THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Zhongwang Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

DISCLOSEABLE TRANSACTION AND POSSIBLE VERY SUBSTANTIAL DISPOSAL

PROPOSED SPIN-OFF OF LIAONING ZHONGWANG GROUP THROUGH ASSET RESTRUCTURING WITH CRED HOLDING AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and the Shareholders

申萬宏源香港
SHENWAN HONGYUAN

Shenwan Hongyuan Capital (H.K.) Limited

A notice of the Extraordinary General Meeting of China Zhongwang Holdings Limited to be held at Conference Room 2, 39th Floor, Zhongwang Tower, Yuan'an Road, Chaoyang District, Beijing, China on Wednesday, 11 November 2020 at 10:00 a.m. is set out in this circular.

Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

* *For identification purposes only*

24 October 2020

CONTENT

The following expressions have the meanings set out below unless the context requires otherwise:

"Achievement Rate"	the achievement rate of the Committed Net Profits (calculated as the Assessed Net Profit Amount divided by the Committed Net Profit Amount)
"Aluminium Extrusion Business"	the principal business of Liaoning Zhongwang Group, including production and sale of the aluminium extrusion products
"Aluminium Flat Rolling Business"	business in relation to the production and sale of aluminium flat rolled products operated by the Remaining Group
"Assessed Net Profit Amount"	the actual net profit attributable to the parent company of Liaoning Zhongwang after deducting non-recurring profit and loss during the Profit Compensation Period
"Asset Transfer Agreement"	an asset exchange and asset purchase by issuance of shares agreement dated 20 March 2020 in relation to (i) the disposal of the Zhongwang Shares to CRED Holding, (ii) the disposal of the Fund Shares to CRED Holding, and (iii) the acquisition of the CRED Xinjiang Shares by Zhongwang Fabrication, by way of issuance of the Consideration Shares entered into among Zhongwang Fabrication, the Fund and CRED Holding
"Board"	the board of Directors
"Cash Compensation"	compensation in the form of cash for the Net Profit Difference made by Zhongwang Fabrication on the condition that the calculated amount of Compensation Shares exceeds the shares of CRED Holding then held by Zhongwang Fabrication in accordance with the terms and condition of the Compensation Agreement
"China" or "PRC"	the People's Republic of China, and for the purpose of this circular, excludes Hong Kong, Macau SAR and Taiwan
"China Railway Lanzhou"	China Railway Lanzhou Bureau Group Co., Ltd. (中國鐵路蘭州局集團有限公司), a company incorporated under the laws of the PRC and holding 14.52% equity interests in CRED Holding as at the Latest Practicable Date

"Closing"	(i) the delivery of the register of members and the capital contribution certificate of the Zhongwang Shares and the Fund Shares by Zhongwang Fabrication and the Fund, respectively, to CRED Holding; and (ii) the delivery of the register of members and the capital contribution certificate of the CRED Xinjiang Shares by CRED Holding to Zhongwang Fabrication, after the fulfilment of all conditions precedent contemplated under the Asset Transfer Agreement and the completion of all necessary governmental approvals in relation to the transfer of the assets under the Zhongwang Asset Restructuring
"Closing Date"	date of the Closing, which shall not exceed 12 months since the date of the fulfilment of all the conditions precedent contemplated under the Asset Transfer Agreement or some other day agreed among all parties to the Asset Transfer Agreement
"Committed Net Profit Amount"	the amounts of net profit attributable to the parent company of Liaoning Zhongwang after deducting non-recurring profit and loss during the Profit Compensation Period committed by Zhongwang Fabrication to CRED Holding under the Compensation Agreement
"Company"	China Zhongwang Holdings Limited* (中國忠旺控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
"Compensation Agreement"	A profit compensation agreement in relation to the Zhongwang Asset Restructuring entered into between Zhongwang Fabrication and CRED Holding on 20 March 2020
"Compensation FAQ"	Summary of the Revised Frequent Asked Questions and Answers of Laws And Regulation of the Listing Company Regulation (上市公司監管法律法規常見問題與解答修訂彙編) published by the CSRC
"Compensation Share(s)"	the share(s) of CRED Holding to be repurchased by CRED Holding from Zhongwang Fabrication as the Share Compensation

"Completion Date"	date of the completion of the registration of the Zhongwang Consideration Shares and the Fund Consideration Shares under the name of Zhongwang Fabrication and the Fund, respectively, at China Securities Depository and Clearing Corporation Limited Shanghai Branch (中國證券登記結算有限責任公司上海分公司)
"Consideration Share(s)"	Zhongwang Consideration Share(s) and the Fund Consideration Share(s)
"CRED Holding"	CRED Holding Co., Ltd.* (中房置業股份有限公司), a company incorporated in the PRC with limited liability and the issued shares of which are listed on the SSE (stock code: 600890.SH)
"CRED Holding Group"	CRED Holding and its subsidiaries
"CRED Xinjiang"	Xinjiang CRED Holding Company Limited* (新疆中房置業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CRED Holding as at the Latest Practicable Date
"CRED Xinjiang Shares"	the total equity interests in CRED Xinjiang
"CRED Xinjiang Valuer"	Zhonghe Appraisal Co., Ltd.* (中和資產評估有限公司), the independent valuer who performed the valuation of the net assets of CRED Xinjiang
"CSRC"	China Securities Regulatory Commission of the PRC
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of 96.55% equity interests in Liaoning Zhongwang by Zhongwang Fabrication to CRED Holding
"EGM"	the extraordinary general meeting to be held at Conference Room 2, 39th Floor, Zhongwang Tower, Yuan'an Road, Chaoyang District, Beijing, China on Wednesday, 11 November 2020 at 10:00 a.m. for the purpose of approving, among other things, the Disposal and the Proposed Spin-off
"Fund"	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), a limited liability company incorporated under the laws of the PRC, holding 3.45% equity interests in Liaoning Zhongwang as at the Latest Practicable Date

"Fund Asset Restructuring"	the disposal of the Fund Shares by the Fund to CRED Holding, the consideration of which shall be satisfied by way of issuance of the Fund Consideration Shares by CRED Holding to the Fund pursuant to the Asset Transfer Agreement
"Fund Consideration Share(s)"	the 170,734,437 new A share(s) of par value of RMB1.00 each in the share capital of CRED Holding to be issued to the Fund and to satisfy the consideration payable by CRED Holding to the Fund under the Asset Transfer Agreement
"Fund Shares"	3.45% equity interests in Liaoning Zhongwang held by Fund
"Further Fabrication Business"	business in relation to the production and sale of further fabricated products operated by the Remaining Group
"Group"	the Company and its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee of the Board comprising Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy, all of whom are independent non-executive Directors, to advise and provide recommendations to the Shareholders on the Disposal and the Proposed Spin-off
"Independent Financial Adviser" or "Shenwan Hongyuan"	Shenwan Hongyuan Capital (H.K.) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Independent Third Party(ies)"	party(ies) who is(are) not connected persons of the Company as far as the Directors are aware after having made all reasonable enquiries
"International Trading Business"	business in relation to the international trading of metal products operated by the Remaining Group
"Issue Price per Consideration Share"	unit price of the Consideration Shares issued by CRED Holding to satisfy the Transfer Consideration, which will be RMB6.16 (subject to adjustment)

"Jiayi Investment"	Jiayi (Tianjin) Investment Management Co., Ltd.* (嘉益(天津)投資管理有限公司), a company incorporated under the laws of the PRC and holding 19.47% equity interests in CRED Holding as at the Latest Practicable Date
"Latest Practicable Date"	22 October 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Liaoning Zhongwang"	Liaoning Zhongwang Group Co., Ltd.* (遼寧忠旺集團有限公司), a limited liability company incorporated under the laws of the PRC and an indirect non-wholly owned subsidiary of the Company as at the Latest Practicable Date
"Liaoning Zhongwang Group"	Liaoning Zhongwang and its subsidiaries
"Liaoning Zhongwang Profit Forecast"	the Zhongwang Valuation, which is deemed as profit forecast under Rule 14.61 of the Listing Rules as using income approach
"Liaoning Zhongwang Valuer"	Pan-China Assets Valuation Co., Ltd.* (遼寧眾華資產評估有限公司), the independent valuer who performed the valuation of the total equity interests of Liaoning Zhongwang
"Liaoyang Zhongwang Fabrication"	Liaoyang Zhongwang Fabrication Aluminium Co., Ltd.* (遼陽忠旺精製鋁業有限公司), a limited liability company incorporated under the laws of the PRC and a direct wholly-owned subsidiary of the Zhongwang Fabrication as at the Latest Practicable Date
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	18 months from the execution date of the Asset Transfer Agreement (or such longer period as may be agreed upon among Zhongwang Fabrication, the Fund and CRED Holding)
"Machinery and Equipment Business"	business in relation to production and sale of machinery and equipment operated by the Remaining Group
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Net Profit Difference"	the shortfall between the Assessed Net Profit Amount and the Committed Net Profit Amount

"Practice Note 15"	the Practice Note 15 to the Listing Rules
"PRC GAAP"	PRC Generally Accepted Accounting Principles
"Pricing Date"	20 March 2020
"Pricing Regulation"	Measures for the Administration of the Material Asset Restructurings of Listed Companies (上市公司重大資產重組管理辦法) published by the CSRC
"Profit Compensation Period"	years commencing from the year of the Completion Date, being 2020, 2021 and 2022 if the year of the Completion Date is 2020; or 2020, 2021, 2022 and 2023 if the year of the Completion Date is not 2020, pursuant to the Compensation Agreement
"Proposed Spin-off"	the disposal of the Zhongwang Shares held by Zhongwang Fabrication to CRED Holding in exchange of the newly issued shares of CRED Holding pursuant to the Asset Transfer Agreement
"Reference Date"	31 October 2019, being the reference date adopted by the Liaoning Zhongwang Valuer and CRED Xinjiang Valuer in the relevant valuation reports
"Remaining Group"	the Group apart from Liaoning Zhongwang Group
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (chapter 572 of the Hong Kong laws)
"Share Compensation"	compensation to be made by Zhongwang Fabrication in the form of the repurchase of the Zhongwang Consideration Shares by CRED Holding for the Net Profit Difference in accordance with the terms and condition of the Compensation Agreement
"Shareholder(s)"	the holder(s) of shares of the Company
"SSE"	Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Shares"	the total equity interests in Liaoning Zhongwang, i.e. the Zhongwang Shares and the Fund Shares

"Tianjin Zhongwei"	Tianjin Zhongwei Commerce and Trading Group Corporation* (天津中維商貿集團有限公司), a company incorporated under the laws of the PRC and holding 8.98% equity interests in CRED Holding as at the Latest Practicable Date
"Total Consideration"	the total consideration for the Target Shares
"Transfer Consideration"	the consideration of the Zhongwang Asset Restructuring contemplated under the Asset Transfer Agreement, which is equivalent to the balance of RMB29,248,275,862 of the consideration of the Zhongwang Shares offset by the consideration of the CRED Xinjiang Shares
"Transitional Period"	the period between the Reference Date and the Closing Date
"Valuation Report"	the valuation report prepared by the Liaoning Zhongwang Valuer in terms of the total equity interests of Liaoning Zhongwang as at the Reference Date
"Zhongwang Asset Restructuring"	(i) the disposal of the Zhongwang Shares by Zhongwang Fabrication to CRED Holding, and (ii) the acquisition of CRED Xinjiang Shares by Zhongwang Fabrication from CRED Holding, and both considerations will be offset against each other and the balance will be satisfied by the issuance of 4,748,096,730 shares by CRED Holding to Zhongwang Fabrication
"Zhongwang Consideration Share(s)"	the 4,748,096,730 new A share(s) of par value of RMB1.00 each in the share capital of CRED Holding to be issued to Zhongwang Fabrication and to satisfy the consideration payable by CRED Holding to Zhongwang Fabrication under the Asset Transfer Agreement
"Zhongwang Fabrication"	Liaoning Zhongwang Superior Fabrication Investment Limited* (遼寧忠旺精製投資有限公司), a limited liability company incorporated under the laws of PRC and an indirect wholly owned subsidiary of the Company as at the Latest Practicable Date
"Zhongwang Shares"	96.55% equity interests in Liaoning Zhongwang held by Zhongwang Fabrication
"Zhongwang Valuation"	the final appraised value of the owners' equity attributable to the parent company of Liaoning Zhongwang of approximately RMB30,528.9223 million included in the Valuation Report

"ZIGL"	Zhongwang International Group Limited, a company incorporated in British Virgin Islands with limited liability and the direct controlling shareholder of the Company

In addition, the terms "connected person", "controlling shareholder", "percentage ratios" and "subsidiary" shall have the meanings ascribed to them under the Listing Rules.

* *The Chinese name(s) of the PRC entities have been translated into English in this circular for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.*

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)

Executive Directors:
Mr. Lu Changqing
Ms. Ma Qingmei

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

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

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

Head Office and Principal Place of Business in the PRC:
No. 299, Wensheng Road
Liaoyang City
Liaoning 111003
PRC

39/F, Zhongwang Tower
Yuan'an Road, Chaoyang District
Beijing 100102
PRC

Place of Business in Hong Kong:
56/F, Bank of China Tower
1 Garden Road
Admiralty
Hong Kong

24 October 2020

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION
AND
POSSIBLE VERY SUBSTANTIAL DISPOSAL

PROPOSED SPIN-OFF OF LIAONING ZHONGWANG GROUP THROUGH ASSET RESTRUCTURING WITH CRED HOLDING
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

* *For identification purposes only*

INTRODUCTION

We refer to the announcements of the Company dated 20 March 2020, 14 April 2020, 22 April 2020, 29 April 2020 and 14 August 2020 (the "**Announcements**") in relation to, among other things, the following matters:

(1) the Zhongwang Asset Restructuring contemplated under the Asset Transfer Agreement, 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 CRED Xinjiang held by CRED Holding at a consideration of RMB200 million and both considerations will be offset against each other and the balance, i.e., the Transfer Consideration of RMB29,248,275,862, will be satisfied by the issuance of 4,748,096,730 shares by CRED Holding to Zhongwang Fabrication, representing 86.36% equity interests in CRED Holding as enlarged by the issuance of the Consideration Shares;

(2) According to the mandatory requirements as prescribed by the relevant PRC authorities (including the CSRC), Zhongwang Fabrication has undertaken to CRED Holding that the Assessed Net Profit Amount of Liaoning Zhongwang Group shall be not lower than the Committed Net Profit Amount during the Profit Compensation Period, failing which Zhongwang Fabrication will compensate CRED Holding in accordance with the terms and conditions of the Compensation Agreement. The Committed Net Profit Amount of Liaoning Zhongwang Group for the years of 2020, 2021, 2022 and 2023 (where applicable) are determined based on the Zhongwang Valuation and are amounted to RMB2.0 billion, RMB2.8 billion, RMB3.2 billion and RMB3.4 billion, respectively; and

(3) the Proposed Spin-off of Liaoning Zhongwang by way of the Zhongwang Asset Restructuring.

On 22 January 2020, the Company submitted a spin-off proposal to the Stock Exchange pursuant to the Practice Note 15 in relation to the Proposed Spin-off of Liaoning Zhongwang by way of the Zhongwang Asset Restructuring. The Stock Exchange has granted approval on the abovementioned proposal on 14 August 2020 and confirmed that the Company may proceed with the Proposed Spin-off.

The purpose of this circular is to provide the Shareholders with the following:

(1) further information on the background of, the reasons for, and the benefits and effects of, the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off and such other information as required by the Listing Rules. The Disposal contemplated under the Asset Transfer Agreement, if implemented, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. In addition, the Disposal, taking into account the effect of the relevant arrangements (including the compensation arrangements contemplated under the Compensation

Agreement), may result in a very substantial disposal of the Company for the purposes of, and under Chapter 14 of the Listing Rules and as such, the Disposal and the relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) are subject to the Shareholders' approval at a general meeting of the Company.

(2) the letter of advice from the Independent Board Committee containing its view as to whether the terms of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off are fair and reasonable and whether each of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole;

(3) the letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Shareholders as to whether the terms of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off are fair and reasonable and whether each of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole;

(4) other information required under the Listing Rules; and

(5) a notice of the EGM at which an ordinary resolution will be proposed for the Shareholders to consider and, if thought fit, approve the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off.

Shareholders and potential investors of the Company should note that the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off, which are subject to various regulatory and corporate approvals (including the approval by CSRC), may or may not proceed. Accordingly, the Proposed Spin-off and the transactions contemplated under the Asset Transfer Agreement may or may not materialize. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

THE PROPOSED ZHONGWANG ASSET RESTRUCTURING

(A) Principal Terms of the Zhongwang Asset Restructuring

Date: 20 March 2020

Parties: (a) Zhongwang Fabrication; and

(b) CRED Holding

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CRED Holding and its ultimate beneficial owners as at the Latest Practicable Date are Independent Third Parties and connected persons of the Company.

Subject Matter:

(1) Zhongwang Fabrication has agreed to sell and CRED Holding has agreed to purchase the Zhongwang Shares; and

(2) CRED Holding has agreed to sell and Zhongwang Fabrication has agreed to purchase the CRED Xinjiang Shares.

The transactions in relation to the transfer of the Zhongwang Shares and the CRED Xinjiang Shares will become effective concurrently and are inter-conditional.

Consideration:

(1) consideration of the Zhongwang Shares

The consideration for the disposal of the Zhongwang Shares is RMB29,448,275,862, which was determined after arm's length negotiations between Zhongwang Fabrication and CRED Holding by taking into account, among other things, (i) the historical financial performance of Liaoning Zhongwang Group; (ii) the financial prospects of Liaoning Zhongwang Group, including, among other things, that Liaoning Zhongwang Group will continue to benefit from its leading market position, i.e. the largest in Asia and the second largest in the world in terms the production volume of aluminium extrusion products according to independent market research, and its balanced product and customer portfolio, e.g. the aluminium extrusion products produced by Liaoning Zhongwang Group have been already widely used in railways, urban subway, automobiles, shipbuilding, aviation, power engineering and other areas by a number of large state-owned enterprises and transnational corporations; and (iii) the global, regional and sector economic environments relevant to the business of Liaoning Zhongwang Group, including the outbreak of COVID-19 epidemic, the trade tension between China and the United States and China's economic and industry policies and with reference to the Zhongwang Valuation, being approximately RMB30,528.9223 million.

The Valuation Report is prepared by the Liaoning Zhongwang Valuer primarily based on the income approach which is comparable to similar material asset restructuring transactions in the A Share market. Liaoning Zhongwang is mainly engaged in the research and development (R&D), manufacture and sales of industrial aluminium extrusion products with industry-leading technologies and R&D strengths, and enjoys certain advantages in staff competence, cost management and marketing development. The asset-based approach only reflects the value of the assets to rebuild the valued company, and fails to reflect the value of the valued company in terms of the market, technologies and cost. When conducting appraisal using the income approach, the effect of product productivity and market factors of the valuation subject on its future profitability are considered as well, so that the effect of each asset of the valuation subject on the enterprise value could be reflected more reasonably. The Valuation Report based on the income approach involves the calculation of discounted cash flow and therefore, such valuation is regarded as a profit forecast of Liaoning Zhongwang under Rule 14.61 of the Listing Rules. For details of the Liaoning Zhongwang Profit Forecast, see section headed "Profit Forecast of the Valuation Report" to this circular.

The principal assumptions upon which the profit forecast is based are set out below:

1. The external economic environment remains unchanged and the current national macroeconomic conditions will not change significantly at the Reference Date.

2. The social and economic environment, as well as the implemented policies in relation to tax and tax rates, etc. will not change significantly.

3. The future management of the company is diligent and the existing management model will remain unchanged.

4. The assets composition, structure of principal businesses, the composition of income and cost, sales strategy and cost control of the company in the forecast period will be implemented as planned without significant changes (not taking into account any profits and losses brought by changes in assets composition, principal businesses and business structure arising from the changes in management, business strategy and business environment).

5. The acquisition and utilization methods of the sites for business operation remain in line with those at the Reference Date without changes.

6. Various expenses of the company comply with its original plans in future operating periods without major changes. Considering that the monetary capitals or bank deposits of the company changed frequently or considerably during the operating periods, the valuation does not take into account any interest income of deposits or any contingent profits or losses (such as profits or losses on exchanges) when appraising the finance expenses.

7. The qualification of new & high-tech enterprise applied for Liaoning Zhongwang and its subsidiaries will not change significantly and will continuously maintain the new & high-tech enterprise qualification and enjoy the preferential tax benefits.

8. The valuation is based on the existing amount of the assets as at the Reference Date and the current market price of relevant assets is based on the effective domestic price as at the Reference Date.

9. The basic information and financial information provided by the principal and the valued company for the purpose of the valuation is assumed to be true, accurate and complete.

10. The scope of the valuation is subject to the application form for valuation provided by the principal and the valued company, without taking into account the contingent assets or contingent liabilities, if any, not included in the list provided by the principal and the valued company.

11. The impact of inflation is not taken into account in the selection of the value of the parameters in the valuation.

BDO Limited, the Company's auditor, has performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors in connection with the valuation of the total equity interests of Liaoning Zhongwang prepared by the Liaoning Zhongwang Valuer as set out in the Valuation Report.

The Directors are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation Report, which constitutes a profit forecast under Rule 14.61 of the Listing Rules and has been made after due and careful enquiry.

For the independent assurance report from BDO Limited, the reporting accountants of the Company, in compliance with Rule 14.62(2) of the Listing Rules and the letter from the Board in compliance with Rule 14.62(3) of the Listing Rules, please refer to the Appendix II and Appendix III to this circular.

The summary of the Valuation Report is set out in the Appendix IV to this circular.

(2) consideration of the CRED Xinjiang Shares

The consideration for the acquisition of the CRED Xinjiang Shares is RMB200 million, which was determined after arm's length negotiations between Zhongwang Fabrication and CRED Holding by taking into account, among other things, the final appraised value of the net assets of CRED Xinjiang of approximately RMB213.1871 million. Such consideration will be offset against the consideration of the Zhongwang Shares.

The valuation of the net assets of CRED Xinjiang is conducted by the CRED Xinjiang Valuer primarily based on the asset approach.

(3) Transfer Consideration

The Transfer Consideration shall be RMB29,248,275,862, which is equivalent to the balance of the consideration of the Zhongwang Shares offset by the consideration of the CRED Xinjiang Shares and will be satisfied by issuance of the Zhongwang Consideration Shares by CRED Holding to Zhongwang Fabrication.

Zhongwang Consideration Shares: CRED Holding shall issue the Zhongwang Consideration Shares to Zhongwang Fabrication to satisfy the consideration at an Issue Price per Consideration Share of RMB6.16, which was determined after arm's length negotiations between Zhongwang Fabrication and CRED Holding by taking into account, among other things, the minimum issue price requirements as prescribed under the Article 45 of the Pricing Regulation that the price at which a listed company issues shares shall not be lower than 90% of the market reference price, which means one of the average trading prices of the listed company's shares for the 20 trading days, 60 trading days or 120 trading days before the announcement of the board of directors' resolution for the issuance of shares.

The Issue Price per Consideration Share, i.e. RMB6.16, represents a 10% discount of the average price per A share of CRED Holding quoted on the SSE for the past 120 trading days immediately preceding the Pricing Date, i.e. RMB6.84, which was the lowest price amongst the average trading prices of CRED Holding for the 20 trading days, 60 trading days and 120 trading days immediately preceding the Pricing Date and was in line with the relevant requirements under Pricing Regulation as confirmed by the PRC legal adviser of the Company.

The Company is of view that the basis of the Consideration Shares is fair, reasonable and in the interests of the Company and the Shareholders as a whole after taking into account, among other things, the prescribed requirement under the Pricing Regulation, the valuation enhancement and management reasons of the Proposed Spin-off, and certain comparable market precedents in the A share market.

The Issue Price per Consideration Share and number of the Zhongwang Consideration Shares to be issued by CRED Holding to Zhongwang Fabrication will be adjusted according to relevant regulations of the CSRC and the SSE in case of ex-rights or ex-dividend by CRED Holding during the Transitional Period between the Reference Date and the Closing Date. There was no adjustment needed due to the ex-rights or ex-dividend by CRED Holding as at the Latest Practicable Date.

The total number of the Zhongwang Consideration Shares to be issued by CRED Holding to Zhongwang Fabrication shall be calculated as follows:

$$\frac{\text{(Transfer Consideration)}}{\text{(Issue Price per Consideration Share)}}$$

Should there be a decimal place in the result of the calculation of the number of Zhongwang Consideration Shares to be issued based on the above formula, the figure shall be rounded off by dropping the decimal place.

Based on the Transfer Consideration of RMB29,248,275,862 and the Issue Price per Consideration Share of RMB6.16, CRED Holding will issue 4,748,096,730 Zhongwang Consideration Shares to Zhongwang Fabrication.

The final number of the Zhongwang Consideration Shares to be issued by CRED Holding to Liaoning Zhongwang Shareholders will be subject to the approval of the CSRC.

The Zhongwang Consideration Shares to be issued represent 819.78% and 86.36% equity interests in CRED Holding at the Latest Practicable Date and as enlarged by the issuance of the Consideration Shares, respectively. The public float of CRED Holding will be in line with the listing requirements of SSE upon the completion the Proposed Spin-off.

Conditions Precedent: The Zhongwang Asset Restructuring shall become effective upon the fulfilment of the following conditions:

(a) the approval of the transaction contemplated under the Asset Transfer Agreement (including the Zhongwang Asset Restructuring) at the board meeting and general meeting of CRED Holding;

(b) the approval of the proposed Zhongwang Asset Restructuring at a general meeting of the Company in accordance with the applicable laws and regulations, Listing Rules, requirements of the securities regulators or the decisions of the Board;

(c) the waiver in respect of the general offer obligations on the part of Zhongwang Fabrication to acquire the A shares of CRED Holding having been approved at a general meeting of CRED Holding;

(d) the Company having obtained the approval of the Proposed Spin-off, the waiver in respect of assured entitlement requirement and no comments letter to the disclosure documents from the Stock Exchange; and

(e) the approval of the transaction contemplated under the Asset Transfer Agreement (including the Zhongwang Asset Restructuring) by the CSRC.

None of the conditions precedent mentioned above is waivable and as at the Latest Practicable Date, conditions precedent (a) and (c) have been fulfilled.

Lock-up Period: The Zhongwang Consideration Shares to be issued to Zhongwang Fabrication are subject to a lock-up period of 36 months commencing from the Completion Date (the "**Lock-up Period**").

The Lock-up Period will be extended for another six months where the closing prices of the shares of CRED Holding in any 20 consecutive trading days are lower than the Issue Price per Consideration Share during the period of six months commencing from the Completion Date or where the closing price at the end of such six months is lower than the Issue Price per Consideration Share pursuant to the Asset Transfer Agreement.

During the Lock-up Period, any shares of CRED Holding to be further subscribed by Zhongwang Fabrication as a result of, among other things, a rights issue, bonus issue, or capitalization issue by conversion shall be subject to the lock-up requirements above as well.

Transitional Period: Zhongwang Fabrication and CRED Holding have agreed that, among other things: (i) CRED Holding shall be entitled to the profit of Liaoning Zhongwang during the Transitional Period as Liaoning Zhongwang is not allowed to distribute any dividend during the Transitional Period unless otherwise agreed with CRED Holding, whereas Zhongwang Fabrication shall bear the loss of Liaoning Zhongwang during the Transitional Period in proportion to its then shareholding percentage in Liaoning Zhongwang and compensate CRED Holding in cash for such loss of Liaoning Zhongwang during the Transitional Period after the Completion Date which is in accordance with the requirements under the Compensation FAQ that for a material asset restructuring of an A share listed company where the income valuation approach is adopted, the profit of the target assets during the transitional period shall be attributable to the A share listed company while the loss of the target assets shall be born by the counterparty; and (ii) CRED Holding shall be entitled to or bear any profit or loss of CRED Xinjiang Shares during the Transitional Period. The profit and loss allocation arrangements during the Transitional Period mentioned above will not affect the Total Consideration.

The loss and the profit of Liaoning Zhongwang and CRED Xinjiang during the Transitional Period shall be determined by a closing audit report prepared by an accounting firm.

Liaoning Zhongwang shall not declare or make any distribution of its accumulated undistributed profit without the consent of CRED Holding during the Transitional Period unless such distribution was resolved prior to the Reference Date. CRED Holding shall not declare or make any distribution of its accumulated undistributed profit of CRED Holding and CRED Xinjiang without the consent of Zhongwang Fabrication.

Closing: Upon the fulfilment of all conditions precedent contemplated under the Asset Transfer Agreement and the completion of all necessary governmental approvals in relation to the transfer of the assets under the Zhongwang Asset Restructuring, on the Closing Date, (i) Zhongwang Fabrication shall deliver to CRED Holding the register of members and the capital contribution certificate of the Zhongwang Shares; and (ii) CRED Holding shall deliver to Zhongwang Fabrication the register of members and the capital contribution certificate of the CRED Xinjiang Shares.

Zhongwang Fabrication and CRED Holding have agreed that the Zhongwang Shares will be transferred to and registered under the name of CRED Holding at competent authority within 30 business days of the Closing Date, and the CRED Xinjiang Shares will be transferred to and registered under the name of Zhongwang Fabrication at competent authority within 30 business days of the Closing Date.

CRED Holding shall make application to China Securities Depository and Clearing Corporation Limited Shanghai Branch for the registration of the Zhongwang Consideration Shares under the name of Zhongwang Fabrication within five business days after the completion of the ownership transfer registration of the Zhongwang Shares at competent authority.

Long Stop Date: Zhongwang Fabrication and CRED Holding have agreed that they will use their best efforts to procure all of the conditions precedent to be fulfilled within 18 months of the date of the Asset Transfer Agreement (or any longer period as may be agreed upon). If any condition precedent under the Zhongwang Asset Restructuring has not been fulfilled (or waived) before 20 September 2021 (or any later date as may be agreed upon), being the Long Stop Date, the Zhongwang Asset Restructuring will be terminated automatically.

THE FUND ASSET RESTRUCTURING

According to the Asset Transfer Agreement, the Fund has agreed to sell and CRED Holding has 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 of CRED Holding, representing 3.11% equity interests in CRED Holding as enlarged by the issuance of the Consideration Shares, to the Fund at the same issue price as Issue Price per Consideration Share. According to the Asset Transfer Agreement, the Fund has the right to exit from the transactions under the Asset Transfer Agreement under certain circumstance, including where the Fund Consideration Shares are not registered under the name of the Fund within eight months upon the fulfilment of all conditions precedent contemplated under the Asset Transfer Agreement. Zhongwang Fabrication and CRED Holding may continue to complete the transactions under the Asset Transfer Agreement and none of the rights or obligations of Zhongwang Fabrication and CRED Holding under the Asset Transfer Agreement shall be affected at the time of exit of the Fund.

The Zhongwang Asset Restructuring (including the Disposal) and the Fund Asset Restructuring are inter-conditional with each other under the Asset Transfer Agreement.

Save for the above mentioned, principal terms and conditions of the Fund Asset Restructuring are the same as the Zhongwang Asset Restructuring.

(B) Principal Terms of the Compensation Agreement

Date: 20 March 2020

Parties: (a) Zhongwang Fabrication; and

(b) CRED Holding

Subject Matter: Zhongwang Fabrication has undertaken to CRED Holding that the Assessed Net Profit Amount shall be not lower than the Committed Net Profit Amount during the Profit Compensation Period, i.e. years commencing from the year of the Completion Date, being 2020, 2021 and 2022 if the year of the Completion Date is 2020; or 2020, 2021, 2022 and 2023 if the year of the Completion Date is not 2020, failing which Zhongwang Fabrication will compensate CRED Holding in accordance with the terms and conditions of the Compensation Agreement. The Committed Net Profit Amount for the years of 2020, 2021, 2022 and 2023 (where applicable) are RMB2.0 billion, RMB2.8 billion, RMB3.2 billion and RMB3.4 billion, respectively.

In anticipating the market downturn as a result of the recent outbreak of the Covid-19 epidemic and the scale-down of the global commercial and business activities, Zhongwang Fabrication, after discussion with CRED Holding, had decided to lower the Committed Net Profit Amount for the year ending 31 December 2020 from RMB3.0 billion as originally contemplated to RMB2.0 billion, which in turn is expected to provide sufficient buffer for Zhongwang Fabrication and the Company to account for the potential impact of the outbreak of the Covid-19 epidemic and the slowdown of the global economy.

Zhongwang Fabrication and CRED Holding have agreed that the Net Profit Difference shall be settled by the repurchase of the Zhongwang Consideration Shares by CRED Holding at a nominal consideration of RMB1.00 in aggregate first. If the Compensation Shares cannot cover the Net Profit Difference, the shortfall shall be settled in cash.

Compensation Method: According to the Article 35 of Pricing Regulation, there shall be an explicit and feasible compensation arrangement for a shortfall of the actual profit as compared with the committed profit forecast in a reverse takeover between the transaction counterparty and the A share listed company where the valuation approach of the target asset is based on, among others, profit forecast, i.e., income approach.

Furthermore, according to the Article 8 of the Compensation FAQ, for a reverse takeover involving an A share listed company, the compensation amount shall be calculated based on the total purchase price of the relevant asset and calculated in accordance with the formula contemplated in the Compensation FAQ.

Based on the above, Zhongwang Fabrication and CRED Holding have agreed that CRED Holding shall engage an auditor at the end of each financial year during the Profit Compensation Period for issuing a special audit report in connection with the Net Profit Difference and the special audit report shall form the basis for determining the Net Profit Difference. The Profit Compensation will be assessed every year only based on the audited net profit of the corresponding financial year and any over-achievement of a previous year, if applicable, will not offset the shortfall in the subsequent financial years and vice versa.

Profit Compensation

(a) The Company shall determine the number of the Compensation Shares to be compensated each year based on the special audit report of CRED Holding. Such Compensation Shares shall be repurchased by CRED Holding at the price of RMB1.00 and cancelled thereafter, subject to the approval of shareholders of CRED Holding at a general meeting.

The number of the Compensation Shares to be compensated each year shall be calculated in accordance with the formula as set out below (the "**Calculation Formula I**"):

$$= \frac{\textit{accumulated Committed Net Profit Amount as at the end of the current period (note 1)} - \textit{accumulated Assessed Net Profit Amount as at the end of the current period (note 2)}}{\textit{(total Committed Net Profit Amount for the respective years during the Profit Compensation Period}}$$

$$\times \frac{\textit{Total Consideration}}{\textit{Issue Price per Consideration Share}}$$

$$- \textit{accumulated number of the Compensation Shares compensated}$$

(b) The number of the Compensation Shares shall not exceed the total number of the Consideration Shares.

If the number of shares of CRED Holding held by Zhongwang Fabrication changes as a result of distribution by CRED Holding by way of capitalization issue by conversion or bonus issue between the Closing Date and the date of provision of the Share Compensation, the number of Compensation Shares to be compensated shall be adjusted as follows:

$$= \textit{number of the Compensation Shares determined in accordance with the Calculation Formula I} \times \textit{(1 + ratio of capitalization issue by conversion or bonus issue)}$$

(c) If CRED Holding distributes any cash dividend between the Closing Date and the date of provision of the Share Compensation, the accumulated dividend income obtained by Zhongwang Fabrication from the dividend attributable to the Compensation Shares as at the time when the compensation is made shall be subsequently refunded to CRED Holding in cash.

(d) If the number of Compensation Shares to be compensated determined according to the Calculation Formula I exceeds the remaining Consideration Shares of CRED Holding then held by Zhongwang Fabrication, the shortfall shall be made up by the Cash Compensation by Zhongwang Fabrication in accordance with the formula as set out below:

$$= \left(\begin{array}{c} \textit{number of the Compensation Shares to be compensated} \\ \textit{according to the Calculation Formula I –} \\ \textit{number of the Compensation Shares actually compensated} \\ \textit{according to the Calculation Formula I} \end{array} \right)$$

$$\times \quad \textit{Issue Price per Consideration Share}$$

Notes:

1. The accumulated Committed Net Profit Amount as at the end of the current period refers to the accumulated value of Committed Net Profit Amount of Liaoning Zhongwang as at the end of the respective year during the Profit Compensation Period.

2. The accumulated Assessed Net Profit Amount as at the end of the current period refers to the accumulated value of Assessed Net Profit Amount of Liaoning Zhongwang as at the end of the respective year during the Profit Compensation Period.

3. Under the following two circumstances, the Cash Compensation contemplated under the Compensation Agreement might be triggered: (1) where a proportion of the Zhongwang Consideration Shares were disposed by Zhongwang Fabrication during the Profit Compensation Period and the number of the remaining Zhongwang Consideration Shares held by Zhongwang Fabrication could not cover the profit compensation required; or (2) where no Zhongwang Consideration Shares were disposed by Zhongwang Fabrication during the Profit Compensation Period and the Achievement Rate is less than 4% as the Zhongwang Consideration Share accounted for 96.55% of the total consideration of the total equity interests in Liaoning Zhongwang.

4. The Company is of the view that the Cash Compensation arrangements contemplated under the Compensation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole because:

   (a) according to the Pricing Regulation and the Compensation FAQ, for a reverse takeover involving an A share listed company, likes the Proposed Spin-off, the compensation amount shall be calculated based on the total purchase price of the relevant asset and calculated in accordance with the formulas contemplated therein. As such, according to the Compensation Agreement, the highest possible compensation amount equals to the total consideration of the Target Shares of approximately RMB30.5 billion, being the final appraised value of the Target Shares as at 31 October 2019;

   (b) based on the historical net profits of Liaoning Zhongwang Group and after taking into account of the development plan of Liaoning Zhongwang Group during the Profit Compensation Period and the prospects of the industry where Liaoning Zhongwang operates, that there are reasonable and sufficient grounds to support the Company's assessment that it is extremely unlikely that the profit compensation under the Compensation Agreement would be triggered; and

   (c) the Cash Compensation would only be triggered under an extremely unlikely situation where no Zhongwang Consideration Shares were disposed by Zhongwang Fabrication and the Achievement Rate were less than approximately 4% during the Profit Compensation Period.

5. For illustration purpose only, the table below shows the results of the Profit Compensation, i.e. the shareholding percentage in CRED Holding after the compensation under different scenarios based on the transaction structure contemplated under the Asset Transfer Agreement and the Compensation Agreement.

Scenarios	**Shareholding percentage of the Company in Liaoning Zhongwang after the implementation of the compensation**
when Liaoning Zhongwang records a 90% Achievement Rate during the Profit Compensation Period	85.01%
when Liaoning Zhongwang records a 19% Achievement Rate during the Profit Compensation Period	49.58% (the Company losses the control over Liaoning Zhongwang)
when Liaoning Zhongwang records a net loss during the Profit Compensation Period	0%

However, based on the historical net profits of Liaoning Zhongwang Group and after taking into account of the development plan of Liaoning Zhongwang Group during the Profit Compensation Period and the prospects of the industry where the Disposal Group operates, there are reasonable and sufficient grounds to support the Company's assessment that it is extremely unlikely that the profit compensation mechanism under the Compensation Agreement would be triggered not even mention that it would be far more than remote that the impairment compensation mechanism would be triggered as well. In the extremely unlikely and catastrophic event of a collapse of the profitability of Liaoning Zhongwang Group which would require a considerable period of time, the market would have been able to reflect such events in its valuation of the Company, which is a listed public company whose shares are constantly traded and valued in the market. Such devaluation would be a function of the financial performance of the Company rather than the compensation arrangement itself.

6. All the agreed formulas mentioned above for calculating the compensation amount under the Compensation Agreement are the same as the formulas contemplated under the Compensation FAQ.

Impairment Compensation

(a) Upon expiry of the Profit Compensation Period, Zhongwang Fabrication and CRED Holding will jointly engage an auditor to carry out impairment test on the Target Shares. If the impairment amount of the Target Shares as at the end of the Profit Compensation Period exceeds the number of the Compensation Shares compensated by Zhongwang Fabrication during the Profit Compensation Period multiplied by the Issue Price per Consideration Share plus the amount of cash compensated, Zhongwang Fabrication shall make an additional compensation to CRED Holding in the form of the repurchase of the Zhongwang Consideration Shares by CRED Holding at a nominal consideration of RMB1.00 in aggregate.

The impairment amount shall reflect the remainder of the appraised value of the Target Shares as at 31 October 2019, i.e., approximately RMB30.5 billion, and the final valuation of the Target Shares as at the end of the Profit Compensation Period (the ***Final Valuation Amount***).

The number of such additional Compensation Shares shall be calculated in accordance with the formula as set out below (the "**Calculation Formula II**"):

$$= \frac{\textit{impairment value of the Target Shares as at the end of the Profit Compensation Period}}{\textit{Issue Price per Consideration Share}}$$

$$- \textit{total number of the Compensation Shares compensated during the Profit Compensation Period}$$

$$- \frac{\textit{total value of Cash Compensation compensated during the Profit Compensation Period}}{\textit{Issue Price per Consideration Share}}$$

(b) If the number of additional Compensation Shares to be compensated determined according to the Calculation Formula II exceeds the shares of CRED Holding then held by Zhongwang Fabrication, the shortfall shall be compensated with additional Cash Compensation by Zhongwang Fabrication in accordance with the formula as set out below.

$$= \left(\begin{array}{c} \textit{number of additional Compensation Shares to be compensated} \\ \textit{according to the Calculation Formula II} - \\ \textit{number of additional Compensation Shares actually compensated} \\ \textit{according to the calculation Formula II} \end{array} \right)$$

$$\times \quad \textit{Issue Price per Consideration Share}$$

According to the agreed formulas mentioned above, Zhongwang Fabrication shall provide additional compensations to CRED Holding at the time when the value of the Final Valuation Amount is less than RMB30.5 billion (i.e. where an impairment amount arises) and the valuation shortfall has not been covered by the share(s) of CRED Holding to be repurchased by CRED Holding from Zhongwang Fabrication as the share compensation compensated during the Profit Compensation Period.

Unless there are any other material adverse changes to Liaoning Zhongwang Group as at the end of the Profit Compensation Period in addition to the shortfall of the Committed Net Profit Amounts recorded during the Profit Compensation Period, the Company is of the view that the Final Valuation Amount is not expected to expose Zhongwang Fabrication to any material compensation obligations other than the profit compensation that has been already made as a result of such shortfall.

Condition Precedent: The Compensation Agreement shall become effective upon the Asset Transfer Agreement becoming effective.

Compensation Mechanism: CRED Holding shall pass a board resolution and submit to its general meeting a proposal regarding repurchase and cancellation of the Compensation Shares within 30 business days after the issue of the abovementioned special audit report. The repurchase and cancellation of the Compensation Shares shall be made after the approval by the shareholders of CRED Holding at its general meeting.

CRED Holding shall inform Zhongwang Fabrication within five business days after the announcement of the results of the general meeting of CRED Holding in relation to the repurchase and cancellation of the Compensation Shares. Zhongwang Fabrication shall transfer the requested amount of Compensation Shares to a designated account opened by the board of directors of CRED Holding at a nominal consideration of RMB1.00 in aggregate within 30 business days after receipt of such notice or 60 business days if Zhongwang Fabrication need to acquire such amount of Compensation Shares by other legal means, including purchasing from secondary market. CRED Holding shall cancel the received shares within 45 business days accordingly.

From the date of issue of the special audit report until such amount of Compensation Shares are cancelled or endowed to the qualified shareholders of CRED Holding, such shares do not carry voting rights and are not entitled to distribution of dividends.

Reasons for agreeing to the compensation arrangements: The compensation arrangements under the Compensation Agreement are made pursuant to the Article 35 of the Pricing Regulation. Furthermore, according to the Article 8 of the Compensation FAQ, for a reverse takeover involving an A share listed company, the compensation amount shall be calculated based on the total purchase price of the relevant asset and calculated in accordance with the formula contemplated in the Compensation FAQ. As confirmed by the PRC legal advisers of the Company, the calculation formula and compensation mechanism contemplated under the Compensation Agreement are in compliance with the requirements under the Pricing Regulation and the Compensation FAQ and the compensation mechanism is identical to that prescribed under the Pricing Regulation and the Compensation FAQ.

Besides, the adoption of income base approach in determining the valuation of Liaoning Zhongwang Group is considered because: (1) the adoption of other valuation approach like asset based approach might be deemed as an attempt to circumvent the regulatory requirements for compensation as provided above and might not be allowed except under certain exceptional cases, (2) the underlying discounted cash flow calculation of the income approach valuation used by the independent valuer offers a reasonable and comparable way for CRED Holding and the Company to understand and determine the value of Liaoning Zhongwang Group.

Having considered, among others, the benefit of the Proposed Spin-off, the preparation of the Committed Net Profit Amounts (including their basis and assumptions), the requirements by CSRC and the potential impact (and its likelihood) of such arrangements as outlined below and the necessity of adopting the income approach valuation, the Company is of the view that it is justifiable and in the interest of the Company and its Shareholders taken as a whole to enter into such arrangements. Given the Proposed Spin-off is subject to the approval of the shareholders of the Company, the shareholders would be given an opportunity to thoroughly consider, and, if thought appropriate, to approve such arrangements.

The Directors are of the view that it would be able to hit the target Committed Net Profit Amount for the years of 2020, 2021, 2022 and 2023 and the compensation arrangements will not result in any material and adverse change in the business, operation and financial condition of the Company (including its interest in CRED Holding) having considered, among others:

(a) the Committed Net Profit Amounts for the years of 2020, 2021, 2022 and 2023 were determined with reference to the profit forecast of Liaoning Zhongwang carefully prepared and included in its valuation based on income approach (discounted cash flow) by an independent valuer. When preparing the Committed Net Profit Amounts, the Company has taken into account the macro and micro economic conditions that would impact the business of the Disposal Group and the Group, including the outbreak of Covid-19, the trade tension between China and the United States and China's economic and industry policies. The net profit of Liaoning Zhongwang in accordance with the PRC GAAP for the six months ended 30 June 2020 of RMB476.7 million;

(b) a confirmation on the calculation of the valuation of Liaoning Zhongwang (discounted cash flow) that the discounted cash flows have been properly compiled in all material respects in accordance with the bases and assumptions of the Zhongwang Valuation issued by the reporting accountants of the Company according to the Listing Rules;

(c) the historical net profit of Liaoning Zhongwang in accordance with the PRC GAAP for each of the year ended 31 December 2015, 2016, 2017, 2018 and 2019 was approximately RMB3.11 billion, RMB3.25 billion, RMB3.66 billion, RMB4.43 billion and RMB2.92 billion, respectively, which was relatively stable without any material fluctuation even the Company was facing various unexpected challenging market environment, including the fluctuations in the world economy in recent years;

(d) there are considerable barriers to entry for a new participant to the aluminium extrusion industry in which Liaoning Zhongwang Group operates, especially the market of high-end products, namely technic barrier, supplier qualification accreditation barrier, capital investment barrier and professional talents barrier. A new industry participant needs to make a large amount of capital investment for the procurement of up-to-edge production equipment, engagement of highly talented employees and technical specialists, construction and installment of comprehensive and eco-friendly production plants, and the establishment of long-term relationships with key customers who usually have both high quality and performance requirements for products and a complex and length qualification accreditation for suppliers;

(e) after years of development, Liaoning Zhongwang Group has hold a leading position in the aluminium extrusion business area in the world and owns the sustainable capability to attract and obtain orders from customers; and

(f) after years of operating in the aluminum extrusion business area, Liaoning Zhongwang has built its reputation and a balanced customer portfolio.

The Directors are of the view that the aforesaid arrangements under the Compensation Agreement are fair and reasonable and in the interest of the Company and the Shareholders taken as a whole, having considered, among other things,

(a) the valuation conducted by the Liaoning Zhongwang Valuer which was primarily based on the income approach;

(b) the fact that the arrangements are put in place pursuant to compulsory requirements of the relevant PRC authorities (including the CSRC);

(c) the historical financial performance of Liaoning Zhongwang and the financial prospects of the business of Liaoning Zhongwang; and

(d) the global, regional and sector economic environment concerning the business of Liaoning Zhongwang, including the outbreak of COVID-19 epidemic, the trade tension between China and the United States and China's economic, industry policies.

Upon Closing, the Company will closely monitor the financial performance of CRED Holding/Liaoning Zhongwang Group and will keep the Shareholders updated on material information concerning the financial performance of CRED Holding/Liaoning Zhongwang Group and the Group by way of publishing periodic reports including the annual report, interim report and quarterly report (if applicable) in compliance with relevant laws, regulations and listing rules.

(C) Undertakings by Zhongwang Fabrication and the Controlling Shareholder of the Company

On 20 March 2020, Zhongwang Fabrication and Mr. Liu Zhongtian ("**Mr. Liu**"), the controlling shareholder of the Company, each entered into the Non-competition Undertaking in favour of CRED Holding. Pursuant to which, Zhongwang Fabrication and Mr. Liu have undertaken, respectively, that, after the Completion Date and during the period when Zhongwang Fabrication and Mr. Liu maintain their respective position as the controlling shareholder or ultimate beneficial owner of CRED Holding, neither of them will, and both of them will procure that the companies which they hold various investments in (other than CRED Holding and its subsidiaries) not, directly or indirectly, be engaged in any business that is, directly or indirectly, in competition with or is likely to be in competition with the business in which CRED Holding (which will be a subsidiary of the Company) operates within or outside the PRC.

In addition, on the same date, Zhongwang Fabrication also entered into a series of undertakings in favour of CRED Holding under the Zhongwang Asset Restructuring according to the relevant requirements of the CSRC and the SSE, including, *the Undertaking and Statement of the Truthfulness, Accuracy and Completeness of the Materials Provided, the Undertaking of the Ownership of Liaoning Zhongwang, the Undertaking of Reducing and Regulating Related Party Transactions, the Undertaking of No Inside Dealing, the Undertaking of the Assurance of the Independence of CRED Holding, the Undertaking of the Lock-up Period of the Shares of CRED Holding, the Undertaking of Realization of the Profit Compensation, the Undertaking of Historical Issues of Liaoning Zhongwang Group, the Undertaking of Social Insurance and Housing Funds Related Issues of Liaoning Zhongwang, the Undertaking of Dilution of the Immediate Return of the Material Assets Restructuring, the Undertaking of Property Ownership Related Issues of Liaoning Zhongwang Group, the Undertaking of the Compliance and Integrity Matters, the Undertaking of No Circumstances in Relation to Not Participation into the Material Assets Restructuring of CRED Holding, the Undertaking of Compliance in Fund Using and Guarantee Provision, and the Undertaking of Relationship with Suppliers and Customers*.

THE PROPOSED SPIN-OFF

The Zhongwang Asset Restructuring constitutes a spin-off of the Company pursuant to the applicable requirements under Practice Note 15.

(A) the Proposed Spin-off

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 CRED Holding has agreed to sell and Zhongwang Fabrication has agreed to purchase the 100% equity interests in CRED Xinjiang held by CRED Holding at an estimated 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.

Upon Closing, among other things, Liaoning Zhongwang will continue to be an indirect non-wholly owned subsidiary with approximately 86.36% equity interests held by the Company and become a direct wholly owned subsidiary of CRED Holding, and CRED Holding will become an indirect non-wholly owned subsidiary of the Company focusing on the Aluminium Extrusion Business.

All current business of CRED Holding will cease upon Closing.

(B) the Remaining Group and CRED Holding Group after the Disposal and the Proposed Spin-off

A. Clear Business Delineation between the Remaining Group and CRED Holding Group

Upon completion of the Proposed Spin-off, the Remaining Group will continue to engage in (i) the Aluminium Flat Rolling Business; (ii) the Further Fabrication Business; (iii) the Machinery and Equipment Business; and (iv) the International Trading Business. Given all current business of CRED Holding will cease upon Closing, therefore CRED Holding Group will be principally engaged in the Aluminium Extrusion Business. A summary of the products, usage and customers of each business is set out below:

No.	Business Segment	Products	Usage	Customers
CRED Holding Group				
(a)	Aluminium Extrusion Business	aluminium extrusion products (profiles, tubes, bars, etc.)	serving as raw materials for machinery and equipment, electric power engineering equipment and construction products or to be further processed and integrated into further fabricated products	manufacturers of machinery and equipment, electric power engineering equipment, construction products, as well as further fabricated products
the Remaining Group				
(a)	Aluminium Flat Rolling Business	aluminium plates and sheets	aircraft plates and sheets, automotive body sheets, industrial plates and sheets (tooling, moulding, shipbuilding, LNG, general industry, etc.), plates and sheets for consumer durables and packaging purposes (can stocks, fuel tanks, cookware, appliances, etc.), and building and construction applications	OEMs for the automotive and aviation industries, can and other packaging product makers, consumer product and appliance makers, construction product manufacturers, etc.
(b)	Further Fabrication Business	aluminium transportation components	logistics, rail carriages, structural body parts of electric buses, etc.	manufacturers of transportation vehicles, rail vehicles, electric buses, etc.

No.	Business Segment	Products	Usage	Customers
(c)	Machinery and Equipment Business	machinery	machinery and equipment for metal industry (scalpers, homogenizing furnaces, melting furnaces, mould heaters, etc.)	manufacturers in metal industry
(d)	International Trading Business	metal	trading of metals	international traders or manufacturers in metal industry

(1) Delineation of the Aluminium Extrusion Business with the Aluminium Flat Rolling Business

The Aluminium Extrusion Business and the Aluminium Flat Rolling Business are widely regarded as different business segments in the industry, in particular in the following aspects:

1. Business segregation

The Aluminium Extrusion Business and the Aluminium Flat Rolling Business are two separate businesses of the Group. The Aluminium Extrusion Business is conducted and managed by Liaoning Zhongwang Group. The Aluminium Flat Rolling Business is conducted and managed by Tianjin Zhongwang Aluminium Company Limited* (天津忠旺鋁業有限公司) ("**Tianjin Zhongwang**") and Zhongwang (Yingkou) Advanced Fabrication Aluminium Company Limited (忠旺(營口)高精鋁業有限公司) ("**Yingkou Fabrication**"), two subsidiaries of Liaoyang Zhongwang Fabrication.

2. Product classification and distribution

The main products of the Aluminium Extrusion Business are aluminium extrusion products (including profiles, tubes and bars) which serves as raw materials for machinery and equipment, electric power engineering equipment and construction products or to be further processed and integrated into further fabricated products. Aluminium extrusion products can be sold independently without being further processed, and most of the aluminium extrusion products (without being further processed) of Liaoning Zhongwang Group are sold independently by sales teams of Liaoning Zhongwang Group to clients in Tianjin City, Liaoning Province, Beijing City, Anhui Province, Jiangsu Province and Zhejiang Province.

The main products of the Aluminium Flat Rolling Business are flat rolled products (including aluminium plates, sheets and coils) which are sold independently by sales teams of Tianjin Zhongwang and Yingkou Fabrication to clients in Henan Province, Fujian Province, Shanghai City, Shandong Province, Guangdong Province, Jiangsu Province, Zhejiang Province, Hong Kong and the United States.

3. Production facilities

- The production facilities of the Aluminium Extrusion Business are independently operated by Liaoning Zhongwang Group, including production lines situated in Liaoyang City (97 aluminium extrusion production lines and 8 melting and casting production lines), Yingkou City (29 aluminium extrusion production lines and 12 melting and casting production lines) and Panjin City (13 aluminium extrusion production lines).

- The production facilities of the Aluminium Flat Rolling Business are independently operated by Tianjin Zhongwang and Yingkou Fabrication, including production lines situated in Tianjin City (1 hot rolling production line, 2 cold rolling production lines, 8 melting and casting production lines in operation and 1 hot rolling production line, 4 cold rolling production lines in trial operation) and Yingkou City (5 melting and casting production lines in operation and 1 hot rolling production line, 6 cold rolling production lines under construction).

- There is no sharing of production lines or manufacturing space between the Aluminium Extrusion Business and the Aluminium Flat Rolling Business.

4. Technologies and machinery

The technologies, expertise and machinery used for the Aluminium Extrusion Business and the Aluminium Flat Rolling Business are different and not interchangeable.

- Aluminium extrusion products are produced by heating aluminium billets and extruding the hot metal through moulds in extrusion presses, resulting in a specific shape of constant cross section such as tubes, bars or profiles.

- Flat rolled aluminium products are produced by heating aluminium slabs and then passing them repeatedly through a sequence of rollers until the required plate thickness is obtained, resulting in plates, sheets (through hot rolling) or sheet coils or foils (through cold rolling).

Each of the Aluminium Extrusion Business and the Aluminium Flat Rolling Business owns the patents that are material to its production and business operation, respectively.

5. Customers

There have been no overlapping customers for the products of the Aluminium Extrusion Business and the Aluminium Flat Rolling Business.

There is no competition between the Aluminium Extrusion Business and the Aluminium Flat Rolling Business in terms of customers since the intended use of aluminium extrusion products and flat rolled products are totally different and such products are not interchangeable.

6. Raw Materials and Suppliers

The principal raw materials for the Aluminium Extrusion Business are aluminium ingots and aluminium bars. The principal raw materials for the Aluminium Flat Rolling Business are aluminium ingots. As both the Aluminium Extrusion Business and the Aluminium Flat Rolling Business require aluminium ingots as raw materials, there are certain suppliers supplying aluminium ingots as raw materials to both the Aluminium Extrusion Business and the Aluminium Flat Rolling Business. However, the Company confirms that there is no competition or material adverse effect on the independent operation of Liaoning Zhongwang Group and the Remaining Group resulting from purchase from such suppliers since there have always been abundant aluminium ingots, as bulk commodities, available at market price by reference to the benchmark price set by the relevant metal exchanges (such as the Shanghai Metal Exchange, for the PRC markets). It is expected that the maximum volume of aluminium ingots required for the Aluminium Extrusion Business and the Aluminium Flat Rolling Business will be approximately 3,200 thousand tonnes based on their full designed production capacities, while the production volume of aluminium ingots in the PRC has already reached approximately 35,000 thousand tonnes in 2019 according to the National Bureau of Statistics of China.

Upon completion of the Proposed Spin-off, Liaoning Zhongwang Group will continue to be part of the Group. It is in the interests of the Company and its shareholders to purchase the same raw materials from certain suppliers together to increase the Group's overall bargaining power.

7. Staff

Each of Liaoning Zhongwang Group, Tianjin Zhongwang and Yingkou Fabrication has its own staff (including production, sales and marketing team conducting production, sales and marketing activities independently) which are not on the payroll list of each other.

8. No competition

The Aluminium Extrusion Business and the Aluminium Flat Rolling Business are different specialised segments of the aluminium industry which employ different technologies and machinery. Despite there might be certain suppliers and customers conducting business with both business segments, the Company confirms (i) there is no competition between those two businesses or any material adverse effect resulted from such business dealings; and (ii) there is clear business delineation between the Aluminium Extrusion Business and the Aluminium Flat Rolling Business.

(2) Delineation of the Aluminium Extrusion Business with the Further Fabrication Business

The Aluminium Extrusion Business and the Further Fabrication Business are widely regarded as different business segments in the industry, in particular in the following aspects:

1. Business segregation

The Aluminium Extrusion Business and the Further Fabrication Business are separate business operations currently conducted and managed by separate companies within the Group. The Aluminium Extrusion Business is conducted and managed by Liaoning Zhongwang Group. The Further Fabrication Business is conducted and managed by Liaoning Zhongwang Advanced Aluminium Alloy Processing Company Limited (遼寧忠旺鋁合金精深加工有限公司) ("**Liaoning Advanced**"), a subsidiary of Liaoyang Zhongwang Fabrication, and Anhui Zhongwang Advanced Aluminium Alloy Company Limited (安徽忠旺鋁合金精深加工有限公司) ("**Anhui Advanced**"), a subsidiary of Liaoning Advanced.

2. Product classification and distribution

The main products of the Further Fabrication Business are aluminium transportation components which are used for rail carriages, structural body parts of electric buses, etc. Products of the Further Fabrication Business are sold independently by sales teams of Liaoning Advanced and Anhui Advanced to clients in Beijing City, Jilin Province, Hunan Province, Shanghai City, Shandong Province, Guangdong Province, Hebei Province, Liaoning Province and Anhui Province.

3. Production facilities

The production facilities of the Further Fabrication Business are independently operated by Liaoning Advanced and Anhui Advanced, including cutting machine, mechanical processing machine, welding equipment, annealing equipment and lifting and transportation equipment situated in Liaoyang City and Wuhu City.

There is no sharing of production lines or manufacturing space between the Aluminium Extrusion Business and the Further Fabrication Business.

4. Technologies and machinery

The technologies, expertise and machinery used for the Aluminium Extrusion Business and the Further Fabrication Business are different and not interchangeable.

- As illustrated above, aluminium extrusion products are produced by heating aluminium billets and extruding the hot metal through moulds in extrusion presses, resulting in a specific shape of constant cross section such as tubes, bars or profiles. The key equipment used in the Aluminium Extrusion Business is extrusion presses.

- Further-fabricated products are produced by cutting, bending, scalping, drilling, stamping or welding aluminium alloys (including aluminium extrusion products and flat rolled products), resulting in semi-finished products such as rail carriage components or electric bus body structure. The Further Fabrication Business requires much more sophisticated technologies in stamping, bending, drilling and welding as aluminium alloys have low melting point and can be easily deformed. It also requires high-precision equipment which is not employed by the Aluminium Extrusion Business. For example, the Further Fabrication Centre of Liaoning Advanced has been equipped with Mubea Systems' latest 5-axis CNC machining centres, IGM welding systems, NC milling machines as well as welding robots.

Each of the Aluminium Extrusion Business and the Further Fabrication Business owns the patents that are material to its production and business operation, respectively.

5. Raw Materials and Suppliers

- The raw materials for the Aluminium Extrusion Business are aluminium ingots and aluminium bars. The raw materials for the Further Fabrication Business are aluminium extrusion products. There have been no overlapping suppliers for the daily operation of the Aluminium Extrusion Business and the Further Fabrication Business in any material aspects.

- For the three years ended 31 December 2019, approximately 2.25%, 3.45% and 3.12% of the aluminium extrusion products (in terms of revenue) produced by the Aluminium Extrusion Business were sold as raw materials for the production of further-fabricated products by the Further Fabrication Business at market price, and most of the aluminium extrusion products were sold directly to external customers by Liaoning Zhongwang Group.

6. Customers

- There have been no overlapping customers for the products of the Aluminium Extrusion Business and the Further Fabrication Business during the Track Record Period given, among others, the different sector focuses of the two businesses (the extrusion products are serving as raw materials for machinery and equipment, electric power engineering equipment and construction products or to be further processed and integrated into further fabricated products while the products from the Further Fabrication Business are mainly used in rail carriages and structural body parts of new energy vehicles).

- There is no competition between the Aluminium Extrusion Business and the Further Fabrication Business in terms of customers since the intended use of aluminium extrusion products and further-fabricated products are totally different and such products are not interchangeable.

7. Staff

Each of Liaoning Zhongwang Group, Liaoning Advanced and Anhui Advanced has its own staff (including production, sales and marketing team conducting production, sales and marketing activities independently) which are not on the payroll list of each other.

8. No competition

The Aluminium Extrusion Business and the Further Fabrication Business are upstream and downstream segments of the aluminium industry, respectively, and there is no competition between those two business segments.

(3) Delineation of the Aluminium Extrusion Business with (i) the Machinery and Equipment Business and (ii) the International Trading Business

As illustrated in the table above, it is clear that the Aluminium Extrusion Business is different from either the Machinery and Equipment Business or the International Trading Business in terms of products, usage and customers, and there is no competition among those businesses. Besides, as those three businesses are conducted by different subsidiaries of the Company, they are clearly separate from the perspectives of production facilities, products distribution, technologies, machinery and staff.

B. Independence of Directorship and Senior Management

Set out below are the directors and senior management members of the Company and CRED Holding upon completion of the Proposed Spin-off as currently contemplated.

the Company		**CRED Holding**	
Executive Directors	Lu Changqing *(Chairman and President)* Ma Qingmei	*Directors (executive)*	Chen Yan *(Chairman and General Manager)* Lin Jun *(Vice Chairman)* Wei Qiang Wu Yan Qu Ning
Non-executive Directors	Chen Yan Lin Jun Wei Qiang	*Directors (non-executive)*	Lu Changqing
Independent Non-executive Directors	Wong Chun Wa Wen Xianjun Shi Ketong Lo Wa Kei, Roy	*Independent Directors*	CRED Holding is seeking at least three suitable candidates for independent directors.
Senior Management Members	Kot Man Tat Cui Weiye Deng Jun	*Senior Management Members*	Chen Yan Lin Jun Wei Qiang Wu Yan Li Pengwei[1] Yang Xuejun Du Lianhuan Qu Ning

Upon completion of the Proposed Spin-off, there are no overlapping senior management members and executive directors/directors holding management roles between the Company and CRED Holding. In particular, (i) among the four out of the five overlapping directors of CRED Holding, Mr. Lu Changqing serves as an executive director of the Company but a director of non-executive nature of CRED Holding, and the other three serve as non-executive directors of the Company but directors with executive functions of CRED Holding; and (ii) Chen Yan, Lin Jun and Wei Qiang, who serve as senior management members of CRED Holding, serve as non-executive directors of the Company, and none of them serve as senior management members of the Company.

1 It is currently contemplated that, upon completion of the Proposed Spin-off, Mr. Li Pengwei will serve as a deputy general manager of CRED Holding and will no longer serve as a senior management member of the Group.

Out of the 9 directors of CRED Holding upon completion of the Proposed Spin-off, a majority of them (at least five) including two executive directors (Wu Yan and Qu Ning) have no roles at the Remaining Group.

Besides, upon completion of the Proposed Spin-off, all the senior management members of CRED Holding will be employed by CRED Holding and none of them holds any senior management position or executive directorship in or is employed by the Remaining Group.

All of the directors and senior management members of CRED Holding (after the Proposed Spin-off) possess extensive experience with a proven track record in business management areas, and some of them also have deep understanding and knowledge of aluminium processing industry. The management and industry experiences of the directors and senior management of CRED Holding will allow them to operate and develop independently from the Remaining Group.

On the basis of the current proposed composition of the board of directors of CRED Holding and the management and industry experiences of the directors and senior management of CRED Holding, it is believed that CRED Holding Group will operate and manage the Extrusion Business independently of the Company.

C. Financial Independence

Liaoning Zhongwang is and will continue to be financially independent from the Remaining Group upon completion of the Proposed Spin-off, in particular:

(i) *no undue financial reliance:* save as certain short-term borrowings and the financial dealings between Liaoning Zhongwang and the Remaining Group, there is no financial assistance between Liaoning Zhongwang and the Remaining Group during any of the financial years ended 31 December 2017, 2018 and 2019, and there will be no undue financial reliance between Liaoning Zhongwang and the Remaining Group upon the completion of the Proposed Spin-off;

(ii) *independent credit facilities:* each of the Remaining Group and Liaoning Zhongwang Group has sufficient funds to carry on their respective operations, and is able to obtain financing from external sources without reliance on the Remaining Group. As at 31 December 2019, each of the Remaining Group and Liaoning Zhongwang Group had approximately RMB9,500 million and RMB22,100 million of independent unutilized credit facilities without any guarantees provided by the other party, respectively;

(iii) *independent financial administration:* Liaoning Zhongwang has its own finance departments and staff responsible for financial management and internal control. It has its own internal control, accounting and financial management system and policies and can make its own financial decisions independently.

D. Administrative Independence

As a well-established company in the PRC with a long history, Liaoning Zhongwang has been operating independently from the Remaining Group with its own management team and functional departments. After the Proposed Spin-off, Liaoning Zhongwang will also be able to carry out its administrative functions independently from the Remaining Group, in particular:

(i) each of Liaoning Zhongwang and CRED Holding has its own key administrative functions, which has been implemented and will continue to be implemented by itself without reliance on the support of the Remaining Group;

(ii) Liaoning Zhongwang and the Remaining Group do not, and will not, share offices, equipment, back-office support services and team of staff for carrying out administration and operation;

(iii) the directors and senior management members of Liaoning Zhongwang were and will be appointed through the board meeting and the general meeting of Liaoning Zhongwang in accordance with the procedural requirements provided by the Company Law of the People's Republic of China (中華人民共和國公司法) as well as the articles of association of Liaoning Zhongwang; and

(iv) the senior management members of Liaoning Zhongwang, including its general manager, deputy general managers and chief financial officer, do not and will not hold any positions or receive any remuneration in the Remaining Group.

Given that CRED Holding Group will still carry out the day-to-day administrative function on its own, the Directors consider that CRED Holding Group will have independence of administrative capability after the Proposed Spin-off.

(C) Assured Entitlement

Under Paragraph 3(f) of Practice Note 15, a listed issuer is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares in the entity which is proposed to be spun off for separate listing.

After due and careful consideration of the Proposed Spin-off and having taken into account the requirements of the applicable PRC laws and regulations and the advices of the PRC legal adviser of the Company, subject to the Company's application for a waiver from the Stock Exchange from strict compliance with the applicable requirements in relation to the assured entitlement under Practice Note 15, the Board has resolved not to provide assured entitlement to the Shareholders under the Proposed Spin-off for the following reasons:

(a) the Zhongwang Consideration Shares will only be listed and traded on the SSE; and

(b) a substantial number of Shareholders are considered as foreign investors under the relevant PRC laws. According to the existing laws and regulations of the PRC, no foreign investors are allowed to subscribe for A shares in the PRC unless they are (i) strategic investors that are approved by the Ministry of Commerce of the PRC; (ii) qualified foreign institutional investors, (iii) Renminbi qualified foreign institutional investors, (iv) qualified foreign individuals, or (v) certain eligible foreigners. Given that a substantial number of Shareholders do not fall within the scope of investors mentioned above, it would not be feasible for the Company to provide the assured entitlement to such Shareholders

As such, since many Shareholders are located outside Mainland China, it is not feasible for the Company to comply with Paragraph 3(f) of Practice Note 15 of the Listing Rules in respect of the Proposed Spin-off and no assured entitlement can be provided to the existing Shareholders. The Company proposes that no assured entitlement to the A shares of CRED Holding will be allotted to the Shareholders under the Proposed Spin-off.

The Company has applied for and the Stock Exchange has granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under Practice Note 15.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL AND THE PROPOSED SPIN-OFF

The directors of both the Company and Liaoning Zhongwang believe that the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off will better position both Liaoning Zhongwang and the Remaining Group for their future development and deliver benefits to both the Group and Liaoning Zhongwang Group for the following reasons:

(1) enabling the market to appraise and assess the value of the Group and Liaoning Zhongwang Group more effectively;

(2) providing an additional fund-raising platform for the Group and Liaoning Zhongwang Group. Such platform would increase the corporate profile of Liaoning Zhongwang Group and allow Liaoning Zhongwang Group to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion, thereby accelerating its expansion and improving its operating and financial performance, which in turn will provide better reward to the shareholders of both the Group and Liaoning Zhongwang Group;

(3) allowing the management of the Group and Liaoning Zhongwang Group to focus more effectively on the development strategies and business opportunities of their respective businesses with clearly delineated business objectives;

(4) increasing the operational and financial transparency of and enhance the corporate governance of Liaoning Zhongwang Group and provide shareholders, investors, financial institutions and rating agencies with greater clarity on the businesses and financial status of the Group and Liaoning Zhongwang Group;

(5) upon completion of the Proposed Spin-off, the financial results of Liaoning Zhongwang will continue to be consolidated into the Company's accounts. As such, the Company and the Shareholders will continue to enjoy the benefits from the growth and development of Liaoning Zhongwang Group;

(6) although the Company is included in the Shanghai-Hong Kong Stock Connect Program, there are certain entrance barriers for ordinary PRC investors to make investment in securities of the Group through such program. With the continuing growth and further expansion of the business and value of the Remaining Group, the separate listing of Liaoning Zhongwang Group could bolster investor interest and better evaluation of the business of the Group by providing an opportunity for the PRC investors to make evaluation of the performance of Liaoning Zhongwang Group separately from the Group and to make investment decision to reflect the independent value of the Group and Liaoning Zhongwang Group which will continue to be a subsidiary of the Company; and

(7) helping Liaoning Zhongwang Group to build a better brand image not only in the capital markets but also in the business development and product marketing areas, as most of the major customers (both existing and potential) of Liaoning Zhongwang Group are PRC enterprises and a PRC listed issuer could be a strong proof for the qualification and credit rating of Liaoning Zhongwang Group.

Upon completion of the Proposed Spin-off, the financial results of Liaoning Zhongwang Group will continue to be consolidated into the Company's accounts. As such, the Company and the Shareholders will continue to enjoy the benefits from the growth and development of Liaoning Zhongwang Group.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND RELEVANT ARRANGEMENTS (INCLUDING THE COMPENSATION ARRANGEMENTS CONTEMPLATED UNDER THE COMPENSATION AGREEMENT) AND THE PROPOSED SPIN-OFF

Upon completion of the Disposal the Proposed Spin-off, the equity interests in Liaoning Zhongwang held by the Company will decrease from 96.55% to 86.36% and Liaoning Zhongwang will remain as an indirect non-wholly owned subsidiary of the Company through the shareholding held by CRED Holding. As a result, the financial statement of Liaoning Zhongwang will continue to be consolidated into the consolidated financial statements of the Group.

Based on audited consolidated financial statements of Liaoning Zhongwang Group for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 and CRED Holding Group for the year ended 31 December 2019 and the six months ended 30 June 2020 prepared in accordance with the PRC GAAP, the total assets of the Company are expected to recognize an increase of approximately RMB3,309 million, the net assets of the Company are expected to recognize an increase of approximately RMB4,272 million, the goodwill of the Company is expected to recognize an increase of approximately RMB3,025 million, and the non-controlling interests of the Company are expected to recognize an increase of approximately RMB4,078 million, respectively, upon the completion of the Disposal and the Proposed Spin-off.

Based on the audited consolidated financial statements of Liaoning Zhongwang Group for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 prepared in accordance with the PRC GAAP, in extreme case where the Profit Compensation and/or the Impairment Compensation were triggered and (i) the Company lost its controlling and consolidating shareholding position in Liaoning Zhongwang and (ii) the Company lost all of its shareholding in Liaoning Zhongwang after transferring and canceling of such Compensation Shares at an Achievement Rate of approximately 19% and 4%, respectively, the total assets of the Company are expected to recognize a decrease of approximately RMB50,204 million and RMB64,418 million, the net assets of the Company are expected to recognize a decrease of approximately RMB14,331 million and RMB28,545 million, and the non-controlling interests of the Company are expected to recognize a decrease of approximately RMB175 million and RMB175 million, respectively.

The Company is expected to record a loss of nil and RMB14,438 million, respectively, (i) after the completion of the Disposal and the Proposed Spin-off and (ii) under the extreme case as listed above, losing its controlling and consolidating shareholding position in Liaoning Zhongwang as contemplated under the Compensation Agreement, if applicable.

Besides, as the indirect holding by the Company of 96.55% equity interest in Liaoning Zhongwang will effectively be exchanged to 86.36% equity interests in CRED Holding, no sale proceeds will be received by Zhongwang Fabrication in respect of the disposal of the Zhongwang Shares.

LISTING RULES IMPLICATION

The Disposal constitutes a disposal by the Company under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company for the purposes of, and is subject to the reporting and announcement under the Listing Rules. As the transfer of the Zhongwang Shares by the Company to CRED Holding by way of the Zhongwang Asset Restructuring pursuant to the Asset Transfer Agreement constitutes a spin-off of the Company under Practice Note 15, the Proposed Spin-off will therefore be subject to, among other things, the approval of the Shareholders.

In addition, according to relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement), in extreme case where the Profit Compensation and/or the Impairment Compensation were triggered as a result of the Achievement Rate is lower than 19% during the Profit Compensation Period resulting in the transfer of a substantial amount of the Compensation Shares held by Zhongwang Fabrication to CRED Holding, the Company might lose its controlling and consolidating shareholding position in Liaoning Zhongwang after the transferring and canceling of such Compensation

Shares. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of such transfer would exceed 75% considering the size of Liaoning Zhongwang, the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) would potentially result in a possible very substantial disposal of the Company and are subject to the approval of the Shareholders at the EGM. As the transfer of the Zhongwang Shares by the Company to CRED Holding by way of the Zhongwang Asset Restructuring pursuant to the Asset Transfer Agreement constitutes a spin-off of the Company under Practice Note 15, the Proposed Spin-off will therefore be subject to, among other things, the approval of the Shareholders at the EGM.

As such, the Company will comply with the requirements under paragraph 3(e)(1) of Practice Note 15 in relation to the Proposed Spin-off and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) in relation to the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement).

As disclosed in the Announcements, based on the size test results, the proposed issue of the Zhongwang Consideration Shares and the acquisition of the CRED Xinjiang Shares, in aggregate, constitute discloseable transactions of the Company for the purposes of, and is subject to the reporting and announcement requirements under the Listing Rules. Given all such arrangements are made pursuant to the Asset Transfer Agreement and the Compensation Agreement, the proposed issue of the Zhongwang Consideration Shares and the acquisition of the CRED Xinjiang Shares will not materialize without the Shareholders' approval of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off.

None of the Directors has any material interest in the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off and has thus abstained from voting on the relevant resolutions at the Board meeting.

GENERAL INFORMATION

(A) The Company

The Company is incorporated in Cayman Islands and listed on the Main Board of the Stock Exchange. The Group is principally engaged in the production of high precision, large section and high value-added industrial aluminium extrusion products and aluminium flat rolling products which are widely used in such sectors as transportation, machinery and equipment and electric power engineering etc..

(B) Zhongwang Fabrication

Zhongwang Fabrication is a limited company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company as at the Latest Practicable Date. Zhongwang Fabrication is principally engaged in investment holding.

(C) Liaoning Zhongwang

Liaoning Zhongwang is a limited liability company incorporated under the laws of the PRC and a direct non-wholly owned subsidiary of Zhongwang Fabrication as at the Latest Practicable Date. Liaoning Zhongwang is principally engaged in the production and sale of aluminium extrusion products.

Based on the audited consolidated financial statements of Liaoning Zhongwang prepared in accordance with the PRC GAAP, each of the book value of the consolidated equity attributable to owners of Liaoning Zhongwang as at 31 December 2019 and the net profit attributable to the owners of Liaoning Zhongwang Group for the year ended 31 December 2019 was approximately RMB27,920.77 million and RMB2,912.97 million, respectively. The excess of the amount of the Total Consideration over the book value of the consolidated equity attributable to owners of Liaoning Zhongwang as to 96.55% attributable to Zhongwang Fabrication and 3.45% attributable to the Fund as at 31 December 2019 was approximately RMB2,579.23 million. The consolidated net profits (before and after taxation) of Liaoning Zhongwang for the two years ended 31 December 2019 are set out below:

	Financial year ended 31 December 2018	**Financial year ended 31 December 2019**
	RMB million	*RMB million*
Consolidated profit before taxation	5,189.22	3,248.03
Consolidated profit after taxation	4,429.28	2,916.48

(D) CRED Holding

CRED Holding is a limited company incorporated under the laws of the PRC, the shares of which are listed on the SSE. CRED Holding is principally engaged in property sales and rental business.

Based on the audited consolidated financial statements of CRED Holding prepared in accordance with the PRC GAAP, the book value of the consolidated net assets of CRED Holding as at 31 December 2019 was approximately RMB281.95 million. The consolidated net profits/(losses) (before and after taxation) of CRED Holding for the two years ended 31 December 2019 are set out below:

	Financial year ended 31 December 2018	**Financial year ended 31 December 2019**
	RMB'000	*RMB'000*
Consolidated profits/(losses) before taxation	(42,022.49)	46,177.34
Consolidated profits/(losses) after taxation	(42,022.49)	28,486.29

(E) CRED Xinjiang

CRED Xinjiang is a limited company incorporated under the laws of the PRC and a wholly owned subsidiary of CRED Holding as at the Latest Practicable Date. CRED Xinjiang is principally engaged in sale and lease of properties and property management.

Based on the audited financial statements of CRED Xinjiang prepared in accordance with the PRC GAAP, the book value of the net assets of CRED Xinjiang as at 31 December 2019 was approximately RMB141.69 million. The audited net profits/(losses) (before and after taxation) of CRED Xinjiang for the two years ended 31 December 2019 are set out below:

	Financial year ended 31 December 2018 *RMB'000*	**Financial year ended 31 December 2019** *RMB'000*
Profits/(losses) before taxation	(3,305.56)	69,731.45
Profits/(losses) after taxation	(3,305.56)	52,040.40

(F) Fund

Fund is a limited liability company incorporated under the laws of the PRC and is principally engaged in equity investment, investment consultation, project investment and asset management. The registered capital of Fund is RMB56,000,000,000. As at the Latest Practicable Date, details of the shareholders of Fund and their respective shareholding percentage are set out below.

Name of Shareholder	**Type**	**Shareholding Percentage**
Ministry of Finance of the People's Republic of China	Government Authority	14.28571%
Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司)	State-owned entity	8.92857%
China Electronics Technology Group Corporation (中國電子科技集團有限公司)	State-owned entity	8.92857%
Beijing Zhongwang Investment Development Company Limited (北京忠旺投資發展有限公司, "**Beijing Zhongwang**")(1)	Private corporation and ultimately controlled by Mr. Liu Zhongtian	8.92857%
Beijing Municipal Government Investment Guidance Fund (Limited Partnership) (北京市政府投資引導基金(有限合夥))	State-owned entity	7.14286%
China National Nuclear Corporation (中國核工業集團有限公司)	State-owned entity	7.14286%
China Shipbuilding Industry Corporation (中國船舶重工集團有限公司)	State-owned entity	7.14286%
Beijing Cuiwei Group (北京翠微集團)	State-owned entity	5.35714%

Name of Shareholder	Type	Shareholding Percentage
China Shipbuilding Investment Development Company Limited (中船投資發展有限公司)	State-owned entity	5.35714%
Tus-Holdings Co., Ltd. (啟迪控股股份有限公司)	State-owned entity	3.57143%
Sichuan Development Holding Company Limited (四川發展(控股)有限責任公司)	State-owned entity	1.78571%
China Aerospace Investment Holdings Ltd. (航天投資控股有限公司)	State-owned entity	1.78571%
AVIC Capital Co., Ltd. (中航資本控股股份有限公司)	State-owned entity	1.78571%
China North Industries Group Corporation Limited (中國兵器工業集團有限公司)	State-owned entity	1.78571%
China South Industries Group Corporation (中國兵器裝備集團有限公司)	State-owned entity	1.78571%
Aero Engine Corporation of China (中國航空發動機集團有限公司)	State-owned entity	1.78571%
Shandong New Energy Fund Management Company Limited (山東省新動能基金管理有限公司)	State-owned entity	1.42857%
Bocommtrust Asset Management Co., Ltd. (交銀國信資產管理有限公司)	State-owned entity	1.33929%
Fujian State-owned Asset Management Company Limited (福建省國有資產管理有限公司)	State-owned entity	0.89286%
Guangdong Yuecai Investment Holding Company Limited (廣東粵財投資控股有限公司)	State-owned entity	0.89286%
Luoyang Guohong Investment Group Co.,Ltd. (洛陽國宏投資集團有限公司)	State-owned entity	0.89286%
Hubei Provincial High Technology Industry Investment Co., Ltd. (湖北省高新產業投資集團有限公司)	State-owned entity	0.89286%
Hunan Caixin Finance Holding Company Limited (湖南財信金融控股集團有限公司)	State-owned entity	0.89286%
Jilin Province Private Equity Co., Ltd. (吉林省股權基金投資有限公司)	State-owned entity	0.89286%
Shanxi State-owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司)	State-owned entity	0.89286%
China Aerospace Science and Industry Corporation (中國航天科工集團有限公司)	State-owned entity	0.89286%
China Electronics Corporation (中國電子信息產業集團有限公司)	State-owned entity	0.89286%
China Academy of Engineering Physics (中國工程物理研究院)	State-owned entity	0.89286%
China Everbright Industry (Group) Company Limited (中國光大實業(集團)有限責任公司)	State-owned entity	0.53571%

Name of Shareholder	Type	Shareholding Percentage
Guangdong Fullde Electronics Co., Ltd. (廣東福德電子有限公司)	Private corporation and ultimately controlled by Mr. Li Wengen	0.17857%
Huihua Fund Management Company Limited (惠華基金管理有限公司, "**Huihua Fund Management**")	State-owned entity	0.08929%
Total		**100%**

Note:

(1) As at the Latest Practicable Date, Beijing Zhongwang is ultimately controlled by Mr. Liu Zhongtian, the controlling shareholder of the Company.

The fund management of Fund is Huihua Fund Management. As at the Latest Practicable Date, details of the shareholders of Huihua Fund Management are set out below.

Name of Shareholder	Type	Shareholding Percentage
AVIC Capital Co., Ltd. (中航資本控股股份有限公司, "**AVIC Capital**")(1)	State-owned entity	40%
CETC Investment Holdings Co., Ltd. (中電科投資控股有限公司)	State-owned entity	14%
Beijing Municipal Government Investment Guidance Fund Management Co., Ltd. (北京市政府投資引導基金管理有限公司)	State-owned entity	11%
China National Nuclear Corporation Capital Holding Co., Ltd. (中國核工業集團資本控股有限公司)	State-owned entity	10%
Beijing Zhongwang	Private corporation and ultimately controlled by Mr. Liu Zhongtian	10%
China Shipbuilding Industry Asset Operation and Management Co., Ltd. (中船重工資產經營管理有限公司)	State-owned entity	6.5%
China Shipbuilding Investment Development Company Limited (中船投資發展有限公司)	State-owned entity	4.5%
Tus Industry Investment Management (Tianjin) Co., Ltd. (啟迪創業投資管理(天津)有限公司)	State-owned entity	4%

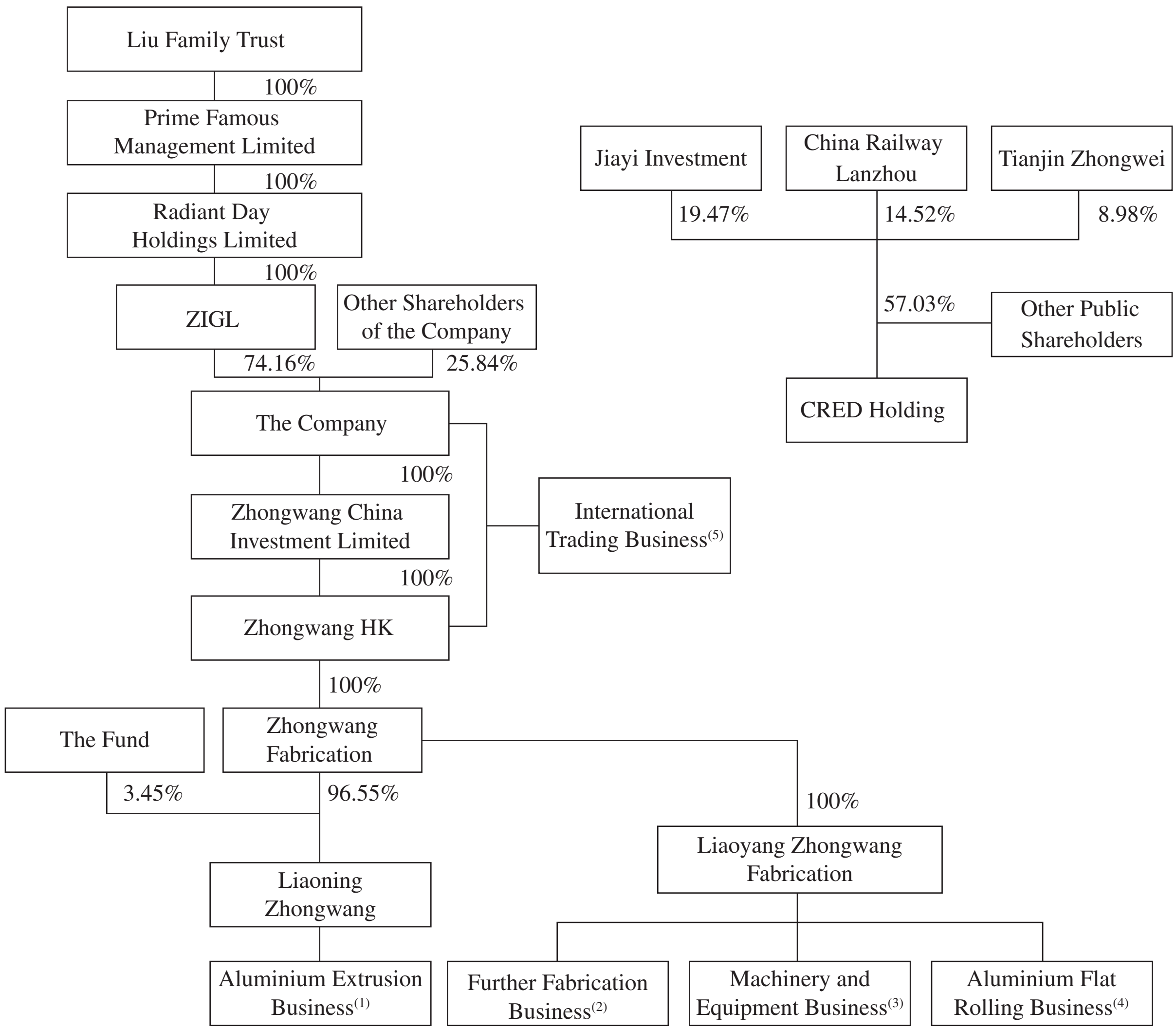
Note:

(1) AVIC Capital is a company incorporated in the PRC with limited liability and is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council.

Notwithstanding Mr. Liu Zhongtian's minority interest in the Fund and its management company, Huihua Fund Management through Beijing Zhongwang, Mr. Liu Zhongtian does not have any material interest in the transactions contemplated which would require him to abstain from voting at the general meeting of the Company to approve the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off because: (i) Beijing Zhongwang does not control or have the power to control either the Fund or Huihua Fund Mangement given its minority equity interests in the Fund and Huihua Fund Management and Beijing Zhongwang/Mr. Liu Zhongtian is a passive financial investor in the Fund; and (ii) the substantive counterparty of the Company for the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off is CRED Holding, an Independent Third Party of both the Company and Mr. Liu Zhongtian and the Fund is merely a party to the relevant arrangements given its minority interest in Liaoning Zhongwang.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Beijing Zhongwang, the other shareholders of Fund and Huihua Fund Management (including AVIC Capital) are Independent Third Parties as at the Latest Practicable Date.

(G) Simplified corporate structure of the Group and CRED Holding Group to the extent relevant to the transactions contemplated under the Asset Transfer Agreement and the Proposed Spin-off as at the Latest Practicable Date



Notes:

1. The Aluminium Extrusion Business is mainly conducted by Liaoning Zhongwang, Yingkou Zhongwang Aluminium Company Limited* (營口忠旺鋁業有限公司), Panjin Zhongwang Aluminium Company Limited* (盤錦忠旺鋁業有限公司), Zhongwang (Liaoyang) Aluminium Formwork Manufacturing Company Limited* (忠旺(遼陽)鋁模板製造有限公司), Liaoning Zhongwang Aluminium Company Limited* (遼寧忠旺鋁業有限公司) and Liaoning Zhongwang Import & Export Trade Company Limited* (遼寧忠旺進出口貿易有限公司).

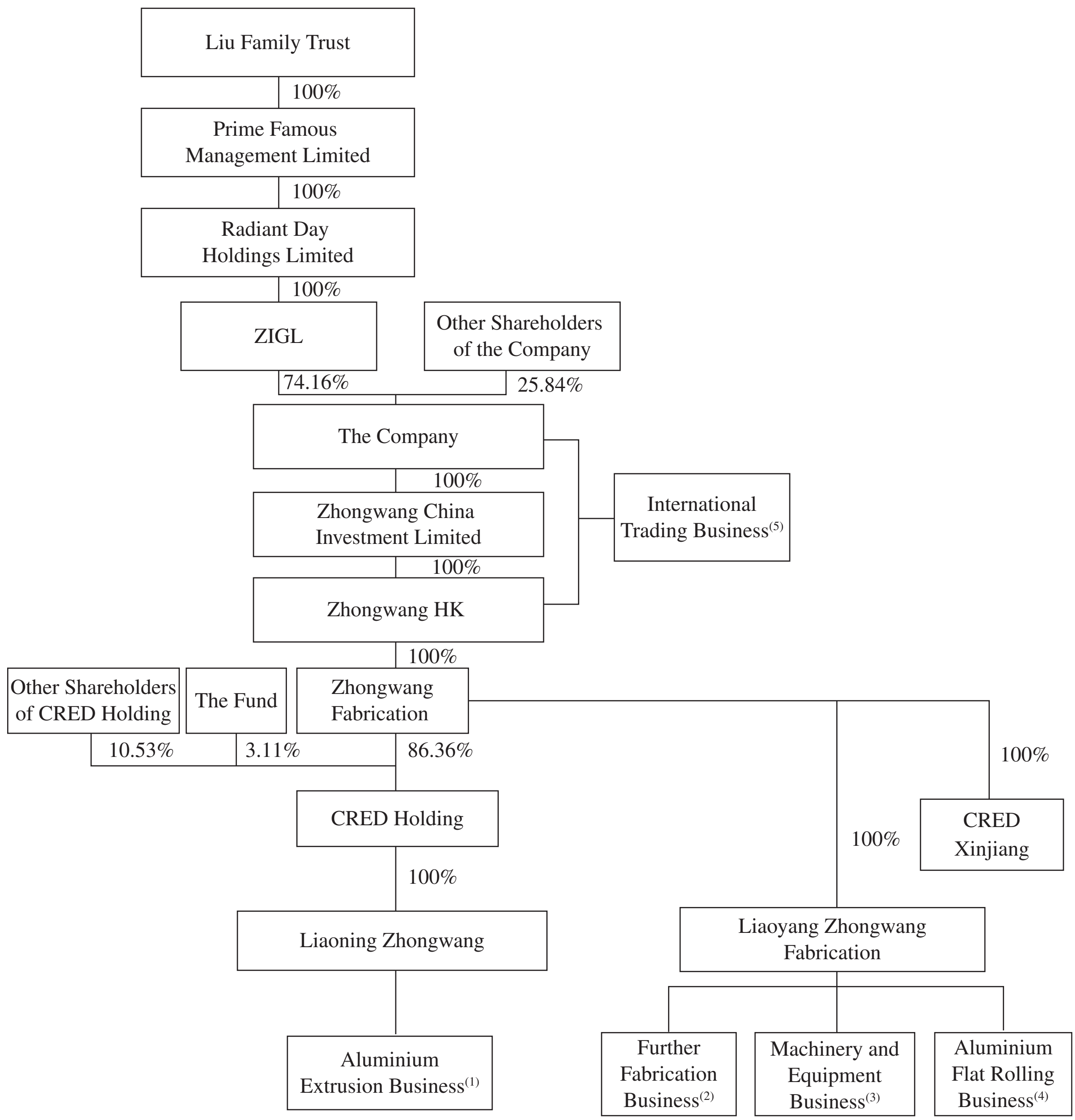
2. The Further Fabrication Business is mainly conducted by Liaoning Advanced and Anhui Advanced.

3. The Machinery and Equipment Business is mainly conducted by Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited* (遼寧忠旺機械設備製造有限公司).

4. The Aluminium Flat Rolling Business is mainly conducted by Tianjin Zhongwang and Yingkou Fabrication.

5. The International Trading Business is mainly conducted by the Company and Zhongwang China Investment (HK) Limited* (忠旺中國投資(香港)有限公司) ("**Zhongwang HK**").

(H) Simplified corporate structure of the Group and CRED Holding Group immediately after completion of the transactions contemplated under the Asset Transfer Agreement and the Proposed Spin-off



See notes to "(F) Simplified corporate structure of the Group and CRED Holding Group to the extent relevant to the transactions contemplated under the Asset Transfer Agreement and the Proposed Spin-off as at the Latest Practicable Date".

VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the EGM pursuant to article 66 of the memorandum and articles of association of the Company.

CLOSURE OF REGISTER OF MEMBERS AND ASCERTAINING OF ELIGIBILITY FOR ATTENDING THE EGM

For determining the Shareholders who are entitled to attend and vote at the EGM, the register of members will be closed from Monday, 9 November 2020 to Wednesday, 11 November 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, 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. on Friday, 6 November 2020.

RECOMMENDATIONS

Your attention is also drawn to the letter from the Independent Board Committee to the Shareholders, which is set out on page 55 to 56 of this circular, and which contains their recommendations in respect of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off and the transactions contemplated thereunder.

The letter of advice from Shenwan Hongyuan to the Independent Board Committee and the Shareholders on the fairness and reasonableness of the terms of the transaction in relation to terms of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off and the transactions contemplated thereunder, and whether it is in the interests of the Company and the Shareholders as a whole is set out on pages 57 to 82 of this circular.

The Independent Board Committee, after taking into account the advice and recommendation from Shenwan Hongyuan, has come to the view that the terms of Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote for the resolution to be proposed at the EGM to approve the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) consider that the ordinary resolutions in relation to the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of such resolutions to be proposed at the EGM as set out in the notice of the EGM.

EGM

A notice convening the EGM to be held at Conference Room 2, 39th Floor, Zhongwang Tower, Yuan'an Road, Chaoyang District, Beijing, China on Wednesday, 11 November 2020 at 10:00 a.m. together with the relevant reply slip and proxy form is enclosed and is also published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.zhongwang.com). If you intend to appoint a proxy to attend the EGM, you are requested to complete and return the proxy form and reply slip in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

No Shareholders needs to abstain from voting on the resolution to be proposed at the EGM to approve the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off.

The Shareholders who intend to attend the EGM in person or by proxy should complete and deliver the reply slip to the Company's Hong Kong branch share registrar in accordance with the instructions printed thereon on or before Friday, 6 November 2020.

OTHER INFORMATION

Your attention is drawn to the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Shareholders, the letter from the Independent Board Committee which sets out its recommendation to the Shareholders, the additional information set out in the appendices to this circular and the notice of the EGM.

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

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)

24 October 2020

To the Shareholders

Dear Sir/Madam,

PROPOSED SPIN-OFF OF LIAONING ZHONGWANG GROUP THROUGH ASSET RESTRUCTURING WITH CRED HOLDING

We refer to the circular of the Company dated 24 October 2020 (the "**Circular**"), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

We have been appointed to consider the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off and to advise the Shareholders as to (i) the fairness and reasonableness of the terms of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off and the transactions thereunder; and (ii) whether the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off is in the interest of the Company and the Shareholders as a whole. Detailed information of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off is set out in the "Letter from the Board" on pages 9 to 54 of the Circular.

Shenwan Hongyuan has been appointed as our independent financial adviser to advise us on matter in relation to the terms in respect of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off. Details of the relevant advice and recommendation of Shenwan Hongyuan, together with the principal factors and reasons taken into account by it in arriving at its advice and recommendation, are set out on pages 57 to 82 of the Circular.

The Board has considered and approved the terms of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off. Taken into account the advice and recommendation of Shenwan Hongyuan, we consider that the terms of the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. We therefore recommend

* *For identification purposes only*

the Shareholders to vote for the resolutions in relation to the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

Wong Chun Wa	**Wen Xianjun**	**Shi Ketong**	**Lo Wa Kei, Roy**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from Shenwan Hongyuan Capital (H.K.) Limited for the purpose of inclusion in this circular.

Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

24 October 2020

To The Independent Board Committee and the Shareholders of
China Zhongwang Holdings Limited

Dear Sir or Madam,

PROPOSED SPIN-OFF OF LIAONING ZHONGWANG GROUP DISCLOSEABLE TRANSACTION AND POSSIBLE VERY SUBSTANTIAL DISPOSAL

INTRODUCTION

We refer to the circular of China Zhongwang Holdings Limited dated 24 October 2020 (the "**Circular**"), of which this letter forms part, regarding, *inter alia*, the Disposal, the compensation arrangements contemplated under the Compensation Agreement (the "**Compensation Arrangements**"), and the Proposed Spin-off. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

The Proposed Spin-off contemplated under the Asset Transfer Agreement refers to the disposal of the Zhongwang Shares held by Zhongwang Fabrication to CRED Holding in exchange of the newly issued shares of CRED Holding pursuant to the Asset Transfer Agreement. First of all, as disclosed in the Circular, because the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) exceeds 5% but is less than 25%, the Disposal constitutes a disclosable transaction under Chapter 14 of the Listing Rules.

Furthermore, along with the Asset Transfer Agreement, Zhongwang Fabrication also entered into the Compensation Agreement with CRED Holding basically to guarantee the performance of Liaoning Zhongwang Group during the Profit Compensation Period, as required by the relevant government rules and regulations. In accordance with the Compensation Agreement, if the Achievement Rate falls below 19% during the Profit Compensation Period, Zhongwang Fabrication will need to transfer a substantial portion of the Zhongwang Consideration Shares back to CRED Holding for cancellation, and, as a result, the Company will lose its control over Liaoning Zhongwang. In such case, the transfer of the required Compensation Shares would potentially result in a possible very substantial disposal of the Company, as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the loss of control over Liaoning Zhongwang resulted from such transfer of Compensation Shares would exceed 75%.

The Company will comply with the requirements under paragraph 3(e)(1) of Practice Note 15 in relation to the Proposed Spin-off and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) in relation to the Disposal and the Compensation Arrangements. No Shareholders will be required to abstain from voting in respect of the Disposal, the Compensation Arrangements and the Proposed Spin-off at the EGM. Details regarding the EGM are set out in the Circular.

We, Shenwan Hongyuan Capital (H.K.) Limited, have been appointed by the Company as the independent financial adviser to advise you on the Disposal, the Compensation Arrangements and the Proposed Spin-off, details of which are set out in the Circular. In this letter, we will make recommendations to you as to whether the terms of the Disposal, the Compensation Arrangements and the Proposed Spin-off are fair and reasonable and are in the interests of the Company and the Shareholders as a whole as well as to advise the Shareholders on how to vote at the EGM in respect of the Disposal, the Compensation Arrangements and the Proposed Spin-off.

The Independent Board Committee, comprising all of the four independent non-executive Directors, namely Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy, has been established to advise the Shareholders, taking into account our recommendations, as to whether the terms of the Disposal, the Compensation Arrangements and the Proposed Spin-off are fair and reasonable and are in the interests of the Company and the Shareholders as a whole as well as to advise the Shareholders on how to vote at the EGM in respect of the Disposal, the Compensation Arrangements and the Proposed Spin-off. The advice of the Independent Board Committee as regards the Disposal, the Compensation Arrangements and the Proposed Spin-off is contained in its letter included in the Circular.

We, Shenwan Hongyuan Capital (H.K.) Limited, did not act as the independent financial adviser to you during the two years preceding the date hereof. We are not aware of any of the circumstances set out in Rule 13.84 of the Listing Rules, that would affect our independence to advise you on the Disposal, the Compensation Arrangements and the Proposed Spin-off, existed as at the Latest Practicable Date.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and statements supplied, opinions and representations expressed by the Company and the Directors and have assumed that all such information and statements supplied, opinions and representations expressed to us were true, accurate and complete in all material respects at the time they were provided and continue to be true up to the date of the EGM. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information and statements supplied as well as opinions and representations expressed to us.

We consider that we have been provided with sufficient information to enable us to reach our advice and recommendations as set out in this letter and to justify our reliance on the accuracy of such information. We have no reason to suspect that any material facts or information (which are known to the Company) have been omitted or withheld from the information or statements supplied, or opinions or representations expressed to us nor to doubt the truth and accuracy of the information and statements supplied, or the reasonableness of the opinions and representations expressed to us. We have not, however, carried out any independent verification on the information provided to us by the Company and the Directors, nor have we conducted any independent in-depth investigation into the business or affairs or future prospects of the Group or CRED Holding Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

We have taken into account the following principal factors and reasons in arriving at our recommendations with regard to the Disposal, the Compensation Arrangements and the Proposed Spin-off:

The Disposal and the Proposed Spin-off

As stated in the announcement of the Company dated 20 March 2020 (the "**Announcement**"), Zhongwang Fabrication, together with the Fund, entered into the Asset Transfer Agreement with CRED Holding, 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 CRED Xinjiang held by CRED Holding at a consideration of RMB200 million and both considerations will be offset against each other and the balance, i.e., the Transfer Consideration of RMB29,248,275,862, will be satisfied by the issuance of 4,748,096,730 shares by CRED Holding to Zhongwang Fabrication, namely the Zhongwang Consideration Shares.

In addition to the Proposed Spin-off and as part of the Asset Transfer Agreement, the Fund, which is an independent minority shareholder of Liaoning Zhongwang, has agreed to sell and CRED Holding has 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 of CRED Holding to the Fund, namely the Fund Consideration Shares. Both the Zhongwang Consideration Shares and Fund Consideration Shares will be issued at the same issue price as the Issue Price per Consideration Share.

Detailed terms of the Asset Transfer Agreement are set out in the section headed "The Proposed Zhongwang Asset Restructuring" in the Circular. Upon completion of the transactions contemplated under the Asset Transfer Agreement and the Fund Asset Restructuring, and taking into account the issuance of the Consideration Shares which consist of the Zhongwang Consideration Shares and the Fund Consideration Shares, approximately:

(i) 86.36% equity interests in CRED Holding will be held by Zhongwang Fabrication;

(ii) 3.11% equity interests in CRED Holding will be held by the Fund; and

(iii) 10.53% equity interests in CRED Holding will be held by other shareholders.

Taking into account both (ii) and (iii) above, approximately 13.64% of the total issued shares of CRED Holding will be held in public hands immediately after the completion of the transactions contemplated under the Asset Transfer Agreement and the Proposed Spin-off. As confirmed by the Company, such public holding will comply with relevant A share listing requirements. Furthermore, we also noted from the Company that the Zhongwang Asset Restructuring (including the Disposal) and the Fund Asset Restructuring are inter-conditional with each other under the Asset Transfer Agreement.

Set out in the section headed "General Information" in the Letter from the Board included in the Circular are:

(i) Simplified corporate structure of the Group and CRED Holding Group to the extent relevant to the transactions contemplated under the Asset Transfer Agreement and the Proposed Spin-off as at the Latest Practicable Date; and

(ii) Simplified corporate structure of the Group and CRED Holding Group immediately after completion of the transactions contemplated under the Asset Transfer Agreement and the Proposed Spin-off.

Information on the Group

As stated in the 2019 annual report of the Company (the "**2019 Annual Report**"), the Group is the second largest developer and manufacturer of industrial aluminium extruded products in the world and the largest in Asia. The core businesses of the Group are industrial aluminium extrusion, aluminium flat rolling and further fabrication. Founded in 1993, the Group is headquartered and operates in Liaoning Province, China, with another principal production base located in Tianjin City. On 8 May 2009 (the "Listing Date"), the shares of the Company (the "**Share(s)**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited. The corporate profile of the Group is set out in the 2019 Annual Report.

As stated in the Letter from the Board, upon completion of the Proposed Spin-off, the Remaining Group will continue to engage in (i) the Aluminium Flat Rolling Business; (ii) the Further Fabrication Business; (iii) the Machinery and Equipment Business; and (iv) the International Trading Business. Given all current business of CRED Holding will cease upon Closing, therefore CRED Holding Group will be principally engaged in the Aluminium Extrusion Business. As disclosed in the annual reports of the Company since 2017, the Aluminium Extrusion Business consists of three segments of (1) aluminium alloy formwork; (2) industrial aluminium extrusion; and (3) construction aluminium extrusion.

According to the Circular, the production facilities of the Aluminium Extrusion Business are independently operated by Liaoning Zhongwang Group, including production lines situated in Liaoyang City (97 aluminium extrusion production lines and 8 melting and casting production lines), Yingkou City (29 aluminium extrusion production lines and 12 melting and casting production lines) and Panjin City (13 aluminium extrusion production lines).

In the Appendix I to the Circular — ''Financial Information of the Group — Trading and Financial Prospects'', it has been mentioned that driven by a series of favourable national macro policies, the operation of the aluminium industry is generally stable with improved market demand.

Despite the global economy slowdown and the outbreak of COVID-19, the Company is of the view that the market trends and government policies are favourable to the suppliers of fabricated aluminium products in China, due to the following aspects:

(1) Under the regulation and control of the national macro policies, China has taken its aluminium fabrication industry to a level of high-quality development. Not only has it further developed its product structure and industrial chain, but it has also made multi-dimensional attempts in the areas of energy conservation and consumption reduction. Such trend is consistent with the long-run outlook of the Group to focus on enhancing the competitiveness of high-end aluminium products with higher added-value;

(2) The usage of the aluminium alloy formwork has gradually expanded due to its high strength and environmental friendliness, promoting the green sustainable development in China's construction industry. Though impacted by the COVID-19 pandemic, the market for aluminium alloy formwork is believed to continue growing steadily in the future. For instance, according to the report issued by Beijing Antaike Information Co., Ltd., the market penetration of aluminium alloy formwork in China will increase to approximately 56% by 2024;

(3) Driven by the policy associated with the development of ''new infrastructure'', inter-city high-speed railways, intercity railway transit, and new energy vehicle have become the market's focal point, bringing with its positive prospects for the use of aluminium in the transportation industry; and

(4) In 2020, policies promoting new energy vehicles were jointly issued by multiple regulatory authorities in China. As a type of light-weight and environmentally-friendly material, the application of aluminium alloy in new energy vehicles is closely related to such policies. As a result, the development of the new energy automobile market will further increase the demand for aluminium in automotive industry.

In order to capture the opportunities implied from the above aspects, a number of strategies for development have been formulated by the management of the Company:

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

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

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

Taking into account the factors mentioned above, we concur with the view of the Company that the market trends and government policies mentioned above are favourable to the Group as a supplier of fabricated aluminium products in China. By implementing the aforementioned development strategies, the Group will fully capitalise on the synergy of its core businesses, and tap the opportunities brought about by the industrial upgrade in China with a more competitive product structure and more comprehensive business strategy.

(i) Financial performance of the Group

Set out below is the financial performance extracted from the annual reports of the Company:

	Year ended 31 December									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue										
Aluminium Extrusion Business	15,703,008	19,412,178	17,106,175	14,236,314	14,141,878	14,187,166	12,826,702	11,983,174	10,032,883	10,521,948
Others	7,880,691	6,188,256	2,352,651	2,459,229	2,029,368	1,784,052	1,480,049	1,513,996	272,811	—
	23,583,699	25,600,434	19,458,826	16,695,543	16,171,246	15,971,218	14,306,751	13,497,170	10,305,694	10,521,948
Gross profit	7,104,387	8,361,681	6,348,579	6,288,378	5,320,023	4,467,169	3,841,051	3,259,588	2,222,297	4,276,380
Gross profit margin (%)	*30.1%*	*32.7%*	*32.6%*	*37.7%*	*32.9%*	*28.0%*	*26.8%*	*24.2%*	*21.6%*	*40.6%*
Net profit	3,178,288	4,466,731	3,868,195	2,907,159	2,804,981	2,477,020	2,126,625	1,806,783	1,105,027	2,595,867
Net profit margin (%)	*13.5%*	*17.4%*	*19.9%*	*17.4%*	*17.3%*	*15.5%*	*14.9%*	*13.4%*	*10.7%*	*24.7%*

The Group's total revenue grew at a compound annual growth rate ("**CAGR**") of approximately 9.4% over the period from 2010 to 2019.

The Aluminium Extrusion Business is a major source of the Group's revenue, representing 66.6% of the Group's total revenue in 2019. In addition to the Aluminium Extrusion Business, the Group has been actively developing its Aluminium Flat Rolling Business, which contributed 29.2% to the Group's total revenue in 2019. According to the audited consolidated financial statements of Liaoning Zhongwang prepared in accordance with the PRC GAAP, the net profit for Liaoning Zhongwang Group was approximately RMB2.9 billion for 2019.

The Group's gross profit margin was approximately 30.7% on average over the period from 2010 to 2019.

Over the period from 2010 to 2019, the Group constantly delivered positive results whose total net profit grew at a CAGR of approximately 2.3% during the same period.

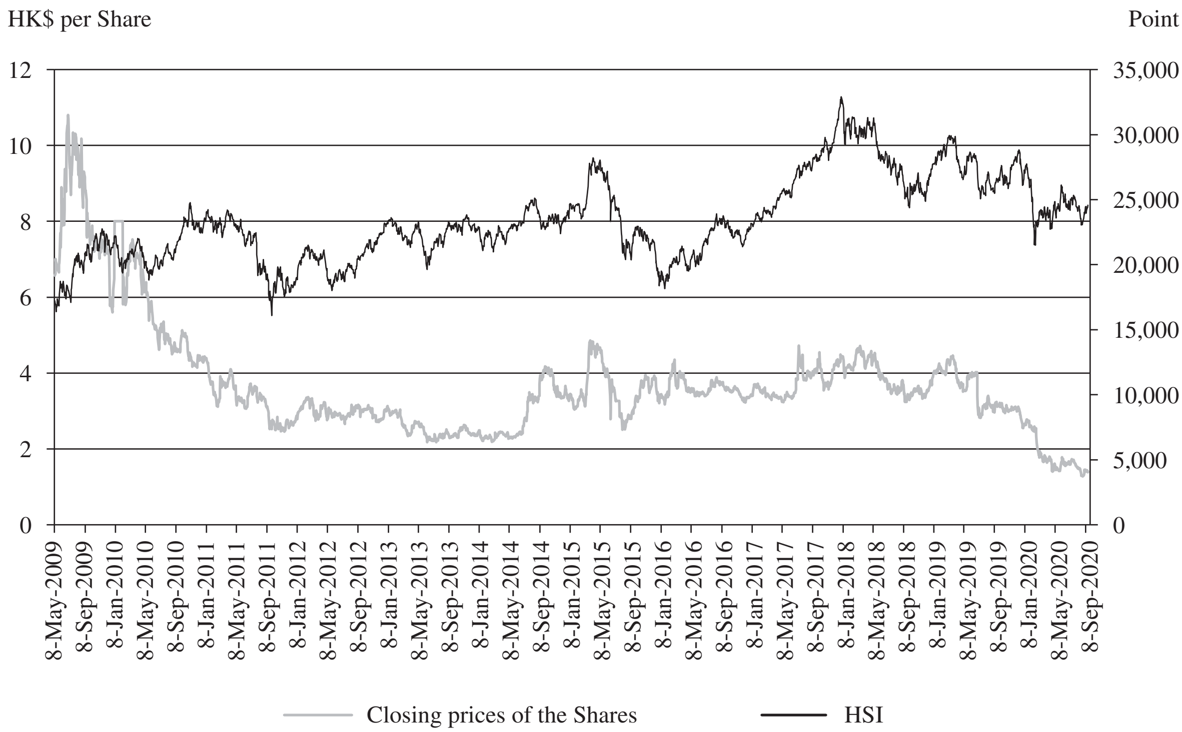
(ii) Financial position of the Group

	Year ended 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
Non-current assets	84,531,712	77,494,473
Current assets	38,791,832	41,804,060
Total assets	123,323,544	119,298,533
Current liabilities	37,073,741	36,656,604
Net current assets	1,718,091	5,147,456
Non-current liabilities	50,360,849	46,077,968
Net assets	35,888,954	36,563,961
Gearing ratio	*70.9%*	*69.4%*

As at 31 December 2019, the Group's net assets amounted to approximately RMB35.89 billion, which was approximately RMB0.68 billion lower than net assets of approximately RMB36.56 billion at 31 December 2018. As advised by the Company, the main reason for the decrease of the net assets was the repayment of approximately RMB2 billion perpetual capital instrument which was classified as equity.

Share performance of the Company

Set out below were the daily closing prices of the Shares against the Hang Seng Index ("**HSI**") over the period from the Listing Date up to and including the Latest Practicable Date (the "**Review Period**"):



Source: Bloomberg

The offer price of the Company was determined at HK$7 per Share when the Shares were first listed on the Main Board of the Stock Exchange on 8 May 2009. During the Review Period, the highest closing price of the Shares was HK$10.88 per Share on 2 July 2009, whilst the lowest closing price of the Shares was HK$1.31 per Share on 30 September 2020, with an average closing price of approximately HK$3.77. Since 23 April 2010, the Share price has stayed below HK$7 per Share, despite the fact that the revenue and net profit of the Group have grown at CAGRs of approximately 9.4% and 2.3% respectively from 2010 to 2019. Over the Review Period, the Share price has shown little correlation with the performance of the HSI, with a correlation coefficient equals -0.128.

The closing price of the Shares was HK$2.54 on 20 March 2020. On 23 March 2020, being the first trading day of the Shares after the publication of the Announcement, the Share price increased from an opening price of HK$2.53 to HK$2.56 and closed at HK$2.49. The Shares were then traded between HK$1.30 each and HK$2.64 each during the period from 23 March 2020 to the Latest Practicable Date.

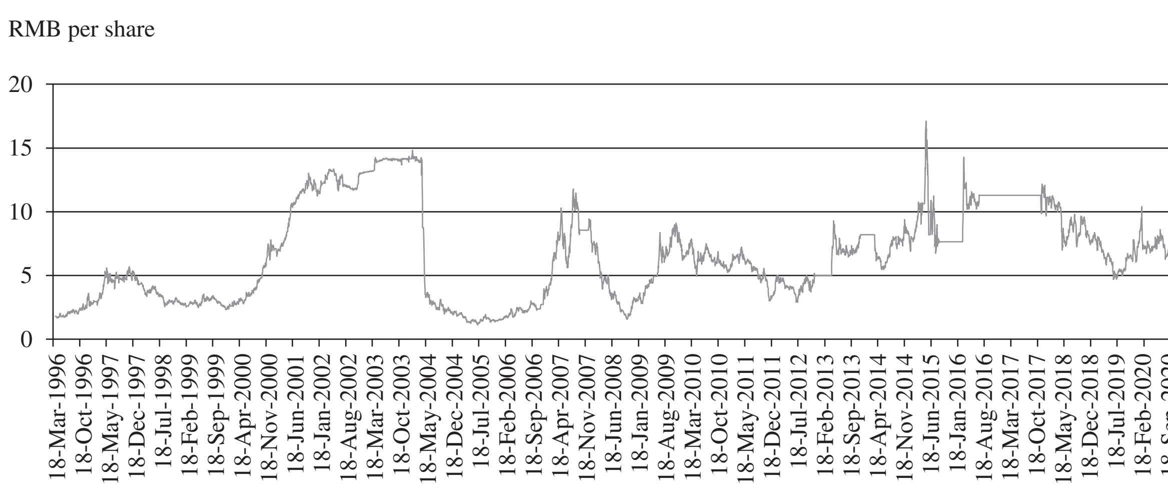
Information on CRED Holding Group

Established in 1993, CRED Holding was formerly known as "長春長鈴實業股份有限公司" (Changchun Changling Industrial Co., Ltd., "**Changling**"). On 18 March 1996, the shares of Changling were listed on the SSE. In 2003, the company name of Changling was changed to CRED Holding following a major shareholding change.

CRED Holding Group is principally engaged in property sales and rental business. The revenue of CRED Holding Group and the net profit attributable to the owners of CRED Holding for the year ended 31 December 2019 were approximately RMB127.1 million and RMB28.5 million respectively. The net assets attributable to the owners of CRED Holding as at 31 December 2019 were approximately RMB280.4 million. Upon completion of the Proposed Spin-off, CRED Holding is expected to be engaged in the Aluminium Extrusion Business only.

CRED Holding is owned as to approximately 19.47%, 14.52% and 8.98% by Jiayi Investment* (嘉益(天津)投資管理有限公司), China Railway Lanzhou* (中國鐵路蘭州局集團有限公司) and Tianjin Zhongwei* (天津中維商貿集團有限公司) respectively and the remaining 57.03% by other public shareholders. Upon completion of the transactions contemplated under the Asset Transfer Agreement, the shareholding of abovementioned shareholders will be diluted to 10.53% in aggregate.

Share performance of CRED Holding



Source: Bloomberg

The share price of CRED Holding experienced a sharp decline in 2004. According to CRED Holding's announcements, its business was as usual and there was no change to its fundamentals. However, it was speculated that the decline in the share price could be due to the change in the principal business of CRED Holding following the major shareholding change.

On 18 March 2020, CRED Holding announced the suspension of trading in its shares pending the Announcement and the closing price of its shares prior to the suspension was RMB9.45 per share. On 23 March 2020, the trading in the shares of CRED Holding resumed and the closing price of its shares was RMB10.40 per share, representing an increase of approximately 10.1%. The shares of CRED Holding were then traded between RMB5.95 each and RMB10.00 each between 24 March 2020 to the Latest Practicable Date.

The Asset Transfer Agreement

On 20 March 2020, Zhongwang Fabrication entered into the Asset Transfer Agreement with CRED Holding whereby:

		RMB million
(i)	Zhongwang Fabrication has agreed to sell and CRED Holding has agreed to purchase the Zhongwang Shares at a consideration of:	29,448
(ii)	CRED Holding has agreed to sell and Zhongwang Fabrication has agreed to purchase the CRED Xinjiang Shares at a consideration of:	(200)
(iii)	CRED Holding shall issue to Zhongwang Fabrication the Zhongwang Consideration Shares @ RMB6.16 each to satisfy the Transfer Consideration:	29,248

The Zhongwang Consideration Shares comprise approximately 4,748,096,730 new A shares in the share capital of CRED Holding, representing approximately 819.78% and 86.36 % of the total issued shares in CRED Holding as at the Latest Practicable Date and as enlarged by the issuance of the Consideration Shares respectively.

As disclosed in the subsection headed "Transitional Period" in the Letter from the Board, in accordance with the requirements under the Compensation FAQ, Zhongwang Fabrication and CRED Holding have agreed the profit and loss allocation arrangements between the both parties during the Transitional Period. By reviewing the Compensation FAQ, we confirm that the agreed arrangement of profit and loss allocation during the Transitional Period is in compliance with the requirement under Article 10 of the Compensation FAQ.

The Compensation Agreement

According to the Measures for the Administration of the Material Asset Restructurings of Listed Companies (the "**Pricing Regulation**")《上市公司重大資產重組管理辦法》issued by the CSRC, the parties of the Zhongwang Asset Restructuring are required to enter into the Compensation Agreement setting out the compensation mechanism as prescribed by the CSRC. Furthermore, according to the Article 8 of the Summary of the Revised Frequent Asked Questions and Answers of Laws and Regulation of the Listing Company Regulation* (上市公司監管法律法規常見問題與解答修訂彙編) published by CSRC (the"**Compensation FAQ**"), the compensation amount shall be calculated based on the total purchase price of the relevant asset and in accordance with the formula contemplated in the Compensation FAQ.

Pursuant to the Compensation Agreement, Zhongwang Fabrication has undertaken to CRED Holding that the Assessed Net Profit Amount shall not be lower than the Committed Net Profit Amount during the Profit Compensation Period failing which Zhongwang Fabrication will compensate CRED Holding in accordance with the terms and conditions of the Compensation Agreement.

We have been given to understand from the Company that in anticipating the market downturn as a result of the recent outbreak of the Covid-19 epidemic and the scale-down of the global commercial and business activities, Zhongwang Fabrication and CRED Holding have agreed to lower the Committed Net Profit Amount for the year ending 31 December 2020 from RMB3.0 billion as originally contemplated to RMB2.0 billion, which in turn is expected to provide sufficient buffer for Zhongwang Fabrication and the Company to account for the potential impact of the outbreak of the Covid-19 epidemic and the slowdown of the global economy. After such adjustment, the Committed Net Profit Amount for the years of 2020, 2021, 2022 and 2023 (where applicable) are RMB2.0 billion, RMB2.8 billion, RMB3.2 billion and RMB3.4 billion, respectively.

As set out in the section headed "Principal Terms of the Compensation Agreement" in the Letter from the Board, at the end of each financial year during the Profit Compensation Period, Zhongwang Fabrication and CRED Holding shall engage an auditor to issue a special audit report in connection with the Net Profit Difference, namely the shortfall between the Assessed Net Profit Amount and the Committed Net Profit Amount. The profit compensation will be assessed every year only based on the audited net profit of the corresponding financial year and any over-achievement of a previous year, if applicable, will not offset the shortfall in the subsequent financial years and vice versa. The Net Profit Difference shall be settled by the repurchase of the Zhongwang Consideration Shares by CRED Holding at a nominal consideration of RMB1.00 (the "**Compensation Share(s)**") in aggregate first. If the Compensation Shares cannot cover the Net Profit Difference, the shortfall shall be settled in cash. In determining the number of the Compensation Shares at the end of each year during the Profit Compensation period, the following steps will be carried out:

(1) First, to calculate the accumulated Net Profit Difference ratio (the "**ANPD ratio**"), the accumulated Net Profit Difference at a given year is divided by the total Committed Net Profit Amount for the respective years during the Profit Compensation Period;

(2) Then, the number of Compensation Shares for a given year end can be determined by multiplying the Zhongwang Consideration Shares by the ANPD ratio, and then subtract accumulated number of the Compensation Shares already compensated previously.

The above method to determine the number of the Compensation Shares to be compensated each year is reflected in the Calculation Formula I in the Letter from the Board.

Further to the above, in case the number of Compensation Shares to be compensated determined according to the Calculation Formula I exceeds the remaining Zhongwang Consideration Shares then held by Zhongwang Fabrication, the shortfall shall be made up by the Cash Compensation by Zhongwang Fabrication, the amount of which shall be calculated by multiplying such shortfall of shares by Issue Price per Consideration Share. The events that may trigger the Cash Compensation are set out in note 3 of the section headed "Profit Compensation" in the Letter from the Board.

Lastly, upon expiry of the Profit Compensation Period, Zhongwang Fabrication and CRED Holding will jointly engage an auditor to carry out impairment test on the Target Shares. If the impairment amount of the Target Shares as at the end of the Profit Compensation Period exceeds the aggregate of the number of the Compensation Shares compensated by Zhongwang Fabrication during the Profit Compensation Period multiplied by the Issue Price per Consideration Share plus the amount of cash compensated, such shortfall shall be compensated by Zhongwang Fabrication in the form of the repurchase of the Zhongwang Consideration Shares by CRED Holding. If the number of additional Compensation Shares to be compensated exceeds the shares of CRED Holding then held by Zhongwang Fabrication, the shortfall shall be compensated with additional Cash Compensation by Zhongwang Fabrication. The impairment amount shall reflect the remainder of the appraised value of the Target Shares as at 31 October 2019, i.e., approximately RMB30.5 billion after deducting the final valuation of the Target Shares as at the end of the Profit Compensation Period. Methods for calculation of additional compensation resulted from abovementioned impairment test are detailed in the sub-section headed "Impairment Compensation" in the Letter from the Board.

Further details of the principal terms of the Compensation Agreement summarized above are set out in the Letter from the Board included in the Circular. By reviewing the relevant section of the Compensation FAQ, we concur with the Company that the formulas set out in the Letter from the Board for calculating the compensation amount under the Compensation Agreement are the same as those prescribed by the Compensation FAQ.

Based on our discussion with the Company, we were given to understand that only if the Achievement Rate falls below 19% during the Profit Compensation Period, Zhongwang Fabrication will lose its control over CRED Holding and Liaoning Zhongwang Group as a result of transferring the required amount of Compensation Shares back to CRED Holding for cancellation. We checked the calculation provided by the Company with respect to the number of Compensation Shares effected by the scenarios that Liaoning Zhongwang records: (1) 90% Achievement Rate; (2) 19% Achievement Rate; and (3) a net loss during the Compensation Period, and confirmed that the relevant shareholding percentages of the Company in Liaoning Zhongwang after the implementation of the compensation with respect to the aforesaid scenarios (1) to (3) are 85.01%, 49.58% and 0% respectively.

However, as stated in the Letter from the Board, the Directors are of the view that it would be able to meet the target Committed Net Profit Amount during the Compensation Period mainly because:

(i) the Committed Net Profit Amounts are arrived at after taking due and careful consideration of the macro and micro economic conditions, including the outbreak of COVID-19 and the trade tension between China and United States, that would impact the business of Liaoning Zhongwang;

(ii) the historical performance of Liaoning Zhongwang for the past five years was relatively stable even when the Company was facing different unexpected challenging market environment; and

(iii) there is a relatively high entry barrier to newcomers to challenge the well-established market position of Liaoning Zhongwang.

Since (i) a great majority of Liaoning Zhongwang's production is for domestic sales, which would not be adversely affected by the trade tension between China and United States, (ii) the China's central and local governments have been rolling out a series of supporting policies to shore up the confidence of businesses since the outbreak of COVID-19 and, most importantly, (iii) the government policies in promoting the use of aluminium as a light weight and environmentally friendly material in the railway and automobile industry will continue to drive the demands for fabricated aluminium products, we concur with the Directors' view that the future performance of Liaoning Zhongwang should be largely in line with their expectation.

By reviewing the relevant articles in the Pricing Regulation and the Compensation FAQ, the Liaoning Zhongwang Profit Forecast, the Valuation Report and further discussing with Company, we concur with the Company that the arrangements under the Compensation Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole, having considered:

(1) entering into the Compensation Agreement is the compulsory requirement imposed by the relevant PRC authorities in the case of asset acquisition by a listed company in the PRC, and therefore forms an integral and essential part of the Disposal and the Proposed Spin-off;

(2) the calculation formula and the compensation mechanism contemplated thereunder follow the compulsory regulatory requirements;

(3) the Committed Net Profit Amounts for each of the years during the Profit Compensation Period are consistent with the forecasted net profits of Liaoning Zhongwang in the Liaoning Zhongwang Profit Forecast, which was used by the Liaoning Zhongwang Valuer to arrive at the valuation of the Liaoning Zhongwang Group based on the income base approach;

(4) the Liaoning Zhongwang Profit Forecast has been made after due and careful enquiry by considering, among other things, (i) the assumption listed in the sub-section headed "Principal Terms of the Zhongwang Asset Restructuring" in the Letter from the Board, (ii) the historical financial performance of Liaoning Zhongwang and the financial prospects of the business of Liaoning Zhongwang; and (iii) the global, regional and industry economic environment concerning the business of Liaoning Zhongwang, including the outbreak of COVID-19 epidemic, the trade tension between China and the United States and China's economic, industry policies; and

(5) lastly, the Proposed Spin-off and the Disposal provide Liaoning Zhingwang with a new capital financing platform in the PRC stock market at a higher valuation multiple than the Company can attain in Hong Kong.

Assured Entitlement

Pursuant to Paragraph 3(f) of Practice Note 15, an assured entitlement to the shares in the entity which is proposed to be spun off for separate listing is expected to be provided to the existing shareholders of the Company. Nevertheless, we noted from the Company that according to the existing laws and regulations of the PRC, no foreign investors are allowed to subscribe for A shares in the PRC unless they are (i) strategic investors that are approved by the Ministry of Commerce of the PRC; (ii) qualified foreign institutional investors, (iii) Renminbi qualified foreign institutional investors, (iv) qualified foreign individuals, or (v) certain eligible foreigners. As advised by the Company, since a substantial number of Shareholders do not fall within the scope of investors mentioned above, it would not be feasible for the Company to provide the assured entitlement to such Shareholders. Given that (i) the Zhongwang Consideration Shares will only be listed and traded on the SSE, and (ii) a substantial number of Shareholders are considered as foreign investors under the relevant PRC laws, no assured entitlement to the A shares of CRED Holding will be offered to the Shareholders in connection with the Proposed Spin-off.

As disclosed in the announcement dated 14 August 2020, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under Practice Note 15 of the Listing Rules subject to the conditions set out therein (the "Assured Entitlement Waiver"). The Board confirms that the Proposed Spin-off and the Assured Entitlement Waiver are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Evaluation of the Transfer Consideration

The essence of the Asset Transfer Agreement is effectively to float Liaoning Zhongwang Group via CRED Holding on the A share market in the PRC. As opposed to a share swap on a 100% basis both ways (in such case, the valuation of the Target Shares would not be relevant at all due to the complete offsetting effect), Zhongwang Shares, namely 96.55% equity interests in Liaoning Zhongwang held by Zhongwang Fabrication, will be exchanged for approximately 86.36% of the total issued shares of CRED Holding as enlarged by the issuance of the Consideration Shares. Hence, the valuation of Zhongwang Shares does matter as it has impact on the percentage of the Company's shareholding in CRED Holding, or, in other words, the extent of dilution effect on the Company's effective shareholding in Liaoning Zhongwang through CRED holding, due to other shareholders' shareholding in CRED holding upon completion of the Asset Transfer Agreement. Please refer to the section headed "Discussion and Analysis" in this letter for more detailed analysis.

(i) Valuation Enhancement created by the Proposed Spin-off

The summary of Valuation Report is set out in Appendix VII to this Circular. The implied price-to-earnings ("**P/E**") of Liaoning Zhongwang is as follows:

	Total Consideration	RMB30,500 million
÷	Net profit attributable to the owners of Liaoning Zhongwang Group for the year ended 31 December 2019^	RMB2,913 million
		10.47x

This implied P/E is, (i) 2.50 times of the Company's P/E based on its closing price as at 20 March 2020 (the date of the Announcement), which is approximately 4.19x; and (ii) approximately 4.70 times of the Company's P/E based on its closing price as at the Latest Practicable Date, which is approximately 2.23x.

The implied price-to-book ("**P/B**") of Liaoning Zhongwang is as follows:

	Total Consideration	RMB30,500 million
÷	Book value of the consolidated equity attributable to owners of Liaoning Zhongwang as at 31 December 2019^	RMB27,921 million
		1.09x

^ *Based on the audited consolidated financial statements of Liaoning Zhongwang prepared in accordance with the PRC GAAP*

This implied P/B is, (i) approximately 2.98 times of the Company's P/B based on its closing price as at 20 March 2020 (the date of the Announcement), which is approximately 0.37x; and (ii) approximately 5.59 times of the Company's P/B based on its closing price as at the Latest Practicable Date, which is approximately 0.20x.

Since both the implied P/E and the implied P/B of Liaoning Zhongwang are higher than the P/E and the P/B of the Company as at the date of the Announcement respectively, we consider that the Proposed Spin-off creates valuation enhancement for Liaoning Zhongwang ("**Valuation Enhancement**"). As stated in the section headed "Reasons for and Benefits of the Proposed Disposal and the Proposed Spin-off" in the Circular, a separate fund-raising platform in A share market will be provided for the Group and Liaoning Zhongwang Group as a result of the Proposed Spin-off. We are of the view that, the Valuation Enhancement will be evident and potentially further realized through future fund raising via such separate platform.

(ii) Comparable Companies in the A share market

Liaoning Zhongwang Group has sizeable operation and profitable track record. As at 31 December 2019, the book value of the consolidated equity attributable to owners of Liaoning Zhongwang was approximately RMB27.9 billion. Its revenue and net profit for 2019 were approximately RMB20.4 billion and RMB2.9 billion respectively. As mentioned in the Letter from the Board and the 2019 Annual Report, the Aluminium Extrusion Business of the Company, which is independently operated by Liaoning Zhongwang Group, consists of three segments of (1) aluminium alloy formwork; (2) industrial aluminium extrusion; and (3) construction aluminium extrusion.

The Liaoning Zhongwang Valuer has stated in the Valuation Report that the market approach was not adopted in the valuation for Liaoning Zhongwang primarily due to a lack of information on similar asset transaction cases available in the public domain of the PRC capital market, and a lack of listed companies in the A share market comparable to Liaoning Zhongwang in terms of product mix and operating scale. In assessing such opinion, we attempted to search for comparable A share listed companies engaging in the aluminium extrusion industry and identified on a best effort basis the following four companies listed on SSE or the Shenzhen Stock Exchange, after excluding the outliers with extreme high P/E ratios around 60 x or above and loss-making entities:

(1) Jiangsu Asia-Pacific Light Alloy Technology Co., Ltd. (江蘇亞太輕合金科技股份有限公司) (002540), with revenue mainly generated from industrial aluminium extrusion products other than aluminium alloy formwork;

(2) Shandong Nanshan Aluminium Co., Ltd. (山東南山鋁業股份有限公司) (600219), a diversified aluminium product manufacturing company with aluminium extrusion products accounting for around 19.7% of the revenue in 2019 but no business operation in aluminium alloy formwork as disclosed;

(3) Ningbo Fubang Jingye Group Co., Ltd. (寧波富邦精業集團股份有限公司) (600768), with aluminium extrusion products accounting for around 16.7% of the revenue in 2019 but no business operation in aluminium alloy formwork as disclosed; and

(4) Wanbangde Pharmaceutical Holding Group Co., Ltd. (萬邦德醫藥控股集團股份有限公司) (002082), with aluminium extrusion products accounting for around 13.2% and aluminium alloy formwork business accounting for 0.4% of the revenue in 2019 respectively as disclosed.

After reviewing their latest respective annual reports, we note that all these four companies have other lines of business besides aluminium extrusion and in some cases, aluminium extrusion only accounted for approximately 20% or less of the total revenue. Furthermore, none of them has any or any meaningful business operation in aluminium alloy formwork. As a result, we conclude that there is no company in the A share market directly comparable to Liaoning Zhongwang.

Considering the above analysis, we concur with the view of the Company and of the Liaoning Zhongwang Valuer (as explained below) that there is a lack of listed companies in the A share market comparable to Liaoning Zhongwang in terms of revenue mix and operating scale, which also forms the reason for Liaoning Zhongwang Valuer's abandonment of market approach in the Valuation Report.

(iii) Valuation of Target Shares

As disclosed in the 2019 Annual Report, the Group is the second largest developer and manufacturer of industrial aluminium extruded products in the world and the largest in Asia. It has been set out in the sub-section headed "The Proposed Spin-off" of the Circular that the Aluminium Extrusion Business of the Group is conducted and managed by Liaoning Zhongwang Group, which independently operates a number of production lines situated in Liaoyang City, Yingkou City and Panjin City. Its operating history can be traced back to 1993. The Total Consideration of RMB30.5 billion was primarily determined with reference to the Valuation Report set out in Appendix VII to the Circular.

In order to assess the independence and competency of the Liaoning Zhongwang Valuer, we have reviewed the Valuation Report and interviewed the relevant staff members of the Liaoning Zhongwang Valuer, in particular to (i) the Valuer's terms of engagement; (ii) the Liaoning Zhongwang Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Liaoning Zhongwang Valuer in performing the Valuation. Based on our review of the engagement letter of Liaoning Zhongwang Valuer, we are satisfied that the terms of engagement and the scope of work are in line with the valuation opinion the Liaoning Zhongwang Valuer is required to give. The Liaoning Zhongwang Valuer has confirmed that it is independent from the Group and the CRED Holding Group. We further understand that the Liaoning Zhongwang Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise, which include the Registration and Filing Announcement issued by Dalian Municipal Bureau of Finance (《大連市財政局關於遼寧眾華資產評估有限公司登記備案公告》) and the Licensed Certification for Appraisals in relation to Securities and Futures《証券期貨相關業務評估資格證書》 jointly issued by the Ministry of Finance of the PRC and the CSRC and the two persons-in-charge of the Valuation Report have been registered with China Appraisal Society (中國資產評估協會) as Public Valuers (資產評估師) for 19 and 16 years respectively. We note that the Liaoning Zhongwang Valuer mainly carried out its own due diligence including discussion with the Company and site visits, as well as conducted its own proprietary research based on the public information obtained through its own research and the financial and operational information provided by the Company. We were advised by the Liaoning Zhongwang Valuer that it has assumed such information to be true, complete and accurate.

In assessing the fairness and reasonableness of the Valuation Report, we have assessed the accuracy and completeness of the information relied upon by the Liaoning Zhongwang Valuer. In this regard, we have held discussions with the Company and the Liaoning Zhongwang Valuer and reviewed, among other things, (i) the audited financial statements of Liaoning Zhongwang Group as at the Reference Date; and (ii) the discounted future estimated cash flows prepared by the Company in relation to the Liaoning Zhongwang Profit Forecast and Zhongwang Valuation. Based on our assessment, we are of the view that the information provided and representations made by the Company to the Liaoning Zhongwang Valuer are reliable and reasonable.

As advised by the Liaoning Zhongwang Valuer, there are three common approaches to the valuation of equity interests, namely the income base approach, the market approach and the asset-based approach. The Liaoning Zhongwang Valuer has made various general and special assumptions in the valuation of the Target Shares, details of which are set out in "Appendix VII — Summary of Valuation Report" to the Circular. As advised by the Liaoning Zhongwang Valuer, such assumptions are made to all three valuation approaches, rather than to any specific one. We have discussed with the Liaoning Zhongwang Valuer and reviewed the assumptions made, on the basis of, *inter alia*, (a) the nature of the business of Liaoning Zhongwang Group; (b) the development strategies relevant to Liaoning Zhongwang Group; (c) the prospects of the industry in which Liaoning Zhongwang Group operates; (d) the market trend for the products of Liaoning Zhongwang Group; (e) the major components included in the statement of financial position of Liaoning Zhongwang and its subsidiaries; and (f) the capital structure of Liaoning Zhongwang, and nothing has come to our attention which would lead us to doubt the fairness and reasonableness of the principal assumptions adopted in the Valuation Report.

Given the dominant market position, the relatively long operating history and the business prospects of Liaoning Zhongwang Group, the Liaoning Zhongwang Valuer has primarily adopted the income base approach to the valuation of the Target Shares while using the asset approach to cross check the valuation result. In Liaoning Zhongwang Valuer's view, the asset approach focuses on the replacement costs of subject assets which are more appropriate in situations such as corporate liquidation and where each of revenue generating assets is separable with an identifiable income stream, whereas the income base approach takes account of the earnings potential of Liaoning Zhongwang Group as a whole which more appropriately reflect the value of its entire equity interests based on all its assets working together. The market approach was not adopted primarily due to a lack of information on similar asset transaction cases available in the public domain of the PRC capital market, and a lack of listed companies in the A share market comparable to Liaoning Zhongwang in terms of product mix and operating scale. We concur with the Liaoning Zhongwang Valuer's view that the assumptions made to the valuation are fair and reasonable, and income base approach to the valuation is appropriate on the grounds that (a) Liaoning Zhongwang Group has a strong track record of operations based on which a meaningful projection of future income can be formulated; (b) the market outlook for Liaoning Zhongwang Group remains visible thanks to the government policies and the general trend for environmental protection through material upgrade; and (c) Liaoning Zhongwang Group has a clear plan on its investment in expanding its production infrastructure which is supported by a viable capital structure.

Predominantly based on the income base approach, the Liaoning Zhongwang Valuer has valued the equity interests of Liaoning Zhongwang based on the sum of:

(a) the value of the operating assets that generate revenue for Liaoning Zhongwang Group,

where the Liaoning Zhongwang Valuer has considered, *inter alia*, the business plans, growth potential, future capital expenditure, research and development strengths and proposed product upgrades of Liaoning Zhongwang Group in projecting its future cash flows which are then discounted to arrive at the present value of revenue generated by those operating assets in accordance with the bases and assumptions adopted;

(b) the long-term equity investments,

where Liaoning Zhongwang's investments in associates have been assessed individually with reference to each of their audited book values and the corresponding shareholding percentage held by Liaoning Zhongwang;

(c) other assets,

comprising non-operating assets that do not generate revenue for Liaoning Zhongwang Group and excess assets such as cash above the minimum requirement for operations, which have been all assessed individually with reference to each of their audited book values; and

subtracted by the interest-bearing debts and non-operating debts.

Based on our discussions with the Liaoning Zhongwang Valuer and our review of the Valuation Report, we are satisfied that the Liaoning Zhongwang Valuer has made fair and reasonable assumptions in relation to the valuation of the Target Shares and appropriately adopted the income base approach in arriving at Zhongwang Valuation. On such basis and in view of our other independent work done including, but not limited to, our review of: (a) the audited financial statements of Liaoning Zhongwang Group as at the Reference Date and the discounted future estimated cash flows prepared by the Company in relation to the Liaoning Zhongwang Profit Forecast and Zhongwang Valuation; (b) the indebtedness position relating to Liaoning Zhongwang Group as at the Reference Date for the interest bearing debts to be taken into account by the Liaoning Zhongwang Valuer; and (c) the Liaoning Zhongwang Valuer's site visit recorded in the Valuation Report, we consider that it is fair and reasonable for the parties of the Asset Transfer Agreement to determine the Total Consideration with reference to the Valuation Report.

(iv) Valuation of CRED Xinjiang Shares

CRED Xinjiang is a wholly-owned subsidiary of CRED Holding. As part and parcel of the Proposed Spin-off, CRED Holding has agreed to sell and Zhongwang Fabrication has agreed to acquire the CRED Xinjiang Shares for a consideration of RMB200 million, which was determined primarily with reference to the valuation of the net assets of CRED Xinjiang ("**CRED Valuation Report**") conducted by the CRED Xinjiang Valuer and represents a relatively insignificant portion (approximately 0.7%) of the consideration for the disposal of the Zhongwang Shares. Upon completion of the Proposed Spin-off, CRED Holding is expected to be engaged in the Aluminium Extrusion Business only.

The CRED Xinjiang Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise, which include the Registration and Filing Announcement issued by Beijing Municipal Bureau of Finance (《北京市財政局備案公告》) and the Licensed Certification for Appraisals in relation to Securities and Futures《証券期貨相關業務評估資格證書》jointly issued by the Ministry of Finance of the PRC and the CSRC, and the two persons-in-charge of the CRED Valuation Report have been registered with China Appraisal Society (中國資產評估協會) as Public Valuers (資產評估師) for 23 and 19 years respectively.

We have discussed with the CRED Xinjiang Valuer who prepared the CRED Valuation Report regarding the valuation approach adopted, the analysis of the asset portfolio, the bases and assumptions taken into account in arriving at the valuation of the CRED Xinjiang Shares as well as the site visit to Ürümqi of Xinjiang performed. In selecting the approach to the valuation of the CRED Xinjiang Shares, the CRED Xinjiang Valuer has considered, *inter alia*, (a) the nature of the business of CRED Xinjiang; (b) the prospects of the industry in which CRED Xinjiang operates; and (c) the asset portfolio held by CRED Xinjiang. We are advised that the majority of the assets held by CRED Xinjiang are commercial properties situated in the city area of Ürümqi of Xinjiang, which have a total gross floor area of approximately 10,523.46 square meters.

In CRED Xinjiang Valuer's view, the asset approach is the most appropriate among the three common valuation approaches given that (a) CRED Xinjiang has separable assets which are predominantly investment properties; and (b) such investment properties have their own individual market values, whereas the income base approach will have to rely on the future cash flows of CRED Xinjiang which are not all predictable in the circumstances and the market approach is not considered appropriate primarily due to the lack of comparable transactions in the open market and listed companies in the PRC. We concur with the CRED Xinjiang Valuer's view that the asset approach to the valuation of the CRED Xinjiang Shares is appropriate on the grounds that (i) only a small portion of the commercial properties in Ürümqi of Xinjiang has been rented out whereas the majority of them are undecorated and currently vacant; and (ii) the business plan for CRED Xinjiang may change in the future which casts uncertainty in respect of any prediction of income to be generated from such commercial properties. Having discussed with the CRED Xinjiang Valuer and reviewed the CRED Valuation Report, which contained the valuer's assessment on each of the items (including the cash position, investment properties and liabilities) on the underlying audited statement of financial position of CRED Xinjiang as at the Reference Date and recorded the CRED Xinjiang Valuer's site visit to CRED Xinjiang's commercial properties in Ürümqi of Xinjiang, we are satisfied that the CRED Xinjiang Valuer has appropriately adopted the asset approach in arriving at the valuation of the CRED Xinjiang Shares which is fair and reasonable with reference to the CRED Valuation Report.

(v) Our view

In view of (a) the Valuation Enhancement; and (b) the independent valuation of each of the Target Shares (and hence the Zhongwang Shares) and the CRED Xinjiang Shares performed by the Liaoning Zhongwang Valuer and the CRED Xinjiang Valuer respectively, we are satisfied that the Transfer Consideration is fair and reasonable.

Issue Price per Consideration Share

Pursuant to the terms of the Asset Transfer Agreement, 96.55% equity interests in Liaoning Zhongwang held by Zhongwang Fabrication will be exchanged for approximately 86.36% of the total issued shares of CRED Holding as enlarged by the issuance of the Consideration Shares. Therefore, the Issue Price per Consideration Share does matter as it has direct impact on the number of Zhongwang Consideration Shares to be issued given the amount of the Transfer Consideration is fixed, and therefore the percentage of shareholding in CRED Holding to be attained by the Group.

Because the Transfer Consideration is fixed, the higher the Issue Price per Consideration Share, the lower the percentage shareholding in CRED Holding and in Liaoning Zhongwang to be held by Zhongwang Fabrication and the Group upon the completion of the Proposed Spin-off, and therefore the less favourable situation it would be for the Group. As a result, it is for the benefit of the Group to seek for the lowest possible Issue Price per Consideration Share. However, the maximum discount of the Issue Price per Consideration Share to a prescribed reference price is regulated by the relevant requirements set out in the Pricing Regulation. As prescribed under the Article 45 of the Pricing Regulation, the price at which a listed company issues shares shall not be lower than 90% of the market reference price, which means the average trading price of the listed company's shares of either (i) the 20 trading days, (ii) the 60 trading days, or (iii) 120 trading days preceding the announcement of the board of directors' resolution for the issuance of shares. By reviewing the relevant calculation provided by the Company, we confirmed that the Issue Price per Consideration Share represents a 10% discount of the average price per A share of CRED Holding quoted on the SSE for the past 120 trading days immediately preceding the Pricing Date, which was the lowest price amongst the average trading prices of CRED Holding for the 20 trading days, 60 trading days and 120 trading days immediately preceding the Pricing Date and was in accordance with the relevant requirements under the Pricing Regulation.

Furthermore, according to relevant regulations of the CSRC and the SSE, the Issue Price per Consideration Share and number of the Zhongwang Consideration Shares to be issued by CRED Holding to Zhongwang Fabrication will be adjusted in case of ex-rights or ex-dividend by CRED Holding during the Transitional Period. As disclosed in the Letter from the Board, there is no such adjustment needed as at the Latest Practicable Date.

Given that the Issue Price per Consideration Share was determined on an arm's length basis between the parties of the Asset Transfer Agreement in compliance with the relevant requirements set out in the Pricing Regulation, we consider that the Issue Price per Consideration Share is fair and reasonable.

Financial effects of the Proposed Spin-off on the Group

Upon completion of the transactions contemplated under the Asset Transfer Agreement, the effective shareholding of Liaoning Zhongwang by Zhongwang Fabrication and by the Group will be diluted from 96.55% to 86.36% approximately. It will continue to be consolidated into the Company's financial statements. However, as a result of the shareholding dilution mentioned above, the total comprehensive income attributable to Zhongwang Fabrication (and ultimately to the Group) as equity shareholder of Liaoning Zhongwang will be reduced.

Furthermore, as stated in the section headed "Financial Effect of the Proposed Disposal and the Proposed Spin-off" in the Letter from the Board, based on audited consolidated financial statements of Liaoning Zhongwang Group and CRED Holding Group prepared in accordance with the PRC GAAP, the net assets of the Company are expected to recognize an increase of approximately RMB4,272 million. After reviewing the pro forma financial statements for the enlarged group as of 30 June 2020 provided by the Company, we note that the expected increase in the net assets of the Company is mainly due to, among other things, (1) the expected increase in goodwill of the Company of approximately RMB3,025 million; and (2) the loan of the Company due to the Fund of approximately RMB1,000 million which will be converted into equity (mostly into non-controlling interests of approximately RMB981 million) upon completion of the Asset Transfer Agreement and the Proposed Spin-off.

In the extreme cases where the Profit Compensation and/or the Impairment Compensation were triggered and (i) the Company lost its controlling and consolidating shareholding position in Liaoning Zhongwang and (ii) the Company lost all of its shareholding in Liaoning Zhongwang after transferring and canceling of such Compensation Shares when the Achievement Rate decreases to 19% and 4% respectively, based on the audited consolidated financial statements of Liaoning Zhongwang Group for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 prepared in accordance with the PRC GAAP, the total assets of the Company are expected to recognize a decrease of approximately RMB50,204 million and

RMB64,418 million respectively, the net assets of the Company are expected to recognize a decrease of approximately RMB14,331 million and RMB28,545 million respectively, and the non-controlling interests of the Company are expected to recognize a decrease of approximately RMB175 million and RMB175 million, respectively.

Lastly, since the disposal of the 96.55% equity interests in Liaoning Zhongwang will be settled by (i) the acquisition of 100% equity interests in CRED Xinjiang held by CRED Holding; and (ii) the issuance of Zhongwang Consideration shares by CRED Holding to Zhongwang Fabrication, no sale proceeds will be received by Zhongwang Fabrication in respect of the disposal of the Zhongwang Shares. Under the extreme case listed above of losing its controlling and consolidating shareholding position in Liaoning Zhongwang, the Company is expected to record a loss of RMB14,438 million after the completion of the Proposed Spin-off and the Disposal.

DISCUSSION AND ANALYSIS

The Proposed Spin-off is effectively to float Liaoning Zhongwang Group via CRED Holding on the A share market, whereby Zhongwang Shares held by Zhongwang Fabrication will be disposed to CRED Holding in exchange of the newly issued Zhongwang Consideration Shares of CRED Holding pursuant to the Asset Transfer Agreement. Upon completion of the transactions contemplated under the Asset Transfer Agreement, including the Disposal, the Proposed Spin-off and the Fund Asset Restructuring, the Group will hold approximately 86.36% of equity interests in CRED Holding and the Aluminium Extrusion Business will be listed in the A share market on the SSE.

In exchanging 96.55% of the equity interest in Liaoning Zhongwang to approximately 86.36% of the equity interest in CRED Holding as enlarged by the issuance of the Consideration Shares, the Company's effective interest in Liaoning Zhongwang is reduced by 10.19%. Nevertheless, we consider that the Disposal and the Proposed Spin-off are still beneficial to Liaoning Zhongwang and the Group as a whole for the following valuation enhancement and management reasons:

(i) The Aluminium Extrusion Business being operated by Liaoning Zhongwang is distinctively different from the businesses of the Remaining Group, namely Aluminium Flat Rolling Business and Further Fabrication Business, in terms of product applications, production technologies and business segments. Spinning off the Aluminium Extrusion Business from the Company can facilitate investors to evaluate each of the businesses separately;

(ii) Based on the price of the Consideration Shares to be issued, the implied P/E and P/B of Liaoning Zhongwang are 10.47x and 1.09x respectively, which are: (i) higher than the Company's P/E and P/B of 4.19x and 0.37x respectively as at 20 March 2020 when the Company entered into the Asset Transfer Agreement; and (ii) higher than Company's P/E and P/B of 2.23x and 0.20x respectively as at the Latest Practicable Date. The Proposed Spin-off will not only enable the Company to have a new fund-raising platform in the PRC, but will also facilitate Liaoning Zhongwang to raise equity financing through CRED Holding at a more favourable valuation than through the Company;

(iii) After the proposed Spin-off, the operating results and financial positions of Liaoning Zhongwang and the Remaining Group can be readily accessible in the public domain, which enables various business stakeholders to better understand the business dynamics and financial performance of each of the Liaoning Zhongwang Group and the Remaining Group respectively; and

(iv) The fact that the two groups are individually structured and managed after the Proposed Spin-off can reduce complexity and improve focus in management as well as enhance the overall accountability in business.

In this regard, we concur with the reasons for and benefits of the Disposal and the Proposed Spin-off as outlined in the Letter from the Board.

Furthermore, subsequent to the Completion of the Proposed Spin-off, CRED Holding will be a non-wholly owned subsidiary of the Company and the financial results of Liaoning Zhongwang Group will remain to be consolidated into the Company's accounts. As a result, the Shareholders will continue to be benefitted from the growth and development of the Liaoning Zhongwang Group.

Despite of the facts that (i) the Company's share price is currently at substantial discount to its net asset value; (ii) the Company's shareholders are not entitled to receive any Zhongwang Consideration Shares upon completion of the Proposed Spin-off as discussed in the section headed "Assured Entitlement" in this letter; and (iii) there is no certainty that the Valuation Enhancement would bring about any upward movement in the share price of the Company, we are still of the view that the Disposal, the Compensation Arrangements, and the Proposed Spin-off are in the interests of the Company and the Shareholders as a whole for the reasons we elaborate above in this section and in the section headed "The Compensation Agreement".

OPINION

Having taken into account the principal factors and reasons set out above, we are of the view that the terms of the Disposal, the Compensation Arrangements and the Proposed Spin-off are fair and reasonable, and the Disposal, the Compensation Arrangements and the Proposed Spin-off are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Disposal, the Compensation Arrangements and the Proposed Spin-off.

Yours faithfully,
For and on behalf of
Shenwan Hongyuan Capital (H.K.) Limited

Ting Kay Loong	**Wang Shengnan**
Managing Director	*Director*

Mr. Ting Kay Loong is a licensed person and a responsible officer of Shenwan Hongyuan Capital (H.K.) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") since 2006. Mr. Ting has over 20 years of experience in corporate finance industry and has participated in the provision of financial advisory or independent financial advisory services for various transactions involving companies listed in Hong Kong.

Mr. Wang Shengnan is a licensed person of Shenwan Hongyuan Capital (H.K.) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO since 2015. Mr. Wang has worked in corporate finance industry since 2013 and has acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

* *denotes English translation for illustrative purposes only*

FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Company for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 together with the relevant notes can be found on pages 93 to 171 of the annual report of the Company for the year ended 31 December 2017, pages 113 to 203 of the annual report of the Company for the year ended 31 December 2018, pages 109 to 195 of the annual report of the Company for the year ended 31 December 2019 and pages 34 to 68 of the interim report of the Company for the six months ended 30 June 2020.

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0423/ltn20180423306.pdf;

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904261387.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042300500.pdf; and

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0916/2020091600293.pdf

INDEBTEDNESS OF THE GROUP

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

Indebtedness	**30 September 2020**
	RMB'000
Secured bank loans	
Current portion	1,383,090
Non-current portion	502,296
	1,885,386
Guaranteed bank loans	
Current portion	8,835,233
Non-current portion	6,853,848
	15,689,081
Unsecured and unguaranteed bank loans	
Current portion	7,514,000
Non-current portion	13,209,000
	20,723,000

Indebtedness	**30 September 2020**
	RMB'000
Debentures	
Current portion	—
Non-current portion	—
	—
Other loans	
Current portion	—
Non-current portion	29,400,000
	29,400,000
Total borrowings	67,697,467

As at the close of business on 30 September 2020, the Group had available banking facilities of approximately RMB77,746 million. Out of such available facilities, a total of RMB47,252 million was drawn and bore interest at prevailing market rates.

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, at the close of business on 31 July 2020, none of the members of the Group had (a) any debt securities issued and outstanding, and authorized or otherwise created but unissued; (b) any term loans; (c) any borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptances credits or hire purchase commitments; (d) any debentures, mortgages or charges; or (e) any guarantee or other material contingent liabilities.

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to the Group (including the internal resources and the present available banking facilities) and the effect of the Disposal, and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) and the Proposed Spin-off and in the absence of any unforeseeable circumstances, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for the next 12 months from the date of this circular.

TRADING AND FINANCIAL PROSPECTS

At the advent of 2020, the global economy slowed down, and the sudden outbreak of COVID-19 turned the market environment complicated and changeable. In addition to the negative impact brought by the global political and economic environment, the business operation and financial position of the Group, including Liaoning Zhongwang Group, may also be affected by several risk factors including:

- *risks associated with the industry development*

  There are a large number of domestic aluminum extrusion enterprises in the PRC, and the competition in the low-end market has further intensified in recent years. Along with the gradual implementation of energy-saving and environmental protection policies, the strengthening of the trend of lightweight automobiles, and the increasing demand for rail transit construction, aviation transportation equipment and green building materials, a large number of aluminum processing companies are expected to and upstream electrolytic aluminum companies may enter the aluminum extrusion industry, which may lead to a more intensified competition in the aluminum extrusion product market and adversely affect the Group's and Liaoning Zhongwang Group's market share and profitability.

- *risks associated with Liaoning Zhongwang's business operation*

  Liaoning Zhongwang Group is also exposed to several risks associated with its business operation which may adversely affect its business operation and financial condition. For example, Liaoning Zhongwang's profitability may be affected by fluctuations in prices of aluminium extrusion products and the raw materials. Besides, if Liaoning Zhongwang and its subsidiaries cannot maintain their new & high-tech enterprise qualifications, they are not able to enjoy the preferential tax benefits from the local governments which may in turn adversely affect its financial condition.

- *risks associated with the Disposal and relevant arrangements (including arrangements contemplated under the Compensation Agreement)*

  The Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement) are subject to various regulatory and corporate approvals (including the approval by CSRC), and may or may not materialize. If the Disposal does not materialize, Liaoning Zhongwang may be devaluated. Further, if Liaoning Zhongwang fails to reach the Committed Net Profit Compensation during the Compensation Period, the compensation arrangements under the Compensation Agreements may be triggered, which may result in an adverse impact of the shareholding structure of Liaoning Zhongwang and its business operation.

However, under the regulation and control of the national macro policies, China has taken its aluminium fabrication industry to a level of high-quality development. Not only has it further developed its product structure and industrial chain, but it has also made multi-dimensional attempts in the areas of energy conservation and consumption reduction. On 22 May 2020, Premier Li Keqiang of the State Council delivered the "Report on the Work of the

Government" on behalf of the State Council at the Third Session of the 13th National People's Congress, in which he stressed the continuation to promote the upgrade of the manufacturing industry and the development of emerging industries in order to support the high-quality development of the manufacturing industry. In the long run, the Group will continue to focus on meeting domestic demand while actively enhancing the competitiveness of high-end aluminium products in the international market and exporting products with higher added-value.

Since the introduction of aluminium alloy formwork into the construction industry, usage of the material has gradually expanded due to its characteristics of high strength and environmental friendliness, promoting the green sustainable development in China's construction industry. Impacted by the pandemic, domestic construction projects have been slightly delayed as a result of the infection prevention and control measures taken by governments at all levels. As the momentum of work and production resumption continues, construction of building projects has gradually returned to normal levels. The report prepared by Beijing Antaike Information Co., Ltd. forecast at the beginning of this year that the market penetration of aluminium alloy formwork in China will rise to about 56% by 2024, and the market for aluminium alloy formwork will continue to grow steadily in the future.

Led by new development concepts, the new infrastructure is driven by technological innovation and based on information networks to meet the needs of high-quality development. It provides an infrastructure system for digital transformation, intelligent upgrades, and innovative development. On 20 April 2020, the National Development and Reform Commission (NDRC) first defined scope of new infrastructure, proposing the integration of infrastructure to support the transformation and upgrades of traditional infrastructure such as smart transportation and smart energy infrastructure through the applications of new technologies including the internet, big data, and artificial intelligence. Driven by this policy, inter-city high-speed railways, intercity railway transit, and new energy vehicle have become the market's focal point, bringing with it positive prospects for the use of aluminium in the transportation industry.

As one of the seven major areas of new infrastructure, high-speed railway and rail transit are indispensable and an important part in the process of urbanisation. At present, many cities in China are pushing forward the construction of urban rail transit systems. The urban express rail currently under construction or set to be built exceeds 1,800 kilometers; many high-speed rail projects are also under construction, with a cumulative high-speed rail operating mileage of 35,400 kilometers. According to the national "Medium and Long-term Railway Network Planning", by 2025, the total length of high-speed rail is expected reach 38,000 kilometers. CCID Consulting's forecast at the beginning of the year showed that with the continuous expansion of urban rail transit and high-speed rail lines, the scale of China's rail transit vehicle market will maintain a sustained and steady growth in the next three years, and it is expected to exceed RMB200 billion by 2022, objectively providing ample room for the application of aluminium alloy materials.

In addition, in April 2020, the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the National Development and Reform Commission jointly issued the "Notice on Improving the Promotion and Application of Financial Subsidy Policy for New Energy Vehicles" (《關於完善新能源汽車推廣應用財政補貼政策的通知》) to extend the implementation period for the promotion and application of financial subsidies for new energy vehicles to the end of 2022, reflecting the national emphasis on the new energy vehicle market. As a type of light-weight and environmentally-friendly material with various fine properties, aluminium alloy is the first choice to achieve the weight reduction of automobiles. The development of the new energy automobile market has further increased the demand for aluminium in automotive industry, and the market prospect of light-weight aluminium for automotive deserves anticipation.

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

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

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

3. Continue to unlock the value of the aluminium flat rolling plant in Tianjin, thus adding new impetus to the Group's long-term development: the Group will further improve the product quality and production efficiency of the first production line to provide customers with high-end aluminium flat-rolled products. The second production line has commenced pilot production and the target date for production at the end of the year. At the same time, the Group will step up its effort in developing new products and obtaining certification 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 industry upgrade in China with a more competitive product structure and more comprehensive business strategy.

The following is the text of a report received from the Company's auditor, BDO Limited, Certified Public Accountants, Hong Kong, for inclusion in this circular.

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

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

REPORT ON REVIEW OF FINANCIAL INFORMATION LIAONING ZHONGWANG GROUP CO., LTD.

To the Board of Directors of China Zhongwang Holdings Limited

INTRODUCTION

We have reviewed the financial information of set out on pages II-3 to II-31 which comprise the unaudited consolidated statement of financial position of Liaoning Zhongwang Group Co., Ltd. ("**Liaoning Zhongwang**") and its subsidiaries (collectively referred to as the "**Liaoning Zhongwang Group**") as of 31 December 2017, 2018 and 2019 and 30 June 2020, and the unaudited consolidated statement of comprehensive income, the unaudited consolidated statement of changes in equity and the unaudited consolidated statement of cash flows for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 30 June 2020 and explanatory notes (the "**Financial Information**"). The Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by China Zhongwang Holdings Limited (the "**Company**") in connection with the disposal of the Liaoning Zhongwang Group in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The directors of the Company are responsible for the preparation and presentation of the Financial Information of the Liaoning Zhongwang Group in accordance with the basis of preparation set out in note 2 to the Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rules. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error. The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 (Revised) "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**"). Our responsibility is to express a conclusion on this Financial Information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by Hong Kong Institute of Certificate Public Accountants ("**HKICPA**") and with reference to Practice Note 750, Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal issued by HKICPA. A review of the historical financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information of the Liaoning Zhongwang Group for the relevant periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Financial Information.

BDO Limited
Certified Public Accountants

Hong Kong, 24 October 2020

I. FINANCIAL INFORMATION OF LIAONING ZHONGWANG GROUP

Unaudited Consolidated Statements of Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	*3*	19,789,774	21,627,591	19,735,840	10,714,260	6,621,610
Cost of sales		(13,677,026)	(13,948,280)	(13,552,333)	(6,888,301)	(4,960,121)
Gross profit		6,112,748	7,679,311	6,183,507	3,825,959	1,661,489
Investment income		291,660	194,573	145,650	64,038	108,325
Other income	*4*	260,233	186,409	237,301	113,537	123,693
Selling and distribution expenses		(169,541)	(178,953)	(356,203)	(117,350)	(135,067)
Administrative and other operating expenses		(1,413,155)	(2,046,542)	(2,164,429)	(1,110,475)	(747,253)
Share of profits of associates		173,253	164,747	51,725	73,137	31,320
Finance costs	*5*	(872,837)	(808,607)	(845,436)	(429,630)	(483,450)
Profit before taxation	*6*	4,382,361	5,190,938	3,252,115	2,419,216	559,057
Income tax	*7*	(716,226)	(759,940)	(331,552)	(554,216)	(85,386)
Profit for the year/period		3,666,135	4,430,998	2,920,563	1,865,000	473,671
Attributable to:						
Equity shareholders of the Company		3,575,771	4,339,784	2,843,077	1,823,331	484,880
Non-controlling interests		364	1,214	3,513	(3,331)	(11,209)
Holders of perpetual capital instruments	*24*	90,000	90,000	73,973	45,000	—
Profit for the year/period		3,666,135	4,430,998	2,920,563	1,865,000	473,671

		Year ended 31 December			Six months ended 30 June	
		2017	**2018**	**2019**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income, net of tax						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of financial statements		11,341	5,263	(2,738)	(3,609)	14,197
Other comprehensive income for the year/period		11,341	5,263	(2,738)	(3,609)	14,197
Total comprehensive income for the year/period		3,677,476	4,436,261	2,917,825	1,861,391	487,868
Total comprehensive income attributable to:						
Equity shareholders of the Company		3,585,823	4,344,418	2,840,849	1,820,387	496,790
Non-controlling interests		1,653	1,843	3,003	(3,996)	(8,922)
Holders of perpetual capital instruments	24	90,000	90,000	73,973	45,000	—
Total comprehensive income for the year/period		3,677,476	4,436,261	2,917,825	1,861,391	487,868

Unaudited Consolidated Statements of Financial Position

		As at 31 December			As at 30 June
		2017	**2018**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets					
Property, plant and equipment	*9*	17,487,520	20,224,275	22,036,117	21,991,795
Right-of-use assets		3,335,608	3,367,342	3,909,292	4,387,653
Investment properties		203,817	293,022	799,323	1,465,516
Goodwill		379,000	379,000	379,000	379,000
Other intangible assets		274,245	645,036	274,664	275,372
Interests in associates		3,537,452	3,752,247	3,833,972	3,865,292
Deposits for acquisition of non-current assets	*10*	774,037	1,930,717	2,137,203	1,636,816
Deferred tax assets		55,888	26,137	346,147	478,191
Other non-current assets		280,062	199,498	128,937	91,192
		26,327,629	30,817,274	33,844,655	34,570,827
Current assets					
Inventories	*11*	4,206,893	5,962,604	5,857,703	4,749,484
Trade and bill receivables	*12*	6,417,811	9,318,881	9,834,721	9,714,687
Other receivables	*13*	3,820,079	1,592,966	3,959,650	13,878,068
Other financial assets	*14*	2,882,968	—	—	—
Right-of-use assets		75,106	78,030	81,694	95,371
Pledged bank deposits	*15*	3,451,796	1,397,267	2,204,374	2,361,653
Short-term deposits	*16*	9,740,000	—	101,000	101,000
Cash and cash equivalents	*16*	6,384,968	14,747,912	779,014	34,347
		36,979,621	33,097,660	22,818,156	30,934,610
Assets classified as held for sale	*25*	—	—	6,227,573	—
		36,979,621	33,097,660	29,045,729	30,934,610

		As at 31 December			As at 30 June
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current liabilities					
Trade payables	*17*	6,813,591	5,339,271	2,097,887	2,364,878
Bill payables	*18*	3,791,231	2,094,059	6,219,200	7,432,760
Other payables	*19*	4,281,585	3,944,044	10,317,073	5,333,276
Contract liabilities	*20*	776,398	479,778	505,206	95,688
Lease liabilities	*21*	46,608	20,570	360,662	340,546
Debentures	*23*	1,200,000	—	—	—
Current tax liabilities		313,745	409,505	121,253	250,771
Bank and other loans	*22(a)*	7,555,492	10,218,933	11,697,926	14,603,644
		24,778,650	22,506,160	31,319,207	30,421,563
Liabilities classified as held for sale	*25*	—	—	753,586	—
		24,778,650	22,506,160	32,072,793	30,421,563
Net current assets/(liabilities)		12,200,971	10,591,500	(3,027,064)	513,047
Total assets less current liabilities		38,528,600	41,408,774	30,817,591	35,083,874
Non-current liabilities					
Bank and other loans	*22(b)*	3,730,283	2,242,469	2,210,558	6,096,022
Debentures	*23*	6,500,000	6,500,000	—	—
Lease liabilities	*21*	9,864	5,832	109,742	2,518
Deferred tax liabilities		366,206	381,173	385,093	381,970
		10,606,353	9,129,474	2,705,393	6,480,510
Net assets		27,922,247	32,279,300	28,112,198	28,603,364
Capital and reserves					
Paid-in capital		14,375,956	14,375,956	14,938,457	14,938,457
Reserves		11,344,550	15,705,858	12,989,960	13,489,968
Equity attributable to equity shareholders of the Company		25,720,506	30,081,814	27,928,417	28,428,425
Non-controlling interests		207,741	203,486	183,781	174,939
Perpetual capital instruments	*24*	1,994,000	1,994,000	—	—
Total equity		27,922,247	32,279,300	28,112,198	28,603,364

Unaudited Consolidated Statements of Changes in Equity

	Notes	Paid-in capital *RMB'000* (Unaudited)	Capital reserve *RMB'000* (Unaudited)	Other reserve *RMB'000* (Unaudited)	Surplus reserve *RMB'000* (Unaudited)	Enterprise development fund *RMB'000* (Unaudited)	Exchange reserve *RMB'000* (Unaudited)	Retained profits *RMB'000* (Unaudited)	Subtotal *RMB'000* (Unaudited)	Perpetual capital instruments *RMB'000* (Unaudited)	Non-controlling interests *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
At 1 January 2017		14,375,956	198,024	635,898	2,382,755	2,382,753	196	2,111,739	22,087,321	1,994,000	–	24,081,321
Profit for the year		–	–	–	–	–	–	3,575,771	3,575,771	90,000	364	3,666,135
Other comprehensive income		–	–	–	–	–	10,052	–	10,052	–	1,289	11,341
Total comprehensive income		–	–	–	–	–	10,052	3,575,771	3,585,823	90,000	1,653	3,677,476
Acquisition of subsidiaries	26	–	–	–	–	–	–	–	–	–	206,088	206,088
Recognition of share-based payment		–	47,362	–	–	–	–	–	47,362	–	–	47,362
Appropriations		–	–	–	748,405	–	–	(748,405)	–	–	–	–
Distribution for perpetual capital instruments		–	–	–	–	–	–	–	–	(90,000)	–	(90,000)
At 31 December 2017		14,375,956	245,386	635,898	3,131,160	2,382,753	10,248	4,939,105	25,720,506	1,994,000	207,741	27,922,247

	Notes	Paid-in capital RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Other reserve RMB'000 (Unaudited)	Surplus reserve RMB'000 (Unaudited)	Enterprise development fund RMB'000 (Unaudited)	Exchange reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Subtotal RMB'000 (Unaudited)	Perpetual capital instruments RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2018		14,375,956	245,386	635,898	3,131,160	2,382,753	10,248	4,939,105	25,720,506	1,994,000	207,741	27,922,247
Profit for the year		—	—	—	—	—	—	4,339,784	4,339,784	90,000	1,214	4,430,998
Other comprehensive income		—	—	—	—	—	4,634	—	4,634	—	629	5,263
Total comprehensive income		—	—	—	—	—	4,634	4,339,784	4,344,418	90,000	1,843	4,436,261
Acquisition of subsidiaries	26	—	—	—	—	—	—	(8,644)	(8,644)	—	(6,098)	(14,742)
Recognition of share-based payment		—	25,534	—	—	—	—	—	25,534	—	—	25,534
Appropriations		—	—	—	540,197	—	—	(540,197)	—	—	—	—
Distribution for perpetual capital instruments		—	—	—	—	—	—	—	—	(90,000)	—	(90,000)
At 31 December 2018		14,375,956	270,920	635,898	3,671,357	2,382,753	14,882	8,730,048	30,081,814	1,994,000	203,486	32,279,300

	Notes	Paid-in capital *RMB'000* (Unaudited)	Capital reserve *RMB'000* (Unaudited)	Other reserve *RMB'000* (Unaudited)	Surplus reserve *RMB'000* (Unaudited)	Enterprise development fund *RMB'000* (Unaudited)	Exchange reserve *RMB'000* (Unaudited)	Retained profits *RMB'000* (Unaudited)	Subtotal *RMB'000* (Unaudited)	Perpetual capital instruments *RMB'000* (Unaudited)	Non-controlling interests *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
At 1 January 2019		14,375,956	270,920	635,898	3,671,357	2,382,753	14,882	8,730,048	30,081,814	1,994,000	203,486	32,279,300
Profit for the year		—	—	—	—	—	—	2,843,077	2,843,077	73,973	3,513	2,920,563
Other comprehensive income		—	—	—	—	—	(2,228)	—	(2,228)	—	(510)	(2,738)
Total comprehensive income		—	—	—	—	—	(2,228)	2,843,077	2,840,849	73,973	3,003	2,917,825
Capital injection		562,501	437,499	—	—	—	—	—	1,000,000	—	—	1,000,000
Dividend paid	8	—	—	—	—	—	—	(6,000,000)	(6,000,000)	—	—	(6,000,000)
Recognition of share-based payment		—	11,754	—	—	—	—	—	11,754	—	—	11,754
Appropriations		—	—	—	238,466	—	—	(238,466)	—	—	—	—
Dividends paid to a non-controlling interests		—	—	—	—	—	—	—	—	—	(22,708)	(22,708)
Repayment of perpetual capital instruments		—	(6,000)	—	—	—	—	—	(6,000)	(1,994,000)	—	(2,000,000)
Distribution for perpetual capital instruments		—	—	—	—	—	—	—	—	(73,973)	—	(73,973)

	Notes	Paid-in capital RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Other reserve RMB'000 (Unaudited)	Surplus reserve RMB'000 (Unaudited)	Enterprise development fund RMB'000 (Unaudited)	Exchange reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Subtotal RMB'000 (Unaudited)	Perpetual capital instruments RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 31 December 2019 and 1 January 2020		14,938,457	714,173	635,898	3,909,823	2,382,753	12,654	5,334,659	27,928,417	—	183,781	28,112,198
Profit for the period		—	—	—	—	—	—	484,880	484,880	—	(11,209)	473,671
Other comprehensive income		—	—	—	—	—	11,910	—	11,910	—	2,287	14,197
Total comprehensive income		—	—	—	—	—	11,910	484,880	496,790	—	(8,922)	487,868
Recognition of share-based payment		—	3,218	—	—	—	—	—	3,218	—	—	3,218
Elimination of non-controlling interest upon disposal of a subsidiary		—	—	—	—	—	—	—	—	—	80	80
At 30 June 2020		14,938,457	717,391	635,898	3,909,823	2,382,753	24,564	5,819,539	28,428,425	—	174,939	28,603,364

Unaudited Consolidated Statements of Cash Flows

		Year ended 31 December			Six months ended 30 June	
		2017	**2018**	**2019**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities						
Profit before taxation		4,382,361	5,190,938	3,252,115	2,419,216	559,057
Adjustments for:						
Finance costs	*5*	872,837	808,607	845,436	429,630	483,450
Depreciation of property, plant and equipment	*6*	638,413	785,746	1,148,315	529,911	709,169
Depreciation of right-of-use assets	*6*	138,538	133,946	112,939	56,157	191,830
Depreciation of investment properties	*6*	11,170	13,876	39,521	19,295	33,014
Amortisation of other intangible assets	*6*	1,022	1,049	1,148	423	2,393
Share-based payment		47,362	25,534	11,754	7,838	3,218
Share of profits of associates		(173,253)	(164,747)	(51,725)	(73,137)	(31,320)
(Gains)/loss on disposal of property, plant and equipment	*4*	(414)	(1,814)	(615)	(2,651)	4,398
Bank deposits interest income		(279,165)	(120,754)	(109,994)	(64,038)	(43,098)
Interest income from financial assets		(10,793)	(73,819)	—	—	—
Gain on disposal of subsidiaries		(3,000)	—	(35,655)	—	(65,226)
Loss on disposal of an associate		1,298	—	—	—	—
Expected credit loss on financial assets	*6*	7,129	40,571	194,539	110,154	75,568

		Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Increase in trade and bill receivables		(6,269,004)	(3,624,883)	(2,773,264)	(1,242,451)	(1,857,787)
(Increase)/decrease in other receivables		(146,855)	2,105,741	(4,075,194)	(1,867,166)	(10,474,033)
(Increase)/decrease in inventories		(932,435)	(1,452,905)	(663,532)	(3,760,744)	1,045,639
(Decrease)/increase in trade payables		(121,037)	(1,471,110)	(2,744,563)	(1,852,768)	3,469,437
Increase/(decrease) in bill payables		5,943,125	(1,651,172)	4,155,141	4,952,716	1,213,560
Increase in other payables		1,040,484	324,503	1,348,704	760,990	322,373
Cash generated from/(used in) operations		5,147,783	869,307	655,070	423,375	(4,358,358)
Income tax paid		(588,595)	(619,463)	(935,894)	(617,545)	(91,034)
Net cash generated from/ (used in) operating activities		4,559,188	249,844	(280,824)	(194,170)	(4,449,392)
Cash flows from investing activities						
Redemption in short-term deposits		524,303	9,740,000	—	—	—
Pledged bank deposits		(1,366,920)	—	—	—	—
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	*26*	(905,986)	(14,741)	—	—	—
Payments for capital injection in associates		(700,000)	(50,047)	(30,000)	(30,000)	—
Proceeds from disposals of a subsidiary (net of cash and cash equivalents)	*27*	(264)	—	192,873	—	4,379,928
Proceeds from disposal of an associate		—	49,000	—	—	—
Purchase of property, plant and equipment, right-of-use assets and other intangible assets		(4,679,991)	(5,774,742)	(7,340,569)	(3,800,872)	(968,324)

		Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest received from bank deposits		171,775	233,138	85,498	40,154	38,129
Repayments of other receivables		—	2,126,903	—	—	—
Proceeds from disposal of property, plant and equipment		9,033	9,479	480	—	3,615
Acquisition of financial assets		(3,075,000)	—	—	—	—
Proceeds from disposals of financial assets		465,000	2,875,000	—	—	—
Interest received from financial assets		3,932	81,787	—	—	—
Dividends received from associates		185	—	—	—	—
Net cash (used in)/generated from investing activities		(9,553,933)	9,275,777	(7,091,718)	(3,790,718)	3,453,348
Cash flows from financing activities						
Proceeds from bank and other loans		7,595,457	10,475,796	15,623,960	7,440,000	14,091,310
Repayments of bank and other loans		(3,052,709)	(9,367,722)	(13,594,203)	(7,874,537)	(7,272,691)
Capital contribution from non-controlling interests		—	—	1,000,000	—	—
Proceeds from related parties		826,801	9,050	804	72,309	28,104
Repayments of debentures		(1,700,000)	(1,200,000)	(6,500,000)	(2,500,000)	—
Interest paid		(964,504)	(935,892)	(1,004,466)	(421,445)	(460,018)
Dividends paid		—	—	—	—	(6,000,000)
Repayments of perpetual capital instruments		—	—	(2,000,000)	—	—
Interest paid for perpetual capital instruments		(90,000)	(90,000)	(90,000)	—	—
Repayment of principal portion of lease liabilities		(44,453)	(53,909)	(32,451)	(18,312)	(135,328)
Net cash generated from/(used in) financing activities		2,570,592	(1,162,677)	(6,596,356)	(3,301,985)	251,377
Net (decrease)/increase in cash and cash equivalents		(2,424,153)	8,362,944	(13,968,898)	(7,286,873)	(744,667)
Cash and cash equivalents at beginning of the year/period		8,809,121	6,384,968	14,747,912	14,747,912	779,014
Cash and cash equivalents at end of the year/period		6,384,968	14,747,912	779,014	7,461,039	34,347

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Liaoning Zhongwang and its subsidiaries (together referred to as the "Liaoning Zhongwang Group") are principally engaged in the manufacturing and sales of aluminium extrusion products and leasing of aluminium alloy formwork.

Liaoning Zhongwang is a limited liability company incorporated and domiciled in the People's Republic of China (the "**PRC**"). The address of its registered office is No. 299, Wensheng Road, Liaoyang City, Liaoning 111003, PRC.

On 20 March 2020, Liaoning Zhongwang Superior Fabrication Investment Limited ("**Zhongwang Fabrication**"), the immediate holding company of Liaoning Zhongwang and an indirectly wholly-owned subsidiary of the China Zhongwang Holdings Limited (the "**Company**"), together with National Civil — Military Integration Industry Investment Fund Co., Ltd, entered into the Asset Transfer Agreement with CRED Holding Co., Ltd. ("**CRED Holding**"), a company incorporated in the PRC and currently listed on the Shanghai Stock Exchange, pursuant to which, (i) Zhongwang Fabrication has agreed to sell and CRED Holding has agreed to purchase the 96.55% equity interests in the Liaoning Zhongwang Group 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 Co., Ltd. held by CRED Holding at a consideration of RMB200,000,000 and both considerations will be offset against each other and the balance, i.e., the Transfer Consideration of RMB29,248,275,862, will be satisfied by the issuance of 4,748,096,730 shares by CRED Holding to Zhongwang Fabrication, representing 86.36% equity interests in CRED Holding as enlarged by the issuance of the Consideration Shares.

According to the mandatory requirements as prescribed by the relevant authorities in the PRC (including the China Securities Regulatory Commission), Zhongwang Fabrication has undertaken to CRED Holding that the Assessed Net Profit Amount of the Liaoning Zhongwang Group shall be not lower than the Committed Net Profit Amount during the Profit Compensation Period, failing which Zhongwang Fabrication will compensate CRED Holding in accordance with the terms and conditions of the Compensation Agreement. The Committed Net Profit Amount of the Liaoning Zhongwang Group for the years of 2020, 2021, 2022 and 2023 (where applicable) are determined based on the Zhongwang Valuation and are amounted to RMB2.0 billion, RMB2.8 billion, RMB3.2 billion and RMB3.4 billion, respectively.

The Liaoning Zhongwang Group is controlled by China Zhongwang Holdings Limited (incorporated in the Cayman Islands), which owns 96.55% of the Liaoning Zhongwang's equity interest. The remaining 3.45% of the equity interest are held by National Civil-Military Integration Industry Investment Fund Co., Ltd. The directors of Liaoning Zhongwang regard Prime Famous Management Limited (incorporated in the British Virgin Islands) as being the ultimate holding company.

2. BASIS OF PRESENTATION

The Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and solely for the purposes of inclusion in this circular.

The Financial Information has been prepared in accordance with the same accounting policies as those adopted by Company and its subsidiaries (collectively referred to as the "**Group**") in preparation of the consolidated financial statements of the Group for the year ended 31 December 2019 and the interim report of the Company for the period ended 30 June 2020, which conform with International Financial Reporting Standards ("**IFRSs**") (which include all IFRSs, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and accounting principles generally accepted in Hong Kong. These policies have been consistently applied to all the periods presented. IASB has issued a number of new or revised IFRSs which are relevant to the Liaoning Zhongwang Group and became effective during the Track

Record Period. For the purpose of preparing and presenting the Financial Information, the Liaoning Zhongwang Group has, throughout the period, early adopted IFRSs issued by the IASB, which are effective for periods beginning on 1 January 2017.

The Financial Information has been prepared under historical cost basis. It is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand **(RMB’000)** unless otherwise stated.

The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 (Revised) “Presentation of Financial Statements” nor a set of condensed financial statements as defined in HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certificate Public Accountants and that it should be read in conjunction with the relevant published annual and interim reports of the Company.

3. REVENUE

The principal activities of the Liaoning Zhongwang Group are manufacturing and sales of aluminium extrusion products and leasing of aluminium alloy formwork.

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

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB’000	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of aluminium extrusion products					
— aluminium alloy formworks	8,933,609	12,914,414	8,393,515	4,605,879	3,297,657
— industrial aluminium extrusion products	8,398,254	7,273,695	7,237,017	4,670,561	1,994,805
— construction aluminium extruded products	382,838	14,507	22,822	6,346	30,479
Leasing of aluminium alloy formwork	—	—	699,436	85,814	465,807
Aluminum ingot and aluminum rod	2,053,632	1,403,576	3,366,505	1,336,690	830,396
Metal trade agency commission	21,441	21,399	16,545	8,970	2,466
Total	19,789,774	21,627,591	19,735,840	10,714,260	6,621,610

An analysis of timing of recognition of the Liaoning Zhongwang Group’s revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB’000	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Timing of revenue recognition:					
— Point in time	19,789,774	21,627,591	19,036,404	10,628,446	6,155,803
— Over time	—	—	699,436	85,814	465,807
Total	19,789,774	21,627,591	19,735,840	10,714,260	6,621,610

4. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Exchange gains/(losses), net	274	(24,874)	5,744	2,455	3,235
Gain on sales of scrap materials, consumables and moulds	110,120	102,554	122,207	43,273	25,027
Government subsidies *(Note)*	142,309	98,877	90,399	55,393	91,559
Gain/(loss) on disposal of property, plant and equipment	414	1,814	615	2,651	(4,398)
Others	7,116	8,038	18,336	9,765	8,270
	260,233	186,409	237,301	113,537	123,693

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

5. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on lease liabilities	1,127	1,472	1,077	573	7,988
Interest on bank loans and other borrowings	871,710	807,135	844,359	429,057	475,462
	872,837	808,607	845,436	429,630	483,450

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs					
— Salaries and other benefits	1,979,294	2,637,702	3,194,108	1,975,533	1,174,045
— Contributions to defined contribution retirement plan	118,669	182,964	225,088	139,903	56,281
Total employee benefit expenses	2,097,963	2,820,666	3,419,196	2,115,436	1,230,326
Costs of inventories recognised as expenses	13,677,026	13,948,280	13,552,333	6,888,301	4,960,121
Depreciation of property, plant and equipment	638,413	785,746	1,148,315	529,911	709,169
Amortisation of other intangible assets	1,022	1,049	1,148	423	2,393
Depreciation of right-of-use assets	138,538	133,946	112,939	56,157	191,830
Depreciation of investment properties	11,170	13,876	39,521	19,295	33,014
Expected credit loss on financial assets	7,129	40,571	194,539	110,154	75,568
Interest on lease liabilities	1,127	1,472	1,077	573	7,988
Short-term leases expenses and property management fee	3,216	35,612	3,067	2,084	5,842
Research and development costs	591,623	945,972	837,031	537,657	105,674

7. INCOME TAX

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax					
— Provision for the year/period *(Note)*	696,683	711,696	664,958	772,217	222,685
— Under/(over) provision in respect of prior year/period	—	3,527	(17,316)	(21,474)	(2,132)
Deferred taxation	19,543	44,717	(316,090)	(196,527)	(135,167)
	716,226	759,940	331,552	554,216	85,386

Note: Provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Liaoning Zhongwang Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Liaoning Zhongwang 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.

Liaoning Zhongwang Group Company Limited, Yingkou Zhongwang Aluminium Company Limited and Zhongwang (Liaoyang) Aluminium Formwork Manufacturing Company Limited, being subsidiaries of the Liaoning Zhongwang Group are 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% for the year ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2019 and 2020.

8. DIVIDEND

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Dividend payable	—	—	6,000,000	—	—

9. PROPERTY, PLANT AND EQUIPMENT

The Liaoning Zhongwang Group acquired items of property, plant and equipment with a cost of approximately RMB4,953,663,000, RMB3,631,018,000, RMB6,073,315,000 and RMB1,351,776,000 as at the year ended 31 December 2017, 2018 and 2019 and as at period ended 30 June 2020, respectively. The Lianoning Zhongwang Group's property, plant and equipment with a carrying amount of approximately RMB4,295,813,000, RMB3,950,267,000, RMB5,455,506,000 and RMB4,946,699,000 were used to secure the Liaoning Zhongwang Group's borrowings (note 22) as at 31 December 2017, 2018 and 2019 and as at 30 June 2020, respectively.

10. DEPOSITS FOR ACQUISITION OF NON-CURRENT ASSETS

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Deposits for acquisition of property, plant and equipment	633,495	1,261,221	1,335,202	1,457,307
Deposits for acquisition of payments for leasehold land held for own use under operating leases	140,542	669,496	802,001	179,509
	774,037	1,930,717	2,137,203	1,636,816

11. INVENTORIES

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Raw materials	2,386,441	2,669,520	2,245,855	963,030
Work-in-progress	1,355,130	2,196,041	2,404,186	2,692,095
Finished goods	465,322	1,097,043	1,207,662	1,094,359
	4,206,893	5,962,604	5,857,703	4,749,484

12. TRADE AND BILL RECEIVABLES

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Trade and bill receivables	6,439,594	9,367,379	10,059,718	10,006,738
Less: Loss allowance	(21,783)	(48,498)	(224,997)	(292,051)
	6,417,811	9,318,881	9,834,721	9,714,687

As of the end of each of the year/period end, ageing analysis of trade and bill receivables based on invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current or less than 90 days	5,098,549	5,796,430	8,769,768	6,068,631
91 to 180 days	1,126,982	2,919,438	778,751	156,805
More than 180 days	192,280	603,013	286,202	3,489,251
	6,417,811	9,318,881	9,834,721	9,714,687

Amounts due from related parties are included in trade receivables amounted to approximately RMB998,359,000, RMB80,531,000,RMB1,682,198,000 and RMB636,681,000 as at 31 December 2017, 2018 and 2019 and as at 30 June 2020, respectively, and are repayable on normal trade terms.

13. OTHER RECEIVABLES

As at 31 December 2017, 2018 and 2019 and 30 June 2020, included in other receivables are mainly input value added tax ("**VAT receivables**"), prepayment on purchases and other receivables.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, approximately RMB1,166,610,000, RMB749,394,000, RMB1,140,556,000 and RMB741,326,000, respectively, are VAT receivables of which RMB280,062,000, RMB199,498,000. RMB128,937,000 and RMB91,192,000 as at each year/period end are expected to be deducted after one year and are classified as "Other non-current assets" in these financial statements.

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

Amounts due from related parties are included in other receivables amounted to approximately RMB349,957,000, RMB380,000, RMB20,290,000 and RMB7,390,000 as at 31 December 2017, 2018 and 2019 and as at 30 June 2020, respectively.

14. OTHER FINANCIAL ASSETS

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Unlisted financial products, at amortised cost	2,882,968	—	—	—

As at 31 December 2017, these financial products held by the Liaoning Zhongwang Group generated expected annual return rate ranged from 2.45% to 4.60% per annum. These were sold to third party in 2018.

15. PLEDGED BANK DEPOSITS

The Liaoning Zhongwang Group pledged bank deposits as collateral in respect of issuance of bills (Note 18) and letters of credit by the Liaoning Zhongwang Group.

16. SHORT-TERM DEPOSITS AND CASH AND CASH EQUIVALENTS

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

17. 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 invoice date at each of the year/period end:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current or less than 90 days	6,739,507	4,540,162	1,443,755	1,922,684
91 to 180 days	47,707	244,518	348,024	90,398
More than 180 days	26,377	554,591	306,108	351,796
	6,813,591	5,339,271	2,097,887	2,364,878

Amounts due to related parties of approximately RMB52,178,000, RMB7,267,000, RMB18,260,000 and RMB3,373,000 are included in trade payables as at 31 December 2017, 2018 and 2019 and as at 30 June 2020, respectively. The amounts are unsecured, interest-free and repayable on demand.

18. BILL PAYABLES

All bill payables are repayable within a year and are denominated in Renminbi. Bills payables amounting to RMB3,791,231,000, RMB2,094,059,000, RMB6,219,200,000 and RMB7,432,760,000 are secured by deposits placed in the banks (Note 15) of an aggregate carrying amount to RMB283,478,000, RMB244,400,000, RMB1,762,811,000 and RMB1,970,879,000 as at 31 December 2017, 2018 and 2019 and as at 30 June 2020, respectively.

19. 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 RMB2,734,861,000, RMB2,287,821,000, RMB2,032,613,000 and RMB2,060,179,000 owed to production machineries suppliers and construction services contractors as at year ended 31 December 2017, 2018 and 2019 and as at the period ended 30 June 2020, respectively.

Amounts due to related parties of approximately RMB212,148,000, RMB8,429,000, RMB200,236,000 and RMB232,028,000 are included in other payables as at year ended 31 December 2017, 2018 and 2019 and as at the period ended 30 June 2020, respectively.

20. CONTRACT LIABILITIES

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Contract liabilities arising from:				
Advance from customers	776,398	479,778	505,206	95,688

Contract liabilities represent advances from customers, where the Liaoning Zhongwang Group has unconditional right to considerations before goods or services are delivered. For the contract liabilities as at 31 December 2017 and 2018, the entire balances were recognised as revenue during the next reporting period. Balances as at 31 December 2019 and as at 30 June 2020 are received and not recognised as revenue up to the date of this report.

Amounts due to related parties of approximately RMBNil, RMB227,437,000, RMB381,285,000 and RMBNil are included in contract liabilities as at year ended 31 December 2017, 2018 and 2019 and as at the period ended 30 June 2020, respectively.

21. LEASES

Operating leases — lessee

The Liaoning Zhongwang Group leases a number of properties in the jurisdictions from which it operates. Periodic rent is fixed over the lease term. Future lease payments are due as follows:

	Minimum lease payments as at 30 June 2020	Interest	Present value as at 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Not later than one year	348,182	7,636	340,546
Later than one year and not later than two years	2,078	75	2,003
Later than two years and not later than five years	519	4	515
	350,779	7,715	343,064

	Minimum lease payments as at 31 December 2019	Interest	Present value as at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Not later than one year	373,790	13,128	360,662
Later than one year and not later than two years	110,760	2,546	108,214
Later than two years and not later than five years	1,558	30	1,528
	486,108	15,704	470,404

	Minimum lease payments as at 31 December 2018	Interest	Present value as at 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Not later than one year	21,363	793	20,570
Later than one year and not later than two years	2,578	231	2,347
Later than two years and not later than five years	3,636	151	3,485
	27,577	1,175	26,402

	Minimum lease payments as at 31 December 2017	Interest	Present value as at 31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Not later than one year	48,018	1,410	46,608
Later than one year and not later than two years	4,823	311	4,512
Later than two years and not later than five years	5,714	362	5,352
	58,555	2,083	56,472

Certain lease contracts in respect of leasing of buildings and plant were entered into with a company controlled by the owner of the ultimate holding company of the Liaoning Zhongwang Group and a number of fellow subsidiaries. the Liaoning Zhongwang Group recognised right-of-use assets in respect to these lease in the amounts of RMBNil, RMB12,593,000, RMB454,528,000 and RMB332,562,000 and lease liabilities of RMBNil, RMB12,181,000, RMB454,135,000 and RMB336,133,000 as at 31 December 2017, 2018 and 2019 and as at 30 June 2020, respectively.

The present value of future lease payments are analysed as:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current liabilities	46,608	20,570	360,662	340,546
Non-current liabilities	9,864	5,832	109,742	2,518
	56,472	26,402	470,404	343,064

Operating leases — lessor

Rental income from leasing out aluminium alloy formwork and certain plants are recognised in profit or loss on a straight-line basis over the term of the relevant lease. The rental income from aluminium alloy formwork and certain plants for the year ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020 were RMB18,286,000, RMB25,238,000, RMB762,522,000, and RMB512,202,000, respectively.

The minimum rent receivables from the above operating leases, under non-cancellable operating leases, that are receivable not later than one year as at 30 June 2020 are RMB548,518,000. The remaining minimum rent receivables are receivable before 30 September 2022 and amount to approximately RMB92,307,000.

22. BANK AND OTHER LOANS

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

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Secured bank loans:				
— Guaranteed by subsidiaries	—	—	—	1,074,909
— Guaranteed by related parties	—	850,000	900,000	1,606,000
— Guaranteed by subsidiaries and secured by property, plant and equipment	—	—	—	1,957,552
Unsecured:				
— Bank loans	4,145,096	5,140,000	8,020,000	7,898,000
— Other loans *(Note)*	—	2,638,253	30,000	30,000
	4,145,096	8,628,253	8,950,000	12,566,461
Add:				
— Current portion of long-term bank and other loans	3,410,396	1,590,680	2,747,926	2,037,183
	7,555,492	10,218,933	11,697,926	14,603,644

Note: Unsecured short-term loans of approximately RMBNil, RMB2,638,253,000, RMB30,000,000 and RMB30,000,000, are borrowed from an associate of the Liaoning Zhongwang Group as at 31 December 2017, 2018 and 2019 and as at 30 June 2020 with interest rates of Nil%, 3.05% to 3.48%, 3.05% and 3.05% per annum, respectively and were due within one year.

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

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Secured bank loans:				
— Secured by property, plant and equipment	74,947	61,908	48,241	57,125
— Guaranteed by related parties	2,153,420	—	—	—
— Guaranteed by a related party and secured by property, plant and equipment	385,197	245,088	105,026	70,903
Unsecured:				
— Bank loans	2,113,664	1,342,440	1,650,000	6,648,158
Secured other loans:				
— Secured by property, plant and equipment	2,413,451	2,183,713	3,155,217	1,324,666
— Guaranteed by third party and secured by right-of-use assets and property, plant and equipment	—	—	—	32,353
	7,140,679	3,833,149	4,958,484	8,133,205
Less:				
— Current portion of long-term bank and other loans	(3,410,396)	(1,590,680)	(2,747,926)	(2,037,183)
	3,730,283	2,242,469	2,210,558	6,096,022

23. DEBENTURES

In 2015, the Liaoning Zhongwang Group had issued an unsecured debenture of RMB1,200,000,000 for a term of three years. The balance was repayable on 27 May 2018, with effective interest rate of 5.40% per annum. The amount was fully repaid when due in 2018.

In 2016, the Liaoning Zhongwang Group had issued unsecured debentures amounted to RMB2,500,000,000 and RMB4,000,000,000 for a term of five years respectively, which are repayable on 22 March 2021 and 26 September 2021, with effective interest rates of 4.05% and 3.75% per annum, respectively. The Liaoning Zhongwang Group had early settled these amounts in full in 2019.

24. PERPETUAL CAPITAL INSTRUMENTS

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

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

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

For the year ended 31 December 2017, 2018 and 2019, profit attributable to the holders of perpetual note, based on the applicable distribution rate, was RMB90,000,000, RMB90,000,000 and RMB73,973,000, respectively.

The perpetual note was fully repaid in 2019.

25. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

Due to the high production costs including costs of electricity, the Electrolytic Aluminium Business has been loss-making in recent years, the Electrolytic Aluminium Business does not conform to the Liaoning Zhongwang Group's development strategy and cannot make enough profit contributions to sustainable growth, the Liaoning Zhongwang Group therefore decided to establish Zhongwang Aluminium Material by way of corporate separation, transferred the Electrolytic Aluminium Business to Zhongwang Aluminium Material and then disposed of.

As of 31 December 2019, the Liaoning Zhongwang Group received an expression of interest and anticipated that the sale would complete within 2020. The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the unaudited consolidated statement of financial position of the Liaoning Zhongwang Group as at 31 December 2019.

	RMB'000 (Unaudited)
Property, plant and equipment	2,558,817
Deposits for acquisition of non-current assets	789
Other intangible assets	369,787
Inventories	321,301
Trade receivables*	1,452,465
Other receivables*	1,524,408
Cash and cash equivalents	6
Assets classified as held for sale	6,227,573
Trade payables*	496,822
Other payables*	256,764
Liabilities classified as held for sale	753,586

* *these items included intercompany balances*

The business of Zhongwang Aluminium Material did not constitute a discontinued operation as it did not represent a major line of business or geographical area of operation. The fair value less costs of disposal was estimated using asset-based approach and was classified within level 3 of the fair value hierarchy. The fair value was determined by deducting liabilities from the value of assets, after making market value adjustments to the assets and liabilities of Zhongwang Aluminium Material. The disposal of Zhongwang Aluminium Material was completed on 26 February 2020 (note 27).

26. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Silver Yachts Ltd.

In October 2017, Hong Kong Zhongwang Investment Limited, an indirect wholly-owned subsidiary of the Liaoning Zhongwang Group acquired 200 ordinary shares of Silver Yachts Ltd ("**Silver Yachts**") from an independent third party with the consideration of EUR40 million (equivalent to approximately RMB311,060,000) and subscribe 200 new ordinary shares issued by Silver Yachts with the subscription price of EUR40 million (equivalent to approximately RMB311,060,000). At the completion of the acquisition and the subscription, Hong Kong Zhongwang Investment Limited held 66.67% of equity interests in Silver Yachts. Silver Yachts and its subsidiaries are an Australia-based all-aluminium superyacht builder. The acquisition was accounted for using acquisition method.

Details of net assets acquired were as follows:

	RMB'000 (Unaudited)
Purchase consideration — cash paid	622,120
Fair value of net assets acquired (see below)	(397,118)
Goodwill	225,002
Purchase consideration settled in cash	(622,120)
Cash and cash equivalents acquired	299,761
Cash outflow on acquisition of subsidiaries	(322,359)

Fair value of assets and liabilities arising from this acquisition were as follows:

	RMB'000 (Unaudited)
Property, plant and equipment	11,009
Other intangible assets	275,567
Inventories — work in progress	402,112
Trade and other receivables	5,579
Cash and cash equivalents	299,761
Other assets	23,329
Trade and other payables	(93,266)
Other liabilities	(328,144)
Net assets	595,647
Non-controlling interests (33.33%)	(198,529)
Net assets acquired	397,118

Goodwill comprised the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Liaoning Zhongwang Group.

The Liaoning Zhongwang Group elected to measure non-controlling interests in the acquisition at proportionate share of the acquiree's identifiable net assets.

The fair value of trade and other receivables at the date of acquisition amounted to RMB5,579,000. None of these receivables were impaired and it is expected that the full contractual amounts can be collected.

(b) Acquisition of Aluminiumwerk Unna Beteiligungs GmbH ("AWU Bet")

In August 2017, Zhongwang Aluminium Deutschland GmbH, an indirect wholly-owned subsidiary of the Company, subscribed new shares of AWU Bet with subscription price of EUR54,865,180 (equivalent to approximately RMB431,838,000), together with the payment of EUR2,605,000 (equivalent to approximately RMB20,504,000) to settle certain debts due from the original shareholder of AWU Bet as a condition for completion. After the subscription, Zhongwang Aluminium Deutschland GmbH held 98% equity interests in AWU Bet. Prior to the subscription, AWU Bet held 72.73% equity interests in Aluminiumwerk Unna AG ("**Unna**"). Zhongwang Aluminium Deutschland GmbH also acquired 26.99% equity interests in Unna with the consideration of EUR16,679,820 (equivalent to approximately RMB131,285,000) from independent third parties. At the completion of subscription and acquisition, Zhongwang Aluminium Deutschland GmbH effectively held 98% equity interests in AWU Bet and 98.27% equity interests in Unna. AWU Bet and its subsidiaries are a Germany-based semi-finished aluminium products producers. The acquisition was accounted for using acquisition method.

Details of net assets acquired were as follows:

	RMB'000 (Unaudited)
Purchase consideration — cash paid	583,627
Fair value of net assets acquired (see below)	(429,629)
Goodwill	153,998
Purchase consideration settled in cash	(583,627)
Cash and cash equivalents acquired	—
Cash outflow on acquisition of subsidiaries	(583,627)

Fair value of assets and liabilities arising from this acquisition were as follows:

	RMB'000 (Unaudited)
Property, plant and equipment	402,895
Inventories	100,810
Trade and other receivables	190,862
Other assets	4,921
Bank borrowings	(93,413)
Trade and other payables	(73,418)
Other liabilities	(95,469)
Net assets	437,188
Non-controlling interests (1.73%)	(7,559)
Net assets acquired	429,629

Goodwill comprised the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Liaoning Zhongwang Group.

The Liaoning Zhongwang Group elected to measure non-controlling interests in the acquisition at proportionate share of the acquiree's identifiable net assets.

The fair value of trade and other receivables at the date of acquisition amounted to RMB190,862,000. None of these receivables were impaired and it is expected that the full contractual amounts can be collected.

In September 2018, Zhongwang Aluminium Deutschland GmbH, an indirect wholly-owned subsidiary of the Company, further acquired 2% equity interests in Unna with the consideration of EUR1,850,000 (equivalent to approximately RMB14,741,000) from independent third parties. At the completion of acquisition, Zhongwang Aluminium Deutschland GmbH effectively held 99.72% equity interests in Unna. Net assets acquired was approximately the fair value, no goodwill was identified in the acquisition. Cash outflow on acquisition of Unna was amounted to RMB14,741,000.

27. DISPOSAL OF SUBSIDIARIES

In 2017, the Liaoning Zhongwang Group disposed of two PRC-incorporated subsidiaries, namely Daqing Zhongwang Aluminium Company Limited and Liaoning Zhongwang Aluminium Vehicle Compartment Manufacturing Company Limited, at nil consideration. These subsidiaries had a combined net liabilities of RMB3,000,000 at the disposal dates, resulting in a gain on disposal of RMB3,000,000. The net cash outflows arising from the disposal amounted to RMB264,000.

In 2019, the Liaoning Zhongwang Group disposed of a subsidiary, Project Silver Loft Ltd ("**Silver Loft**"), which is incorporated in the Cayman Islands, at the consideration of EUR88,000,000 (equivalent to approximately RMB680,100,000). The net assets of Project Silver Loft Ltd as at the date of disposal were as follows:

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

In 2020, the Liaoning Zhongwang Group disposed of three PRC-incorporated subsidiaries, Zhongwang Aluminium Material (note 25), Zhongwang Import & Export Trade Company Limited ("**Zhongwang Import & Export**") and Yingkou Xintai Aluminium Company Limited ("**Yingkou Xintai**") at cash consideration of RMB4,380,000,000, RMB100,000 and at nil consideration respectively. The combined net assets of Zhongwang Aluminium Material, Zhongwang Import & Export and Yingkou Xintai as at the dates of disposal were as follows:

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

28. MATERIAL RELATED PARTY TRANSACTIONS

The Liaoning Zhongwang Group had the following significant related party transactions during the years/periods, particulars of these transactions are as follows:

		Year ended 31 December			Six months ended 30 June	
	Transactions	**2017**	**2018**	**2019**	**2019**	**2020**
Related party relationship		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Company controlled by the owner of the ultimate holding company	Sales of goods and services to related parties	832	4,065	9,130	4,255	213
Company controlled by the owner of the ultimate holding company	Purchase of services	68	135	160	64	85
Company controlled by the owner of the ultimate holding company	Interest expenses/ (income) from related parties	(11,924)	23,781	27,575	5,472	(687)
Company controlled by the owner of the ultimate holding company	Rentals	—	—	3,170	—	109,098
Fellow subsidiaries	Sales of goods and services	2,527,489	2,200,297	4,349,339	1,648,270	1,086,928
Fellow subsidiaries	Purchase of goods and services	341,673	260,987	353,564	170,805	180,125
Fellow subsidiaries	Rentals	—	9,660	20,965	6,642	16,949

The Liaoning Zhongwang Group had certain bank and other loans guaranteed by or lent from related parties as at 31 December 2017, 2018 and 2019 and as at 30 June 2020. Please refer to Note 22 for details.

29. CAPITAL COMMITMENT

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Capital commitments in respect of the acquisition of property, plant and equipment contracted for	7,666,345	9,015,382	6,344,322	6,147,760

30. THE IMPACT OF COVID-19 DURING SIX MONTHS ENDED 30 JUNE 2020

Since the outbreak of Coronavirus Disease 2019 ("**COVID-19**") in January 2020, the prevention and control of the COVID-19 has been ongoing throughout the PRC. Since then, COVID-19 has certain impacts on the business operation of the Liaoning Zhongwang Group as summarised as follows:

(a) Decrease in sales

Due to the COVID-19 pandemic, the production and sales of aluminium extrusion products 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 Liaoning Zhongwang Group's production and sales have fully resumed in the second quarter.

(b) Expected credit losses ("ECL")

The Group makes estimates of ECLs attributable to trade receivables arising from sales to customers on credit terms, including the incorporation of forward-looking information to supplement historical credit loss rates. The economic downturn and uncertainties that have arisen as a result of COVID-19 have made these estimates more judgemental, which the Liaoning Zhongwang Group has taken into account in its determination of applicable ECLs for the six months ended 30 June 2020.

Other than above-mentioned impact, the management has not identified any other areas that could have a material impact on the financial performance or position of the Liaoning Zhongwang Group as at 30 June 2020.

Set out below is the management discussion and analysis on the Remaining Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020. The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from unaudited management accounts of the Remaining Group during the Track Record Period.

BUSINESS REVIEW

After the Disposal, the principal businesses of the Remaining Group comprise the Aluminium Flat Rolling Business and the Further Fabrication Business.

Construction of the underlying factories and facilities of the Aluminium Flat Rolling Business took five years commencing from the second half of 2012. The trial production of the first production line was commenced in 2016 and it was put into production in the second half of 2017. The second production line of the Aluminium Flat Rolling Business is expected to commence production in the near future, upon which the production bases of the Aluminium Flat Rolling Business of the Remaining Group would become the world's largest and most advanced aluminium flat rolling production base with state-of-the-art equipment.

As the leading supplier of China's high-speed train system, the Remaining Group supplied deep-processed products for the high-speed train "Fuxing EMU (復興號)". Meanwhile, the Remaining Group was engaged in technological cooperation with a number of well-known domestic manufacturers of new energy vehicles, such as Chery New Energy Automotive Technology Co., Ltd., China FAW Group Co. Ltd. and CH-Auto Technology Co., Ltd., to jointly develop aluminium-intensive new energy buses and cars.

REVENUE

Revenue of the Remaining Group is mainly generated from sales in the Aluminium Flat Rolling Business and Further Fabrication Business. The total revenue of the Remaining Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 were RMB1,828 million, RMB5,826 million, RMB7,821 million, RMB3,830 million and RMB3,036 million, respectively.

Comparison between the six months ended 30 June 2020 and 2019

Revenue of the Remaining Group decreased by 20.7% from approximately RMB3,830 million in the six months ended 30 June 2019 to approximately RMB3,036 million in the six months ended 30 June 2020. Due to the Covid-19 epidemic, the production and sales of aluminium flat rolling products in the first quarter of 2020 were affected to a certain extent. With the resumption of its operation and production and the significant progress on the prevention and control of the Covid-19 epidemic in mainland China, the Remaining Group had completely resumed its production and sales to normal levels in the second quarter of 2020.

Comparison between 2019 and 2018

Revenue of the Remaining Group increased by 34.2% from approximately RMB5,826 million in 2018 to approximately RMB7,821 million in 2019, primarily due to the significant increase of the sales volume of aluminium flat rolling products as a result of the continuing improvement of its production capacity.

Comparison between 2018 and 2017

Revenue of the Remaining Group increased significantly from approximately RMB1,828 million in 2017 to approximately RMB5,826 million in 2018, primarily due to the fact that the Aluminium Flat Rolling Business commenced production in the second half of 2017.

GROSS PROFIT AND GROSS MARGIN

Gross profit is calculated as the net value of revenue less cost of sales. Gross profit of the Remaining Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 were RMB263 million, RMB642 million, RMB1,113 million, RMB221 million and RMB450 million, respectively. Gross margin of the Remaining Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 were 14.4%, 11.0%, 14.2%, 5.8% and 14.8%, respectively.

Comparison between the six months ended 30 June 2020 and 2019

Gross profit of the Remaining Group increased significantly from approximately RMB221 million in the six months ended 30 June 2019 to approximately RMB450 million in the six months ended 30 June 2020, and gross margin of the Remaining Group increased from approximately 5.8% in the six months ended 30 June 2019 to approximately 14.8% in the six months ended 30 June 2020, both of which are primarily due to the improvement of production efficiency resulting from the continuous improvement of the production process.

Comparison between 2019 and 2018

Gross profit of the Remaining Group increased by 73.4% from approximately RMB642 million in 2018 to approximately RMB1,113 million in 2019, primarily due to the increase of sales revenue of aluminium flat rolling products and further fabrication products. Gross margin of the Remaining Group increased from approximately 11.0% in 2018 to approximately 14.2% in 2019, primarily due to lower unit cost in 2019 attributable to scale effect as the continuous growth of the sales volume of the Aluminium Flat Rolling Business.

Comparison between 2018 and 2017

Gross profit of the Remaining Group increased significantly from approximately RMB263 million in 2017 to approximately RMB642 million in 2018, primarily due to the increase of sales revenue of aluminium flat rolling products and further fabrication products. Gross margin of the Remaining Group slightly decreased from approximately 14.4% in 2017 to approximately 11.0% in 2018, primarily due to higher unit cost of the products in 2018 caused by an increase in depreciation as a result of the increase in property, plant and equipment of the Remaining Group with the expansion of the Aluminium Flat Rolling Business and the Further Fabrication Business.

INVESTMENT INCOME

The investment income of the Remaining Group primarily comprises interest income of bank deposits.

Comparison between the six months ended 30 June 2020 and 2019

Investment income of the Remaining Group decreased by 89.9% from approximately RMB20 million in the six months ended 30 June 2019 to approximately RMB2 million in the six months ended 30 June 2020, primarily due to the decrease of the average balance of bank deposits in the six months ended 30 June 2020.

Comparison between 2019 and 2018

Investment income of the Remaining Group increased by 10.1% from approximately RMB25 million in 2018 to approximately RMB28 million in 2019, primarily due to the increase of the average balance of bank deposit in 2019.

Comparison between 2018 and 2017

Investment income of the Remaining Group decreased by 81.3% from approximately RMB135 million in 2017 to approximately RMB25 million in 2018, primarily because the Remaining Group received interest income generated from deposits previously paid to equipment suppliers to obtain the letter of credit in 2017 and there was no such income in 2018 and 2019 as the procurement of equipment almost completed in light of the commencement of the production of the Aluminium Flat Rolling Business.

OTHER INCOME

Other income of the Remaining Group mainly comprises (i) profit of sales of equipment, (ii) net exchange gains/(losses), (iii) gain on sales of scrap materials, consumables and moulds, (iv) government subsidies, (v) gain on disposal of property, plant and equipment, and (vi) others. The table below sets out the breakdown of the other income of the Remaining Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other income					
Profit of sales of equipment	351,835	288,747	310,236	65,081	30,930
Net exchange gains/(losses)	258,733	(4,409)	43,305	1,581	8,151
Gain on sales of scrap materials, consumables and moulds	141,218	71,524	19,665	15,120	19,288
Government subsidies	23,142	230,633	250,573	54,149	70,680
Gain on disposal of property, plant and equipment	—	262	1,363	—	—
Others	—	333	1,686	2,162	6,766
Total	774,928	587,090	626,828	138,093	135,815

(i) Profit of sales of equipment

Profit of sales of equipment of the Remaining Group primarily represents profit generated from the sales of Machinery and Equipment Business of the Remaining Group. The machinery and equipment manufacturing function was maintained so as to manufacture machinery and equipment as part of its ordinary and usual course of business for use by the metal industry (scalpers, homogenizing furnaces, melting furnaces, mould heaters, etc.).

The duration of the design and production of different mechanical equipment varies in accordance with complexity. Revenue of sales of mechanical equipment is recognized upon the completion and delivery of the relevant equipment.

Comparison between the six months ended 30 June 2020 and 2019

Profit of sales of equipment of the Remaining Group decreased by 52.5% from approximately RMB65 million in the six months ended 30 June 2019 to approximately RMB31 million in the six months ended 30 June 2020, primarily due to the reduced needs of downstream customers as affected by the Covid-19 epidemic in the six months ended 30 June 2020.

Comparison between 2019 and 2018

Profit of sales of equipment of the Remaining Group increased by 7.4% from approximately RMB289 million in 2018 to approximately RMB310 million in 2019, primarily due to certain orders in 2018 had relatively complicated equipment structure, leading to prolonged production processes and fewer deliveries in 2018.

Comparison between 2018 and 2017

Profit of sales of equipment of the Remaining Group decreased by 17.9% from approximately RMB352 million in 2017 to approximately RMB289 million in 2018, primarily because certain orders in 2018 had relatively complicated equipment structure, leading to prolonged production processes and fewer deliveries in 2018.

(ii) Net exchange gains/(losses)

Net exchange gains/(losses) primarily refers to the impact on the borrowings of the Remaining Group denominated in foreign currency as a result of the exchange rate fluctuations.

Comparison between the six months ended 30 June 2020 and 2019

The Remaining Group recognized net exchange gains of approximately RMB2 million in the six months ended 30 June 2019 and net exchange gains of approximately RMB8 million in the six months ended 30 June 2020, mainly because the exchange gains generated from export sales increased due to the depreciation of Renminbi in first half of 2020 as compared to 2019.

Comparison between 2019 and 2018

The Remaining Group recognized net exchange gains of approximately RMB43 million in 2019 and net exchange losses of approximately RMB4 million in 2018, primarily due to the less depreciation of Renminbi in 2019 as compared to 2018.

Comparison between 2018 and 2017

The Remaining Group recognized net exchange losses of approximately RMB4 million in 2018 and net exchange gains of approximately RMB259 million in 2017, primarily because the Remaining Group recognized relatively large net exchange gains from borrowings denominated in foreign currency due to the appreciation of Renminbi in 2017 and such borrowings were paid off in 2017.

(iii) Gain on sales of scrap materials, consumables and moulds

Gain on sales of scrap materials, consumables and moulds of the Remaining Group mainly consists the income from sales of scrap materials, consumables and moulds, all of which are common and direct wastes, by-products or used tools generated or associated with the ordinary and usual course of production and manufacturing of the Remaining Group. To make full use of value of each production step, the Remaining Group regularly sells these materials to generate additional income on a recurring basis.

Gain on sales of scrap materials, consumables and moulds of the Remaining Group increased by 27.6% from approximately RMB15 million in the six months ended 30 June 2019 to approximately RMB19 million in the six months ended 30 June 2020 primarily due to the sales of certain scrap materials newly generated from Further Fabrication Business during the first half of 2020.

Gain on sales of scrap materials, consumables and moulds of the Remaining Group decreased by 49.4% from approximately RMB141 million in 2017 to approximately RMB72 million in 2018, and further decreased by 72.5% to approximately RMB20 million in 2019, primarily because the Aluminium Flat Rolling Business commenced production in the second half of 2017 and the yield rate of the aluminium flat rolling products was relatively low and more scrap materials were generated at the initial stage of the operation. After the initial stage of the operation, the yield rate was improved and fewer scrap materials were generated due to the continuous upgrade and improvement of the production technique by the Remaining Group in both 2018 and 2019.

(iv) Government subsidies

Government subsidies primarily refer to the subsidies granted by the local governments to the Remaining Group in respect of the business tax and research and development expenditures incurred during its ordinary course of business.

Comparison between the six months ended 30 June 2020 and 2019

Government subsidies of the Remaining Group increased by 30.5% from approximately RMB54 million in the six months ended 30 June 2019 to approximately RMB71 million in the six months ended 30 June 2020, primarily because local government in Tianjin granted subsidies as incentive payments for the expenditure in technological research to the Remaining Group in the first half of 2020.

Comparison between 2019 and 2018

Government subsidies of the Remaining Group increased by 8.6% from approximately RMB231 million in 2018 to approximately RMB251 million in 2019, primarily because local governments granted more subsidies to reward, among others, the increasing investment scale, taxes paid and number of employees in the relevant production bases of the Remaining Group in Yingkou and Wuhu.

Comparison between 2018 and 2017

Government subsidies of the Remaining Group increased significantly from approximately RMB23 million in 2017 to approximately RMB231 million in 2018, primarily due to, among others, the substantial increase of the taxes paid, the scale of the fixed assets and the number of employees of the Remaining Group as a result of the commencement of operation of relevant bases in Yingkou and Wuhu in 2018.

SELLING AND DISTRIBUTION COST

Selling and distribution cost primarily comprises selling staff costs and logistics expenses.

Selling and distribution cost of the Remaining Group increased by 6.6% from approximately RMB69 million in the six months ended 30 June 2019 to approximately RMB74 million in the six months ended 30 June 2020 primarily due to the increase of transportation fee.

Selling and distribution cost of the Remaining Group increased significantly from approximately RMB63 million in 2017 to approximately RMB131 million in 2018, and further increased by 32.7% to approximately RMB174 million in 2019, primarily due to increases in selling staff costs and logistics expenses in connection with the growth of revenue of the Remaining Group from 2017 to 2019.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative and other operating expenses of the Remaining Group primarily comprises (i) administrative staff costs, (ii) research and development costs, (iii) land-use tax, (iv) amortization of land-use rights, and (v) others.

Administrative and other operating expenses of the Remaining Group decreased by 54.4% from approximately RMB536 million in the six months ended 30 June 2019 to approximately RMB244 million in the six months ended 30 June 2020, primarily due to the decrease in both research and development expenses and management staff cost as affected by the Covid-19 epidemic in the six months ended 30 June 2020.

Administrative and other operating expenses of the Remaining Group increased by 24.9% from approximately RMB507 million in 2017 to approximately RMB634 million in 2018, and further increased by 42.8% to approximately RMB906 million in 2019, primarily due to an increase of investment in research and development of the Remaining Group.

FINANCE COSTS

Finance costs primarily comprises interest expenses generated from borrowings of the Remaining Group.

Comparison between the six months ended 30 June 2020 and 2019

Finance costs of the Remaining Group for the six months ended 30 June 2020 was approximately RMB212 million, which remained relatively stable as compared to approximately RMB217 million for the six months ended 30 June 2019.

Comparison between 2019 and 2018

Finance costs of the Remaining Group in 2018 was approximately RMB439 million, which remained relatively stable as compared to approximately RMB418 million in 2019.

Comparison between 2018 and 2017

Finance costs of the Remaining Group increased by 73.4% from approximately RMB253 million in 2017 to approximately RMB439 million in 2018, primarily due to an increased amount of borrowings in 2018 to meet the demand for working capital, in particular, capital for procurement of raw materials, as production and sales volume grew.

INCOME TAX

Comparison between the six months ended 30 June 2020 and 2019

The Remaining Group recorded income tax credit amounted to approximately RMB46 million for the six months ended 30 June 2019, which was primarily attributable to increased deferred income tax assets recognised for recoverable losses of certain operating entities of the Remaining Group. Income tax credit for the six months ended 30 June 2020 amounted to approximately RMB24 million, which was primarily attributable to the increase in the deferred income tax assets recognised from the Remaining Group's unrealised inter-segment transaction.

Comparison between 2019 and 2018

Income tax of the Remaining Group increased from approximately RMB10 million in 2018 to approximately RMB23 million in 2019, which was less than the growth rate of the profit before tax of the Remaining Group for the years from 2018 to 2019, primarily due to the fact that in 2019, the Remaining Group's corporate income tax reduced to certain extent as a result of encouragement policy of additional tax deductions on research and development expenses and impairment on trade receivables, which are recognized as deferred tax assets on the balance sheet, and the deferred income tax expenses in the income statement were reduced accordingly.

Comparison between 2018 and 2017

Income tax of the Remaining Group decreased by 92.9% from approximately RMB148 million in 2017 to approximately RMB10 million in 2018, primarily because Tianjin Zhongwang and Liaoning Zhongwang Mechanical Equipment Manufacturing Company Limited (遼寧忠旺機械設備製造有限公司), the operation entities of the Aluminium Flat Rolling Business and the Machinery and Equipment Business, were awarded as high and new-technology enterprises in 2018, and each of their corporate income tax rate was reduced from 25% to 15%.

CAPITAL STRUCTURE AND MANAGEMENT

The primary goal of the Remaining Group's capital management is to maintain the stability of the Remaining Group's financial position and to achieve solid growth. The management reviews and manages the capital structure of the Remaining Group in a regular manner and make corresponding adjustments, after taking into consideration macro economic conditions, the Remaining Group's current and future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and investment opportunities.

The management of the Remaining Group manages the capital by monitoring the gearing ratio (which is calculated by dividing total liabilities by total assets of the Remaining Group). The table below sets out gearing ratio of the Remaining Group as at 31 December 2017, 2018 and 2019 and 30 June 2020:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	40,552,511	52,547,221	54,629,732	55,447,093
Total assets	49,361,512	56,899,946	63,496,290	63,472,467
Gearing ratio	82.2%	92.4%	86.0%	87.4%

CASH FLOWS AND LIQUIDITY

Cash and cash equivalents of the Remaining Group were mainly denominated in RMB. The table below sets forth the cash flows of the Remaining Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	(124,975)	(2,919,409)	(313,299)	(596,828)	503,173
Net cash (used in)/generated from investing activities	(4,453,812)	(5,087,278)	(1,644,409)	(944,579)	5,771,069
Net cash generated from/(used in) financing activities	4,855,308	7,860,252	1,793,508	1,504,325	(6,290,694)
Net increase/(decrease) in cash and cash equivalents	276,521	(146,435)	(164,200)	(37,082)	(16,452)
Cash and cash equivalents at beginning of the year	170,972	447,493	301,058	301,058	136,858
Cash and cash equivalents at end of the year/period	447,493	301,058	136,858	263,976	120,406

CAPITAL COMMITMENTS

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Remaining Group had following capital commitments:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Acquisition of Property, plant and equipment	6,609,146	7,698,502	9,856,176	10,150,360

INTEREST-BEARING LOANS AND BORROWINGS

The interest-bearing loans and borrowings of the Remaining Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 are analysed as follow:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans and borrowings				
Repayable within one year	6,644,648	3,740,905	3,797,149	4,302,854
Repayable over one year	10,309,172	18,418,613	14,571,395	15,331,616
	16,953,820	22,159,518	18,368,544	19,634,470
Interest-bearing loans and borrowings				
At fixed interest rate	3,499,765	7,569,763	6,770,000	8,770,001
At variable interest rate	13,454,055	14,589,755	11,598,544	10,864,470
	16,953,820	22,159,518	18,368,544	19,634,470
Interest-bearing loans and borrowings				
Denominated in RMB	13,099,765	19,401,013	16,238,187	17,626,989
Denominated in HK$	593,489	438,100	—	—
Denominated in US$	3,260,566	2,320,405	2,130,357	2,007,481
	16,953,820	22,159,518	18,368,544	19,634,470

FOREIGN CURRENCY RISK MANAGEMENT

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

PLEDGE OF ASSETS

As at 31 December 2017, 2018 and 2019 and 30 June 2020, assets with total carrying amount of approximately RMB1.6 billion, RMB1.5 billion, RMB2.1 billion and RMB2.1 billion of the Remaining Group were pledged, including property, plant and equipment and right-of-use assets, for financing arrangements.

CONTINGENT LIABILITIES

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Remaining Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Remaining Group did not have any significant investments and material acquisition and disposal.

As at the Latest Practicable Date, the Remaining Group did not have any future plans authorised by the Board for any substantial investments or additions of capital assets.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Remaining Group had approximately 8,943, 12,369, 13,318 and 12,825 employees in total, respectively. The Remaining Group endeavours to motivate its staff with performance-based remuneration. On top of basic salary, the Remaining Group provides extra rewards for staff with outstanding performance to further align the interests of the employees and the Remaining Group, to attract talented individuals and to create long-term incentive for its staff. The employees' remuneration comprises of basic salary, performance-based salary and different types of allowances. The performance-based salary is determined based on the performance results of the Remaining Group and the performance assessment results of the employees.

The following is the text of a report received from the Company's auditor, BDO Limited, Certified Public Accountants, Hong Kong, for inclusion in this circular.

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

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

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

To the directors of China Zhongwang Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Zhongwang Holdings Limited (the "**Company**") and its subsidiary (hereafter collectively referred as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated statement of financial position as at 30 June 2020, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the six months ended and related notes as set out on pages IV-4 to IV-16 of Appendix IV of the Company's circular dated 24 October 2020 (the "**Circular**") in connection with the proposed disposal of 96.55% equity interest in Liaoning Zhongwang Group Co., Ltd. and its subsidiaries (collectively, the "**Liaoning Zhongwang Group**") (the "**Disposal**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages IV-4 to IV-16 of Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Disposal on the Group's financial position as at 30 June 2020 and the Group's financial performance and cash flows for the period then ended as if the Disposal had taken place as at 30 June 2020 and 1 January 2020, respectively. As part of this process, information about the Group's financial position, its financial performance and cash flows has been extracted by the directors of the Company from the Company's consolidated financial statements for the six months ended 30 June 2020, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal as at 30 June 2020 or 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong, 24 October 2020

INTRODUCTION

The unaudited pro forma financial information of the Remaining Group (the "**Unaudited Pro Forma Financial Information**") presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the disposal of the Liaoning Zhongwang Group (the "**Disposal**") had been completed on 30 June 2020; and (b) the results and cash flows of the Remaining Group for the period ended 30 June 2020 as if the Disposal had been completed on 1 January 2020. The purpose of the Unaudited Pro Forma Financial Information is to illustrate the total loss scenario of the Disposal resulting from the failure to meet the Committed Net Profits Amount by the Remaining Group in all respective years as stipulated in the Compensation Agreement subsequent to the Disposal and the Remaining Group would have to fully compensate CRED Holding in accordance with the Compensation Agreement by way of repurchase of the Zhongwang Consideration Shares by CRED Holding at a nominal price of RMB1.00 in aggregate first and then the remaining shortfall in cash, up to the extent of the fair value of the consideration as the date of disposal (the "**Total Loss Scenario**"). Under the Total Loss Scenario, the directors assume that (i) the fair value of the Zhongwang Consideration Shares received by the Remaining Group equals the compensation amount to CRED Holding and therefore the fair value of the consideration to be zero; and (ii) the Remaining Group obtains and then immediately loses control in CRED Holding and CRED Xinjiang so that the recognition of the acquisition-date fair values of net identifiable assets and liabilities of CRED Holding and CRED Xinjiang are not considered and reflected in the Unaudited Pro Forma Financial Information. This Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not purport to present the true picture of (i) the financial position of the Remaining Group as at 30 June 2020 or at any future date had the Disposal been completed on 30 June 2020; or (ii) the results and cash flows of the Remaining Group for the period ended 30 June 2020 or for any future period had the Disposal been completed on 1 January 2020.

The Unaudited Pro Forma Financial Information is prepared based on (1) the consolidated statement of financial position of the Group as at 30 June 2020, and (2) the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the period ended 30 June 2020 as set out in the published interim report of the Company for the period ended 30 June 2020, after giving effect to the pro forma adjustments described in the notes to the Unaudited Pro Forma Financial Information. The Unaudited Pro Forma Financial Information is prepared in accordance with Rules 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP AS AT 30 JUNE 2020

	Unaudited consolidated statement of financial position of the Group as at 30 June 2020		Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the remaining group as at 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
NON-CURRENT ASSETS						
Property, plant and equipment	66,054,974	(21,991,795)	(1,153,065)		271,722	43,181,836
Right-of-use assets	7,418,660	(4,387,653)			17,265	3,048,272
Investment properties	686,989	(1,465,516)	1,153,065			374,538
Goodwill	379,000	(379,000)				—
Other intangible assets	275,372	(275,372)				—
Interests in associates	3,865,292	(3,865,292)				—
Deposits for acquisition of non-current assets	4,318,552	(1,636,816)				2,681,736
Deferred tax assets	680,980	(478,191)			2,979	205,768
Other non-current assets	1,812,967	(91,192)				1,721,775
	85,492,786	(34,570,827)		—	291,966	51,213,925
CURRENT ASSETS						
Inventories	8,941,066	(4,749,484)			(21,488)	4,170,094
Trade and bill receivables	11,258,603	(9,714,687)			639,167	2,183,083
Other receivables	19,132,612	(13,878,068)			177,644	5,432,188
Right-of-use assets	170,051	(95,371)				74,680
Pledged bank deposits	2,610,506	(2,361,653)				248,853
Short-term deposits	101,000	(101,000)				—
Cash and cash equivalents	154,753	(34,347)				120,406
	42,368,591	(30,934,610)		—	795,323	12,229,304
CURRENT LIABILITIES						
Trade payables	5,050,852	(2,364,878)			642,151	3,328,125
Bill payables	7,432,760	(7,432,760)				—
Other payables	9,978,349	(5,333,276)		10,000	359,748	5,014,821
Contract liabilities	241,708	(95,688)				146,020
Lease liabilities	342,723	(340,546)			17,308	19,485
Current tax liabilities	273,404	(250,771)				22,633
Bank and other loans	18,906,497	(14,603,644)				4,302,853
	42,226,293	(30,421,563)	—	10,000	1,019,207	12,833,937

	Unaudited consolidated statement of financial position of the Group as at 30 June 2020		Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the remaining group as at 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
NET CURRENT ASSETS/ (LIABILITIES)	142,298	(513,047)		(10,000)	(223,884)	(604,633)
TOTAL ASSETS LESS CURRENT LIABILITIES	85,635,084	(35,083,874)	—	(10,000)	68,082	50,609,292
Non-current liabilities						
Bank and other loans	49,101,637	(6,096,022)				43,005,615
Lease liabilities	2,518	(2,518)				—
Deferred tax liabilities	945,839	(381,970)				563,869
	50,049,994	(6,480,510)	—	—	—	43,569,484
NET ASSETS	35,585,090	(28,603,364)	—	(10,000)	68,082	7,039,808
EQUITY						
Share capital	605,397					605,397
Reserves	34,404,754			(28,438,425)	68,082	6,034,411
Total equity attributable to equity shareholders of the Company	35,010,151	—	—	(28,438,425)	68,082	6,639,808
Non-controlling interests	174,939			(174,939)		—
Perpetual capital instruments	400,000					400,000
	35,585,090	—	—	(28,613,364)	68,082	7,039,808

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REMAINING GROUP FOR THE PERIOD ENDED 30 JUNE 2020

	Unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2020	Pro forma adjustments			Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the six months ended 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 7*	*Note 8*	*Note 9*	
Revenue	8,655,331	(6,621,610)		1,001,942	3,035,663
Cost of sales	(6,555,569)	4,960,121		(989,871)	(2,585,319)
Gross profit	2,099,762	(1,661,489)		12,071	450,344
Investment income	110,334	(108,325)			2,009
Other income	242,950	(123,693)		16,558	135,815
Selling and distribution costs	(208,581)	135,067			(73,514)
Administrative and other operating expenses	(1,003,909)	747,253		(12,288)	(268,944)
Share of profits less losses of associates	31,320	(31,320)			—
Loss on disposal of Liaoning Zhongwang Group	—	—	(27,938,417)		(27,938,417)
Finance costs	(695,860)	483,450		(43)	(212,453)
Profit/(Loss) before taxation	576,016	(559,057)	(27,938,417)	16,298	(27,905,160)
Income tax (expense)/credit	(49,048)	85,386		(6,438)	29,900
Profit/(Loss) for the period	526,968	(473,671)	(27,938,417)	9,860	(27,875,260)
Other comprehensive income for the period, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of financial statements	7,659	(14,197)			(6,538)
Other comprehensive income for the period	7,659	(14,197)	—	—	(6,538)
Total comprehensive income for the period	534,627	(487,868)	(27,938,417)	9,860	(27,881,798)

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP FOR THE YEAR ENDED 30 JUNE 2020

	Unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2020	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the six months ended 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 7*	*Note 8*	*Note 9*	*Note 10*	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(Loss) before taxation	576,016	(559,057)	(27,938,417)	16,298		(27,905,160)
Finance costs	695,860	(483,450)		43		212,453
Depreciation	1,220,007	(934,013)		10,137		296,131
Share-based payment expenses	6,644	(3,218)				3,426
Gain on disposal of property, plant and equipment	10,395	(4,398)				5,997
Bank deposits interest income	(45,108)	43,098				(2,010)
Gain on disposal of a subsidiary	(65,226)	65,226				—
Loss on disposal of the Liaoning Zhongwang Group	—	—	27,938,417			27,938,417
Amortisation of other intangible assets	2,393	(2,393)				—
Share of profits of associates	(31,320)	31,320				—
Expected credit loss/(reversal of expected credit loss) on financial assets	62,087	(75,568)		12,288		(1,193)
Operating cash flows before working capital changes	2,431,748	(1,922,453)	—	38,766	—	548,061
Increase in trade and bill receivables	(10,703,121)	1,857,787		(998,280)		(9,843,614)
(Increase)/Decrease in other receivables	(174,055)	10,474,033		(4,098)		10,295,880
Decrease/(Increase) in inventories	689,155	(1,045,639)				(356,484)
Increase in trade and bills payables	4,029,780	(4,682,997)		979,734		326,517
Decrease in other payables	(135,181)	(322,373)		17,040		(440,514)
Cash (used in)/generated from operations	(3,861,674)	4,358,358	—	33,162	—	529,846
Income tax paid	(101,586)	91,034				(10,552)
Net cash (used in)/generated from operating activities	(3,963,260)	4,449,392	—	33,162	—	519,294

	Unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2020	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the six months ended 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 7*	*Note 8*	*Note 9*	*Note 10*	
CASH FLOWS FROM INVESTMENT ACTIVITIES						
Proceeds from disposals of a subsidiary (net of cash and cash equivalent)	4,379,928	(4,379,928)				—
Purchase of property, plant and equipment, right-of-use assets and other intangible assets	(1,199,312)	968,324		(16,122)		(247,110)
Dividend received	—	—			6,000,000	6,000,000
Interest received from bank deposits	40,186	(38,129)				2,057
Proceeds from disposal of property, plant and equipment	3,615	(3,615)				—
Net cash generated from investing activities	3,224,417	(3,453,348)	—	(16,122)	6,000,000	5,754,947
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bank and other loans	16,588,510	(14,091,310)				2,497,200
Repayments of bank and other loans	(8,507,240)	7,272,691				(1,234,549)
Proceeds from related parties	(6,269,116)	(28,104)				(6,297,220)
Interest paid	(870,698)	460,018				(410,680)
Dividends paid	—	6,000,000			(6,000,000)	—
Repayments of perpetual capital instruments	(800,000)	—				(800,000)
Interest paid for perpetual capital instruments	(38,796)	—				(38,796)
Repayments of principal portion of lease liabilities	(124,930)	135,328		(17,040)		(6,642)
Net cash used in financing activities	(22,270)	(251,377)	—	(17,040)	(6,000,000)	(6,290,687)

	Unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2020	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the six months ended 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 7*	*Note 8*	*Note 9*	*Note 10*	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(761,113)	744,667	—	—	—	(16,446)
Cash and cash equivalents at beginning of period	915,866	(779,014)				136,852
CASH AND CASH EQUIVALENTS AT END OF PERIOD	154,753	(34,347)	—	—	—	120,406

D. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(1) The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as set out in the published interim report of the Group for the six months ended 30 June 2020.

The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposal had taken place on 30 June 2020 and under the Total Loss Scenario:

(2) The adjustment reflects the exclusion of assets and liabilities of the Liaoning Zhongwang Group as at 30 June 2020 that has been incorporated in the unaudited consolidated balance sheet of the Group as at the same date, as if the Disposal had been completed on 30 June 2020. The amounts are extracted from the financial information of the Liaoning Zhongwang Group set out in Appendix II to this circular.

(3) The adjustment represent the net book value of investment properties leased between the Remaining Group and the Liaoning Zhongwang Group. The reclassification adjustment is to reflect the elimination of these properties recorded as property, plant and equipment of the Group's unaudited consolidated financial statements as at 30 June 2020 (as these were treated as properties under its own use).

(4) Given that the purpose of Unaudited Pro Forma Financial Information is to illustrate the Total Loss Scenario, the directors assume that (i) the fair value of Zhongwang Consideration Shares received by the Remaining Group equals the compensation amount to CRED Holding and therefore the fair value of the consideration to be zero; and (ii) the Remaining Group obtains and then immediately loses control in CRED Holding and CRED Xinjiang so that the recognition of the acquisition-date fair values of net identifiable assets and liabilities of CRED Holding and CRED Xinjiang are not considered and reflected in the Unaudited Pro Forma Financial Information (altogether, the "**Assumptions**").

The adjustment represents the recognition of the pro forma loss on the Disposal as if the Disposal had been completed on 30 June 2020 under the Assumptions, which is calculated as follows:

	Notes	**Total** *RMB'000*
Net assets of the Liaoning Zhongwang Group as at 30 June 2020	*(a)*	(28,603,364)
Non-controlling interests as at 30 June 2020	*(b)*	174,939
Estimated professional fees directly attributable to the Disposal	*(c)*	(10,000)
Estimated pro forma loss on the Disposal		(28,438,425)

(a) The amount represents the net assets of the Liaoning Zhongwang Group as at 30 June 2020, extracted from the financial information of the Liaoning Zhongwang Group set out in Appendix II to this circular.

(b) The amount represents non-controlling interests of the Liaoning Zhongwang Group as at 30 June 2020, extracted from the financial information of the Liaoning Zhongwang Group set out in Appendix II to this circular.

(c) The amount represents estimated legal and professional service fee in relation to the Disposal to be borne by the Remaining Group and expected to pay immediately after the completion of the Disposal.

The actual amount of the compensation may be substantially different from the hypothetical amount used in preparing the Unaudited Pro Forma Financial Information. As a result, the estimated pro forma loss on the Disposal recognised in connection with the Disposal may be different from the amounts presented above and the difference may be significant.

(5) The adjustments represent the reversal of eliminations adjustments in relation to the intercompany transactions between the Remaining Group and the Liaoning Zhongwang Group, which were reflected in the unaudited consolidated statements of financial position of the Group as at 30 June 2020, as if the Disposal had been completed on 30 June 2020 for the purpose of the financial position of the

Remaining Group. Details of the reversal of these intercompany eliminations are summarised as follows:

(a) reversal of intercompany sales of certain equipment between the Remaining Group and the Liaoning Zhongwang Group at a margin, in previous years, which resulted in recognition of additional cost, net of accumulated depreciation, of RMB271,722,000 under ''Property, plant and equipment'', recognition of corresponding purchase payables of RMB172,800,000 under ''Other payables'', recognition of additional depreciation charges together with the unrealised profit of RMB98,922,000 under ''Reserves'' in the unaudited pro forma consolidated statement of financial position of the Remaining Group.

(b) reversal of intercompany sales of closing inventories between the Remaining Group and the Liaoning Zhongwang Group at a margin resulted in reduction in stock costs under ''Inventories'' and recognition of unrealised losses of RMB21,488,000 under ''Reserves'' in the unaudited pro forma consolidated statement of financial position of the Remaining Group.

(c) reversal of intercompany balances eliminations, in the unaudited pro forma consolidated statement of financial position of the Remaining Group, as a result of an increase (due to the Liaoning Zhongwang Group from the Remaining Group) of trade receivables of RMB642,151,000, other receivables of RMB186,948,000, and recognition (due to the Remaining Group from the Liaoning Zhongwang Group) of trade payables of RMB642,151,000, and other payables of RMB186,948,000.

(d) reversal of the provision of expected credit losses on trade and other receivables (the ''**ECLs**'') results in reduction of trade and bills receivables of RMB2,984,000 due from the Liaoning Zhongwang Group under ''Trade and bills receivables'', reduction of other receivables of RMB9,304,000 relating to the Liaoning Zhongwang Group under ''Other receivables'', increase in corresponding deferred tax credit of RMB2,979,000 under ''Deferred tax assets'' and a reduction in profit of RMB9,309,000 under ''Reserves''.

(e) as a result of certain leasing transactions of properties leased by the Liaoning Zhongwang Group from the Remaining Group, this is to recognise right-of-use assets of RMB17,265,000, the corresponding lease liabilities of RMB17,308,000 and a reduction in profit of RMB43,000 under ''Reserves''.

(6) The Unaudited Pro Forma Financial Information has been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Remaining Group's current liabilities exceeded its current assets by RMB604,633,000 if the Disposal had been completed on 30 June 2020. The directors are of the opinion that the Remaining Group will have sufficient resources to satisfy its working capital and other financing requirements in the foreseeable future on the basis that (i) having reviewed the cash flow projection of the Remaining Group for the next twelve months from

the reporting date, the directors are of the opinion that the Remaining Group is able to generate positive cash flows from its operation; and (ii) the Remaining Group has unutilised credit facilities granted by a related company amounting to approximately RMB4,800,000,000 with which the Remaining Group could utilise to discharge its liabilities in the normal course of business. Accordingly, the Unaudited Pro Forma Financial Information have been prepared on a going concern basis. Should the Remaining Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of comprehensive income and unaudited consolidated statement of cash flows, assuming the Disposal had taken place on 1 January 2020 under the Assumptions:

(7) The adjustment is to exclude each line item of the Liaoning Zhongwang Group that has been incorporated in the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2020 as if the Disposal had been completed on 1 January 2020. The amounts are extracted from the financial information of the Liaoning Zhongwang Group set out in Appendix II to this circular.

(8) The adjustment represents the pro forma loss on disposal as if the Disposal had been completed on 1 January 2020 under the Assumptions, which is calculated as follows:

	Notes	**Total** *RMB'000*
Net assets of the Liaoning Zhongwang Group as at 1 January 2020	*(a)*	(28,112,198)
Non-controlling interests as at 1 January 2020	*(b)*	183,781
Estimated professional fees directly attributable to the Disposal	*(c)*	(10,000)
Estimated pro forma loss on the Disposal		(27,938,417)

(a) The amount represents the net assets of the Liaoning Zhongwang Group as at 1 January 2020, as extracted from the financial information of the Liaoning Zhongwang Group set out in Appendix II to this circular.

(b) The amount represents non-controlling interests of the Liaoning Zhongwang Group as at 1 January 2020, as extracted from the financial information of the Liaoning Zhongwang Group set out in Appendix II to this circular.

(c) The amount represents estimated legal and professional service fee in relation to the Disposal and expected to pay by the Remaining Group immediately after the completion of the Disposal.

(9) The adjustments represent the reversal of eliminations adjustments in relation to the intercompany transactions between the Remaining Group and the Liaoning Zhongwang Group, which were reflected in the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2020, as if the Disposal had been completed on 1 January 2020 for the purpose of the financial performance and cash flows of the Remaining Group. These intercompany transactions are expected to have continuing effect on the Remaining Group. Details of the reversal of these intercompany eliminations are summarised as follows:

(a) reversal of intercompany sales of certain equipment sold by the Remaining Group to the Liaoning Zhongwang Group resulted in recognition of sales income of RMB3,662,000 and RMB12,460,000 under "Revenue" and "Other income" respectively, and the recognition of corresponding equipment costs and additional depreciation charge of RMB10,137,000 under "Cost of sales" for the six months ended 30 June 2020. These were eliminated upon preparation of the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2020.

This reversal adjustment also resulted in net increase in profit before taxation of RMB5,985,000, add-back of additional depreciation charge of RMB10,137,000 and additional cash outflow arising from purchase of property, plant and equipment, right-of-use assets/prepaid lease payments and other intangible assets in the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

(b) reversal of intercompany sales of inventories between the Remaining Group and the Liaoning Zhongwang Group resulted in recognition of sales income of RMB998,280,000 and RMB4,098,000 under "Revenue" and "Other income" respectively, corresponding cost of inventories of RMB979,734,000 under "Cost of sales", and recognition of deferred tax liabilities of RMB9,417,000 under "Income tax (expense)/credit". These were eliminated upon preparation of the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2020.

This reversal adjustment also resulted in net increase in profit before taxation of RMB22,644,000, increase in trade and bill receivables of RMB998,280,000, increase in other receivables of RMB4,098,000 and decrease in trade and bill payables of RMB979,734,000 in the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

(c) reversal of ECLs on trade and other receivables in the Liaoning Zhongwang Group resulted in addition of RMB12,288,000 under "Administrative and other operating expenses" and corresponding deferred tax credit of RMB2,979,000 under "Income tax (expense)/credit". These were eliminated upon preparation of the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2020.

This reversal adjustment also resulted in reduction in profit before taxation of RMB12,288,000 and add-back of the ECLs of the same amount in unaudited pro forma consolidated statement of cash flows of the Remaining Group.

(d) reversal of the intercompany leasing transactions leased by the Liaoning Zhongwang Group from the Remaining Group resulted in additional interest on lease liabilities of RMB43,000 under "Finance cost". These were eliminated upon preparation of the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2020.

This reversal adjustment also resulted in reduction in profit before taxation of RMB43,000 and add-back of the interest on lease liabilities of the same amount in the unaudited pro forma consolidated of cash flows of the Remaining Group.

(10) The adjustment represents a reclassification of dividend paid by the Liaoning Zhongwang Group to Zhongwang Fabrication during the six months ended 30 June 2020. The dividend was approved by the shareholders of the Liaoning Zhongwang Group and payable to the Remaining Group as at 31 December 2019.

(11) Apart from above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 1 January 2020 for the purpose of preparation of the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

(12) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group, except otherwise indicated.

The following is the text of a report received from the Company's auditor, BDO Limited, Certified Public Accountants, Hong Kong, for inclusion in this circular.

BDO

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

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

INDEPENDENT ASSURANCE REPORT ON THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS USED IN THE APPRAISAL OF THE FAIR VALUE OF THE TOTAL EQUITY INTERESTS IN LIAONING ZHONGWANG GROUP CO., LTD.

TO THE BOARD OF DIRECTORS OF CHINA ZHONGWANG HOLDINGS LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation (the "**Valuation**") dated 20 March 2020 prepared by Pan-China Assets Valuation Co., Ltd in respect of the appraisal of the fair value of the total equity interests in Liaoning Zhongwang Group Co., Ltd. (the "**Liaoning Zhongwang Shares**") as at 31 October 2019 is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility

The directors of China Zhongwang Holdings Limited (the "**Directors**") are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

It is our responsibility to form a conclusion, based on our work on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based, and to report our conclusion to you solely for the purpose of reporting under Rule 14.62(2) of the Listing Rules. The discounted future estimated cash flows do not involve the adoption of accounting policies.

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future estimated cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future estimated cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Conclusion

In our opinion, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of Liaoning Zhongwang Shares or an expression of an audit or review opinion on the Valuation.

The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

BDO Limited
Certified Public Accountants

Hong Kong, 20 March 2020

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)

20 March 2020

The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

Re: Proposed Spin-off of Liaoning Zhongwang Group through Asset Restructuring with CRED Holding Co., Ltd.

We refer to the calculations of the discounted future estimated cash flows on which the valuation (the "**Valuation**") dated 20 March 2020 prepared by Pan-China Assets Valuation Co., Ltd.* (the "**Independent Valuer**") in respect of the total equity interests of Liaoning Zhongwang Group Co., Ltd.* ("**Liaoning Zhongwang**", together with its subsidiaries, "**Liaoning Zhongwang Group**") as at 31 October 2019 is based. The Valuation based on the discounted future cash flows (the "**Profit Forecast**") is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

We have reviewed the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also reviewed the report dated 20 March 2020 from BDO Limited, the auditor of the Company, regarding whether the Profit Forecast, so far as the calculations are concerned, has been properly complied with the bases and assumptions as set out in the Valuation in all material respects.

On the basis of the foregoing, we are of the opinion that the Profit Forecast has been made after due and careful enquiries.

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

* *For identification purpose only*

I. ECONOMIC BEHAVIOR CONCERNING THE VALUATION

On 17 March 2020, CRED Holding Co., Ltd. and Liaoning Zhongwang Superior Fabrication Investment Limited entered into the Framework Agreement on the Material Assets Restructuring.

II. PURPOSE OF VALUATION

The purpose of the valuation is to evaluate the market value of all equity interests held by the shareholders of Liaoning Zhongwang Group Co., Ltd., so as to provide value reference for CRED Holding Co., Ltd.'s proposed acquisition of the equity interests in Liaoning Zhongwang Group Co., Ltd. held by Liaoning Zhongwang Superior Fabrication Investment Limited and National Civil-Military Integration Industry Investment Fund Co., Ltd..

III. SUBJECT AND SCOPE OF VALUATION

The subject of valuation is all equity interests held by the shareholders of Liaoning Zhongwang Group Co., Ltd..

The scope of valuation covers all the assets and liabilities of Liaoning Zhongwang Group Co., Ltd., including current assets, non-current assets, current liabilities and non- current liabilities. On the reference date of valuation (the "**Reference Date**"), the book value of its total assets, total liabilities and shareholders' equity amounted to RMB51,939,741,700, RMB27,650,286,800 and RMB24,289,454,900, respectively.

The above data on assets and liabilities are extracted from the balance sheet audited by Thornton Certified Public Accountants (Special General Partnership), and the valuation is based on the audited results of Liaoning Zhongwang Group Co., Ltd..

The subject and scope of the valuation are consistent with those involved in the economic behavior.

IV. TYPE OF VALUE

Market value.

V. REFERENCE DATE

31 October 2019.

VI. VALUATION METHODS

(1) Applicability Analysis of Valuation Methods

The basic methods for valuation of enterprise value include income approach, market approach and cost approach (asset-based approach). When evaluating the value of a company, an asset valuer should select valuation method(s) according to law based on such considerations as the valuation purpose, the valuation subject, the type of value, the data collection, the prerequisites for the application of potential valuation methods, the merits and demerits of feasible valuation methods, and the quality and quantity of data used under different valuation methods, and form a valuation conclusion through qualitative or quantitative analysis.

The income approach for valuation of enterprise value is a method to determine the value of the valuation subject by capitalizing or discounting the expected income stream. The general prerequisites that should be considered when choosing and using the income approach include: the future income of the valuation subject can be expected and measured in currency; the risk associated with the income can be measured; the term of the income stream can be determined or reasonably expected.

The market approach for valuation of enterprise value is a method to determine the value of the valuation subject by comparing the valuation subject with comparable listed companies or transaction cases. The general prerequisites that should be considered when choosing and using the market approach include: the evaluation subject or comparables references have an open market and are traded relatively actively; necessary information about the transaction and the transaction target is available.

The asset-based approach for valuation of enterprise value is a method to determine the value of the valuation subject by evaluating its on-balance sheet and identifiable off-balance sheet assets and liabilities based on its balance sheet as at the Reference Date. The general prerequisites that should be considered when choosing and using the asset-based approach include: the evaluation subject is, or is assumed to be, in continuous use; the expected profitability of the valuation subject can be verified; relevant financial and asset management data are available; there are no "assets" that have a significant impact on the value of the valuation subject and are difficult to identify and recognize; the replacement cost of the assets and liabilities concerned and related impairment to be considered can be reasonably quantified.

The market survey for this valuation project shows that the appraised entity has well-established business, stable development, and sound corporate governance. On this basis, in view of Liaoning Zhongwang Group Co., Ltd.'s historical operating results and the industry development trends, its future income stream can be expected and measured and the income risk can be quantified, so the income approach may apply. After years of development, the Company's asset allocation has become quite rational with standardized management. The asset value can be estimated by the ways of capital investment for purchase and construction of assets, so the asset-based approach is also suitable for this project. As no similar transaction cases can be found in the public information of the domestic capital market and there are no listed companies similar to Liaoning Zhongwang Group Co., Ltd. in terms of products and operating scale, which means the prerequisites for the market approach are not met, the market approach is not suitable for this project.

As such, with the support of relevant information, the asset-based approach and the income approach are chosen to evaluate the valuation subject.

(2) Introduction to the Asset-Based Approach

The idea of the asset-based approach is to determine the value of the on- and off-balance sheet assets and liabilities of a company based on its balance sheet as at the Reference Date, provided that the valuation subject is in continuous use and has expected profitability.

(3) Introduction to the Income Approach

The idea of the income approach is to estimate the enterprise value of a company by adding up the value of its operating assets estimated using the discounted cash flow (DCF) method, the equity value of its long-term investments without taking into account the investment returns and the value of other non-operating and surplus assets as at the Reference Date, and then arrive at the value of total assets and liabilities by deducting the value of interest-bearing debts from the enterprise value.

The basic conditions for applying the income approach are: the underlying company has the foundation and conditions for continuous operation; there is a stable proportional relationship between its asset operations and income; and its future income and associated risks can be forecast and quantified.

The forecast is to predict and estimate Liaoning Zhongwang Group Co., Ltd.'s free cash flows in the coming years on a consolidated basis based on the estimated value of operating assets calculated by subtract its non-operating assets from its aluminium processing assets.

The weighted average cost of capital (WACC) is used as the discount rate, so the estimated cash flow corresponds to the cash flow of Liaoning Zhongwang Group Co., Ltd.. The present value method based on net cash flow is also called discounted cash flow (DCF) method.

VII. VALUATION ASSUMPTIONS

Set out below are the assumptions adopted by the valuation:

(1) General Assumptions

1. Transaction Assumption

Transaction assumption is to assume that all the assets to be valued are already in the process of transaction and the valuer carries out the valuation based on a simulated market such as the transaction conditions of the assets to be valued. Transaction assumption is the basic assumption for the valuation of assets.

2. Open Market Assumption

Open market assumption is to assume that both parties of the assets transaction or the proposed assets transaction in the market are in equal position and have opportunities and time to obtain sufficient market information, so as to make rational judgments on the functions, purposes and transaction price of the assets. The open market assumption is based on the fact that the assets can be traded openly in the market.

3. Asset Going-concern Assumption

Asset going-concern assumption means that the valuation method, parameters and basis shall be determined in accordance with the condition that the valued assets will be continuously used in consistence with their current functions and methods, scale, frequency and environment of use, or used on the basis of certain changes thereof.

(2) Special Assumptions

1. The external economic environment remains unchanged and the current national macroeconomic conditions will not change significantly since the Reference Date.

2. The social and economic environment, as well as the implemented policies in relation to tax and tax rates, etc. will not change significantly.

3. The future management of the company is diligent and the existing management model will remain unchanged.

4. The assets composition, structure of principal businesses, the composition of income and cost, sales strategy and cost control of the company in the forecast period will be implemented as planned without significant changes (not taking into account any profits and losses brought by changes in assets composition, principal businesses and business structure arising from the changes in management, business strategy and business environment).

5. The acquisition and utilization methods of the sites for business operation remain in line with those at the Reference Date without changes.

6. Various expenses of the company comply with its original plans in future operating periods without major changes. Considering that the monetary capitals or bank deposits of the company changed frequently or considerably during the operating periods, the report does not take into account any interest income of deposits or any contingent profits or losses (such as profits or losses on exchanges) when appraising the finance expenses.

7. The qualification of new & high-tech enterprise applied for Liaoning Zhongwang Group Co., Ltd. and its subsidiaries will not change significantly and will continuously maintain the new & high-tech enterprise qualification and enjoy the preferential tax benefits.

8. The valuation is based on the existing amount of the assets as at the Reference Date and the current market price of relevant assets is based on the effective domestic price as at the Reference Date.

9. The basic information and financial information provided by the principal and the valued company for the purpose of the valuation is assumed to be true, accurate and complete.

10. The scope of the valuation is subject to the application form for valuation provided by the principal and the valued company, without taking into account the contingent assets or contingent liabilities, if any, not included in the list provided by the principal and the valued company.

11. The impact of inflation is not taken into account in the selection of the value of the parameters in the valuation.

The conclusion of the valuation disclosed in the asset valuation report shall become effective on the reference date of the valuation under all the assumptions mentioned above. When there are major changes on the above assumptions, the valuation institution and the principal valuer will not bear the responsibility of deriving different evaluation conclusions due to changes in the assumptions.

VIII. CERTAIN MAJOR RISKS CONSIDERED IN THE VALUATION

(1) Risks associated with the changes to the macroeconomic and market environment

At present, the global economic and the international trade landscapes remain complex and challenging, demonstrated by the decelerated rate of growth in the domestic economy as well as the transformation and upgrading of the industrial structure in the PRC. It remains uncertain whether the rate of economic growth can be maintained or can pick up. Moreover, as a result of the occurrence of the novel coronavirus epidemic in early 2020, some domestic companies have delayed the resumption of operations due to the impact of the epidemic. If this situation continues, it may have an impact on the economic situation at domestic and overseas, and may cause changes in the demand from the downstream related industries for the aluminium extruded products of Liaoning Zhongwang Group Co., Ltd.. A prudent forecast has been made on the possible impact of the novel coronavirus epidemic on the overall market environment in 2020, the potential impact of the relevant matters remains uncertain considering that the current novel coronavirus epidemic has not been over yet. If the adverse effect caused by the epidemic lasts for a long period of time, it will have an impact on the pricing, sales strategy, gross profit margin and sales size of Liaoning Zhongwang Group Co., Ltd.'s products to a certain extent, which will in turn impose an adverse effect on the stable growth in the performance of Liaoning Zhongwang Group Co., Ltd..

(2) Risks associated with the overseas lawsuit involving the de facto controller and China Zhongwang Holdings Limited

On 31 July 2019, the Wall Street Journal published an article on its website and the U.S. Department of Justice published a news story on its website on the same day. The relevant articles were about a U.S. federal grand jury having filed a lawsuit against China Zhongwang Holdings Limited, the indirect controlling shareholder of Liaoning Zhongwang Group Co., Ltd., and against Mr. Liu Zhongtian, the *de facto* controller, over matters including tariff evasion among other things. Based on the explanations provided by China Zhongwang Holdings Limited and Mr. Liu Zhongtian, they have not obtained any relevant disclosable information about the latest progress related to the alleged lawsuit as at the date of signing this report.

Although Liaoning Zhongwang Group Co., Ltd. is not a defendant in the above lawsuit, it does not rule out the possibility that the lawsuit may have a certain impact on the shareholdings of Liaoning Zhongwang Group Co., Ltd. indirectly held by Mr. Liu Zhongtian or China Zhongwang Holdings Limited in the future. Moreover, if a judgment for the above lawsuit is finally delivered, entities such as China Zhongwang Holding Limited may be subject to fines.

IX. VALUATION CONCLUSION

(1) Valuation conclusion of the assets-based approach

Under the precondition of the validity of the assessment assumptions, the book value of assets of Liaoning Zhongwang Group Co., Ltd. under assessment is RMB51,939,741.7 thousand in total, the appraisal value is RMB57,695,732.1 thousand, the valuation appreciation between the book value and the appraisal value is RMB5,755,990.4 thousand, and the appreciation rate is 11.08%; the book value of liabilities is RMB27,650,286.8 thousand in total and the appraisal value is RMB27,598,536.8 thousand, representing a value depreciation of RMB51,750 thousand and a depreciation rate of 0.19%; the book value of equity attributable to owners is RMB24,289,454.9 thousand and the appraisal value is RMB30,097,195.3 thousand, representing a value appreciation of RMB5,807,740.4 thousand and an appreciation rate of 23.91%.

(2) Valuation result of the income approach

Under the precondition of the validity of the assessment assumptions, the book value of owners' equity attributable to the parent company in the consolidated statements of Liaoning Zhongwang Group Co., Ltd. as at the Reference Date of 31 October 2019 is RMB26,806,171.0 thousand, the appraisal value of owners' equity attributable to the parent company is RMB30,528,922.3 thousand, representing a value appreciation of RMB3,722,751.3 thousand and an appreciation rate of 13.89%.

(3) Analysis on the difference between valuation results

The appraisal value of equity attributable to owners of Liaoning Zhongwang Group Co., Ltd. using the income approach is RMB30,528,922.3 thousand, while the appraisal value of that using the assets-based approach is RMB30,097,195.3 thousand, leading to a result difference of RMB431,727.0 thousand and a difference rate of 1.43%.

Analysis on the causes of differences for two valuation methods:

1. The asset-based approach takes the replacement cost of assets as the standard of valuation, and reflects the necessary social labor consumed by asset investments (acquisition and construction cost), but such acquisition and construction cost usually changes along with the changes of national economy;

2. The income approach takes the expected incomes of assets as the standard of valuation, and reflects the size of the operating capacity (profitability) of assets, but such profitability is usually affected by various conditions, such as the macro economy, governmental control and effective usage of assets.

Therefore, the difference exists between the results of the two valuation methods.

(4) Selection of valuation results

Liaoning Zhongwang Group Co., Ltd. is mainly engaged in the research and development (R&D), manufacture and sales of industrial aluminium extrusion products with industry-leading technologies and R&D strengths, and enjoys certain advantages in staff competence, cost management and marketing development. The asset-based approach only reflects the value of the assets to rebuild the valued company, and fails to reflect the value of the valued company in terms of the market, technologies and cost. When conducting appraisal using the income approach, the effect of product productivity and market factors of the valuation subject on its future profitability are considered as well, so that the effect of each asset of the valuation subject on the enterprise value could be reflected more reasonably.

In summary, the valuation results of income approach is more reliable for this project in terms of completeness of considerations and support level of basic information. Therefore, we choose the result of the income approach as the valuation conclusion, i.e., under the precondition of the validity of the assessment assumptions, the owners' equity attributable to the parent company in the consolidated statements of Liaoning Zhongwang Group Co., Ltd. as at the Reference Date of 31 October 2019 is RMB30,528,922.3 thousand.

X. SPECIAL NOTES

(1) Incomplete Ownership Certificates or Encumbrances

1. Of the assets to be appraised, 25,224.78 square meters of properties have not yet obtained the Real Estate Ownership Certificate.

On 28 November 2019, the Management Committee of Liaoyang High-tech Industry Development Zone issued the Confirmation Letter on the Properties of Liaoning Zhongwang Group Co., Ltd. to confirm the area of such properties. The certificate-related procedures are being handled.

2. Assets with Restricted Ownership or Right of Use

As at 31 October 2019, Liaoning Zhongwang Group Co., Ltd. and its subsidiaries have assets with restricted ownership or right of use in a total book value of RMB8,318,203,100, including RMB2,732,403,500 of deposits for letters of credit and notes, RMB4,448,597,700 of fixed assets, RMB1,037,414,000 of construction in progress as collateral for financing arrangements, and RMB99,787,900 of properties seized due to litigations.

(2) Subsequent Events which May have an Impact on the Valuation Conclusion

On 26 February 2020, Liaoning Zhongwang Aluminium Co., Ltd. and Yidian Holding Group (Luoyang) Nonferrous Metals Co., Ltd. entered into the Equity Transfer Agreement on Yingkou Zhongwang Aluminium Material Co., Ltd., in which the consideration for the equity transfer is RMB4.6 billion. On 3 March 2020, both parties entered into a supplemental agreement, stipulating that the profit and loss of Yingkou Zhongwang Aluminium Material Co., Ltd. during the transition period (from 30 June 2019 to the date of equity transfer) shall entitled to Liaoning Zhongwang Aluminium Co., Ltd.. As confirmed by both parties of the transaction, the loss of Yingkou Zhongwang Aluminium Material Co., Ltd. during the transition period was RMB0.22 billion. As at the date of this report, the abovementioned equity transfer price of RMB4.38 billion after deducting the profit and loss during the transition period has been paid.

In the valuation, the value of the shareholders' equity of Yingkou Zhongwang Aluminium Material Co., Ltd. is determined at RMB4.38 billion.

Other than the above, no other material subsequent events have been found as at this report.

(3) Other Matters that Need to be Explained

1. The legal responsibilities of the valuers and appraisal firms are to make professional judgment on the value of assets under the valuation purpose hereof, but not to make any judgment on economic behaviors corresponding to the valuation purpose. The valuation heavily depends on the information provided by the principal and the valued company. Therefore, the valuation is conditional on the legality and authenticity of the economic behavior documents, assets title documents, certificates, accounting proofs and legal documents provided by the principal and the valued company;

2. The future earnings forecast involved in this income approach valuation is based on the earnings forecast prepared by the management of the valued company. The management of the valued company shall be responsible for the authenticity, rationality, completeness and achievability of the relevant data and information involving the enterprise's future earnings forecast provided by them. We have conducted necessary review on the above earnings forecast and made proper adjustment on the information we have learned during the valuation process. We would like to remind the principal and other users stated in this report that, we do not guarantee that the above forecast data will be achievable nor assume the obligation to achieve or assist in achieving it. Principal and other users stated in this report shall make decisions prudently.

3. During the effective term after the Reference Date, if the quantity and pricing standard of the assets change, it shall be dealt with according to following principles:

   (1) when the quantity of assets changes, the amount of assets shall be adjusted according to the original valuation method;

   (2) when the pricing standard of the assets changes, which greatly affects the valuation result of assets, the principal shall engage qualified assets appraisal firm to re-determine the appraisal value in a timely manner;

(3) for any changes of quantity or pricing standard of the assets after the Reference Date, the principal shall make due consideration and adjust accordingly when determining the actual price of the assets.

4. Chongqing Zhongwang Intelligent Furniture Technology Co., Ltd., a third- level subsidiary of Liaoning Zhongwang Group Co., Ltd., has only been established for a relatively short period and its capital has not been in place. Given that its account has not been prepared yet, its financial operating information is not included in the scope of the valuation.

5. In determining all equity value of shareholders in Liaoning Zhongwang Group Co., Ltd., the valuation does not take into account the impact of premium or discount arising from the controlling interest or minority equity interest and special transactions such as equity liquidity on the equity value.

XI. LIMITATIONS ON THE USE OF THIS ASSET VALUATION REPORT

(1) Scope of Use

1. This asset valuation report can only be used by the asset valuation report users stated herein.

2. This report is only for the purpose and use specified herein.

3. The validity period of the valuation conclusion is one year from the Reference Date. Within the validity period of this report (i.e. from the Reference Date to the date of realization of the valuation purpose), if the quantity of assets and the factors affecting the valuation standards change, and there is evidence suggesting that matters disclosed in the Special Notes section herein have substantial impacts on the valuation conclusion, rendering this report unreliable for direct use, the principal shall engage an asset appraisal firm to conduct re-evaluation in a timely manner.

4. Without permission of the appraisal firm, the content of this report shall not be extracted, quoted or disclosed to the public media, except as provided by laws and administrative regulations.

(2) The asset appraisal firm and its valuers shall not be held responsible if the principal or any other asset valuation reporter fails to use this report in accordance with the provisions of laws and administrative regulations or within the scope of use specified herein.

(3) Except for the principal, other asset valuation report users designated in the asset valuation entrustment contract, and users stipulated by laws and administrative regulations, no other institution or individual can be a user of this asset valuation report.

(4) Asset valuation report users shall correctly understand the valuation conclusion. The valuation conclusion does not amount to a realizable price of the valuation subject, and should not be considered a guarantee of a realizable price of the valuation subject.

(5) This report can only be used after it is sealed by the appraisal firm and signed by the valuers.

20 March 2020

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DISCLOSURE OF INTERESTS

Directors and chief executives

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

Long positions in the ordinary shares of the Company:

Name of Director	Capacity/Nature of interests	Total number of ordinary shares	% of the relevant class of shares
Lu Changqing	Beneficial owner/Long position	2,000,000	0.04
		42,000,000(1)	0.77
Ma Qingmei	Beneficial owner/Long position	3,800,000(1)	0.07
Chen Yan	Beneficial owner/Long position	42,000,000(1)	0.77
Lin Jun	Beneficial owner/Long position	3,800,000(1)	0.07
Wei Qiang	Beneficial owner/Long position	4,800,000(1)	0.09
Lo Wa Kei, Roy	Beneficial owner/Long position	1,600,000(1)	0.03
Shi Ketong	Beneficial owner/Long position	1,600,000(1)	0.03
Wong Chun Wa	Beneficial owner/Long position	1,600,000(1)	0.03
Wen Xianjun	Beneficial owner/Long position	600,000(1)	0.01

Note:

(1) Mr. Lu Changqing, Ms. Ma Qingmei, Mr. Chen Yan, Mr. Lin Jun, Mr. Wei Qiang, Mr. Lo Wa Kei, Roy, Mr. Shi Ketong, Mr. Wong Chun Wa and Mr. Wen Xianjun held share options in respect of these underlying shares.

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

Substantial Shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors and the chief executive of the Company, the table below lists out the persons (other than the Directors or chief executives of the Company), who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Long positions in the ordinary shares of the Company:

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

Long positions in the underlying ordinary shares of the convertible preference shares of the Company:

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

Notes:

(1) The entire issued share capital of ZIGL is held by a trust, the beneficiaries of which are the family members of Mr. Liu (the "**Liu Family Trust**"), who is a director of ZIGL.

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

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

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

III. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2019 being the date to which the latest published audited accounts of the Company have been made up.

IV. MATERIAL LITIGATION

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

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

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

V. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(a) On 30 October 2019, Liaoning Zhongwang and Fund entered into a capital contribution agreement, pursuant to which, among other things, Fund agreed to contribute RMB1.0 billion in cash to Liaoning Zhongwang.

(b) On 30 October 2019, Zhongwang Fabrication, an indirect wholly owned subsidiary of the Company, Liaoning Zhongwang and Jiaxing Liding Changhao Equity Investment Partnership Enterprise (Limited Partnership) ("**Fund II**") entered into an equity transfer agreement (the "**Equity Transfer Agreement I**"), pursuant to which, among other things, Zhongwang Fabrication agreed to sell, and Fund II agreed to purchase, approximately 3.45% of equity interests in Liaoning Zhongwang at the consideration of RMB1.0 billion.

(c) On 30 October 2019, Zhongwang Fabrication, Liaoning Zhongwang and Zibo Yingke Baiyao Pioneer Investment Partnership Enterprise (Limited Partnership) ("**Fund III**") entered into an equity transfer agreement (the "**Equity Transfer Agreement**

II"), pursuant to which, among other things, Zhongwang Fabrication agreed to sell, and Fund III agreed to purchase, approximately 3.45% of equity interests in Liaoning Zhongwang at the consideration of RMB1.0 billion.

(d) On 30 October 2019, Zhongwang Fabrication, Fund, Fund II and Fund III entered into a shareholders' agreement (the "**Shareholders' Agreement**") in relation to the corporate governance of Liaoning Zhongwang and rights and obligations of Liaoning Zhongwang's shareholders.

(e) On 26 February 2020, Zhongwang Aluminium and Yidian Luoyang entered into the Share Transfer Agreement, pursuant to which Zhongwang Aluminium agreed to sell, and Yidian Luoyang agreed to purchase the 100% equity interests in Zhongwang Aluminium Material at the Consideration of RMB4.6 billion.

(f) On 17 March 2020, Zhongwang Fabrication and Liaoning Zhongwang entered into a termination agreement (the "**Termination Agreement I**") with Fund II, pursuant to which, (i) Zhongwang Fabrication, Liaoning Zhongwang and Fund II agreed to terminate the Equity Transfer Agreement I and the transactions contemplated thereunder, and (ii) rights and obligations of Fund II under the Shareholders' Agreement dated 30 October 2019 shall be concurrently terminated on the date of the Termination Agreement I, i.e. 17 March 2020.

(g) On 17 March 2020, Zhongwang Fabrication and Liaoning Zhongwang entered into a termination agreement (the "**Termination Agreement II**") with Fund III, pursuant to which, (i) Zhongwang Fabrication, Liaoning Zhongwang and Fund III agreed to terminate the Equity Transfer Agreement II and the transactions contemplated thereunder, and (ii) rights and obligations of Fund III under the Shareholders' Agreement dated 30 October 2019 shall be concurrently terminated on the date of the Termination Agreement II, i.e. 17 March 2020.

(h) The Asset Transfer Agreement.

(i) The Compensation Agreement.

Save as disclosed above, no material contract (not being a contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years immediately preceding the issue of this circular and up to the Latest Practicable Date.

VI. CONSENT OF EXPERT

The qualifications of the experts who have given any opinion or advice in this circular with the inclusion of their letters, reports, and/or opinions or statements and references to their names and logos in the form and context in which they are included are as follows:

Name	Qualification
Shenwan Hongyuan Capital (H.K.) Limited	a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants, Hong Kong
Commerce & Finance Law Offices	PRC Legal Adviser
Pan-China Assets Valuation Co., Ltd.* (遼寧眾華資產評估有限公司)	PRC Certified Public Valuer

As at the Latest Practicable Date, the experts mentioned above (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited accounts of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name included herein in the form and context in which it appears.

VII. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring nor determinable by such member of the Group within a year without payment of any compensation (other than statutory compensation).

VIII. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group.

IX. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

X. MISCELLANEOUS

Corporate Information of the Group

(a) Mr. Cui Weiye is the company secretary of the Company. Mr. Cui holds a bachelor's degree in finance, and a master's degree in business administration.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office of the Company is situated at No. 299, Wensheng Road, Liaoyang City, Liaoning 111003, PRC.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Documents for inspection

Copies of the following documents are available for inspection during normal business hours at 56/F, Bank of China Tower, 1 Garden Road, Admiralty, Hong Kong for a period of 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the Asset Transfer Agreement;

(c) the Compensation Agreement;

(d) letter from the Independent Financial Adviser, the text of which is set out in this circular;

(e) letter from the Independent Board Committee, the text of which is set out in this circular;

(f) the material contracts referred to in the section headed "V. Material Contracts" in this appendix;

(g) the written consents referred to in the paragraph headed "IX. Expert and Consent" in this appendix;

(h) the valuation report as referred to in Appendix IV to this circular;

(i) the valuation report regarding the net assets of CRED Xinjiang prepared by CRED Xinjiang Valuer;

(j) the annual reports of the Company for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019; and

(k) a copy of this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of China Zhongwang Holdings Limited (the "**Company**") will be held at Conference Room 2, 39th Floor, Zhongwang Tower, Yuan'an Road, Chaoyang District, Beijing, China on Wednesday, 11 November 2020 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. "**THAT**, subject to the relevant regulatory approvals being obtained in the PRC,

   (a) the disposal of 96.55% equity interests in Liaoning Zhongwang Group Co., Ltd. (遼寧忠旺集團有限公司, "**Liaoning Zhongwang**") to CRED Holding Co., Ltd. (中房置業股份有限公司) (the "**Disposal**") and relevant arrangements (including the compensation arrangements contemplated under the compensation agreement dated 20 March 2020 (the "**Compensation Agreement**")) and all relevant documents or agreements in connection therewith or contemplated thereunder be and are hereby approved; and

   (b) the directors of the Company ("**Directors**") be and are hereby authorised to exercise all powers which they consider necessary and do such other acts and things and execute such other documents as they shall think fit to implement the Disposal and relevant arrangements (including the compensation arrangements contemplated under the Compensation Agreement)."

2. "**THAT** subject to the relevant regulatory approvals being obtained in the PRC,

   (a) the proposed spin-off of Liaoning Zhongwang by way of a separate listing on the Shanghai Stock Exchange (the "**Proposed Spin-off**") and all relevant documents or agreements in connection therewith or contemplated thereunder be and are hereby approved; and

* *For identification purposes only*

(b) the Directors be and are hereby authorised to implement the Proposed Spin-off and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Proposed Spin-off."

Notes:

(a) The register of members of the Company will be closed from Monday, 9 November 2020 to Wednesday, 11 November 2020 (both dates inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for attending the EGM 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. on Friday, 6 November 2020.

(b) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting.

(c) Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

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

Hong Kong, 24 October 2020

As at the date of this notice, 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