The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants to the Company.

Deloitte.
德勤

24 April 2009

The Directors
China Zhongwang Holdings Limited
CITIC Securities Corporate Finance (HK) Limited
UBS AG

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding China Zhongwang Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 24 April 2009 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 29 January 2008. Pursuant to a corporate reorganization ("Corporate Reorganization"), as more fully explained in the section headed "Our history and corporate structure" to the Prospectus, the Company became the holding company of the companies comprising the Group on 8 August 2008.

As at the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of the company	Place and date of incorporation/ establishment	Place of operation	Equity interest attributable to the Group as at				Issued and fully paid share capital/ registered capital	Principal activities
			31 December			date of this report		
			2006	2007	2008			
Liaoning Zhongwang Group Co., Ltd. ("Zhongwang PRC") #	The People's Republic of China (the "PRC") 18 January 1993	The PRC	100%	100%	100%	100%	US$140,000,000	Manufacturing of aluminum products
Zhongwang China Investment Limited ("ZCIL (BVI)")	British Virgin Islands ("BVI") 19 December 2007	The PRC	N/A	100%	100%	100%	US$1.00	Investment holding
Zhongwang China Investment (HK) Limited ("ZCIL (HK)")	Hong Kong ("HK") 23 January 2008	The PRC	N/A	N/A	100%	100%	HK$1.00	Investment holding

Wholly foreign owned enterprise registered in the PRC.

All the companies comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company and ZCIL (BVI) since their respective dates of incorporation as these companies have not carried on any business other than acting as investment holding company and it is incorporated in a country where there is no such statutory requirement.

No audited financial statements have been prepared for ZCIL (HK) for the period from the date of incorporation to 31 December 2008 as the period is less than one year.

The statutory financial statements of Zhongwang PRC for each of the two years ended 31 December 2007 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by Zhongxingyu Certified Public Accountants Co., Ltd. (中興宇會計師事務所有限責任公司), a certified public accountant registered in the PRC. No statutory financial statements for the year ended 31 December 2008 have been issued.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods ("Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Deloitte Touche Tohmatsu CPA Ltd. have audited the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared in accordance with IFRS based on the Underlying Financial Statements and is presented, on the basis set out in note 1 to the Financial Information. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of the respective companies who approved their issue. The Company's directors are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2008 and the Group as at 31 December 2006, 2007 and 2008, and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

Consolidated income statements

	NOTES	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000
Revenue	6	6,075,225	7,521,266	11,264,429
Cost of sales		(4,965,679)	(5,906,555)	(8,162,134)
Gross profit		1,109,546	1,614,711	3,102,295
Investment income	8	51,619	42,062	74,107
Other income	9	9,256	13,455	32,999
Selling and distribution costs		(115,725)	(122,442)	(169,921)
Administrative and other operating expenses		(77,547)	(84,851)	(108,946)
Finance costs	10	(208,598)	(289,585)	(286,573)
Profit before taxation		768,551	1,173,350	2,643,961
Taxation	11	(217,125)	(321,192)	(733,523)
Profit for the year	12	551,426	852,158	1,910,438
Dividends	14			
– recognized as distributions during the year		–	–	2,000,000
– proposed		–	–	1,000,000
Earnings per share				
Basic (RMB)	15	0.14	0.21	0.48

Balance sheets

	NOTES	THE GROUP At 31 December 2006 RMB'000	THE GROUP At 31 December 2007 RMB'000	THE GROUP At 31 December 2008 RMB'000	THE COMPANY At 31 December 2008 RMB'000
Non-current assets					
Property, plant and equipment	16	2,869,057	3,271,826	3,304,694	–
Investment properties	17	26,880	25,470	–	–
Prepaid lease payments	18	107,883	107,472	65,190	–
Deposits for acquisition of property, plant and equipment		329,562	356,850	4,027	–
Investment in a subsidiary	39	–	–	–	1,332,607
Amount due from a subsidiary	40	–	–	–	2,054,670
		3,333,382	3,761,618	3,373,911	3,387,277
Current assets					
Inventories	19	1,595,811	1,359,595	1,058,768	–
Trade receivables	20	638,682	686,694	523,905	–
Other receivables, deposits and prepayments	21	1,253,743	1,219,548	2,386,851	–
Prepaid lease payments	18	2,327	2,370	1,472	–
Amounts due from related parties	22	150,612	20,536	22,170	–
Amount due from a subsidiary	40	–	–	–	2,000,000
Held-for-trading investments	23	3,919	2,724	1,431	–
Pledged bank deposits	24	1,539,607	1,126,130	1,230,750	–
Bank balances and cash	25	1,711,672	2,833,543	4,261,817	–
		6,896,373	7,251,140	9,487,164	2,000,000
Current liabilities					
Trade payables	26	53,453	23,781	24,820	–
Bills payable	27	2,698,366	2,146,488	2,351,200	–
Other payables and accrued charges		123,451	175,375	258,574	–
Amounts due to related parties	22	1,649,432	1,561,472	320	–
Tax liabilities		217,126	321,192	200,447	–
Short term debenture	28	668,474	593,550	2,000,000	–
Bank loans	29	1,746,973	2,636,262	2,640,638	–
Dividend payable		–	–	2,000,000	2,000,000
		7,157,275	7,458,120	9,475,999	2,000,000
Net current (liabilities) assets		(260,902)	(206,980)	11,165	–
Total assets less current liabilities		3,072,480	3,554,638	3,385,076	3,387,277
Capital and reserves					
Paid-in capital/share capital	30	394,299	394,299	350,877	350,877
Reserves	41	2,048,181	2,900,339	2,854,199	3,036,400
		2,442,480	3,294,638	3,205,076	3,387,277
Non-current liabilities					
Bank loans	29	630,000	260,000	130,000	–
Deferred tax liabilities	32	–	–	50,000	–
		630,000	260,000	180,000	–
		3,072,480	3,554,638	3,385,076	3,387,277

Consolidated statements of changes in equity

	Attributable to equity holders of the Company							
	Paid-in capital/ share capital RMB'000	Share Premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Surplus reserve RMB'000 (Note a)	Enterprise development fund RMB'000 (Note b)	Accumulated profits RMB'000	Total RMB'000
At 1 January 2006	394,299	–	–	1,762	67,052	67,052	1,360,889	1,891,054
Profit for the year and total recognized income for the year	–	–	–	–	–	–	551,426	551,426
Appropriations	–	–	–	–	58,590	58,590	(117,180)	–
At 31 December 2006	394,299	–	–	1,762	125,642	125,642	1,795,135	2,442,480
Profit for the year and total income recognized for the year	–	–	–	–	–	–	852,158	852,158
Appropriations	–	–	–	–	87,171	87,171	(174,342)	–
At 31 December 2007	394,299	–	–	1,762	212,813	212,813	2,472,951	3,294,638
Profit for the year and total income recognized for the year	–	–	–	–	–	–	1,910,438	1,910,438
Capitalization of accumulated profits of a subsidiary (note c)	–	–	–	127,287	–	–	(127,287)	–
Capitalization of share premium (note 30)	350,877	(350,877)	–	–	–	–	–	–
Issue of shares on 31 January 2008 (note 30)	–	22	(22)	–	–	–	–	–
Issue of shares on 13 June 2008 (note 30)	–	1,360,328	(1,360,328)	–	–	–	–	–
Issue of shares on 8 August 2008 (note 30)	–	2,026,927	–	–	–	–	–	2,026,927
Reserve arising from corporate reorganization (note d)	(394,299)	–	394,299	–	–	–	–	–
Deemed distributions (note e)	–	–	(2,026,927)	–	–	–	–	(2,026,927)
Dividends	–	–	–	–	–	–	(2,000,000)	(2,000,000)
Appropriations	–	–	–	–	207,856	207,856	(415,712)	–
At 31 December 2008	350,877	3,036,400	(2,992,978)	129,049	420,669	420,669	1,840,390	3,205,076

Notes:

(a) The Articles of Association of Zhongwang PRC state that it may make an appropriation of 10% of its profit for the year (prepared under the generally accepted accounting principles in the PRC) each year to the surplus reserve at rate determined by directors of the relevant subsidiaries until the balance reaches 50% of the paid-in capital. The surplus reserve shall only be used for making good losses, capitalization into paid-in capital and expansion of its production and operation.

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

(c) Pursuant to a resolution passed at the shareholders' meeting dated 6 August 2008, accumulated profits of RMB 127,287,000 was capitalized into the paid-in-capital of Zhongwang PRC.

(d) Pursuant to the Corporate Reorganization completed on 8 August 2008, the ZCIL (HK) acquired the remaining 60% of the registered capital of Zhongwang PRC which became a wholly-owned subsidiary of the Company. Special reserve arising from the Corporate Reorganization amounted to RMB394,299,000.

(e) The amount represents the consideration paid by ZCIL (HK) to Liaoyang City Aluminum Profile Product Co. Ltd ("Liaoyang Factory") for acquiring the remaining 60% equity interest in Zhongwang PRC which is already included in the consolidated financial statements during the Relevant Periods. Liaoyang Factory is a PRC established enterprise wholly-owned by Mr. Liu Zhong Tian ("Mr. Liu"), the controlling shareholder of the Group. Accordingly, the consideration paid is deemed as a distribution to Mr. Liu.

Consolidated cash flow statements

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before taxation	768,551	1,173,350	2,643,961
Adjustments for:			
Interest expense	208,598	289,585	286,573
Depreciation of property, plant and equipment	258,403	263,351	316,213
Depreciation of investment properties	1,410	1,410	350
Loss on disposal of property, plant and equipment	8,431	14,008	995
Write down of inventories	–	–	50,588
Investment income	(51,619)	(42,062)	(74,107)
Release of prepaid lease payments	2,133	2,313	1,526
Change in fair value of held-for-trading investments	(2,216)	1,195	1,293
Allowances for bad and doubtful debtors in respect of for trade receivables	1,532	557	47
Allowances for bad and doubtful debtors in respect of other receivables	889	1,480	8,814
Gain on disposal of leasehold land	–	(7,360)	–
Operating cash flows before movements in working capital	1,196,112	1,697,827	3,236,253
Decrease (increase) in inventories	127,401	236,216	250,239
Decrease (increase) in trade receivables	83,530	(48,569)	162,742
(Increase) decrease in other receivables, deposits and prepayments	(451,464)	32,715	(1,176,117)
(Increase) decrease in amounts due from related parties	(1,348)	1,348	–
(Decrease) increase in trade payables	(77,049)	(29,672)	1,039
Increase (decrease) in bills payable	151,190	306,900	1,455,000
Increase (decrease) in amounts due to related parties	48,193	(93,550)	–
(Decrease) increase in other payables and accrued charges	(3,897)	51,924	33,977
Cash generated from operations	1,072,668	2,155,139	3,963,133
Income tax paid	(132,147)	(217,126)	(804,268)
NET CASH FROM OPERATING ACTIVITIES	940,521	1,938,013	3,158,865

	NOTE	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000
INVESTING ACTIVITIES				
Purchases of property, plant and equipment		(870,452)	(354,794)	(142,179)
Deposits paid for acquisition of property, plant and equipment		(329,562)	(356,850)	(5,425)
Payments for prepaid lease		(8,495)	(2,597)	(8,584)
(Increase) decrease in amounts due from related parties		(140,383)	128,728	(1,634)
Proceeds from disposal of property, plant and equipment		53,949	4,228	150,351
Proceeds from disposal of leasehold land		–	8,012	50,238
Proceeds from disposal of investment properties		–	–	25,120
Interest received		51,500	39,191	74,107
Dividend income from investments held for trading		119	2,871	–
Decrease (increase) in pledged bank deposits		249,130	413,477	(104,620)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(994,194)	(117,734)	37,374
FINANCING ACTIVITIES				
(Decrease) increase in amounts due to related parties		(344,514)	5,590	(1,561,152)
New borrowings raised		9,724,302	4,797,981	3,354,131
Repayment of borrowings		(9,441,379)	(5,137,470)	(4,730,043)
Short-term debenture raised		668,474	593,550	2,000,000
Repayment of short-term debenture		–	(700,000)	(600,000)
Interest paid		(208,598)	(258,059)	(230,901)
Payment for transfer in of equity interest in Zhongwang PRC from Liaoyang Factory		–	–	(2,026,927)
Issue of new shares	30	–	–	2,026,927
NET CASH FROM (USED IN) FINANCING ACTIVITIES		398,285	(698,408)	(1,767,965)
NET INCREASE IN CASH AND CASH EQUIVALENTS		344,612	1,121,871	1,428,274
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,367,060	1,711,672	2,833,543
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash		1,711,672	2,833,543	4,261,817

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF FINANCIAL INFORMATION

Pursuant to the Corporate Reorganization, which was completed by interspersing the Company, ZCIL (BVI) and ZCIL (HK) between Zhongwang PRC and certain companies under the control of Mr. Liu, the Company became the holding company of the companies now comprising the Group on 8 August 2008. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganization is regarded as a continuing entity. The Group was under the control of Mr. Liu prior to and after the Corporate Reorganization.

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the Relevant Periods which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment where it is a shorter period.

The consolidated balance sheets of the Group as at 31 December 2006, 2007 and 2008 have been prepared to present the assets and liabilities of the companies comprising the Group as at the respective dates as if the current group structure had been in existence at those dates.

The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group has adopted all of new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective for the financial year beginning on 1 January 2008 in the preparation of its Financial Information throughout the Relevant Periods.

At the date of this report, the IASB has issued the following new and revised International Accounting Standards ("IASs"), IFRS and interpretations which are not yet effective in respect of the Relevant Periods. The Group has not early adopted the following new and revised standards or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 1 (Revised)	Presentation of Financial Statements[3]
IAS 23 (Revised)	Borrowing Costs[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
IAS 39 (Amendment)	Eligible Hedged Items[4]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
IFRS 3 (Revised)	Business Combinations[4]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
IFRS 8	Operating Segments[3]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[5]
IFRIC 13	Customer Loyalty Programmes[6]
IFRIC 15	Agreements for the Construction of Real Estate[3]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[7]
IFRIC 17	Distributions of Non-cash Assets to Owners[4]
IFRIC 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2009

4 Effective for annual periods beginning on or after 1 July 2009

5 Effective for annual periods ending on or after 30 June 2009

6 Effective for annual periods beginning on or after 1 July 2008

7 Effective for annual periods beginning on or after 1 October 2008

8 Effective for transfers on or after 1 July 2009

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRS issued by the IASB. These policies have been consistently applied throughout the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided and services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of goods is recognized when the goods are delivered and title has passed.

Rental income from leasing of premises is recognized on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments including financial assets at fair value through profit or loss is recognized when the shareholders' rights to receive payment have been established.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rate that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realized. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Government grant

Government grants with no further related cost are recognized as income when they are unconditional and become receivable and are reported separately as other income.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Borrowing costs

All borrowing costs are recognized as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charges as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

Intangible assets

Research and development expenditure
Expenditure on research activities is recognized as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity.

The resultant asset is amortized on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortization and accumulated impairment losses. The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Investment properties
Investment properties are property held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognized.

Impairment on tangible assets
At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Financial instruments
Financial assets and financial liabilities are recognized on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets
The Group's financial assets are classified into either financial assets at fair value through profit or loss ("FVTPL") or loans receivables. All regular way of purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted are set out below.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from related parties, pledged bank deposits and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss
Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or has a recent actual pattern of short-term profit-taking.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;

- the receivables become past due for a long period of time;

For trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognized in profit or loss when there is objective evidence of impairment and is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account (if any). Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity
Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities
Financial liabilities (including trade payables, bills payable, other payables and accrued charges, amounts due to related parties, short term debenture and bank loans) are subsequently measured at amortized cost, using the effective interest method.

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

Derecognition
Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

Categories of financial instruments

	At 31 December		
	2006 RMB'000	2007 RMB'000	2008 RMB'000
THE GROUP			
Financial assets			
Held-for-trading investments	3,919	2,724	1,431
Loans and receivables (including bank balances and cash)	4,573,583	5,158,295	6,038,642
	4,577,502	5,161,019	6,040,073
Financial liabilities			
Amortized cost	7,514,353	7,275,457	9,327,293
THE COMPANY			
Financial assets – loans and receivables	–	–	4,054,670

Financial risk management objectives and policies
The Group's major financial instruments include trade receivables, other receivables and deposits, amounts due from related companies, pledged bank deposits, bank balances, trade payables, bills payables, other payables and accrued charges, amounts due to related parties, short-term debenture and bank loans. The Company's major financial instrument is amount due from a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Fair value interest rate risk
The Group's fair value interest rate risk relates primarily to its fixed-rate pledged bank deposits, bills payable, short-term debenture and bank loans (see note 24 for details of the pledged bank deposits and notes 27, 28 and 29 for details of these borrowings). The Group has not used any derivative contracts to hedge its exposure to interest rate risk.

Cash flow interest rate risk
The Group's cash flow interest rate risk relates primarily to variable-rate bank balances. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The sensitivity analysis below has been determined based on the exposure to interest rate at the reporting dates and the stipulated change taking place at the beginning of the respective financial year and held constant throughout the reporting periods. A 10 basis point represents management's assessment of possible change in interest rates.

At 31 December 2006, 2007 and 2008, if interest rate had been 10 basis points higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by approximately RMB3,251,000, RMB3,960,000 and RMB5,493,000 respectively.

Currency risk

The Group have certain trade receivables, bank balances and bank loans denominated in foreign currencies, hence expose to exchange rate fluctuations arise.

The Group has not entered into any forward contract to hedge against its foreign currency exposure. However, the management of the Group will consider to hedge these balances should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets at the reporting date is as follows:

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	**RMB'000**	**RMB'000**
Trade receivables			
United States Dollars ("USD")	129,396	97,399	74,878
EURO	62,018	31,138	6,125
Australian Dollars ("AUD")	–	22,561	29,194
Great Britain Pound ("GBP")	–	–	745
Bank balances and cash			
USD	8,001	12,954	12,581
EURO	1,244	5,877	11,314
AUD	–	1,140	5,585
GBP	–	–	3,873
Bank loans			
USD	16,227	53,497	33,148
EURO	12,756	16,776	–

Foreign currency sensitivity

The Group is mainly exposed to USD, EURO, AUD and GBP. The following table details the Group's sensitivity to a 5% strengthening of RMB against the respective foreign currencies. 5% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analyses of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. For a 5% weakening of RMB against the respective foreign currencies, there would be an equal and opposite impact on the profit.

	USD Impact At 31 December			EURO Impact At 31 December			AUD Impact At 31 December			GBP Impact At 31 December		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**	**2006**	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Decrease in profit	6,058	2,843	2,716	2,525	1,012	872	–	1,185	1,739	–	–	231

In the opinion of the directors of the Company, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the exposure at the respective balance sheet dates does not reflect the exposure during the periods.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 37.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Other than concentration of credit risks on deposits paid to a supplier included in other receivables, deposits and prepayments of RMB1,513,753,000 (2007: RMB377,775,000; 2006: RMB nil) and certain bank balances (including pledged bank deposits) of RMB3,707,452,000 (2007: RMB2,428,572,000; 2006: RMB1,650,483,000) which are deposited with a local bank in Liaoyang City, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse geographical areas.

The policy of allowances for doubtful debts of the Group is based on the evaluation of collectibility and ageing analysis of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the ageing status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognized on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Liquidity risk

The Group's liquidity position is monitored on a daily basis by the management and is reviewed monthly by the directors of the Company. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	0 to 90 days RMB'000	91 to 180 days RMB'000	181 days to 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amounts RMB'000
As at 31 December 2008								
Non-interest bearing	–	380,182	4,150,000	26,273	–	–	4,556,455	4,556,655
Fixed interest rate instruments	6.78	343,457	635,669	3,937,782	19,656	139,828	5,076,392	4,770,638
		723,639	4,785,669	3,964,055	19,656	139,828	9,632,847	9,327,293
As at 31 December 2007								
Non-interest bearing	–	1,933,314	602,042	–	–	–	2,535,356	2,535,356
Fixed interest rate instruments	6.29	991,968	2,260,936	1,384,280	295,217	–	4,932,401	4,740,101
		2,925,282	2,862,978	1,384,280	295,217	–	7,467,757	7,275,457
As at 31 December 2006								
Non-interest bearing	–	1,938,375	420,802	662	–	–	2,359,839	2,359,839
Fixed interest rate instruments	5.01	769,329	1,761,137	2,161,234	585,333	138,804	5,415,837	5,154,514
		2,707,704	2,181,939	2,161,896	585,333	138,804	7,775,676	7,514,353

Fair value

The fair value of financial assets and financial liabilities recorded at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The fair value of held-for-trading investments is based on the relevant price quoted from the brokers.

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bills payable, short-term debenture and bank loans, and disclosed in notes 27, 28 and 29 respectively and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits.

The Group's board of directors reviews the capital structure on a continuous basis. As a part of this review the board of directors considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts or the repayment of existing debts. The Group's overall strategy remains unchanged throughout the Relevant Periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation

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

6. REVENUE

	Year ended 31 December		
	2006	**2007**	**2008**
	RMB'000	**RMB'000**	**RMB'000**
Sales of aluminum products			
– for construction use	4,461,582	4,733,744	5,039,574
– for industrial use	1,613,643	2,787,522	6,224,855
	6,075,225	7,521,266	11,264,429

7. SEGMENT INFORMATION

Business segments

Each segment represents a strategic business unit that offers products which are subject to risks and returns different from other segments. The Group's two principal segments are:

(a) sales of aluminum products for construction markets ("Construction"); and

(b) sales of aluminum products for industrial markets ("Industrial").

The unallocated corporate assets are mainly other receivables, deposits and prepayments, pledged bank deposits and bank balances and cash which comprise 66.7%, 69.5% and 82.6% of the total unallocated corporate assets as at 31 December 2006, 2007 and 2008 respectively.

The raw materials purchased for productions are commonly used for both Construction and Industrial segments. Accordingly, the account payables or bills payable cannot be allocated by segment. The remaining liabilities are corporate liabilities which were unallocated either.

Consolidated income statement
For the year ended 31 December 2006

	Construction RMB'000	Industrial RMB'000	Consolidated RMB'000
Revenue	4,461,582	1,613,643	6,075,225
Segment result	601,136	508,410	1,109,546
Unallocated investment income and other income			60,875
Unallocated corporate expenses			(193,272)
Finance costs			(208,598)
Profit before taxation			768,551
Taxation			(217,125)
Profit for the year			551,426

Consolidated balance sheet
At 31 December 2006

	Construction RMB'000	Industrial RMB'000	Consolidated RMB'000
Assets			
Segment assets	2,686,661	789,975	3,476,636
Unallocated corporate assets			6,753,119
Consolidated total assets			10,229,755

Other information
For the year ended 31 December 2006

	Construction RMB'000	Industrial RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	156,872	294,422	665,599	1,116,893
Depreciation of property, plant and equipment	92,191	7,534	158,678	258,403
Depreciation of investment properties	–	–	1,410	1,410
Allowances for bad and doubtful debts in respect of trade receivables	1,532	–	–	1,532
Allowances for bad and doubtful debts in respect of other receivables	–	–	889	889
Loss on disposal of property, plant and equipment	–	8,308	123	8,431

Consolidated income statement
For the year ended 31 December 2007

	Construction RMB'000	Industrial RMB'000	Consolidated RMB'000
Revenue	4,733,744	2,787,522	7,521,266
Segment result	608,463	1,006,248	1,614,711
Unallocated investment income and other income			55,517
Unallocated corporate expenses			(207,293)
Finance costs			(289,585)
Profit before taxation			1,173,350
Taxation			(321,192)
Profit for the year			852,158

Consolidated balance sheet
At 31 December 2007

	Construction RMB'000	Industrial RMB'000	Consolidated RMB'000
Assets			
Segment assets	2,712,443	848,450	3,560,893
Unallocated corporate assets			7,451,865
Consolidated total assets			11,012,758

Other information
For the year ended 31 December 2007

	Construction RMB'000	Industrial RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	17,510	387,288	673,058	1,077,856
Depreciation of property, plant and equipment	104,176	28,624	130,551	263,351
Depreciation of investment property	–	–	1,410	1,410
Allowances for bad and doubtful debts in respect of trade receivables	528	29	–	557
Allowances for bad and doubtful debts in respect of other receivables	–	–	1,480	1,480
Gain (loss) on disposal of property, plant and equipment	–	7,523	(21,531)	(14,008)

Consolidated income statement
For the year ended 31 December 2008

	Construction RMB'000	Industrial RMB'000	Consolidated RMB'000
Revenue	5,039,574	6,224,855	11,264,429
Segment result	623,649	2,478,646	3,102,295
Unallocated investment income and other income			107,106
Unallocated corporate expenses			(278,867)
Finance costs			(286,573)
Profit before taxation			2,643,961
Taxation			(733,523)
Profit for the year			1,910,438

Consolidated balance sheet
At 31 December 2008

	Construction RMB'000	Industrial RMB'000	Consolidated RMB'000
Assets			
Segment assets	2,116,695	1,202,593	3,319,288
Unallocated corporate assets			9,541,787
Consolidated total assets			12,861,075

Other information
For the year ended 31 December 2008

	Construction RMB'000	Industrial RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to property, plant and equipment	–	368,849	131,578	500,427
Depreciation of property, plant and equipment	113,869	62,816	139,528	316,213
Depreciation of investment property	–	–	350	350
Allowances for bad and doubtful debts in respect of trade receivables	47	–	–	47
Allowances for bad and doubtful debts in respect of other receivables	–	–	8,814	8,814
Loss of disposal of property, plant and equipment	995	–	–	995

Geographical segments

More than 90% of the Group's revenue, profit before taxation, assets and liabilities were derived from and located in the PRC and, therefore, no geographical segments are presented.

8. INVESTMENT INCOME

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Interests on bank deposits	51,500	39,191	74,107
Dividend income from investments held for trading	119	2,871	–
	51,619	42,062	74,107

9. OTHER INCOME

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Government subsidies (Note)	5,362	3,235	12,660
Gain on sales of scrap materials and consumables	1,055	512	391
Rental income	623	1,171	142
Gain on disposal of leasehold land	–	7,360	–
Trademark income (Note 38)	–	–	19,806
Gain on change in fair value of investments held for trading	2,216	–	–
Waiver of accounts payable by the suppliers	–	1,177	–
	9,256	13,455	32,999

Note: The amounts mainly represent subsidies received from the Finance Bureau of Liao Yang City for subsidising the Group's expenditure in technological research and market development.

10. FINANCE COSTS

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Interests on borrowings wholly repayable within five years:			
– Bank loans	124,694	173,453	208,189
– Bills payable	82,739	65,256	22,712
– Short term debenture	1,165	50,876	55,672
	208,598	289,585	286,573

11. TAXATION

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
The charge comprises PRC Enterprise Income Tax			
Current taxation	217,125	321,192	683,523
Deferred tax charge (note 32)	–	–	50,000
	217,125	321,192	733,523

Zhongwang PRC is a wholly-owned foreign enterprise which carried out manufacturing activities in Liao Yang City of Liao Ning Province. Zhongwang PRC is qualified for a reduced tax rate of 27% during the three years ended 31 December 2007 in Liao Yang City where is a coastal economic open zone.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the tax rate from 27% to 25% for the Zhongwang PRC effective from 1 January 2008. The applicable tax rate for Zhongwang PRC for the year ended 31 December 2008 is 25%.

The taxation charge for the Relevant Periods can be reconciled to the profit before taxation per the consolidated income statement as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Profit before taxation	768,551	1,173,350	2,643,961
Taxation at the PRC income tax rate (2006 to 2007: 27%, 2008: 25%)	207,509	316,805	660,990
Tax effect of income not taxable for tax purpose	(32)	(775)	–
Tax effect of withholding tax on dividends	–	–	50,000
Tax effect of expenses not deductible for tax purpose	9,648	5,162	22,533
Taxation for the year	217,125	321,192	733,523

12. PROFIT FOR THE YEAR

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):			
Auditor's remuneration	250	250	270
Allowance for bad and doubtful debts in respect of trade receivables	1,532	557	47
Allowance for bad and doubtful debts in respect of other receivables	889	1,480	8,814
Cost of inventories recognized as expense	4,965,679	5,906,555	8,111,546
Write down of inventories included in cost of sales	–	–	50,588
Depreciation of property, plant and equipment	258,403	263,351	316,213
Depreciation of investment properties	1,410	1,410	350
Release of prepaid lease payments	2,133	2,313	1,526
Research and development costs	4,335	9,336	16,994
Loss on disposal of property, plant and equipment	8,431	14,008	995
Loss on change in fair value of investments held for trading	–	1,195	1,293
Net exchange losses	5,478	4,132	30,478
Operating lease rentals in respect of rented premises	4,046	3,777	741
Gross rental income from investment properties	(623)	(1,171)	(142)
Less: Direct operating expenses from investment properties that generated rental income during the year	1,415	1,475	350
	792	304	208
Staff costs (including directors' emoluments):			
Salaries and other benefits	53,637	66,653	80,569
Retirement benefits scheme contributions	5,057	5,686	6,676
	58,694	72,339	87,245

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Directors' emoluments			
Salaries and other benefits	237	254	4,652
Retirement benefit scheme contributions	8	8	14
	245	262	4,666

The emoluments of directors during the Relevant Periods are analysed as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Salaries and other benefits:			
Name of directors:			
Executive directors:			
Mr. Liu	70	70	1,202
Mr. Liu Zhongsuo (Note)	64	71	44
Mr. Zhong Hong	56	62	802
Mr. Chen Yan	47	51	802
Mr. Lu Changqing	–	–	802
Mr. Gou Xihui	–	–	802
Non-executive director:			
Ma Xiaowei	–	–	–
Independent non-executive directors:			
Wong Chun Wa	–	–	66
Wen Xianjun	–	–	66
Shi Ketong	–	–	66
	237	254	4,652

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Retirement benefit scheme contributions:			
Name of directors:			
Executive directors:			
Mr. Liu	2	2	3
Mr. Liu Zhongsuo (Note)	2	2	2
Mr. Zhong Hong	2	2	3
Mr. Chen Yan	2	2	2
Mr. Lu Changqing	–	–	2
Mr. Guo Xihui	–	–	2
Non-executive director:			
Ma Xiaowei	–	–	–
Independent non-executive directors:			
Wong Chun Wa	–	–	–
Wen Xianjun	–	–	–
Shi Ketong	–	–	–
	–	–	–
	8	8	14

Note: Mr. Liu Zhongsuo resigned as an executive director on 1 August 2008.

The five highest paid individuals included certain directors of the Group for the Relevant Periods, details of whose emoluments are included in the disclosure set out above. The emoluments of the remaining highest paid individuals were as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	177	256	N/A
Retirement benefit plan contributions	17	24	N/A
	194	280	N/A
Number of directors	2	1	5
Number of other employees	3	4	–
	5	5	5

The emolument of each individual during the Relevant Periods was within the emoluments band of less than HK$1,000,000.

During the Relevant Periods, no emolument was paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

14. DIVIDENDS

Pursuant to the directors' meeting on 18 October 2008, the Company declared dividend of RMB0.5 per share with an aggregate amount of RMB2,000,000,000 which was distributed to the immediate holding company, Zhongwang International Group Limited ("ZIGL") in April 2009.

In April 2009, the Company declared a final dividend of RMB0.25 per share with an aggregate amount of RMB1,000,000,000 which will be distributed to ZIGL.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the consolidated profit attributable to equity holders of the Company for each of the Relevant Periods and on the basis of 4,000,000,000 shares of the Company in issue and issuable as at the date of Prospectus.

There was no diluted earnings presented as there were no potential ordinary shares outstanding during the Relevant Periods.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2006	408,198	2,578,603	57,443	12,017	108,217	3,164,478
Transfer	182,825	390,217	9,652	851	(583,545)	–
Additions	139	85,603	10,283	2,269	1,018,599	1,116,893
Disposals	–	(418,397)	(2,285)	(669)	–	(421,351)
At 31 December 2006	591,162	2,636,026	75,093	14,468	543,271	3,860,020
Transfer	41,543	1,272,059	4,012	1,471	(1,319,085)	–
Additions	1,624	137,962	43	889	937,338	1,077,856
Disposals	(2,501)	(871,138)	(4,130)	(341)	–	(878,110)
At 31 December 2007	631,828	3,174,909	75,018	16,487	161,524	4,059,766
Transfer	6,436	206,257	2,982	6,010	(221,685)	–
Additions	4,825	29,724	2,163	3,335	460,380	500,427
Disposals	(178,130)	(35,266)	(12,899)	(104)	–	(226,399)
At 31 December 2008	464,959	3,375,624	67,264	25,728	400,219	4,333,794
DEPRECIATION						
At 1 January 2006	100,117	804,421	33,258	4,735	–	942,531
Charge for the year	18,346	228,589	9,999	1,469	–	258,403
Eliminated on disposals	–	(209,026)	(943)	(2)	–	(209,971)
At 31 December 2006	118,463	823,984	42,314	6,202	–	990,963
Charge for the year	26,414	226,865	8,374	1,698	–	263,351
Eliminated on disposals	(514)	(462,875)	(2,769)	(216)	–	(466,374)
At 31 December 2007	144,363	587,974	47,919	7,684	–	787,940
Charge for the year	23,013	283,033	7,296	2,871	–	316,213
Eliminated on disposals	(38,960)	(27,459)	(8,634)	–	–	(75,053)
At 31 December 2008	128,416	843,548	46,581	10,555	–	1,029,100
CARRYING VALUES						
At 31 December 2006	472,699	1,812,042	32,779	8,266	543,271	2,869,057
At 31 December 2007	487,465	2,586,935	27,099	8,803	161,524	3,271,826
At 31 December 2008	336,543	2,532,076	20,683	15,173	400,219	3,304,694

The above items of property, plant and equipment other than construction in progress are depreciated, after taking into account their estimated residual value, on a straight-line basis at the following rates per annum:

Buildings	4.5%
Machinery	9%
Motor vehicles	18%
Furniture, fixtures and equipment	18%

17. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2006, 31 December 2006 and 31 December 2007	31,346
Disposals	(31,346)
At 31 December 2008	–
DEPRECIATION	
At 1 January 2006	3,056
Depreciation provided for the year	1,410
At 31 December 2006	4,466
Depreciation provided for the year	1,410
At 31 December 2007	5,876
Depreciation provided for the year	350
Eliminated on disposals	(6,226)
At 31 December 2008	–
CARRYING VALUES	
At 31 December 2006	26,880
At 31 December 2007	25,470
At 31 December 2008	–

The fair values of the Group's investment properties including the prepaid lease payments were RMB38,740,000 and RMB43,910,000 at 31 December 2006 and 2007 respectively. The fair values as at the balance sheet dates have been arrived at based on a valuation carried out by Messrs. Savills Valuation and Professional Services Ltd., independent valuers not connected with the Group at the corresponding balance sheet dates. The valuation, which conforms to International Valuation Standards, was also determined by reference to recent market prices for similar properties.

The above investment properties were rented out under operating leases during the Relevant Periods.

The above investment properties were held under medium-term leases in the PRC and were depreciated on a straight-line basis over the term of 20 years.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Leasehold land in the PRC under medium-term leases	110,210	109,842	66,662
Analysed for reporting purpose:			
Current assets	2,327	2,370	1,472
Non-current assets	107,883	107,472	65,190
	110,210	109,842	66,662

19. INVENTORIES

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Raw materials	81,122	54,757	30,385
Work-in-progress	420,695	233,532	219,320
Finished goods	1,093,994	1,071,306	809,063
	1,595,811	1,359,595	1,058,768

20. TRADE RECEIVABLES

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Trade receivables	646,946	686,913	523,952
Less: Allowance for bad and doubtful debts	(8,264)	(219)	(47)
	638,682	686,694	523,905

The Group allows an average credit period of 90 days. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at each balance sheet dates:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
1 – 90 days	520,777	556,554	425,391
Over 90 days	117,905	130,140	98,514
	638,682	686,694	523,905

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. The directors also believe that there is no further credit provision required in excess of the allowance for doubtful debts.

As at 31 December 2006, 2007 and 2008, the trade receivables of RMB520,777,000, RMB556,554,000 and RMB425,391,000 respectively were neither past due nor impaired. These customers were reputable enterprises in certain cities of the PRC and no counterparty default was noted in the past.

As at 31 December 2006, 2007 and 2008, trade receivables of RMB117,905,000, RMB130,140,000 and RMB98,514,000 respectively were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	At 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000
91 – 180 days	63,849	115,275	92,818
181 – 365 days	5,514	728	3,525
Over 365 days	48,542	14,137	2,171
Total	117,905	130,140	98,514

Movement in the allowance for bad and doubtful debts

	At 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000
Balance at beginning of the year	6,732	8,264	219
Allowances for bad and doubtful debtors in respect of for trade receivables	1,532	557	47
Amounts written off as uncollectible	–	(8,602)	(219)
Balance at end of the year	8,264	219	47

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000
Other receivables, deposits and prepayments	1,256,917	1,219,596	2,386,851
Less: Allowance for bad and doubtful debts	(3,174)	(48)	–
	1,253,743	1,219,548	2,386,851

Included in the other receivables, deposits and prepayment are deposits paid to suppliers amounting to RMB710,880,000, RMB721,119,000 and RMB2,363,826,000 as at 31 December 2006, 2007 and 2008 respectively.

22. AMOUNTS DUE FROM/TO RELATED PARTIES

The Group

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	**RMB'000**	**RMB'000**
Amounts due from related parties			
Trading in nature			
Cheng Cheng Plastics Inc. ("CC Plastics") (Note 1)	1,348	–	–
Non-trading in nature			
Mr. Liu	24,650	19,650	16,631
Liaoyang Gang Long Chemicals Co., Ltd. ("GL Chemicals") (Note 1)	886	886	–
Liaoning Hong Cheng Vinyl Profile Co., Ltd. ("Hong Cheng") (Note 1)	123,633	–	5,539
Liaoyang Zhong Jie Clothing Co., Ltd. ("Zhong Jie ") (Note 1)	95	–	–
	149,264	20,536	22,170
Total amounts due from related parties	150,612	20,536	22,170
Amounts due to related parties			
Trading in nature			
Liaoyang Futian Chemical Co., Ltd. ("Futian Chemical") (Note 1)	9,364	–	–
Liaoyang Pengli Dies Co., Ltd. ("Pengli Dies") (Note 1)	84,186	–	–
	93,550	–	–
Non-trading in nature			
Hong Cheng	–	–	–
Liaoning Chengcheng Plastics Co., Ltd. ("Cheng Cheng") (Note 1)	–	–	–
Liaoyang Zhongwang Aluminum PVC Decoration Materials Co., Ltd. ("Lu Su Decoration") (Note 1)	2,634	131	–
Zhongwang Zhongtian Garment Co., Ltd. ("Zhongtian Garment") (Note 1)	2,211	10,304	320
Liaoyang City Aluminum Profile Product Co., Ltd. (Note 2)	1,551,037	1,551,037	–
	1,555,882	1,561,472	320
Total amounts due to related companies	1,649,432	1,561,472	320

The amounts were unsecured, non-interest bearing and were repayable on demand. The amounts due from or to related parties were fully settled as at the date of this report.

Notes:

Particulars of amounts due from related companies disclosed pursuant to section 161B of Companies Ordinance are as follows:

1. These are related companies of the Group which are beneficially owned by Mr. Liu. The maximum outstanding balance of these related companies and Mr. Liu during the Relevant Periods are stated as follows:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
CC Plastics	1,384	1,392	425
Mr. Liu	24,650	24,650	22,650
GL Chemicals	886	886	–
Hong Cheng	1,842,239	539,978	527,323
Zhongtian Garment	95	95	68
Futian Chemical	1,914	34,687	200,805
Cheng Cheng	426,994	636,162	917,061
Zhong Jie	95	–	–

2. This is the then shareholder of the Zhongwang PRC.

The credit terms granted by or to the related companies are 90 days.

The aged analysis of the amounts due from/to related companies which are trading in nature is stated as follows:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
0 to 90 days	437	–	–
91 to 180 days	905	–	–
181 days to 1 year	6	–	–
Amount due from a related company	1,348	–	–
0 to 90 days	48,193	–	–
91 to 180 days	–	–	–
181 days to 1 year	–	–	–
Over 1 year	45,357	–	–
Amounts due to related companies	93,550	–	–

23. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments represented mutual funds stated at fair value at each balance sheet.

24. PLEDGED BANK DEPOSITS

The deposits carry average effective interest rates of 2.12%, 2.88% and 3.78% per annum for each of the three years ended 31 December 2006, 2007 and 2008 respectively. The pledged bank deposits will be released upon the settlement of relevant bills payable.

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The deposits carry average interest rates of 0.72% 0.81% and 0.66% per annum for each of the three years ended 31 December 2006, 2007 and 2008 respectively.

26. TRADE PAYABLES

The average credit terms granted by the suppliers to the Group are 90 days. The following is an aged analysis of trade payables at the balance sheet dates:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
0 to 90 days	47,447	19,433	20,731
91 to 180 days	1,236	802	2,385
181 days to 1 year	1,035	583	1,380
Over 1 year	3,735	2,963	324
	53,453	23,781	24,820

27. BILLS PAYABLE

All the bills payable are repayable within 180 days. The bills payable are denominated in Renminbi. Certain bills payable carry average fixed discount rates of 3.0% and 5.5% per annum for each of the two years ended 31 December 2006 and 2007 respectively.

28. SHORT TERM DEBENTURE

The amounts as at 31 December 2006 and 2007 represented two distinct debentures recorded at amortized cost with principal value of RMB700,000,000 and RMB600,000,000 respectively with maturity of one year. The effective interest rates for the year ended 31 December 2006 and 31 December 2007 were 5.3% per annum and 4.9% per annum respectively. The amounts as at 31 December 2006 and 31 December 2007 were fully repaid in December 2007 and April 2008 respectively. During the year ended 31 December 2008, the Group has further issued two debentures of RMB1,000,000,000 each with maturity of one year. The average effective interest rate is 6% per annum.

29. BANK LOANS

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Within one year	1,746,973	2,636,262	2,640,638
In more than one year but not more than two years	500,000	260,000	–
In more than two years but not more than five years	130,000	–	130,000
Total bank loans	2,376,973	2,896,262	2,770,638
Less: Amounts due within one year shown under current liabilities	(1,746,973)	(2,636,262)	(2,640,638)
	630,000	260,000	130,000
Secured by machinery, buildings and prepaid lease payments of Zhongwang PRC	1,259,990	1,669,990	1,274,990
Guaranteed by related companies in which Mr. Liu has beneficial interests (Note)	1,016,983	1,046,272	–
Guaranteed by independent third parties	100,000	180,000	1,330,000
	2,376,973	2,896,262	2,604,990

Note:

Such guarantees were replaced by certain independent third parties in year 2008.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below.

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
USD	16,227	53,497	33,148
EURO	12,756	16,776	–

The bank loans carry average fixed interest rates of 6.65%, 7.29% and 7.30% per annum for each of the three years ended 31 December 2006, 2007 and 2008 respectively.

30. PAID-IN CAPITAL/SHARE CAPITAL

THE COMPANY

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary share of HK$0.1 each:			
Authorized			
On incorporation and at 31 December 2008	8,000,000,000	800,000	N/A
Issued			
On incorporation (Note a)	1	–	–
Issued on 31 January 2008 (Note b)	1	–	–
Issued on 13 June 2008 (Note c)	1	–	–
Capitalization on 22 July 2008 (note d)	3,999,999,994	400,000	350,877
Issued on 8 August 2008 (note e)	3	–	–
At 31 December 2008	4,000,000,000	400,000	350,877

For the purpose of the preparation of the consolidated balance sheet, the balances at 31 December 2006 and 2007 represented the paid-in capital of Zhongwang PRC. Pursuant to the Corporate Reorganization completed on 8 August 2008, the Company become the holding company comprising the Group.

THE GROUP

	As at 31 December		
Name of Company	2006	2007	2008
	RMB'000	RMB'000	RMB'000
The Company	–	–	350,877
Zhongwang PRC (Note d)	394,299	394,299	–
	394,299	394,299	350,877

Notes:

(a) On 29 January 2008, one subscriber share was issued to the Company's subscriber at par, and the said subscriber share was subsequently transferred to Zhongwang International Group Limited ("ZIGL"), the ultimate holding company of the Group, on the same date.

(b) In connection with the Corporate Reorganization, on 31 January 2008, the Company acquired the entire issued share capital of ZCIL (BVI) from ZIGL, and in consideration therefore, the Company issued one share at a consideration of HK$23,311.2 (equivalent to RMB22,000) to ZIGL.

(c) In connection with the Corporation Reorganization, ZCIL (HK) (an indirect wholly-owned subsidiary of the Company) accepted the transfer of 40% of the registered capital of Zhongwang PRC from Kong Lung Industrial Company Limited, the then shareholder of Zhongwang PRC, and, in connection therewith, the Company issued one share at a consideration of US$197,023,300 (equivalent to RMB1,360,328,000) to ZIGL on 13 June 2008.

(d) On 22 July 2008, the Company capitalized an amount of HK$399,999,999 (equivalent to RMB350,877,000) standing to the credit of its share premium account in paying-up in full 3,999,999,994 shares, each of which was subsequently alloted and issued to ZIGL.

(e) On 8 August 2008, the Company has issued 3 shares to ZIGL for an aggregate consideration of approximately US$295,500,000, equivalent to RMB2,026,927,000, which was credited to share premium account.

31. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2006 and 2007, certain plant and equipment amounting to RMB158,635,000 and RMB402,130,000 respectively were disposed of at a trade-in value which were deducted directly from the purchase price of the new equipment amounting to RMB149,000,000 and RMB393,500,000 respectively.

32. DEFERRED TAXATION

The following is the major deferred tax liability recognized and movement thereon during the current and prior years:

	Temporary difference arising from the withholding tax RMB'000
Charged to consolidated income statement for the year ended 31 December 2008 and at 31 December 2008 (note 11)	50,000

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of a PRC subsidiary as it is probable that the temporary difference will be reversed in the foreseeable future.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet dates, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December		
	2006 RMB'000	**2007 RMB'000**	**2008 RMB'000**
Within one year	3,660	4,392	292
In the second to fifth year inclusive	12,811	8,418	253
	16,471	12,810	545

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

The Group as lessor

At the balance sheet dates, the Group had contracted with tenants in respect of leasing of investment properties for the following future minimum lease payments:

	At 31 December		
	2006 RMB'000	**2007 RMB'000**	**2008 RMB'000**
Within one year	1,079	744	–
In the second to fifth year inclusive	1,053	309	–
	2,132	1,053	–

Leases are negotiated for a term ranged from one to three years and rentals are fixed for one to three years.

34. CAPITAL COMMITMENTS

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	564,059	297,976	197,144

35. PLEDGE OF ASSETS

Apart from the pledged bank deposits as disclosed in note 24, the Group had pledged certain buildings, prepaid lease payments and machinery to secure the bank loans granted to the Group and certain related companies at the respective balance sheet dates. The carrying values of the assets pledged are as follows:

	At 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Pledged for banking facilities granted to the Group:			
Buildings	148,579	354,666	–
Machinery	1,010,272	1,477,030	1,628,511
Prepaid lease payments	41,327	87,778	–
Inventories	–	–	471,732
	1,200,178	1,919,474	2,100,243
Pledged for banking facilities granted to related companies whose shareholders are close family members of Mr. Liu			
Buildings	16,673	5,943	–
Machinery	382,856	170,125	–
Prepaid lease payments	17,359	14,747	–
	416,888	190,815	–
Total:			
Buildings	165,252	360,609	–
Machinery	1,393,128	1,647,155	1,628,511
Prepaid lease payments	58,686	102,525	–
Inventories	–	–	471,732
	1,617,066	2,110,289	2,100,243

36. RETIREMENT BENEFIT PLAN

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

The amounts of contributions made by the Group in respect of the retirement benefit scheme during each of the Relevant Periods are disclosed in note 12.

37. CONTINGENT LIABILITIES

As at 31 December 2006 and 2007, the Group issued financial guarantees to banks in respect of banking facilities granted to certain related companies in which Mr. Liu has beneficial interest. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirely amounted to RMB751,000,000 and RMB544,000,000 respectively, of which all of them have been utilized by the related companies. Such guarantees were replaced by certain independent third parties in year 2008.

38. RELATED PARTY TRANSACTIONS

Apart from amounts due from/to related parties as set out in note 22, during the Relevant Periods, the Group had entered into the following significant transactions with related companies in which Mr. Liu has beneficial interests:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Sales to related companies			
Lu Su Decoration	5,983	18,056	–
CC Plastics	1,350	1,232	409
Kong Long Industrial Company Limited (Note 1)	1,937	587	–
	9,270	19,875	409
Purchases from related companies			
Futian Chemical	26,554	71,130	77,896
Pengli Dies	99,768	143,895	33,233
Lu Su Decoration	–	6,031	–
GL Chemicals	143	–	–
Cheng Cheng	6,773	5,725	6,394
	133,238	226,781	117,523

	Year ended 31 December 2008 RMB'000
Purchase of property, plant and equipment from related companies (Note 2):	
Pengli Dies	18,932
Disposal of property, plant and equipment to related companies (Note 2):	
Zhongtian Garment	14,142
Futian Chemical	35,201
Cheng Cheng	33,791
Hong Cheng	55,199
	138,333
Disposal of leasehold land to related companies (Note 2):	
Futian Chemical	3,462
Cheng Cheng	14,398
Hong Cheng	32,378
	50,238
Disposal of investment properties to a related company (Note 2):	
Hong Cheng	25,120

Pursuant to an agreement for the use of trademark dated 20 May 2008 between Zhongwang PRC and Hong Cheng, Zhongwang PRC has agreed to grant Hong Cheng the right to use the Zhongwang trademark in the PRC. During the year ended 31 December 2008, Trademark income received from Hong Cheng is RMB19,806,000.

The directors of the Company considered that the directors and the five highest paid individuals are the key management of the Group, whose emoluments have been disclosed in note 13.

Certain related companies provided guarantees for banking facilities granted to the Group. Details are set out in note 29.

The Group provided guarantees for banking facilities granted to certain related companies. Details are set out in note 37.

Notes:

1. This is the then shareholder of Zhongwang PRC.

2. The consideration of purchase or disposal of property, plant and equipment, leasehold land and investment properties is equivalent to the net book values on the relevant date of purchase or disposal.

39. INVESTMENT IN A SUBSIDIARY

The amount represents the investment cost of investing in ZCIL (BVI) as a result of the Corporate Reorganization. Details are set out in notes (b) and (c) of note 30.

40. AMOUNT DUE FROM A SUBSIDIARY

The portion under non-current assets represents advance to a ZCIL (BVI) which is unsecured, interest free and is expected to be repaid after one year. The portion under current assets represents dividend receivable from ZCIL (BVI) as at 31 December 2008.

41. RESERVES OF THE COMPANY

	Share premium RMB'000	Surplus RMB'000	Total RMB'000
At date of incorporation	–	–	–
Issue of shares on 31 January 2008 (note 30)	22	–	22
Issue of shares on 13 June 2008 (note 30)	1,360,328	–	1,360,328
Capitalization of share premium (note 30)	(350,877)	–	(350,877)
Issue of shares on 8 August 2008 (note 30)	2,026,927	–	2,026,927
Profit for the year	–	2,000,000	2,000,000
Dividends	–	(2,000,000)	(2,000,000)
At 31 December 2008	3,036,400	–	3,036,400

42. PRE-IPO SHARE OPTION SCHEME

Pursuant to an ordinary resolution of the board of directors passed on 17 April 2008, a pre-IPO share option scheme (the "Scheme") was conditionally approved and adopted to provide grantees with the opportunity to acquire proprietary interest in the Company and to recognize the contribution of certain members of the senior management and employees of the Group.

The exercise of the pre-IPO share options is conditional on:

(i) the listing committee granting approval for the listing of and permission to deal in the shares of the Company which may fall to be issued pursuant to the exercise of the options granted under the Scheme; and

(ii) the commencement of the dealings in the shares of the Company on the Stock Exchange, and is subject to the vesting conditions set out below.

The above pre-IPO share options have been granted on the condition that they are valid for a period ending on the date before the fifth anniversary of the listing date ("Pre-IPO Share Option Term"). With respect to each of the five consecutive anniversary of the listing date; a grantee shall be entitled to exercise his option to subscribe for up to 20% of the total number of the shares of the Company under option ("Vested Shares") during such period.

In the event that an option holder shall not have exercised his option for the full amount of the Vested Shares for the relating vesting period (the unexercised portion of the Vested Shares shall be referred to as the "Unexercised Vested Shares"), the option shall continue to be exercisable in respect of such Unexercised Vested Shares during the rest of the Pre-IPO Share Option Term.

The subscription price per share under the Scheme is HK$2. Since no further options can be granted under the Scheme, there is no provision limiting the maximum number of options that may be granted to any individual grantee or refreshing the limit for grant of options under the Scheme.

A summary of the grantees who have been granted pre-IPO share options is set out below:

Category	Number of share options granted on 17 April 2008 and 31 December 2008
Directors	8,300,000
Employees	32,100,000
Total	40,400,000

In the opinion of the directors of the Company, the successful listing of the Company's shares on the Stock Exchange cannot be assured with certainty as at 31 December 2008. Accordingly, no share-based payment expense is recognized in the consolidated income statement.

The fair value of pre-IPO share option being granted is RMB105,226,000 and was calculated using the binominal option pricing model by an independent valuer, Savills Valuation and Professional Services Limited. The inputs into the model are as follows:

Estimated share price	HK$4.7
Exercise price	HK$2
Expected volatility	58%
Expected life	5.6 years
Risk-free interest rate	2.2%
Expected dividend yield	2.5%

Expected volatility was determined by using the historical volatility of the price return of the ordinary shares of comparable companies.

Because the binominal tree option price model requires the input of highly subject assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

(B) ULTIMATE HOLDING COMPANY

Prior to the completion of the Corporation Reorganization, the then ultimate holding company of the companies comprising the Group was Liaoyang City Aluminum Profile Manufacturing Factor. On 8 August 2008, the Corporate Reorganization was completed and since then, ZIGL, a company incorporated in the British Virgin Islands, has become the ultimate holding company of the Company.

(C) SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2008:

The Group has settled the dividend payable of RMB2,000,000,000 to ZIGL in April 2009.

In April 2009, the Company declared a final dividend of RMB0.25 per share with an aggregate amount of RMB1,000,000,000 which will be distributed to ZIGL.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2008.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong