was primarily used for the construction of infrastructure used in the Group's growth projects such as high-end aluminium flat rolling project, and for the purchase expenses of equipment relating to the expansion of its production capacity for extrusion. The Group intends to apply funds generated from operating activities, commercial bank loans and other available means to finance these expenditures.

Proposed Spin-off

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

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

For details of the transactions, please refer to the announcement of the Company dated 20 March 2020 and the circular of the Company dated 24 October 2020. The assets transfer agreement was approved at the shareholders' meeting of CRED Holding held on 22 April 2020.

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

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

Financial Risks

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

Foreign Currency Risk

Most of the Group's businesses are settled in Renminbi. However, the Group's sales to overseas customers and foreign currency denominated loans and the operation of overseas subsidiaries of the Group are settled in foreign currencies. During the Year under Review, approximately 93.4% of the Group's revenue was settled in Renminbi and approximately 6.6% was settled in foreign currencies, while approximately 97.3% of the Group's borrowings was denominated in Renminbi and approximately 2.7% was denominated in foreign currencies as at 31 December 2020.

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

Interest Rate Risk

As the Group does not have any significant interest-bearing assets, most of the Group's revenue and operating cash flow are not affected by interest rate changes in the market. Interest rate change risk borne by the Group is primarily derived from loans. The Group is subject to the cash-flow interest rate risk on floating-rate loans and fair value interest rate risk on fixed rate loans. As at 31 December 2020, the Group's fixed-rate loans were approximately RMB34.42 billion (31 December 2019: approximately RMB10.92 billion).

Price Fluctuation Risk of Aluminium Ingot

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

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 (the "**Governance Code**") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") 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.

During the Year under Review, save as disclosed below, all the code provisions set out in the Governance Code were met by the Company.

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

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

Mr. Lu, as the chairman of the Board, is responsible for ensuring that the Directors are properly briefed on issues arising at board meetings and that they receive adequate information in a timely manner. Mr. Lu also endeavours to ensure that good corporate governance practices and procedures are established, all Directors make full and active contribution to the Board's affairs, and the Board acts in the interests of the Company.

Under the leadership of Mr. Lu, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. Directors are encouraged to express their views and the Board decisions have fairly reflected their consensus. A culture of openness and constructive relations among Directors has been promoted within the Board. Appropriate steps are also taken to provide effective communication between the shareholders and the Board.

Code provision A5.5(2) of the Governance Code stipulates that where a listed issuer proposes to elect an individual as an independent non-executive director at a general meeting and the individual will be holding his seventh (or more) listed company directorship, it must explain why the board believes the individual would still be able to devote sufficient time to the board in the relevant shareholder circular and/or explanatory statement accompanying the meeting notice.

Pursuant to the articles of association of the Company, Mr. Lo Wa Kei, Roy ("**Mr. Lo**") has retired by rotation from the Board at the annual general meeting of the Company dated 29 May 2020 (the "**2020 AGM**") and offered himself for re-election. The re-election of Mr. Lo has been considered and approved on the 2020 AGM. The reason why the Board believed Mr. Lo would still be able to devote sufficient time to the Board despite his directorship in seven listed companies or more was not disclosed in the circular for the 2020 AGM. The Company did not make the disclosure required under the Appendix 14 to the Listing Rules mainly because at the Company's 2020 AGM, Mr. Lo was purely subject to re-election due to a technical mechanism of retirement by rotation provided under the articles of association of the Company and the Companies Law of the Cayman Islands, rather than being elected as a new independent non-executive director of the Company. The Board is of the view that Mr. Lo is experienced in matters of Hong Kong listed companies and familiar with the Listing Rules and other laws and regulations in Hong Kong, has maintained his profession in various directorship of listed companies he served and has devoted sufficient time in the Company's matter in the past, so his time committed for his Director's duties would not be affected.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding its Directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Year under Review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year under Review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF FINANCIAL STATEMENTS

The annual results have been prepared in accordance with International Financial Reporting Standards, audited by BDO Limited, the auditor of the Company and the audit committee of the Board has discussed with the Company's management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020.

The audit committee has also reviewed the independent auditor's report including the qualified opinion expressed therein and concurs with the treatment adopted by the auditor.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the auditor's report by BDO Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2020.

"Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view, of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

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

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

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

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend the Annual General Meeting, the register of members of the Company will be closed from Friday, 21 May 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of shares would be registered.

In order to be entitled to attending the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Thursday, 20 May 2021.

ANNUAL GENERAL MEETING

The 2020 annual general meeting of the Company (the "**Annual General Meeting**") will be held on Friday, 28 May 2021.

A notice convening the Annual General Meeting will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules and the Company's Articles of Association in due course.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zhongwang.com). The annual report for the year ended 31 December 2020 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to our shareholders, customers and business partners for their continued support, and all our employees for their dedication and hard work.

By order of the Board
China Zhongwang Holdings Limited
Lu Changqing
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Board consists of:

Executive Directors
Mr. Lu Changqing and Ms. Ma Qingmei

Non-executive Directors
Mr. Chen Yan, Mr. Lin Jun and Mr. Wei Qiang

Independent Non-executive Directors
Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy