
OUR HISTORY AND CORPORATE STRUCTURE

INTRODUCTION

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on January 29, 2008.

Our Company's subsidiaries include ZCIL (BVI), ZCIL (HK) and Zhongwang PRC, all being wholly-owned subsidiaries. ZCIL (BVI) and ZCIL (HK) were incorporated on June 20, 2007 and November 30, 2007, respectively. They are both investment holding companies and were established for the purpose of holding our Company's interest in Zhongwang PRC.

Zhongwang PRC is the sole operating company within our Group, and is engaged in our principal business of the production of quality aluminum extrusion products and the sale of such products in the PRC and overseas markets.

OUR HISTORY

Zhongwang PRC obtained the approval for its establishment as a Sino-foreign equity joint venture company from Liaoyang City Foreign Economic & Trade Commission (遼陽市對外經濟貿易委員會) on January 3, 1993, and its business license was issued on January 18, 1993. Zhongwang PRC was then permitted to carry on the business of the production and sale of aluminum profiles. Upon its establishment, and until immediately prior to the Reorganization, Mr. Liu, through Liaoyang Factory, held 60% of Zhongwang PRC's registered capital and, through Vily Won, and then subsequently through Kong Lung, held 40% of Zhongwang PRC's registered capital. Accordingly, from Zhongwang PRC's establishment until implementation of the Reorganization, Mr. Liu was indirectly interested in 100% of the registered capital of Zhongwang PRC.

After its establishment in 1993, Zhongwang PRC commenced trial production of aluminum profiles for the manufacture of door frames and window frames for use in the property construction industry in the same year, and launched its products in the PRC market in 1994.

Between 1996 and 1998, Zhongwang PRC embarked on its first major production capacity expansion by adding various 6MN to 12.5MN aluminum extrusion production lines to its facilities. Zhongwang PRC continued to expand its production capacity for the manufacture of construction aluminum extrusion products from approximately 100,000 tons of aluminum extrusion products in 1996 to approximately 300,000 tons of aluminum extrusion products in 2001.

Prior to 1999, Zhongwang PRC sold its products principally through direct sales in China, and between 1999 and 2000, in conjunction with its direct sales efforts, Zhongwang PRC started to establish its nationwide network of distributors to sell its products.

In 2001, with a view to entering the higher-end aluminum door frames and window frames market, Zhongwang PRC established a vertical electrophoresis powder coating line and a PVDF coating line with equipment imported from Italy, and commenced commercial production of such products in the same year.

From 2002 to 2005, Zhongwang PRC completed the installation of additional vertical and horizontal electrophoresis powder coating lines using production equipment manufactured in Italy, Switzerland and Japan.

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In 2002, Zhongwang PRC began to implement its strategy of diversifying into the industrial market for aluminum extrusion products and established its industrial extrusion products capability by installing a 36MN extrusion production line with equipment manufactured in Germany with an initial designed production capacity of approximately 21,600 tons per year.

In 2003, Zhongwang PRC entered the high-end construction materials market and commenced sales of aluminum extrusion products for the manufacture of curtain wall systems to be used in upscale buildings and structures. In the same year, it also became a member of the Metals Service Center Institute of the United States, whose members constitute the single largest group of metals purchasers in North America. In the same year, Zhongwang PRC products were also granted an exemption from quality inspection by the PRC government. In November 2003, Zhongwang PRC stepped up its efforts to enter the industrial market for aluminum extrusion products by commencing operation of a new 36MN aluminum extrusion production line.

In 2004, Zhongwang PRC was renamed Liaoning Zhongwang Group Co., Ltd. (遼寧忠旺集團有限公司), and the “忠旺” (“Zhongwang”) brand was recognized as a “China Well-known Trademark” (中國馳名商標) by the Trademark Office of the SAIC. The “Zhongwang” branded products were also recognized as “China Prestigious Product” (中國名牌產品) by the AQSIQ. In the same year, we commenced our export business and exported our aluminum extrusion products to the United States market.

In 2005, Zhongwang PRC began to supply aluminum extrusion products for the transportation market to various entities regulated by the MOR for the manufacture of train body frames and power transmission tracks. It also commenced exports of aluminum extrusion products to the German and Australian markets in the same year.

Zhongwang PRC continued to upgrade its production capability for the manufacture of industrial aluminum extrusion products. In 2006, its 31.5MN oil-pressure dual-motion aluminum extrusion production machine (油壓雙動鋁擠壓機) and 75MN oil-pressure single-motion aluminum extrusion production machine (油壓單動鋁擠壓機) commenced production.

In 2007, Zhongwang PRC obtained Det Norske Veritas’s (DNV) accreditation for the supply of aluminum extrusion products for the manufacture of, among other things, vessels, and it commenced export of such products to Australia in the same year. DNV is an independent, autonomous foundation with the purpose of safe-guarding life, property and the environment. DNV serves customers in maritime, oil and gas industries worldwide as well as other business segments such as the food and beverage industry, automotive and IT and telecoms sector. DNV is one of the world’s largest ship classification societies and is authorized to act on behalf of some 80 national maritime authorities. As part of the classification process, DNV also certifies all materials, components and systems relevant to safe operation and quality of ships. DNV design assessment, type approvals and production assessments to ensure that systems and components are fit for their purpose, and fulfil the requirements of the DNV rules or specific recognized standards. The obtaining of the DNV approval of manufacturer certificate by Zhongwang PRC means that our aluminum extrusion products have satisfied the standard specified by DNV. Such certificate assists us in marketing and selling our aluminum extrusion products to overseas ship manufacturers.

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Zhongwang PRC continued with its production capability upgrade, and its 55MN aluminum extrusion production line commenced production in 2007. Furthermore, its 125MN oil-driven dual-action aluminum extrusion production machine (油壓雙動鋁擠壓機) (which, as of the Latest Practicable Date, was the largest of its kind in the PRC and one of the most technologically advanced in the world) commenced trial production in 2007 and commenced production in 2009.

On February 28, 2008, pursuant to the Reorganization, the entire registered capital of Zhongwang PRC was transferred to ZCIL (HK) (our wholly-owned subsidiary), and Zhongwang PRC became a wholly foreign-owned enterprise on April 16, 2008. In June 2008, the installation of a 20MN extrusion production line and a 27.5MN extrusion production line was completed. As of the Latest Practicable Date, we had an aggregate production capacity of over 535,000 tons of aluminum extrusion products per annum.

OUR CORPORATE REORGANIZATION

The companies comprising our Group underwent a reorganization to rationalize our corporate structure in preparation for the Listing, and as a result, our Company became the holding company of our Group. The Reorganization involved the following steps:

- (i) On January 31, 2008, ZIGL transferred the entire issued capital of ZCIL (BVI) (which held the entire issued share capital of ZCIL (HK)) to our Company;
- (ii) On February 28, 2008, Kong Lung entered into an agreement to transfer 40% of Zhongwang PRC's registered capital to ZCIL (HK);
- (iii) On February 28, 2008, Liaoyang Factory entered into an agreement to transfer 60% of Zhongwang PRC's registered capital to ZCIL (HK). Such transfer was approved by the Liaoning Provincial Bureau of the Foreign Trade and Economic Commission (遼寧省對外貿易經濟合作廳) (the local commission of Ministry of Commerce of the PRC, being the original approving authority for Zhongwang PRC) on March 17, 2008 under the approval entitled Approval for the Alteration of the Names of the Investors, the Transfer of Equity and the Re-registration as a Wholly Foreign Owned Enterprise of Liaoning Zhongwang Group Limited (《關於遼寧忠旺集團有限公司投資者更名及股權轉讓並變更為獨資公司的批覆》) pursuant to the Provisions for the Alteration of Investors' Equities in Foreign-invested Enterprises 《外商投資企業投資者股權變更的若干規定》;
- (iv) On March 26, 2008, Zhongwang PRC entered into an agreement to acquire the machinery and equipment for the manufacture of the dies used in the forming of aluminum extrusion products from Pengli Dies; and
- (v) On March 13, 2008, Zhongwang PRC entered into agreements to transfer certain office premises and buildings and the related land (being properties used solely for the purposes of the respective transferees) to Hong Cheng, Cheng Cheng, Futian Chemical and Zhongtian Garment (being associates of Mr. Liu) with a total floor area of approximately 139,094 sq.m. and an aggregate site area of approximately 960,504 sq.m., respectively.

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For the purpose of completing the acquisition of Zhongwang PRC as mentioned above in connection with the Reorganization, ZIGL issued the Olympus Exchangeable Notes to Olympus Alloy and obtained the Term Loan from Scuderia Capital. The proceeds of the issue of the Olympus Exchangeable Notes and the Term Loan amounted to US\$300.0 million. All the proceeds of the issue of the Olympus Exchangeable Notes and the Bridging Portion of the Term Loan were used by ZIGL to subscribe for Shares, and such proceeds of issue of Shares were then lent by our Company, through ZCIL (BVI), as a shareholder's loan to ZCIL (HK), which then applied the same toward payment of the purchase consideration of approximately US\$295.5 million for the acquisition of Zhongwang PRC. Both Olympus Alloy and Scuderia Capital are not connected persons of our Company. The balance of the proceeds of the Term Loan was retained by ZIGL.

(a) Olympus Exchangeable Notes

Set out below is a summary of certain of the principal terms of the Olympus Exchangeable Notes:

Issuer:	ZIGL
Subscriber:	Olympus Alloy
Principal amount:	US\$100,000,000
Date of issue:	August 8, 2008
Interest:	Interest rate shall be 0% per annum during the first year after the issue date of the Olympus Exchangeable Notes, being August 8, 2008, (the "Olympus Note Issue Date"); 3% per annum during the second year after the Olympus Note Issue Date; 5% per annum during the third year after the Olympus Note Issue Date; and 8% per annum thereafter. Interest accrues daily until the earlier of (a) the date the Olympus Exchangeable Notes are redeemed in full and (b) the date of completion of the Listing.
Payment of interest:	Interest shall be paid in cash upon redemption. If the Olympus Exchangeable Notes are exchanged for Shares, the holder(s) thereof (the "Note Holder") may elect to exchange the accrued interest thereon for Shares or be paid in cash.
Maturity date:	The third anniversary of the Olympus Note Issue Date, which is extendable by one year at the option of the Note Holder holding, collectively, at least 51% of the Olympus Exchangeable Notes outstanding.

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Redemption:

The Olympus Exchangeable Notes shall be redeemed on the Maturity Date, but the Note Holder shall also be entitled to serve a redemption notice upon certain events as stated in the terms of the Olympus Exchangeable Notes, which include, *inter alia*:

- (i) any event after which Mr. Liu will cease to hold a majority of the shares of ZIGL, or ZIGL will cease to hold a majority of the shares of our Company, or our Company will indirectly cease to hold a majority of the registered capital interest in Zhongwang PRC, or there is a transfer of all or substantially all the assets of Zhongwang PRC to any entity outside the Group (each, a “Change of Control”);
- (ii) if the initial public offering undertaken by our Company is not a Qualifying IPO. The term “Qualifying IPO” means an initial public offering (a) immediately following the completion of which not less than 25% of the Shares then in issue are publicly traded in a freely convertible currency and (b) in which the Shares to be delivered upon exchange of the Olympus Exchangeable Note are listed and can be publicly traded without restriction after the expiration of a Lock-Up Period. “Lock-Up Period” means the period during which the sale or transfer of Shares into which the Olympus Exchangeable Notes are exchangeable is prohibited or restricted pursuant to applicable laws, regulations or stock exchange rules or lock-up agreements required by the underwriters. Under the Hong Kong Listing Rules, ZIGL is not permitted to transfer any Shares to Olympus Alloy within a period of six months after the Listing, and therefore such six month period after the Listing shall be the “Lock-Up Period.” The relevant transfer restrictions are a voluntary arrangement agreed between ZIGL and Olympus Alloy; and
- (iii) the occurrence of an event of default.

Redemption price:

The principal amount (or any portion thereof) of the relevant Olympus Exchangeable Note plus then accrued interest and a premium equal to an amount which, together with the said principal and interest, would achieve an internal rate of return of 15% for the relevant Note Holder.

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Exchange rights: The Note Holder shall, after the Lock-up Period, have the right to exchange all or part of the principal and/or interest accrued thereon into Shares at the Exchange Price (as defined below) until the Olympus Exchangeable Notes have been fully redeemed.

Exchange price: Subject to the anti-dilution adjustments described below, the price at which the Olympus Exchangeable Notes can be exchanged for Shares (the "Exchange Price") is determined based on the timing of the Listing with respect of the Olympus Note Issue Date as follows:

**Timing of Listing from the
Olympus Note Issue Date**

Exchange Price

Within 365 days	80% of the Offer Price
366 days to 549 days	71.6% of the Offer Price
550 days to 730 days	64% of the Offer Price
731 days to 914 days	57.2% of the Offer Price
915 days to 1,095 days	51.2% of the Offer Price
More than 1,095 days	45.8% of the Offer Price

The above Exchange Prices were determined after arms' length negotiations between ZIGL and Olympus Alloy. We understand from ZIGL that the Exchange Price reflects Olympus Alloy's own estimation of its return on investment, in which Olympus Alloy has taken into account the investment risk involved, including its perception of the prospects of the initial public offering of our Company, the cost of funds of Olympus Alloy and the return on fair value of our Company at the time of the investment, when calculating the Exchange Price, and ZIGL found the proposed Exchange Price from Olympus Alloy agreeable.

We understand from ZIGL that the range of discounts reflects the investment risks assumed by Olympus Alloy, because the longer the period of time between the date of investment and the eventual Listing, the more uncertain the likelihood and results of the Global Offering are, hence, the rate of discount increases with time.

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On the basis that the Listing will become effective on May 8, 2009 and assuming the Offer Price will be fixed at HK\$6.80 (being the lowest indicative Offer Price stated in this prospectus) and assuming that the Over-allotment Option will not be exercised, none of the Pre-IPO Share Options will be exercised and no options will be granted under the Share Option Scheme and that no further Shares will be issued or repurchased by our Company, upon the full exchange of the principal amount of the Olympus Exchangeable Notes (without interest) at the rate of exchange of US\$1.0 to HK\$7.8, the maximum number of Shares that Olympus Alloy would receive on the date six months after the date of the Listing would be 143,382,352 Shares, representing approximately 2.7% of our Company's total Shares issued and outstanding upon completion of the Global Offering.

As the maximum number of Shares that Olympus Alloy would receive on the date six months after the date of the Listing would be 143,382,352 Shares, representing approximately 2.7% of our Company's total issued Shares (based on the assumptions stated above), such Shares held by Olympus Alloy upon exchange will be regarded as Shares held by the public under the Hong Kong Listing Rules because:

- (a) both Olympus Alloy and Olympus Capital are not connected persons of our Company;
- (b) Olympus Alloy will also not be a substantial shareholder of our Company after the exchange of the Olympus Exchangeable Notes in full on the basis as stated above and will not therefore become a connected person of our Company; and
- (c) the investment by Olympus Alloy was not financed by any connected person of our Group and such investment is for its own interest and benefit.

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We understand that ZIGL commenced discussions with a number of potential investors with regard to an investment in our Company solely for the purpose of facilitating the completion of the Reorganization in October 2007. In February 2008, Olympus Capital entered into a memorandum of understanding with ZIGL. Due to the recent financial turmoil in the global markets, in particular the credit crunch prevailing during the course of 2008, the negotiations between ZIGL and Olympus Alloy took much longer than was originally expected. At the same time, ZIGL also held discussions with other potential investors in parallel with Olympus Alloy. An investment agreement between ZIGL and Olympus Alloy was eventually entered into on July 23, 2008. Olympus Alloy paid the investment amount in full on August 8, 2008.

We understand from ZIGL that Olympus Alloy's investment was not conditional on any milestones benchmarked to our Company's listing approval process, and consider that at the time when Olympus Alloy completed its investment:

- (i) there was no assurance that the Listing Committee would approve the Listing; and
- (ii) there was a time period of uncertain duration between Olympus Alloy investing in the Olympus Exchangeable Notes and the Listing Committee's approval of the Listing, and during such period the global financial markets continued to face immense uncertainty.

We further consider that without the funds provided by Olympus Alloy, our Company would not be able to complete the Reorganization and there would not be a group structure and a business for the other public investors to invest in or for our Company to apply to the Hong Kong Stock Exchange for the Listing.

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Thus, we consider that the investment risks assumed by Olympus Alloy are real and different from those of the investors under the Global Offering. For the investors participating in the Global Offering, they are not exposed to the above risks/uncertainties assumed by Olympus Alloy between the date of its investment in the Olympus Exchangeable Notes and the Global Offering, because their applications for the Shares will only be accepted and they become holders of Shares in the event the Listing is consummated, whereas they will be refunded with their application moneys in full if the Global Offering fails to become unconditional. Therefore, the investors under the Global Offering are not exposed to the investment risks applicable to Olympus Alloy.

Anti-dilution adjustment:

The Exchange Price, the number and type of securities to be received upon exchanged shall be subject to the following adjustments:

- (i) at any time after the Listing but prior to the exchange of the Olympus Exchangeable Notes, in the event that our Company undertakes a capitalization issue (other than a scrip dividend), or the Shares are subdivided, combined or reclassified, the Exchange Price shall be adjusted such that the Note Holder shall be entitled to receive the Shares or other securities that the Note Holder would have been entitled to receive had the Exchangeable Notes been exchanged immediately prior to such occurrence of the event; and
- (ii) at any time or from time to time prior to the exchange of the Olympus Exchangeable Notes, in the event that our Company issues or sells Shares at a price below the Exchange Price, the Exchange Price shall immediately be lowered to match the relevant issue price or sale price.

We understand from ZIGL that the anti-dilution adjustment mechanism is for the purpose of protecting the interests of the holder of the Olympus Exchangeable Notes and the value of the underlying conversion right.

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Restriction on transfer:

The Olympus Exchangeable Notes are subject to the following transfer restrictions:

- (i) the Olympus Exchangeable Notes are not transferable prior to the expiry of the Lock-Up Period, except for (a) a transfer to any affiliate of the Note Holder, or (b) a pledge in connection with any debt financing obtained by the Note Holder and a transfer upon the enforcement of such pledge resulting from an event of default, or (c) a transfer following a Change of Control, or (d) a transfer following the occurrence and during the continuance of an event of default;
- (ii) after the first anniversary of the Olympus Note Issue Date, the Note Holder shall have the right to transfer up to 49% of the principal amount to its shareholders, provided that at all times prior to the second anniversary of the Olympus Note Issue Date, all rights of any Note Holder of the Olympus Exchangeable Notes shall be exercisable solely through Olympus Alloy;
- (iii) after the second anniversary of the Olympus Note Issue Date, the Olympus Exchangeable Notes shall be freely transferable; and
- (iv) the Olympus Exchangeable Notes are subject to the ZIGL's right of first refusal under the Olympus Exchangeable Note Purchase Agreement as described below.

The term "affiliate" includes (i) any shareholder of the Note Holder, (ii) any of such shareholder's general partners or limited partners, (iii) the fund manager managing such shareholder (and general partners, limited partners and officers thereof), (iv) the spouses, lineal descendants and heirs of individuals referred to in (ii) and (v) trusts controlled by or for the benefit of any such individuals referred to in (ii), (iii) or (iv).

Restriction on the use of proceeds:

The proceeds of the Olympus Exchangeable Notes were required to be applied towards the payment of the consideration in the acquisition of the 60% registered capital in Zhongwang PRC.

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Security document:

The Share Charge was given by ZIGL for the benefit of the Note Holder in respect of Shares, which initially represented 10% of the issued share capital of our Company as at the completion of the Olympus Exchangeable Note Purchase Agreement, and, after the Listing, the number of Shares subject to the Share Charge will be adjusted such that only the amount of Shares equal to the number of Shares into which the Olympus Exchangeable Notes may be exchanged pursuant to their terms will continue to be subject to such charge.

ZIGL held 90% of the issued share capital of our Company (without taking into account the Shares charged to Olympus Alloy under the Share Charge) as at the completion of the Olympus Exchangeable Note Purchase Agreement and remained as our majority shareholder prior to the Listing.

Certain other rights of the Note Holder under the Olympus Exchangeable Notes Purchase Agreement are as follows:

Appointment of Director:

Prior to the Listing, the Note Holder has the right to require ZIGL to procure the appointment of its nominee and, pursuant to an exercise of such right, Mr. Ma Xiaowei has been appointed a Director. Such right will cease upon the Listing.

Our Director appointed by the Note Holder shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest, and such Director shall also excuse himself from any meeting or part of any meeting of the Board and shall not participate in any discussion in respect of any resolution where any contract or arrangement or other proposal in which he or any of his associates has a material interest is discussed or resolved, unless his attendance or participation at such meeting of the Board is specifically requested by the remaining Directors, unless otherwise provided in the Articles.

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Restriction on transfer of Shares by ZIGL and by Mr. Liu and rights offer:

Until at least 95% of the principal amount of the Olympus Exchangeable Notes have been redeemed or exchanged:

- (i) in the first 18 months after the completion of the Listing, ZIGL shall not sell or transfer Shares unless after such sale or transfer its shareholding in our Company will continue to constitute at least 51% of the Shares outstanding on a fully diluted basis, free and clear of all encumbrances (other than the Share Charge); and thereafter, ZIGL shall not sell or transfer Shares unless ZIGL remains the largest single shareholder of our Company, owning more than $33\frac{1}{3}\%$ of the Shares outstanding on a fully diluted basis, free and clear of all encumbrances (other than the Share Charge), and that the market capitalization of our Company will be at least US\$1 billion;
- (ii) in the first 18 months after the completion of the Listing, Mr. Liu shall indirectly through ZIGL own at least 51% of the Shares outstanding on a fully diluted basis, free and clear of all encumbrances (other than the Share Charge); and thereafter, Mr. Liu shall indirectly through ZIGL own at least $33\frac{1}{3}\%$ of the Shares outstanding on a fully diluted basis, free and clear of all encumbrances (other than the Share Charge);
- (iii) ZIGL shall maintain net asset value at least equal to, and a combination of unencumbered Shares, Shares pledged to the Note Holder(s) under the Share Charge and/or cash with an aggregate value at least equal to, the full amount payable to the Note Holder(s) at maturity; and
- (iv) in the event that our Company conducts any rights offering, the Note Holder shall be given an opportunity to subscribe or purchase from ZIGL on a pro rata basis on the same terms as offered to other shareholders of our Company.

The foregoing provisions will survive the Listing.

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Tag-along right:	Subject to the transfer restrictions mentioned above, in a proposed sale or transfer of Shares by ZIGL, where the proceeds of sale thereof would, when aggregated with those of all other sales made within their 12 month period, exceed an aggregate consideration of US\$200 million, the Note Holder shall have the right to require ZIGL to procure the proposed transferee to purchase Shares at the same price and on the same terms on a pro rata basis. Such right will survive the Listing.
Right of first refusal:	If any Note Holder proposes to transfer any Olympus Exchangeable Notes or Shares issued upon the exchange of the Olympus Exchangeable Notes to any competitor (as defined in the Olympus Exchangeable Note Purchase Agreement) of our Company, ZIGL shall have a right of first refusal to purchase such notes or shares. Such right will survive the Listing.
Information Rights:	Prior to the Listing, the Note Holder is entitled to receive from the Company periodic financial information. The Note Holder also has the right to request for information regarding operations, business affairs and financial condition of the Group as well as information and documents relating to the preparation of the Listing. Such right will cease upon the Listing.

Olympus Capital is a private equity firm with offices in Hong Kong, Shanghai, Tokyo, New Delhi, Seoul and New York. It specializes in partnering with Asian shareholders and management teams to expand their businesses regionally and globally. Since its establishment in 1997, Olympus Capital has invested approximately US\$1.3 billion on behalf of funds and co-investors in 29 portfolio companies (including through ZIGL in our Company) throughout Asia. Olympus Capital's target industry sectors include manufacturing, agribusiness, business services, environmental services and financial services. Olympus Capital's investor base includes a wide range of institutions and high net worth families from North America, Asia, Europe and the Middle East. Olympus Alloy is a special purpose vehicle set up by Olympus Capital for the purpose of investing in the Olympus Exchangeable Notes. Olympus Alloy is beneficially owned by Olympus Capital Asia III, L.P. and its parallel funds, as well as certain co-investors with whom Olympus Capital has relationships with.

Save for the fact that Olympus Alloy has nominated the appointment of Mr. Ma Xiaowei as a non-executive Director, neither Olympus Alloy, nor its direct shareholder, namely Olympus Capital or its indirect shareholders, or their respective directors are connected persons of our Company.

We believe that Olympus Alloy is a reputable institutional investor and the introduction of Olympus Alloy will enhance our corporate governance and provide new contacts for business opportunities.

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The Olympus Exchangeable Notes entitle the Note Holder to exchange the Olympus Exchangeable Notes for existing Shares held by ZIGL. Pursuant to the Olympus Exchangeable Note Purchase Agreement, Olympus Alloy and Olympus Capital have undertaken that as long as Olympus Alloy holds any Olympus Exchangeable Notes, at least 51% of the issued capital of Olympus Alloy shall be owned by investment funds managed by Olympus Capital.

The Olympus Exchangeable Notes is a private arrangement between ZIGL and Olympus Alloy in respect of the acquisition of certain of the existing Shares held by ZIGL. Whether the Note Holder chooses to exchange the Olympus Exchangeable Notes for Shares or to redeem the Olympus Exchangeable Notes is a matter between the Note Holder and ZIGL, and does not involve our Company. No new Shares will be issued by our Company in the case that the Note Holder exercises its right of exchange and no payment will be paid by our Company in the case that the Note Holder redeems the Olympus Exchangeable Notes. Therefore, there will be no dilution on the shareholdings of our shareholders.

(b) Bridging Portion of the Term Loan

On July 27, 2008, ZIGL entered into agreement with Scuderia Capital for the borrowing of the Term Loan in the principal amount of US\$200 million ("Principal Amount"), which was secured by security provided by Mr. Liu. Set out below is a summary of certain of the principal terms of the Term Loan:

Lender:	Scuderia Capital
Borrower:	ZIGL
Principal Amount:	US\$200,000,000
Interest rate:	12% per annum
Maturity date:	July 26, 2009
Purpose of the Term Loan:	<p>The Bridging Portion of the Term Loan shall be applied as follows:</p> <ul style="list-style-type: none">(i) ZILG will subscribe two ordinary shares in the capital of our Company as fully paid up;(ii) our Company will use the proceeds from the subscription of shares by ZILG to make a shareholder's loan to ZCIL (BVI);(iii) ZCIL (BVI) will apply the proceeds of the shareholder's loan from our Company to make a shareholder's loan to ZCIL (HK); and(iv) ZCIL (HK) will apply the proceeds of the shareholder's loan from ZCIL (BVI) to pay for a portion of the consideration for the acquisition of a 60% equity interest in Zhongwang PRC.

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Repayment:	Subject to prepayment, the Borrower shall repay the Principal Amount and all the interest accrued therein and all other sums owing under the Term Loan and the Share Charges on the maturity date.
Prepayment:	The Borrower may repay without penalty, all or any part of the Principal Amount during the term of the Term Loan.
Security:	<p>The Borrower charged the entire issued share capital of the following companies ("Share Charges") to the Lender:</p> <ul style="list-style-type: none">(i) United Unicorn Investment Limited, a company established in the British Virgin Islands which holds 40% of the equity interest of Hong Cheng and Futian Chemical; and(ii) Dragon Pride Management Limited, a company established in the British Virgin Islands which holds 40% of the equity interest of Cheng Cheng. <p>United Unicorn Investment Limited and Dragon Pride Management Limited are wholly-owned by Mr. Liu and are not members of our Group.</p>
Undertakings:	<p>The Borrower has undertaken to the Lender that so long as any sum remains payable under any of the agreement for the Term Loan and Share Charges ("Finance Documents") or any part of the Loan remains available, it shall, among other matters:</p> <ul style="list-style-type: none">(i) provide the Lender information pertaining to its financial, business and/or shareholding status as may be reasonably required by the Lender;(ii) notify the Lender of any event of default (as described below) or the occurrence of any event that may adversely affect its ability to perform its obligations under the Finance Documents;(iii) not make or permit any material change to be made to the nature of its business and operations as conducted by it currently; and(iv) apply the proceeds of the Term Loan in accordance with its purpose.

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Event of default:

The following shall be, among others, an event of default:

- (i) the Borrower fails to pay any amount due from it under the Term Loan and the Share Charges;
- (ii) ZIGL ceases to beneficially own 51% or more of the issued share capital of the Company; or the Company ceases to beneficially own the entire issued capital of ZCIL (BVI); or ZCIL (BVI) ceases to beneficially own the entire issued capital of ZCIL (HK); or ZCIL (HK) ceases to beneficially own all the equity interest of Zhongwang PRC; or
- (iii) any of the Term Loan or the Share Charges ceases to be legal, valid, binding and enforceable on or against any party thereto or is not in full force and effect.

The proceeds of the Term Loan, to the extent of the Bridging Portion of the Term Loan (being the amount of US\$195,535,000), were applied to subscribe for two Shares of our Company, and such proceeds were then lent by our Company, through ZCIL (BVI), as a shareholder's loan to ZCIL (HK), which then applied the same towards the payment of the purchase consideration for the acquisition of Zhongwang PRC.

Scuderia Capital is an entity established in the United States and is principally engaged in investment in business ventures and real estate development projects. Scuderia Capital is wholly-owned by Mr. Eric P. Shen. Scuderia Capital and its shareholder and director are not connected persons of our Company.

The Term Loan was repaid in full on April 17, 2009. The Term Loan was repaid through the following steps:

- (i) on April 21, 2008, Zhongwang PRC declared a dividend in the sum of RMB2.0 billion (the "Zhongwang PRC Dividend") out of its retained earnings and paid such amount to ZCIL (HK); and
- (ii) upon receipt of the Zhongwang PRC Dividend, ZCIL (HK) distributed such amount through ZCIL (BVI), by way of dividend distribution, to our Company, and our Company in turn declared a dividend of RMB0.5 per Share in the aggregate amount of RMB2.0 billion to ZIGL on October 18, 2008, part of which was applied toward repayment of the Term Loan and the accrued interest in full.

Further details of the Reorganization, and in particular, the terms of the Olympus Exchangeable Note and the Term Loan, are set out in the paragraph headed "A. Further information about our Company and its subsidiaries – 4. The Reorganization" in Appendix VI to this prospectus.

As at the Latest Practicable Date, the outstanding amount of the Olympus Exchangeable Notes was US\$100,000,000 and the Term Loan had been repaid in full.

PRC legal compliance

According to the “Provisions on the Takeover of Domestic Enterprises by Foreign Investors” 《關於外國投資者併購境內企業的規定》 (the “M&A Rules”) jointly issued by the Ministry of Commerce, the State-Owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the China Securities Regulatory Commission (“CSRC”), SAIC and SAFE on August 8, 2006 and effective as of September 8, 2006, where a domestic natural person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce; and where a domestic natural person holds equity interest in a domestic company through an offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to approval by the CSRC.

As advised by our PRC legal advisor, Commerce & Finance Law Offices, the M&A Rules do not apply to our Company for the following reasons:

- (i) According to Article 2 of the M&A Rules, “takeover of a domestic enterprise by a foreign investor” is defined as a situation where a foreign investor purchases by agreement the equity interests of a domestic non-foreign-invested enterprise (a “domestic company”) or subscribes to the increased capital of a domestic company, and thus changes the domestic company into a foreign-invested enterprise; or a foreign investor establishes a foreign-funded enterprise, and through which it purchases by agreement the assets of a domestic enterprise and operates its assets; or a foreign investor purchases by agreement the assets of a domestic enterprise, and then uses such assets to invest in and establish a foreign-invested enterprise through which it operates the assets. On the basis that Zhongwang PRC was established as a joint venture in 1993, the legal nature of the transfer to ZCIL (HK) of the entire equity interests formally held by the domestic and foreign shareholders was a transfer of equity in a foreign invested enterprise. Accordingly, the acquisition of the entire equity interest of Zhongwang PRC by ZCIL (HK) did not constitute a “takeover of a domestic enterprise by a foreign investor” as defined in the M&A Rules, and it did not require the approval of the Ministry of Commerce.
- (ii) In accordance with Paragraph 2 of Article 55 of the M&A Rules, the acquisition by ZCIL (HK) of the entire equity interest of Zhongwang PRC was subject to the “Provisions for the Alteration of Investors’ Equities in Foreign-Invested Enterprises” 《外商投資企業投資者股權變更的若干規定》, which provides that the acquisition would be effective after obtaining approval from Zhongwang PRC’s original approval authority, namely, the Liaoning Provincial Bureau of Foreign Trade and Economic Cooperation 《遼寧省對外貿易經濟合作廳》.
- (iii) Because the acquisition by ZCIL (HK) of the entire equity interest of Zhongwang PRC did not fall within the definition of a “takeover of a domestic enterprise by a foreign investor” as defined in M&A Rules, the governmental approval procedure, including the approval of the CSRC, as stated in the M&A Rules, is not applicable to the Global Offering and the Listing. Thus, we are not required to obtain the CSRC’s approval in respect of the Global offering and the Listing.

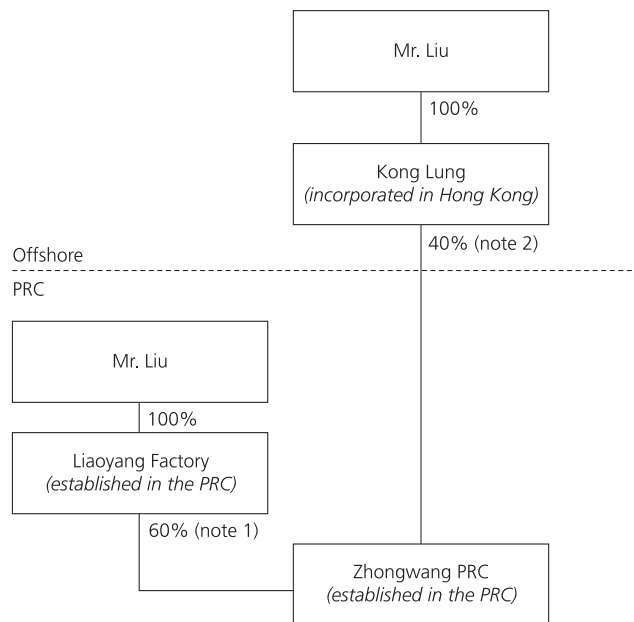
OUR HISTORY AND CORPORATE STRUCTURE

According to the “Notice of SAFE on Issues Relating to Foreign Exchange Control on Fund Raisings by Domestic Residents Through Offshore Special Purpose Vehicles and Round-trip Investments” promulgated on October 21, 2005 《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 (“Circular 75”), domestic residents establishing or taking control of a special purpose company abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by domestic residents are required to effect foreign exchange registration with the local foreign exchange bureau.

As advised by our PRC legal advisor, Commerce & Finance Law Offices, Circular 75 applies to our Company’s reorganization and the Global Offering as our Controlling Shareholder, Mr. Liu, is a domestic resident. In accordance with Circular 75, Mr. Liu completed all formalities for the registration and filing of an overseas investment by a PRC resident with the Liaoning Provincial Office of SAFE in respect of his offshore investment, financing and round-trip investment on May 20, 2008 and August 11, 2008, respectively.

OUR CORPORATE STRUCTURE

Prior to the Reorganization, the shareholding and corporate structure of our Group was as follows:

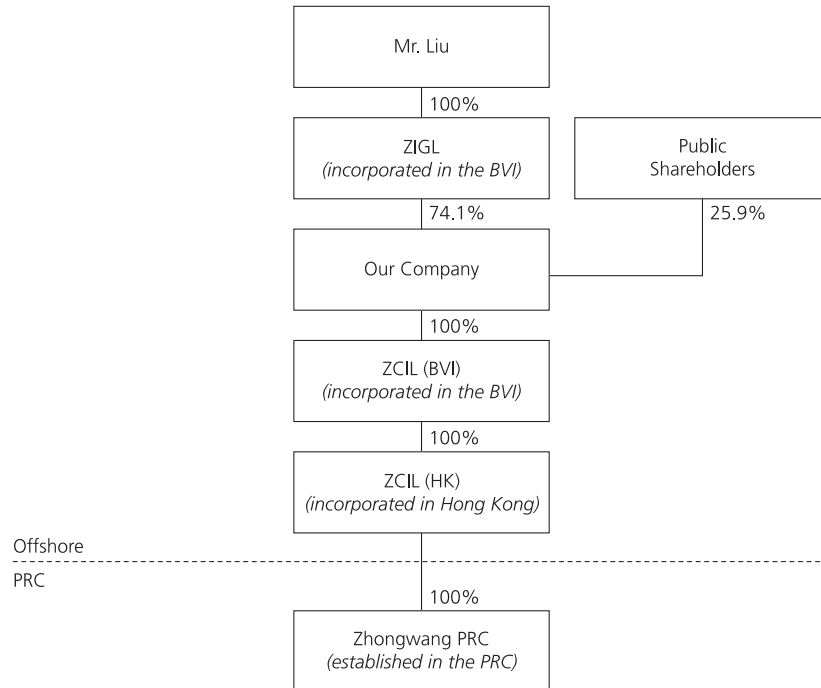


Notes:

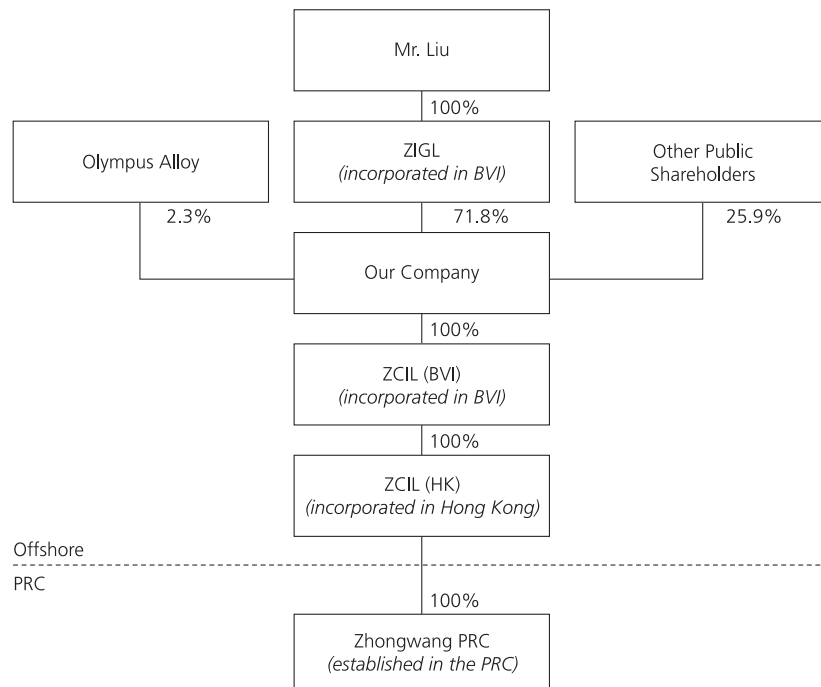
- (1) As Zhongwang PRC was then a Sino-foreign joint venture, this 60% interest was a PRC domestic equity interest owned by Liaoyang Factory. Liaoyang Factory was, and still is, 100% owned by Mr. Liu.
- (2) Kong Lung held 40% of Zhongwang PRC’s equity as a foreign equity interest for Mr. Liu, and Kong Lung was, and still is, 100% owned by Mr. Liu.

OUR HISTORY AND CORPORATE STRUCTURE

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option will not be exercised, none of the Pre-IPO Share Options will be exercised and no options will be granted under the Share Option Scheme), the shareholding and corporate structure of our Group will be as follows:



Immediately following the completion of the Global Offering (assuming that (i) the Over-allotment Option will not be exercised, none of the Pre-IPO Share Options will be exercised and no options will be granted under the Share Option Scheme, (ii) the Offer Price will be fixed at HK\$7.80 (being the middle of the indicative Offer Price range), and (iii) the Olympus Exchangeable Notes could and would be exchanged in full immediately after the Global Offering), the shareholding and corporate structure of our Group will be as follows:



OUR HISTORY AND CORPORATE STRUCTURE

On the basis that the Listing will become effective on May 8, 2009 and assuming an Offer Price of HK\$6.80, being the lowest indicative Offer Price stated in this prospectus, and assuming that the Over-allotment Options will not be exercised, none of the Pre-IPO Share Options will be exercised, and no options will be granted under the Share Option Scheme and that no further Shares will be issued or repurchased by our Company, upon full exchange of the principal amount of the Olympus Exchangeable Notes (without interest) at the rate of exchange of US\$1.0 to HK\$7.8, the maximum number of Shares that Olympus Alloy would receive on the date six months after the date of the Listing would be 143,382,352 Shares, representing approximately 2.7% of our Company's total Shares issued and outstanding upon completion of the Global Offering.

On the basis that the Listing will become effective on May 8, 2009 and assuming an Offer Price of HK\$8.80, being the highest indicative Offer Price stated in this prospectus, and assuming that the Over-allotment Options will not be exercised, none of the Pre-IPO Share Options will be exercised, and no options will be granted under the Share Option Scheme and that no further Shares will be issued or repurchased by our Company, upon full exchange of the principal amount of the Olympus Exchangeable Notes (without interest) at the rate of exchange of US\$1.0 to HK\$7.8, the maximum number of Shares that Olympus Alloy would receive on the date six months after the date of the Listing would be 110,795,454 Shares, representing approximately 2.1% of our Company's total Shares issued and outstanding upon completion of the Global Offering.