

**OVERVIEW**

We are a leading aluminum extrusion products manufacturer in Asia and China, with a particular focus on the transportation sectors for our industrial aluminum extrusion products, and have strong research and development capabilities. According to the China Nonferrous Metals Industry Association (中國有色金屬工業協會), we were the largest aluminum extrusion products manufacturer in China in terms of production volume in 2007. According to CRU, we were the third largest aluminum extrusion products manufacturer in the world and the largest aluminum extrusion products manufacturer in Asia and China in terms of production capacity in 2007.<sup>(1)</sup> In 2007 and 2008, we produced over 303,000 tons and 419,000 tons of aluminum extrusion products, respectively. As of the Latest Practicable Date, our designated production capacity reached over 535,000 tons. The following table sets forth the breakdown of our production capacity and production volume for the Track Record Period:

	<b>For and as of the year ended December 31,</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
Production capacity (ton) . . . . .	391,986.0	505,386.0	535,311.0
Production volume (ton). . . . .	243,712.3	303,313.6	419,466.0

We are principally engaged in the production and sale of quality aluminum extrusion products which meet customers' stringent specifications and quality standards. We produce a wide range of aluminum extrusion products for various applications, which we broadly classify into two principal product categories, namely, industrial aluminum extrusion products and construction aluminum extrusion products.

*Our industrial aluminum extrusion products:* We produce plain, sizable, large-section and high-precision aluminum extrusion products primarily used as parts and components for end products such as railway cargo and passenger carriages, metropolitan rails (subways and light rails), light trucks, automobiles, aircraft, vessels and power transmitters. Our industrial aluminum extrusion products are manufactured on a customized basis in accordance with our customers' specifications and quality standards.

*Our construction aluminum extrusion products:* Our construction aluminum extrusion products are primarily used in the fabrication of door frames and window frames, curtain wall systems, and interior decoration materials for building construction purposes. We concentrate on high-end construction aluminum extrusion products with complex surface finishing, which are used in upscale buildings and structures and are sub-categorized according to the method of surface finishing, including polishing, anodizing, electrophoresis coating, powder and wood-effect coating and PVDF coating, all of which require multiple steps of surface processing.

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(1) For the identities of the major global aluminum extrusion products manufacturers, please refer to the table "Top 10 leading aluminum extrusion producers in the world in 2007 in terms of production capacity" in the section headed "Industry Overview – Major Global Aluminum Extrusion Producers."

We are headquartered in Liaoyang City, Liaoning, China. Our manufacturing facilities are strategically located in Liaoning which is in close proximity to major production areas for aluminum ingots, coal and electricity, the principal raw material and energy sources used in the manufacturing of our products. We have continuously increased our production capabilities by establishing new extrusion production lines. As of the Latest Practicable Date, we had 64 aluminum extrusion presses, including a 125MN oil-driven dual action extrusion press (油壓雙動鋁擠壓機) which is currently the largest of its kind in China and one of the most advanced extrusion presses in the world, allowing us to produce large-section, high-precision aluminum extrusion products. Our machinery and equipment are primarily purchased and imported from manufacturers in Japan, Germany, Italy, Switzerland and Spain, which enable us to produce products that meet customers' specifications as well as international and PRC national standards. Our manufacturing facilities in Liaoyang have obtained ISO 9002 and ISO 9001 certifications for our quality management system since 1997 and 2003, respectively, and ISO 14001 certification for our environment management system since 2003.

We have a diverse base of domestic and overseas customers which include large-scale transportation customers in the railway, metropolitan conductor rail, automobile, shipbuilding and aircraft industries, manufacturers of industrial equipment and machinery, real estate developers, and wholesalers of construction materials and construction companies. We have established long-term relationships with customers with whom we have business dealings for four years or more in various end-user markets.

For example, since 2004, the MOR has designated our Company as one of the few qualified suppliers for the manufacture of its cargo and passenger carriages. We have since entered into framework agreements with four state-owned enterprises which are major suppliers of the MOR, namely, Qiqihaer Rail and Transportation Equipment Co., Ltd. (齊齊哈爾軌道交通裝備有限公司), Zhuzhou Carriage Factory of China South Locomotive & Rolling Group Limited (中國南車集團株洲車輛廠), Beijing 27 Carriage Factory of China South Locomotive & Rolling Group Limited (中國南車集團北京二七車輛廠) and Baotou Beifang Chuangye Company Limited (包頭北方創業股份有限公司). We also provide industrial aluminum extrusion products to conductor rail manufacturers for use in metropolitan railways (subways and light rails). For example, we have entered into framework contracts with major conductor rail manufacturers in the PRC, including Changzhou Track Drive Vehicle Traction Engineering Research Center (常州軌道車輛牽引傳動工程技術研究中心), Baoji Dekang City Railway Equipment Co., Ltd. (寶雞德康城市鐵道專用器材有限公司), Shaanxi Jungle Aluminum Co., Ltd. (陝西叢林鋁材有限公司) and Xi'an Yingqiang Power Engineering Material Co., Ltd. (西安英強電力工程材料有限公司). These framework contracts, which are entered into on an annual basis, are legally binding and typically set out: (i) estimated volume of purchase; (ii) pricing method for each product type; (iii) the quality specifications and technical standards for each product type; (iv) the place of delivery for each shipment; (v) the method of transport and freight payment terms; (vi) method of inspection and standards (including time limits) for acceptance or rejection of shipment; (vii) settlement and payment terms; and (viii) the effective and execution dates of each such contract. However, none of the framework contracts state the exact amount of purchase; rather these framework contracts provide the estimated volume of purchase and pricing method, under which our selling price will be determined with reference to market price of aluminum ingots plus a predetermined processing fee. Our major customers in the automobile sector include automobile components manufacturers such as Cascade Xiamen Forklift Truck Attachment Co., Ltd. (卡斯卡特(廈門)叉車屬具有限公司) and Lingyun Industrial Corporation Ltd. (凌雲工業股份有限公司). Our other major customers

include Xi'an Feibao Airport Equipment Co., Ltd. (西安飛豹空港設備有限責任公司), a subsidiary of a major aircraft producer in China; China CREC Railway Electrification Bureau Group Baoji Equipment Co., Ltd. (中鐵電氣化局集團寶雞器材有限公司), a supplier for railway contact networks; and a major shipbuilder in Australia.

We use a combination of our own direct sales and marketing teams and a network of distributors to market and sell our products. Our sales and marketing teams sell and promote our products directly to customers in a variety of end-user markets, such as railway and construction companies, and participate in tender exercises for construction projects. In 2006, 2007 and 2008, direct sales accounted for 60.1%, 68.1% and 87.1% of our revenue, respectively, while sales through distributors accounted for 39.9%, 31.9% and 12.9% of our revenue, respectively. As of December 31, 2008, our sales and marketing teams consisted of 196 personnel, with 176 employees focused on the PRC domestic market and 20 employees on export sales, and a nationwide sales network of 17 distributors in China. In addition, we have four international distributors which mainly cover our overseas markets in North America, Europe and Australia.

Our “Zhongwang” brand (忠旺牌) construction aluminum extrusion profile was granted the “China Prestigious Product” award (中國名牌產品) by the AQSIQ and the “China Well-known Trademark” award (中國馳名商標) by the Trademark Office of the SAIC in 2004, and received the “Gold Cup Champion in Quality Nonferrous Metal Products” award (有色金屬產品實物質量金杯獎) from the China Nonferrous Metals Industry Association in 2006. In addition to these awards, our products have received a number of accreditations from well-known domestic and international organizations, signifying our high product quality and recognizable brand name. In 2003, we received a “Certificate for Product Exemption from Quality Surveillance Inspection” from the AQSIQ. In addition, we are the only manufacturer in East Asia to have received a license certificate from QUALICOAT, an internationally recognized quality label organization committed to maintaining and promoting the quality of lacquering, painting and coating on aluminum and its alloys for architectural applications, authorizing us to use its “QUALICOAT” symbol to denote the high quality coating of our products. We have been accredited by Det Norske Veritas, one of the world’s leading classification societies, for our supply of aluminum extrusion products used in the manufacture of vessels. Furthermore, we are the only manufacturer in China which is 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. This membership provides us information about market trends in the global aluminum industry and a competitive edge over our competitors in China. Through attending various members-only conferences organized by Metals Service Institute of the United States, we have been able to promote our products and brand name to other members and further develop our business in North America. In addition, we have recently qualified as an approved supplier to ALSTOM Holdings, a major global manufacturer of equipment for the passenger rail industry, by passing its strict qualification testing procedures which cover key areas of our operations such as management, production, integrated logistics, services, environmental, health and safety, non-conformity, corrective and preventive actions, and employee training. We have commenced business with ALSTOM Holdings since December 2008. Being chosen by the relevant authorized project contractors based on our product quality and brand reputation, our products have been selected and used in several large-scale national construction projects in China, such as Terminal Three of the Beijing Capital International Airport, the 2008 Olympic Games venues in Beijing and the 2010 World Expo in Shanghai.

## BUSINESS

We have established a research and development center that focuses on product design and quality control to meet various customers' specifications and quality standards. In addition, we collaborate with leading research institutions and universities, such as Xi'an Heavy Machinery Research Institute (西安重型機械研究所), First Aircraft Institute of AVIC-1 (中國一航第一飛機設計研究院) and Northeastern University of China (中國東北大學), in the research and development of our products and the improvement of our manufacturing techniques. We have also purchased equipment and instruments from Shimadzu (Hong Kong) Ltd. and Carl Zeiss, Inc. for our research and development center. Moreover, we have an in-house die design team that allows us to produce customized dies which are tailored to customers' specifications and layouts. As of the Latest Practicable Date, we held 176 patents for layout designs in China, details of which are provided in the section headed "Intellectual property rights of our Group" in Appendix VI to this prospectus.

The following table sets out the breakdown of our revenue and gross profit margin by product category for the years indicated:

	For the year ended December 31,								
	2006			2007			2008		
	Revenue		Gross profit	Revenue		Gross profit	Revenue		Gross profit
	RMB		margin	RMB		margin	RMB		margin
	million	%	%	million	%	%	million	%	%
Industrial aluminum									
extrusion products . . . . .	1,613.6	26.6	31.5	2,787.5	37.1	36.1	6,224.9	55.3	39.8
Construction aluminum									
extrusion products . . . . .	4,461.6	73.4	13.5	4,733.7	62.9	12.9	5,039.6	44.7	12.4
Total . . . . .	6,075.2	100.0	18.3	7,521.3	100.0	21.5	11,264.4	100.0	27.5

We have achieved significant revenue and earnings growth in recent years. For the three years ended December 31, 2008, we had revenue of RMB6,075.2 million, RMB7,521.3 million and RMB11,264.4 million, respectively, representing a CAGR of approximately 36.2% from 2006 to 2008. Our net profit for the same periods was RMB551.4 million, RMB852.2 million and RMB1,910.4 million, respectively, representing a CAGR of approximately 86.1% from 2006 to 2008. The increases in our revenue and net profit during the Track Record Period were primarily due to increased sales volume of our aluminum extrusion products, particularly for industrial aluminum extrusion products that command higher profit margins. Sales volume of our aluminum extrusion products increased from approximately 266,479 tons in 2006 to 307,398 tons in 2007 and to 430,857 tons in 2008, primarily due to the increasing demand for our products as a result of the growing reputation of our brand and our high-quality products.

As a result of our business strategy to increase our penetration of the industrial market, which has shown increasing demand from customers and provided a higher profit margin than the construction market, during the Track Record Period, our sales of industrial aluminum extrusion products increased significantly and accounted for 26.6%, 37.1% and 55.3% of our revenue, respectively, while our sales of construction aluminum extrusion products accounted for 73.4%, 62.9% and 44.7% of our revenue, respectively.

### **OUR COMPETITIVE STRENGTHS**

We believe that the following competitive strengths are key factors to our success to date and will enable us to continue to increase market share and capture the anticipated future growth in the aluminum extrusion market.

#### **Established market leadership in the industry**

We were the largest aluminum extrusion products manufacturer in China in terms of production volume, producing over 303,000 tons and 419,000 tons of aluminum extrusion products in 2007 and 2008, respectively. We were the third largest aluminum extrusion products manufacturer in the world and the largest in Asia and China in terms of production capacity with an annual production capacity of approximately 505,000 tons in 2007. With our market leadership position, which is primarily achieved through economies of scale and technologically advanced equipment and know-how, our Directors believe that we are well-positioned to take advantage of any continuing growth of the market for aluminum extrusion products in China. In particular, our focus on providing industrial aluminum extrusion products to the transportation sectors in China has enabled us to benefit from the rapid growth in those sectors, which growth is expected to continue for the foreseeable future. In addition, we believe our large-scale and strong bargaining power relative to other domestic competitors will enable us to selectively pursue attractive business opportunities in the aluminum extrusion industry.

#### **High quality industrial products with a particular focus on the transportation sectors**

Our high quality industrial products and well recognized brand name have enabled us to compete effectively in the aluminum extrusion industry, particularly the transportation sectors which require higher product quality and durability in comparison to many of the other sectors which use aluminum extrusion products. Our brand name is well regarded both internationally and in the Chinese domestic market due to our high quality, value-added products which satisfy and conform to customers' specifications and stringent standards. Our "Zhongwang" brand is recognized as a "China Prestigious Product" and "China Well-known Trademark" as certified by the AQSIQ and the SAIC, respectively. Our "Zhongwang" brand has been registered with the World Intellectual Property Organization and is recognized in 16 countries throughout the world. In addition, our products have received a number of certifications and accreditations from well-known international organizations, signifying our high product quality and recognized brand name. For example, we are the only manufacturer in East Asia to have received a license certificate from QUALICOAT, authorizing us to use its quality sign "QUALICOAT" to denote the high quality coating of our products. We have been accredited by Det Norske Veritas, one of the world's leading classification societies, for our supply of aluminum extrusion products used in the manufacture of vessels. Furthermore, we are the only manufacturer in China which is 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. This membership provides us information about market trends in the global aluminum industry and a competitive edge over our competitors in China. Through attending various members-only conferences organized by Metals Service Institute of the United States, we have been able to promote our products and brand name to other members and further develop our business in North America. In addition, we have recently qualified as an approved supplier to ALSTOM Holdings, a major global manufacturer of equipment for the passenger rail industry, by passing its strict qualification testing procedures which cover key areas of our operations such as management, production, integrated logistics, services, environmental, health and safety, non-conformity, corrective and preventive actions, and employee training.

### **Advanced technology, research and development and die design capabilities**

Our technology, research and development and die design capabilities place us at the forefront of the aluminum extrusion industry in the PRC. We have established a research and development center, which focuses on the improvement of our manufacturing techniques, customized product design, testing of the properties, functionality and composition of aluminum alloy and expansion of our product range. In addition, we have an in-house die design team, which allows us to produce customized dies that are tailored to customers' specifications, and our quality examination team, which covers every stage of our production and ensures consistent product quality that meets customers' requirements. As a result, we have continued to meet the stringent technical specifications and quality standards of our customers while reducing our manufacturing costs. Moreover, we work closely with our customers and various research and academic institutions to develop new layout and die designs and aluminum extrusion products, as well as related manufacturing techniques. In addition, we have been invited to participate in the research and development of, and supply aluminum extrusion products for testing purposes to, a PRC government sponsored aviation technology project designed to produce large-bodied aircrafts. As of the Latest Practicable Date, we held 176 patents for layout designs in China, details of which are provided in the section headed "Intellectual property rights of our Group" in Appendix VI to this prospectus. Furthermore, we are currently expanding the scale of our die design facility, allowing us to design and produce customized dies for large-section and high precision aluminum extrusion products. We believe that we are well-positioned to further increase our market share by providing customers with innovative technology and high value-added products through our continuous efforts in research and development.

### **Leading production capabilities and advanced equipment**

According to China Nonferrous Metals Industry Association, we have been ranked as the largest aluminum extrusion products manufacturer in China in terms of production volume for four consecutive years from 2004 to 2007. As of the Latest Practicable Date, we have a designated production capacity of over 535,000 tons. Our leading production capacity enables us to provide a wide range of aluminum extrusion products to a diverse customer base, with a particular focus on the transportation sectors. Our manufacturing processes, including our advanced manufacturing equipment, are designed to produce consistently high quality, value-added products while at the same time achieving relatively low per unit production costs and improved production yields. We are capable of producing aluminum extrusion products with customized specifications and offering a variety of products to meet our customers' needs and quality standards. We utilize technologically advanced manufacturing equipment and machinery, most of which are imported from Japan, Germany, Italy, Switzerland and Spain. We completed the installation of our 125MN oil-driven dual action extrusion machine in 2007, which is currently the largest of its kind in China, allowing us to produce sizable, high-quality, value-added aluminum extrusion products. We believe that our production capabilities and our focus on continually offering new products will enable us to increase sales and strengthen our market position.

### **Diverse and stable customer base**

We have a diverse base of domestic and overseas customers which include large-scale transportation customers in the railway, metropolitan conductor rail, automobile, shipbuilding and aviation industries, manufacturers of industrial equipment and machinery, real estate developers, and wholesalers of construction materials and construction companies. We have



established long-term relationships with customers with whom we have business dealings for four years or more in various end-user markets. For example, since 2004, the MOR has designated our Company as one of the few qualified suppliers for the manufacture of its cargo and passenger carriages. We have since entered into framework agreements with four state-owned enterprises which are major suppliers of the MOR. Along with these railway customers, we increased sales to major conductor rail producers for use in metropolitan railways (subways and light rails) during the Track Record Period, such as Xi'an Yingqiang Power Engineering Material Co., Ltd. and Changzhou Track Drive Vehicle Traction Engineering Research Center. We have also signed supply contracts with several automobile components manufacturers such as Cascade Xiamen Forklift Truck Attachment Co., Ltd. and Changchun Guofu Truck Bodies Manufacturing Co., Ltd. Our other major customers include Xi'an Feibao Airport Equipment Co., Ltd., a subsidiary of a major aircraft producer in China; China CREC Railway Electrification Bureau Group Baoji Equipment Co., Ltd., a supplier for railway contact network; and a major shipbuilder in Australia.

### **Experienced management team with significant industry expertise**

We are led by an experienced and dedicated management team, and in particular by the founder and president of our Group and our chairman, Mr. Liu. Our senior management team brings together strong technical expertise and experience in, and in-depth knowledge of, the aluminum extrusion industry. Our senior management team is comprised of experienced specialists in aluminum extrusion operations and production, including Mr. Liu and Mr. Zhou Mi, the chief engineer of our Group. Mr. Liu has more than 16 years of industry experience and has been responsible for providing corporate strategic direction and overseeing our significant growth in recent years. With over 30 years of experience in technical development in the aluminum industry, 12 years of which were focused on technical development in aluminum extrusion, Mr. Zhou plays an important role in the development of our industrial aluminum extrusion products and has contributed to the diversity of our product offerings. The other members of our senior management team have an average of 15 years of experience in the aluminum extrusion business and a proven track record of enhancing and marketing aluminum extrusion products. Our Directors believe that our experienced and committed management team enhances our ability to develop and implement our strategies quickly in response to market changes.

### **OUR STRATEGIES**

We aim to strengthen our leading position in the aluminum extrusion industry in China and to become the world's leading manufacturer of aluminum extrusion products. We will continue to strive to achieve sustainable growth of our businesses and ensure that we remain competitive. To achieve this, we intend to focus on the following strategies:

#### **Expand production capacity to increase our market penetration in the industrial market, with a particular focus on transportation sectors**

We will continue to increase our penetration of the industrial market by expanding our production scale of industrial aluminum extrusion products and increasing our marketing efforts with a particular focus on the transportation sectors, including the railway, metropolitan conductor rail, automobile, shipbuilding and aviation sectors.

We are currently installing additional production lines which will allow us to manufacture different varieties of industrial aluminum extrusion products and diversify our product offerings to supply a broader customer base in the transportation sectors. By 2011, we expect to increase our production capacity to approximately 800,000 tons, with a utilization rate which is consistent with the current level enjoyed by our Company. As of December 31, 2007 and 2008, we spent approximately RMB20.6 million and RMB31.1 million, respectively, in connection with this planned expansion. In addition, we may selectively acquire reputable aluminum extrusion products manufacturers that have growth potential for the purpose of increasing our production capacity and penetration of the industrial market and transportation sectors. However, we have not yet identified a target for such acquisition.

**Expand into the downstream sectors of industrial aluminum extrusion products, particularly for transportation sectors**

We intend to expand into the downstream sectors of industrial aluminum extrusion products by developing and manufacturing additional value-added products for our existing customers in the industrial market, particularly those in the transportation sectors. We are currently developing value-added extrusion products, such as rail freight trunks and passenger trunks, metropolitan railway trunks, heavy truck bodies, and high-strength and high-quality quenching alloy products, all of which are ready to be assembled and used by our customers in the production of railway cargos, metropolitan conductor rails and automobiles without further processing. In addition, we intend to develop value-added extrusion products for customers in the aviation and shipbuilding sectors. We are currently constructing additional facilities and plan to install new equipment for the production of downstream value-added products, and such construction and installation are expected to be completed in 2011. As of the Latest Practicable Date, we completed approximately 90% of the construction of new facilities. In addition, we have entered into certain arrangements with, paid applicable land transfer fees to, and obtained the land use right certificate from, the relevant PRC governmental authority for the transfer of lands used for such facilities. As of December 31, 2007 and 2008, we had spent approximately RMB16.7 million and RMB29.9 million, respectively, in connection with this planned expansion. The offering of value-added products will allow us to increase our profit margin and enhance our competitiveness in the marketplace. Our Directors believe that our existing customers are likely to purchase such value-added extrusion products from us since we have already met their stringent quality requirements and are a preferred supplier of these customers.

**Further enhance research and development capability**

We plan to leverage our strong emphasis on product quality and layout and die design capability to further enhance our status as a leading aluminum extrusion producer in China. We will continuously focus our research and development efforts on improving our manufacturing techniques, increasing product quality and reducing costs. We also plan to continue to leverage our production expertise and collaboration with various research and academic institutions to expand our product offerings, which will allow us to provide a broader range of aluminum extrusion products to customers. In addition, we intend to continue to expand our in-house die design team and research and development efforts to cooperate with our key customers for the production of customized aluminum extrusion products to ensure that our products meet our customers' product quality standards and requirements. We plan to increase investments in research and development and work to attract more professionals with industry knowledge. In addition, we plan to obtain additional recognition of, and renew qualifications for, quality assurance certifications from domestic and international organizations.



## BUSINESS

### OUR PRODUCTS

We produce a wide variety of aluminum extrusion products which are broadly classified into two groups: industrial aluminum extrusion products and construction aluminum extrusion products. We are capable of producing aluminum extrusion products with customized specifications.

*Our industrial aluminum extrusion products:* We mainly produce plain, sizable, large-section and high precision aluminum profiles as industrial parts and components for end products such as railway cargo and passenger carriages, metropolitan rails (subways and light rails), vessels, light trucks, automobiles, aircraft and power transmission equipment. All of our industrial aluminum extrusion products are manufactured on a customized basis in accordance with our customers' specifications. We divide our sales in this product category based on end-user markets, such as railway, shipbuilding, aircraft and others.



*Our construction aluminum extrusion products:* We concentrate on high-end construction aluminum extrusion products with complex surface finishing, which are used in upscale buildings and structures and are sub-categorized into polishing, anodizing, electrophoresis coating, powder and wood-effect coating and PVDF coating products, all of which require multiple steps of surface processing. Our construction aluminum extrusion products are primarily used in the fabrication of curtain wall systems, door frames and window frames, and interior decoration materials for building construction purposes. We divide our sales in this product category based on the types of surface finishing used. The following table shows our sales volume by product category for the years indicated:

		For the year ended December 31,					
		2006		2007		2008	
<b>Sales volume (ton)</b>							
Industrial aluminum							
extrusion products . . .	56,342.5	21.1%	92,204.1	30.0%	201,483.6	46.8%	
Construction aluminum							
extrusion products . . .	210,136.6	78.9%	215,194.2	70.0%	229,373.3	53.2%	
<b>Total . . . . .</b>	<b>266,479.1</b>	<b>100.0%</b>	<b>307,398.3</b>	<b>100.0%</b>	<b>430,856.9</b>	<b>100%</b>	

In response to the global economic slowdown and market volatility, as described in “Risk Factors – Risks Relating to Our Business – The global financial markets have experienced significant deterioration and volatility recently, which have had negative repercussions on the global economy and, as a result, may adversely affect our business operations,” the PRC government has lowered interest rates and announced large fiscal stimulus packages to boost the domestic economy, which include RMB4.0 trillion investments in, among other things, airports, highways, railways, power grids and other infrastructure developments in China, which have caused our customers in these transportation sectors, such as major suppliers of the MOR and major conductors rail manufacturers, to increase their expected purchases from us in 2009. The average monthly sales volume of our industrial aluminum extrusion products increased from approximately 16,790 tons in 2008 to approximately 21,774 tons in the first three months of 2009.

However, our Directors believe that the recent deterioration of the global economy and fierce market competition have caused a decline in the average monthly sales volume of our construction aluminum extrusion products, which decreased from approximately 20,394 tons in the first ten months of 2008 to approximately 12,715 tons in the last two months of 2008. Although our revenue generated from the construction aluminum extrusion products increased in 2008, the increase in revenue in the first ten months of 2008 was offset by the decreases in the average monthly sales volume and average selling price of our construction aluminum extrusion products in the last two months of 2008. In the first three months of 2009, the average monthly sales volume of our construction aluminum extrusion products were approximately 13,845 tons, compared to 12,715 tons in the last two months of 2008. The shift of our product mix toward a greater portion of industrial aluminum extrusion products, which command relatively higher market demand and profit margin, is expected to lessen the negative impact of the global economic downturn on our construction business segment.

Our products have received numerous awards, accreditations and certifications from the PRC government and well-known organizations in China and overseas. Details of the awards, accreditations and certifications we had received as of the Latest Practicable Date are set out in the section headed “Major Awards, Certificates and Memberships” below.

### **PRODUCTION FACILITIES, PROCESSES AND TECHNOLOGIES**

According to the China Nonferrous Metals Industry Association, we have been ranked as the largest aluminum extrusion products manufacturer in China in terms of production volume for four consecutive years from 2004 to 2007. We believe that having the largest production capacity in China, coupled with our high level of accumulated manufacturing know-how and our advanced production facilities, enables us to maintain our competitive strength in the market.

In recent years, we significantly expanded our production facilities which are centralized in an integrated production complex located in Liaoyang, China. For example, our 31.5MN extrusion press and 75MN extrusion press commenced production in 2006. In 2007, we installed a 125MN oil-driven dual action extrusion press, allowing us to produce sizable, large-section and high precision aluminum extrusion products, and our 55MN extrusion press commenced production during that same year. In 2008, we added a set of smelting and casting machinery, a 20MN extrusion press and a 27.5MN extrusion press to our production facilities. The

## BUSINESS

following table sets forth the breakdown of our production capacity, production volume and utilization rate for the Track Record Period:

	<b>For and as of the year ended December 31,</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
Production capacity (ton) . . . . .	391,986.0	505,386.0	535,311.0
Production volume (ton). . . . .	243,712.3	303,313.6	419,466.0
Utilization rate (%) <sup>(1)</sup> . . . . .	68.0 <sup>(2)</sup>	67.6 <sup>(2)</sup>	80.6

- (1) The utilization rate is calculated based on the production volume for the year divided by the average of the beginning and ending production capacities.
- (2) For each of the years ended December 31, 2006 and 2007, we completed the installation of several new production lines (including our 125MN oil-driven dual action extrusion press) at the end of each respective year, and such increases in production capacity were included in the reported production capacity of that year, while in fact the newly installed production lines did not commence commercial production during most part of that year. As a result, the utilization rates in 2006 and 2007 were significantly lower than the utilization rate in 2008. In addition, the decrease in production volume in 2006 was primarily a result of our planned reduction in the manufacturing of construction aluminum extrusion products, reflecting our penetration of the industrial market.

We have a comprehensive range of aluminum extrusion presses with compressive strength ranging from 5MN to 125MN. Our production lines can produce large-section aluminum extrusion products up to one meter in length of diagonal line.







As of the Latest Practicable Date, the design specifications of our production facilities were as follows:

<b>Production equipment</b>	<b>No. of unit(s)</b>	<b>Capacity (Approximately)</b>
Smelting and casting production line . . . . .	10	600,000 tpy
Die design and production machinery . . . . .	62	100,000 sets per annum
Aluminum extrusion press . . . . .	64	535,000 tpy
Furnace and age treatment system. . . . .	28	508,700 tpy
Anodizing and electrophoresis coating line . . . .	8	160,000 tpy
Vertical polyester powder coating line . . . . .	7	135,000 tpy
Horizontal powder coating line . . . . .	2	15,000 tpy
Wood-effect coating line . . . . .	3	5,000 tpy
PVDF coating line. . . . .	2	20,000 tpy
Thermal insulation compositing line . . . . .	5	50,000 tpy
Polishing machinery . . . . .	2	10,000 tpy
Sandblasting machinery . . . . .	5	28,800 tpy

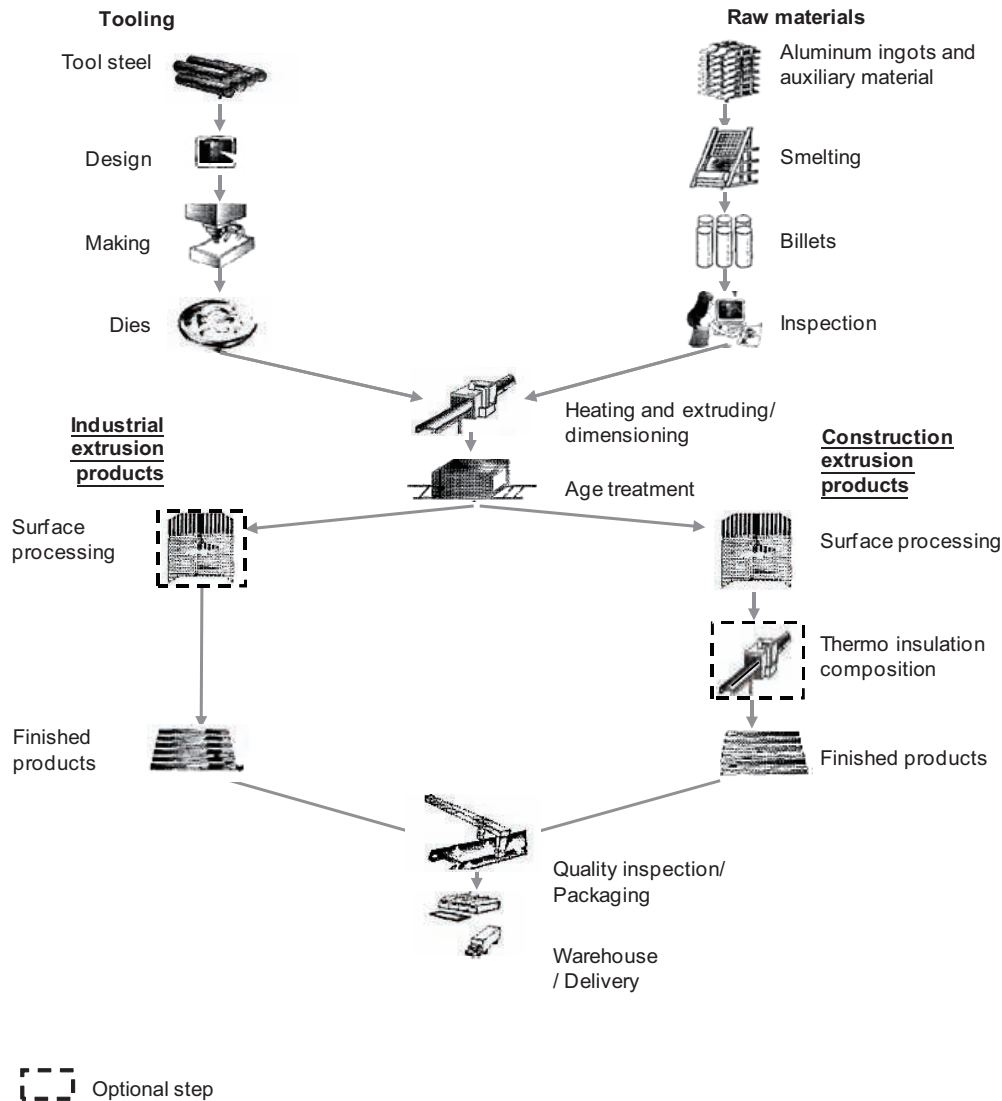
We import our technologically advanced equipment and machinery mainly from Japan, Germany, Italy, Switzerland and Spain and continuously upgrade our facilities in order to improve production efficiency. In addition, we have an in-house die design team which is responsible for creating various layout and die designs, allowing us to produce customized products that are tailored to our customers' specifications and technical standards.

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## BUSINESS

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The following flow chart sets out the major steps in the manufacture of our industrial and construction aluminum extrusion products.



### Smelting and casting

Aluminum ingots and other auxiliary materials, such as silicon and magnesium, are smelted together to form aluminum alloy billets. The aluminum alloy billets are then cut into various sizes according to the dimensions required by the final products.

We employ high-precision and energy-saving aluminum alloy smelting and casting production lines, which allow us to produce aluminum alloy billets with various levels of alloy content in various sizes for the manufacture of our products.

### Die design and making

Our die design and production lines include systems of design, electromechanical processing and heat treatment. Our dies are usually made of steel or steel alloy, the size of which measure up to 1,250 mm in diameter.

### **Heating and extruding**

The prepared aluminum alloy billets are heated to temperatures ranging between 450 and 520 degrees Celsius and then extruded through a designated die to form different aluminum extrusion products.

### **Age treatment**

The plain extrusion products are then put into a furnace for heat treatment, which strengthens the structure of the products by increasing hardness and mechanical strength.

We have comprehensive age treatment systems which include homogeneous furnaces, a dry vertical quenching facility and aging and anneal furnaces.

### **Surface processing**

Surface processing is the process by which semi-finished plain aluminum extrusion products are coated in order to increase the surface resistance against chipping, cracking, abrasion, erosion and impact and to enhance the appearance of the products. Different surface coatings can be applied to our products based on our customers' specific requirements. We are currently equipped to provide five kinds of surface processing, namely, polishing, anodizing, electrophoresis coating, powder and wood-effect coating and PVDF coating.

*Polishing:* Polishing is a process by which plain aluminum profiles are polished by machinery and then anodized. It is usually applied in the production of construction aluminum profiles used for interior decoration.

*Anodizing:* After age treatment, the plain aluminum extrusion products undergo anodizing, a simple electrochemical process, to form a protective layer of aluminum oxide on the surface of plain aluminum profiles. Aluminum oxide is a hard, durable, weather resistant substance that protects the underlying metal. Once coated with aluminum oxide, the aluminum extrusion product is strengthened and protected against atmospheric corrosion and oxidation.

*Electrophoresis coating:* Electrophoresis coating is a process by which anodizing aluminum profiles are coated with acrylic water-soluble paint by way of electrolysis. The coating of acrylic water-soluble paint gives a highly polished and easily cleaned surface to aluminum profiles and protects the surface against acid and alkaline corrosion.

*Powder and wood-effect coating:* Powder coating is a process by which pure polyester powder paint is applied to plain aluminum profiles by spraying powdered paint directly onto plain aluminum profiles. Powder coating increases the oxidation and age resistance of aluminum profiles. Wood-effect coating is a process by which wood patterns are printed on the aluminum profiles under high temperature, thereby enhancing the decorative effect of our products.

*PVDF coating:* PVDF coating is a technique of applying a chemical resistant film barrier coating to plain aluminum profiles. PVDF coating increases resistance to corrosion, weathering, wear and abrasion and is generally applied in the production of our high performance construction aluminum extrusion products.

### **Thermal insulation compositing**

All aluminum profiles can be processed with thermal-insulation compositing after undergoing polishing, anodizing, electrophoresis coating, powder and wood-effect coating or PVDF coating. This process helps protect aluminum profiles against the effects of sound and extremes in temperature.



**Testing and quality inspection**

Testing and quality control measures are implemented at various stages of our manufacturing process. Our team at the research and development center conducts physical and chemical inspections to examine raw materials, while our quality control team conducts testing and inspection to monitor the quality of our work-in-progress and finished products and to ensure that they meet our quality standards. Our products typically undergo three levels of quality control, which include self-inspection at the workshop, intra-inspection during the production process and special inspection by our full-time quality control inspectors who test our products and reject those that fail to meet our quality standards. We also have an internal quality review system which involves senior production managers for review and approval. Products that do not pass quality control tests are put into scrap and recycled.

**Packaging**

Our plain aluminum extrusion products are packaged for warehousing after the completion of age treatment, while our aluminum profiles requiring surface processing are packaged for warehousing after the completion of the surface processing steps.

**OUR CUSTOMERS**

We sell our aluminum extrusion products to a large and diverse customer base from various industries, including manufacturers in the transportation sectors, such as manufacturers of railways, metropolitan rails (subways and light rails), light trucks, vessels, aircraft and automobiles, and real estate developers, and wholesalers of construction materials, manufacturers of industrial equipment and machinery.

The MOR has designated our Company as one of the few qualified suppliers for the manufacturing of its cargo and passenger carriages since 2004. We have since entered into framework agreements with four state-owned enterprises which are major suppliers of the MOR, namely, Qiqihaer Rail and Transportation Equipment Co., Ltd. (齊齊哈爾軌道交通裝備有限責任公司), Zhuzhou Carriage Factory of China South Locomotive & Rolling Group Limited (中國南車集團株洲車輛廠), Beijing 27 Carriage Factory of China South Locomotive & Rolling Group Limited (中國南車集團北京二七車輛廠) and Baotou Beifang Chuangye Company Limited (包頭北方創業股份有限公司). For the Track Record Period, sales to these four state-owned enterprises in aggregate amounted to RMB678.4 million, RMB1,564.9 million and RMB1,831.5 million, respectively, which represented approximately 11.2%, 20.8% and 16.3% of our sales, respectively. Notwithstanding the deterioration of global economy, based on the recent framework agreements entered into with these four state-owned enterprises, the estimated sales volume to these entities in 2009 is expected to increase compared to the actual sales volume to these entities in 2008. We also provide industrial aluminum extrusion products to conductor rail manufacturers for use in metropolitan railways (subways and light rails).

For example, we have entered into framework contracts with major conductor rail manufacturers in the PRC, including Baoji Dekang City Railway Equipment Co., Ltd. (寶雞德康城市鐵道專用器材有限公司), Shaanxi Jungle Aluminum Co., Ltd. (陝西叢林鋁材有限公司), Xi'an Yingqiang Power Engineering Material Co., Ltd. (西安英強電力工程材料有限公司), and Changzhou Track Drive Vehicle Traction Engineering Research Center (常州軌道車輛牽引傳動工程技術研究中心). These framework contracts, which are entered into on an annual basis, are legally binding and typically set out: (i) estimated

volume of purchase; (ii) pricing method for each product type; (iii) the quality specifications and technical standards for each product type; (iv) the place of delivery for each shipment; (v) the method of transport and freight payment terms; (vi) method of inspection and standards (including time limits) for acceptance or rejection of shipment; (vii) settlement and payment terms; and (viii) the effective and execution dates of each such contract. However, none of the framework contracts state the exact amount of purchase; rather, these framework contracts provide the estimated volume of purchase and pricing method, under which our selling price will be determined with reference to market price of aluminum ingots plus a predetermined processing fee. For the years ended December 31, 2007 and 2008, sales to Baoji Dekang City Railway Equipment Co., Ltd. represented approximately 0.6% and 4.7% of our sales, respectively, and sales to Shaanxi Jungle Aluminum Co., Ltd. represented approximately 0.5% and 3.9% of our sales, respectively. For the same periods, sales to Xi'an Yingqiang Power Engineering Material Co., Ltd. represented approximately 0.6% and 4.4% of our sales, respectively; while sales to Changzhou Track Drive Vehicle Traction Engineering Research Center represented approximately 0.5% and 4.3% of our sales, respectively. Based on the recent framework agreements, in 2009, the estimated sales volume to Changzhou Track Drive Vehicle Traction Engineering Research Center, Baoji Dekang City Railway Equipment Co., Ltd., Shaanxi Jungle Aluminum Co., Ltd. and Xi'an Yingqiang Power Engineering Material Co., Ltd. is expected to increase compared to the actual sales volume to these entities in 2008. We believe that such expected increasing demand in 2009 is mainly due to the PRC government's large fiscal stimulus packages to boost domestic economy, which include RMB4 trillion investments in, among other things, railways, highways, airports, power grids and other infrastructure developments in China, which have caused our customers in these transportation sectors, such as major suppliers of the MOR and major conductor rail manufacturers, to increase their expected purchases from us in 2009.

Our major customers in the automobile sector include automobile components manufacturers such as Cascade Xiamen Forklift Truck Attachment Co., Ltd. (卡斯卡特(廈門)叉車屬具有限公司) and Lingyun Industrial Corporation Ltd. (凌雲工業股份有限公司). Our other major customers include Xi'an Feibao Airport Equipment Co., Ltd. (西安飛豹空港設備有限責任公司), a subsidiary of a major aircraft producer in China; China CREC Railway Electrification Bureau Group Baoji Equipment Co., Ltd. (中鐵電氣化局集團寶鷄器材有限公司), a supplier for railway contact networks; and a major shipbuilder in Australia.

For the Track Record Period, our five largest customers in aggregate accounted for approximately 16.4%, 23.9% and 22.5% of our sales, respectively, and none of them was a connected person of our Company. Sales to our single largest customer for the same periods accounted for approximately 4.9%, 5.8% and 4.7%, respectively. During the Track Record Period, the proportion of sales contributed by our connected persons was approximately 0.2%, 0.3% and 0.004% of our sales, respectively. Save as disclosed in the section headed "Relationship with Our Controlling Shareholder and Continuing Connected Transactions," during the Track Record Period, all of our customers were Independent Third Parties, and none of our Directors, their associates or any shareholder, who owns more than 5% of our issued share capital, had any interest in any of our top five customers. For the Track Record Period, sales to overseas customers accounted for approximately 7.2%, 5.3% and 3.3% of our total sales, respectively. Our overseas customers are mainly located in the U.S., Australia, Germany and Canada.

Quality and reliability of supply are key considerations of our major customers in selecting us. We have developed long-term relationships with our major customers with whom we have business dealings for four years or more and have devoted resources and efforts in meeting quality standards and establishing ourselves as a preferred supplier of our customers. For example, we have recently qualified as an approved supplier to ALSTOM Holdings, a major global manufacturer of equipment for the passenger rail industry, by passing its strict qualification testing procedures which cover key areas of our operations such as management, production, integrated logistics, services, environmental, health and safety, non-conformity, corrective and preventive actions, and employee training. We have commenced business with ALSTOM Holdings since December 2008. Our sales contracts with our customers vary depending on volume and stability of purchases, creditworthiness and trading history with the customer. As we expand our manufacturing capacity and enhance our distribution channels, we expect to develop additional customer relationships if demand for aluminum extrusion products continues to rise worldwide, particularly in China.

In February 2009, we entered into a strategic cooperation agreement with Beijing CNR Logistics Development Company Limited (北京北車物流發展有限責任公司) for and on behalf of its parent company, China CNR Corporation Limited (“China CNR”) (中國北車股份有限公司). In March 2009, we entered into a strategic cooperation agreement with CSR Investment Lease Co., Ltd. (南車投資租賃有限公司) for and on behalf of its parent company, China South Locomotive & Rolling Stock Corporation Limited (“China CSR”) (中國南車股份有限公司). Both China CNR and China CSR are major state-owned enterprises in China focusing on the manufacture of transportation equipment and machinery. Under these strategic cooperation agreements, which are non-binding, China CNR and China CSR have indicated their intention to purchase industrial aluminum extrusion products from our Company subject to meeting their quality standards and specifications and to provide assistance to our research and development efforts, while we will offer our products to China CNR and China CSR at preferential prices.

We typically set prices of our products based on a “cost-plus” basis, under which we add the prevailing market price of aluminum ingots plus our processing charges, taking into account the complexity of product design, level of precision of the product, size of the contract, trading history and our relationship with the customer, and the overall market condition and demand. Due to the recent global financial crisis, global and domestic primary aluminum prices have decreased significantly since September 2008. For details, please refer to the section headed “Industry Overview – Prices of Primary Aluminum” in this prospectus. The decrease in prices of aluminum ingots traded on the LME and SHFE in 2008 has resulted in a decrease in the average purchase price of aluminum ingots from our suppliers during the same period. However, despite such decrease in our average purchase price of aluminum ingots from suppliers, the average selling price of our products increased in 2008 mainly due to the increased market demand for our industrial aluminum extrusion products which typically command higher processing fees than our construction aluminum extrusion products. For details, please refer to the section headed “Financial Information – Factors affecting our results of operations – Pricing of our products” in this prospectus.

We adopt different pricing policies for domestic and overseas sales. For our customers in China, we use the commodity trading prices quoted on the SHFE, one of the largest futures exchanges in China. For our major customers in China (except for the four state-owned customers which are the major suppliers of the MOR), we set our prices based on the prevailing weighted average spot-month price of aluminum ingots traded on the SHFE at the time we receive sales orders from the customers, plus our processing charges. For other domestic customers and those four state-owned customers which are the major suppliers of MOR, we set our prices based on the monthly weighted average price of aluminum ingots traded on the SHFE in the preceding month. In line with industry practice, we use different weighted average prices quoted on the SHFE for our domestic customers; however, the differences are insignificant and such pricing terms are generally requested by our respective domestic customers based on their preference. For our overseas customers, we use the commodity trading prices quoted on the LME, an internationally recognized exchange for the nonferrous metals market. For sales to overseas customers, we calculate our prices based on the three-month mean price of aluminum ingots traded on the LME prevailing on the order date, plus our processing fees, packaging and handling charges and transportation costs. We export our products free on board, and our customers are responsible for all shipping and insurance costs.

We generally require domestic customers in China to pay us 30% of the purchase price upon placement of an order, with the remaining 70% due prior to delivery of our products. Sales made in China are typically on a cash basis or settled by bank transfers. Our overseas customers are required to make payments by bank transfer payable within three months after delivery or by letter of credit payable at sight. We assess and provide credit terms to customers on a case-by-case basis, depending on the volume of purchases, creditworthiness and trading history of the customers. We generally provide average credit terms of 90 days to our customers.

#### **SALES, MARKETING AND DISTRIBUTION**

Currently, we have a domestic sales and distribution network that provides us nationwide coverage in every province of China, and four international distributors which mainly cover our overseas markets in North America, Europe and Australia. All of our distributors were Independent Third Parties during the Track Record Period. We use a combination of our own direct sales and marketing teams and a network of distributors to market and sell our products. In 2006, 2007 and 2008, direct sales accounted for 60.1%, 68.1% and 87.1% of our revenue, respectively, while sales through distributors accounted for 39.9%, 31.9% and 12.9% of our revenue, respectively.

As of December 31, 2008, our sales and marketing teams consisted of 196 personnel, with 176 employees focused on the PRC domestic market and 20 employees on export sales. In addition to sales made to our distributors in the PRC, our sales and marketing teams sell and promote our products directly to customers in a variety of end-user markets, such as railway and construction companies, and participate in tender exercises for construction projects. Most of our industrial aluminum extrusion products are sold directly to customers. We believe the demand for aluminum extrusion products is growing rapidly in China, and therefore, we have dedicated our sales and marketing efforts to China and have focused on building our reputation and customer base in that market. We plan to continue to expand our sales force dedicated to China and further strengthen our leading position with a focus on the industrial aluminum extrusion market. For our overseas markets, we have an export sales department, led

by our vice president, Mr. Liu Zhongsuo, with 20 sales employees. Our export sales team is responsible for securing new contracts from international customers and serving key overseas customers in the transportation sectors. Moving forward, we also intend to dedicate more resources to our export marketing and sales force, build up our international distributor network and increase our market share in the overseas markets.

In addition to direct sales, we sell our products through independent distributors domestically and internationally. As of December 31, 2008, we had a network of 17 domestic distributors across all provinces in China and four international distributors covering our overseas markets. We select our distributors based on their industry experience, distribution network, financial condition, credit worthiness and compatibility with our business strategy. Each of our distributors has its own sales force that focuses on marketing our products in its particular territory. Based on our contractual arrangements, our distributors may only distribute our products and may not sell any other manufacturer's products that directly compete with ours. We typically have one distributor operating in each designated region; however, we also sell directly to customers within the same territory depending on its size and our market penetration of it. We assign our sales employees to each of our key sales regions to assist our distributors in servicing customers, promoting our products, supervising their distribution activities and assisting them to develop new customer relationships. We conduct meetings with our distributors annually to review the qualifications of our distributors based on sales targets set at the beginning of each year and renew annual distribution agreements with qualified distributors. We typically provide our distributors the same pricing and settlement terms as we do to our direct sales customers. We provide quality assurance to our distributors by replacing defective products, provided that the quality problem has not been caused by their own actions. We typically arrange delivery of our products to distributors using our fleet of vehicles, while the distributors are responsible for the delivery costs which are added to the purchase price.

We offer an incentive bonus program to reward our sales employees, and discounts on future purchases to our distributors, who have achieved their annual sales targets. The amounts of incentive bonus offered to our sales employees are linked to their sales performance. For our sales employees, we offer incentive bonuses to those who meet at least 50% of their sales targets, based on incremental rates. We reward distributors who achieve their annual sales targets with discounts on future purchases. Such discounts are calculated as a percentage of actual sales, based on the range of the ratio of actual sales to sale target that a distributor has achieved annually. In 2006, 2007 and 2008, we offered discounts of approximately 0.4%, 0.3% and 0.2% of our total sales to distributors who met their annual sales targets, respectively. Such distributors represented approximately 56.7%, 53.3% and 88.2% of our total number of distributors in 2006, 2007 and 2008, respectively. We typically review sales performance of our sales teams and distributors on an annual basis.

We advertise our brand and products in industry journals and technical publications, and on television networks and airport billboards to broaden our brand recognition and awareness. We also regularly participate in various industrial exhibitions and seminars in China.

With the purpose of extending our sales network and building our brand name, we previously allowed some of our local distributors and customers to include “Zhongwang” in their company names. We confirm that all these entities involved in this arrangement were Independent Third Parties during the Track Record Period. These local distributors were also permitted to present themselves as our branches for marketing and product promotion purposes. However, the management and business operation of each of these distributors and customers are independent from us. As advised by our PRC legal advisor, Commerce & Finance Law Offices, the use of “Zhongwang” by these entities in their company names is lawful and no prior consent from us is required under PRC laws since these entities have registered their company names in administrative regions other than Liaoning. However, given that our brand name “Zhongwang” is recognized as a “China Well-known Trademark” by the Trademark Office of SAIC, we are entitled to apply for revocation of these company names with the relevant authority in the event that our rights and interests are infringed or the public may be deceived or misled by these company names. To protect our brand name and reputation, we have discontinued this arrangement with all such entities in 2006. Currently, none of our distributors are allowed to present themselves as our branches or use “Zhongwang” in their names. However, some of our customers still include “Zhongwang” in their company names. Since there is no evidence showing that our rights and interests have been infringed or that the use of “Zhongwang” name by these customers has deceived or misled the public, it would be difficult for us to take any legal or administrative action to prohibit the use of “Zhongwang” name by these customers according to our PRC legal advisor. As of December 31, 2008, none of our distributors included “Zhongwang” in their company names while there were ten customers of our Group still including “Zhongwang” in their company names.

#### **RAW MATERIALS, ENERGY AND SUPPLIERS**

Aluminum ingots are the principal raw material for the production of aluminum extrusion products. We source and purchase such raw material from aluminum ingot producers located within close proximity to our facilities in Liaoning, China. Over the years, we have established and maintained relationships with our key suppliers. In order to secure stable and reliable supply at a competitive price, we typically pay deposits to our suppliers of aluminum ingots. However, we are not dependent on any single aluminum ingot supplier. We typically enter into one-year supply agreements with several major aluminum ingot producers in China, each providing us a specified minimum level of aluminum ingots each year. We generally maintain approximately a 45 days’ supply of aluminum ingots. Due to the recent global financial crisis, the global and domestic primary aluminum prices have decreased significantly since September 2008. For details, please refer to the section headed “Industry Overview – Prices of Primary Aluminum” in this prospectus. The decrease in prices of aluminum ingots traded on the LME and SHFE in 2008 has resulted in the decrease of our average purchase price of aluminum ingots from our suppliers during the same period. However, despite such decrease in our average purchase price of aluminum ingots from suppliers, the average selling price of our products increased in 2008 mainly due to the increased market demand of our industrial aluminum extrusion products which typically command higher processing fees than our construction aluminum extrusion products. For details, please refer to the section headed “Financial Information – Factors affecting our results of operations – Pricing of our products” in this prospectus.



In addition, we purchase electricity, gas, gasoline, diesel and coal, which are the principal forms of energy used in our production process. We purchase electricity from the regional power grid at government-mandated rates, and we have a transformer station in our factories in Liaoyang. We also purchase gas, gasoline, diesel and coal from third-party vendors in China. The location of our production facilities in Liaoning, China enables us to reduce our transportation costs in obtaining our principal raw material and energy sources.

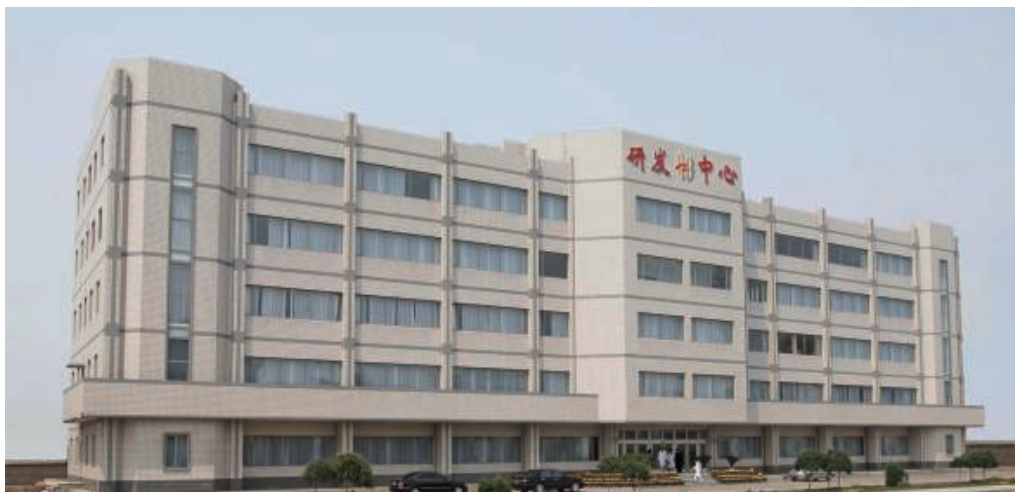
Other than aluminum ingots and energy sources, we use other raw materials and chemicals in manufacturing our products, such as sulfuric acid, powder paint, PVDF paint, silicon and magnesium. These raw materials are generally available and purchased from numerous suppliers in China. Although the prices of these other raw materials fluctuate due to changes in market supply and demand, we believe these commodities are in adequate supply and are generally available from numerous sources. We have not experienced any difficulty in sourcing aluminum ingots, other raw materials and chemicals, and energy sources. Our Directors do not anticipate any sourcing difficulties in the foreseeable future as supply is abundant. Our purchases are settled in Renminbi, and we have an average 90-day credit period from our suppliers.

For the Track Record Period, our five largest suppliers in aggregate accounted for approximately 78.9%, 80.2% and 81.6% of our total cost of sales, respectively, all of whom were suppliers of aluminum ingots, our principal raw material. Our single largest supplier constituted approximately 27.0%, 31.4% and 46.7% of our total cost of sales for the same periods, respectively. Our Directors are of the view that since aluminum ingot is a commodity that is readily available in China where the supply of aluminum ingots is abundant and we have established strong trading relationships with various aluminum ingot suppliers in China, we are able to purchase and obtain sufficient amount of aluminum ingots from other suppliers in China. During the Track Record Period, we purchased certain raw materials from connected persons. After the Listing, our Group will continue to purchase plastic film (for use as packaging material) and coating powder (for use in surface processing) from our connected persons. Details of such purchases are set forth in the section headed “Relationship with our Controlling Shareholder and Continuing Connected Transactions” in this prospectus. Save as disclosed in the section headed “Relationship with Our Controlling Shareholder and Continuing Connected Transactions – Continuing Connected Transaction,” all of our major suppliers were Independent Third Parties and none of our Directors, their associates or any shareholder who owns more than 5% of our issued share capital, had any interest in any of our top five suppliers during the Track Record Period.

## **RESEARCH AND DEVELOPMENT AND QUALITY CONTROL**

To improve our technologies and know-how and enhance our operating efficiency, we have established a research and development center, with designated teams focusing on the improvement of our manufacturing techniques, enhancement of our design and manufacture of dies, testing of the properties, functionality and composition of aluminum alloy, and expansion of our product range. We have an in-house die design team, which is responsible for creating customized product designs, allowing us to produce customized dies that are tailored to customers’ specifications and quality standards. Our research and development team has developed new production technology and techniques for the production of certain highly purified aluminum alloy billets and specialized industrial aluminum extrusion products for our customers involving high-voltage electric transmission and transportation equipment. In

addition, we have collaborated with various research and academic institutions, including Xi'an Heavy Machinery Research Institute, First Aircraft Institute of AVIC-1 and Northeastern University of China, in the research and development of our products and the improvement to our manufacturing techniques. We have also purchased equipment and instruments from Shimadzu (Hong Kong) Ltd. and Carl Zeiss, Inc. for our research and development center. One of our research and development projects, namely the Technological Research on Engineered Extrusion of Large-section and Complicated-cross-section Aluminum Alloys Project (大斷面複雜截面鋁合金型材擠壓工程化技術研究項目), has been selected and included in the Eleven-Five National Technology Supporting Program on Advanced Aluminum-processing Technology Research and Development Project (十一五國家科技支撐計劃先進鋁加工技術研究開發項目), which is a part of the PRC National Technology Supporting Program (國家科技支撐計劃) aiming to enhance technological developments in the PRC. This research and development project of our Group is partially sponsored by national funds of the PRC government and we are required to report our progress directly to the Ministry of Science and Technology of the PRC (科學技術部). In addition, we have been invited to participate in the research and development of, and supply aluminum extrusion products for testing purposes to a PRC government sponsored aviation technology project designed to produce large-bodied aircrafts. Furthermore, we are currently expanding the scale of our die design facility, allowing us to design and produce customized dies for large-section and high precision aluminum extrusion products particularly for the transportation sectors.



Our quality control team monitors every stage of our production processes and ensures consistent product quality that meets our internal quality standards and policies, and our customers' stringent requirements. Our manufacturing facilities in Liaoyang have obtained ISO 9002 certifications and ISO 9001 certifications for our quality management system since 1997 and 2003, respectively, and ISO 14001 certification for our environment management system since 2003. The ISO certification process involves subjecting our manufacturing processes and quality management systems to annual reviews and observation for various periods. We believe this certification process provides independent verification to our customers regarding the quality control employed in our production processes. In addition, we have satisfied the requirements of the AQSIQ and have obtained a waiver certificate for our products from government quality inspection in China since December 2003. These certificates evidence that our quality management meets both domestic and international standards of quality assurance and attest to the superior quality of our products.

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## BUSINESS

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In line with our business strategy to further enhance our research and development capability, our research and development expenses have increased gradually during the Track Record Period. Our total research and development expenses for the three years ended December 31, 2008 were approximately RMB4.3 million, RMB9.3 million and RMB17.0 million, respectively. During the Track Record Period, our research and development expenses increased significantly mainly due to increases in salaries paid to research and development employees, costs related to materials and inspection services required to carry out research and development projects, depreciation of research and development equipment and machinery, expenses related to the construction of our new sewage treatment system, utilities and administrative expenses incurred at our research and development center. Through our increase in research and development spending and continuous efforts, we have obtained new patents for the layout design of aluminum extrusion products, and designed and produced numerous customized dies and new aluminum extrusion products, such as railway cargo and passenger carriages, subway rails, vessels, power transmitters and construction curtain wall systems, which meet our customers' technical specifications and quality standards. In addition, we are in the process of designing and developing additional aluminum extrusion products with carbon fiber composite materials and other new alloy composition.

As of December 31, 2008, we had 253 research and development employees, which included 48 research and product development employees, 95 die design employees and 110 quality control employees, the majority of whom have undergraduate or higher degrees in the relevant fields.

### INVENTORY MANAGEMENT

We monitor and control our inventory levels of raw materials, work-in-progress and finished products to optimize our operations. We have inventory management procedures that monitor the planning and allocation of warehouse space and stock of raw materials and finished products to coordinate with delivery requirements and schedules. Our policy requires close coordination among our sales and marketing department, and raw materials procurement and storage teams. We closely supervise our daily production and maintain suitable inventory levels of raw materials and finished goods in all of our production facilities. Our inventory of raw materials primarily comprises aluminum ingots, and our policy is to store at least 45 days' supply of aluminum ingots. Since most of our products are customized, our inventory of finished products is primarily awaiting delivery pursuant to customer orders. For certain standardized construction aluminum extrusion products, we maintain a limited level of inventory of finished products to satisfy customers' demand, and we ship such standardized finished goods to our customers on a first-in, first-out basis.

We carry out physical stock counts to monitor our inventories, including inventory levels and inventory age. Spot checks are carried out on a monthly basis, and an overall stock count is carried out to identify damaged or obsolete inventory every six months. It is our policy to make allowance for inventory valuation and obsolescence losses if damaged or obsolete inventory is identified. In 2008, we recorded approximately RMB50.6 million in write-down of inventories mainly due to the recent decline in the market price of aluminum ingots, our principal raw material, resulting in the retail prices of certain of our standardized construction aluminum extrusion products being lower than their respective carrying costs of inventories.

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## BUSINESS

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We have warehouses in Liaoyang for work-in-progress and finished products. In addition, we store our finished products, on a consignment basis, in certain of our sole distributors' warehousing facilities, which are located in close proximity to points-of-sale throughout China. Our consigned products are stored in separate warehouses at those distributors' warehousing facilities, allowing us to differentiate the goods sold to distributors with the goods stored at their warehousing facilities on consignment basis. It is our policy to conduct inventory checks at these locations by our own staff on a monthly basis for monthly variation and on a yearly basis for an overall check of the consigned products. These consigned inventory checks, as an integral part of our inventory management system, are conducted at the same time with inventory checks in our own warehouses.

### TRANSPORTATION AND DELIVERY SYSTEM

We rely on land and ocean transportation for delivery of products to our customers and distributors or to shipping ports designated by our customers and distributors, and shipment of raw material supplies to our production sites. We have established our own internal transportation and delivery infrastructure at our production sites in Liaoning. Our transportation and delivery infrastructure, comprising mainly our fleet of over 200 vehicles, enables us to ensure timely delivery of our products and raw materials to satisfy our customers' needs and production requirements with no interruption throughout the year. All of our vehicles are equipped with GPS satellite computerized navigation systems, allowing us to monitor and allocate our internal resources and optimize our delivery schedules. Our Directors believe that our transportation and delivery infrastructure enables us to achieve cost savings and to provide reliable and efficient services to our customers in a timely manner. As of December 31, 2008, our transportation department consisted of 389 employees. We also hire independent third-party vendors for the delivery of our products to customers and distributors.

### INTELLECTUAL PROPERTY

Our intellectual property rights are of fundamental importance to our businesses since we rely to a significant extent on customer recognition of our brand name.

As of the Latest Practicable Date, we had registered 17 trademarks, 176 patents and three domain names in China, Hong Kong and overseas. One of our trademarks has been registered with the World Intellectual Property Organization and is recognized in 16 countries throughout the world. Details of our registered intellectual property portfolio are provided in the section headed "Intellectual property rights of our Group" in Appendix VI to this prospectus.

We actively take steps to protect our intellectual property rights and implement a set of internal intellectual property management rules. Our intellectual property is uniformly managed by our legal department and employees in charge of new product development. Matters related to trademarks and patents are required to comply strictly with procedures as set out in our internal intellectual property management rules. However, infringement or misappropriation of our intellectual property rights could materially harm our business. We have not experienced any infringement of our intellectual property rights which had a material effect on our business as of the Latest Practicable Date.

## BUSINESS

### COMPETITION

Due to the high levels of capital and technical know-how required in our industry, we believe that there are significant entry barriers to large-scale aluminum extrusion products manufacturing in China and worldwide. In addition, expertise in preparing dies and aluminum alloy billets and the techniques used in the extruding process are crucial steps in the manufacture of high quality aluminum extrusion products. As a result, the global aluminum extrusion industry is characterized by a limited number of large manufacturers with production capacity over 200,000 tons. Our products compete on the basis of product quality, brand recognition, customer service and price. Our Directors are of the view that our competitive advantages and strengths, including our recognized brand name, reliable product quality, and stable and diverse customer base, allow us to compete effectively in the aluminum extrusion industry.

### MAJOR AWARDS, CERTIFICATES AND MEMBERSHIPS

As of the Latest Practicable Date, we had been granted the following major awards, certificates and memberships:

<b>Award/Certificate/ Membership</b>	<b>Awarding/Issuing Organization</b>	<b>Date of Issue</b>	<b>Term of Validation</b>
State Sizable Enterprise	Six state ministries of the PRC	May 1995	N/A
Prestigious Product in Liaoning Province – aluminum profiles with “Zhongwang” brand	Economic and Trading Committee of Liaoning Province, PRC	April 1999	April 2002 <sup>(1)</sup>
Organizational Membership	China Nonferrous Metals Industry Association	April 2001	N/A
Enterprise Abiding By Contract and Being Trustworthy	SAIC	January 2003	N/A
Well-known Trademark in Liaoning Province – trademarks with “Zhongwang” brand	Industry and Commerce Administration of Liaoning Province, PRC	January 2003	N/A
Membership	Metals Service Center Institute	April 2003	N/A
Organizational Membership	China Nonferrous Metal Processing Industry Association	August 2003	N/A

## BUSINESS

<b>Award/Certificate/ Membership</b>	<b>Awarding/Issuing Organization</b>	<b>Date of Issue</b>	<b>Term of Validation</b>
China Top Ten Aluminum Profile Enterprises in 2002	China Nonferrous Metal Processing Industry Association	August 2003	N/A
Aluminum alloy construction profile with “Zhongwang” brand – Certificate for Product Exemption from Quality Surveillance Inspection	AQSIQ	(i) December 2003	(i) December 2003 to December 2006
		(ii) December 2006	(ii) December 2006 to December 2009
China Well-known Trademark – trademarks with “Zhongwang” brand	SAIC	February 2004	N/A
Membership	American Fence Association	May 2004	N/A
Aluminum alloy construction profiles with “Zhongwang” brand – China Prestigious Product <sup>(1)</sup>	AQSIQ	(i) September 2004	(i) September 2004 to September 2007
		(ii) September 2007	(ii) September 2007 to September 2010
Membership	American Architectural Manufacturers Association	2005	N/A
Excellent Management Customer	The International Certificate Network/ China Certificate Center for Quality Mark Certification Group	September 2005	N/A
China Sizable Industrial Enterprise in 2006	China Statistics Bureau	August 2006	N/A



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## BUSINESS

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<b>Award/Certificate/ Membership</b>	<b>Awarding/Issuing Organization</b>	<b>Date of Issue</b>	<b>Term of Validation</b>
Certificate of Product/Service Quality Management System – ISO9001:2000 Standard	The International Certificate Network/ China Certificate Center for Quality Mark Certification Group	August 2006	August 2006 to August 2009
Certificate of Environmental Management System – ISO14001:2000 Standard	The International Certificate Network/ China Certificate Center for Quality Mark Certification Group	August 2006	August 2006 to August 2009
The 365th enterprise of China Top 500 Sizable Enterprises in Terms of Revenue in 2005	Service Industry Investigation Center of China Statistics Bureau/ China Information Releasing Center for Industries and Enterprises	September 2006	N/A
License Certificate – Authorization to Use the Quality Sign “QUALICOAT”	QUALICOAT	September 2006	December 2009
Product Certificate for Fluorocarbon Coating Aluminum Profiles	China Certificate Center for Quality Mark Certification Group	November 2006	November 2006 to November 2009
Product Certificate for Anticathode Anodizing Bepainting Aluminum Profiles	China Certificate Center for Quality Mark Certification Group	November 2006	November 2006 to November 2009
Product Certificate for Powder Coating Aluminum Profiles	China Certificate Center for Quality Mark Certification Group	November 2006	November 2006 to November 2009
Product Certificate for Thermal-breaking Aluminum Profiles	China Certificate Center for Quality Mark Certification Group	November 2006	November 2006 to November 2009

## BUSINESS

<b>Award/Certificate/ Membership</b>	<b>Awarding/Issuing Organization</b>	<b>Date of Issue</b>	<b>Term of Validation</b>
Product Certificate for Electrophoretic Coating Aluminum Profiles	China Certificate Center for Quality Mark Certification Group	November 2006	November 2006 to November 2009
Manufacturing License for Industrial Products	AQSIQ	September 2007	September 2007 to September 2012
Approval of Manufacturer Certificate	Det Norske Veritas <sup>(2)</sup>	September 2007	September 2007 to December 2011
Certificate of National Torch Program for Construction of Industrialized Extrusion of Large-section and Complicated-cross- section Aluminum Alloys Used for Transportation Fittings Project	Torch Hi-technical Industry Exploitation Centre of Ministry of Science and Technology	December 2007	N/A

(1) We did not apply for and renew the “Prestigious Product in Liaoning Province – Aluminum Profiles with ‘Zhongwang’ Brand” certificate from the Economic and Trading Committee of Liaoning Province when it expired in April 2002 because we were in the process of applying for a “China Prestigious Product” recognition from AQSIQ, the national governing body in China in charge of national quality, certification and accreditation, which we subsequently obtained in September 2004.

(2) For details, please refer to the relevant disclosures in the section headed “Our History and Corporate Structure.”

### ENVIRONMENTAL AND SAFETY REGULATIONS

We are subject to PRC national environmental laws and regulations and periodic inspection by local environmental protection authorities. We believe that our operations do not produce material levels of noise, industrial waste or other hazardous waste that violate the applicable environmental standards and measures in the PRC. We minimize noise pollution by the usage of isolation rooms, which have noise absorption solutions on their interior walls. Also, we have installed certain dedusting and desulphurization equipment for our smelting and casting production lines to minimize industrial waste. In addition, we recycle aluminum drosses and skims generated during the cutting of aluminum alloy billets and reuse them in the smelting process. Our operations, however, produce a significant amount of wastewater. To meet the criteria for wastewater discharge set by the environmental authority, we have a sewage treatment plant. Before being discharged, the wastewater produced in our operations must be treated in our sewage treatment plant. We are currently constructing a new sewage treatment system, which is expected to be completed in 2009. Upon the completion of such sewage treatment system, approximately 70% of the wastewater generated in our operations will be recycled for use in the production process.

Our construction projects and existing plants are subject to relevant PRC environmental laws and regulations which mainly include but are not limited to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Environmental Impact Evaluation Law of the PRC (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Construction Projects (建設項目環境保護管理條例). According to relevant PRC environmental laws and regulations, the construction, renovation and extension of all aluminum-processing projects must comply with aspects of the environmental impact assessment system. An environmental impact evaluation of each project must be performed and an assessment report must be submitted to the relevant environmental protection authority for approval. Also, production activities may not begin until the project has been inspected and approved by the relevant environmental protection authority. Any failure to comply with such laws and regulations may result in the relevant environmental protection authority issuing orders to cease construction and implement measures to rectify the non-compliance. In circumstances where such rectification measures are not completed and/or production activities have begun prior to inspection and approval, the responsible entity may be fined between RMB50,000 and RMB200,000.

Zhongwang PRC failed to comply with some such requirements with respect to certain construction projects, including the construction project for our 125MN oil-driven dual action extrusion press. This was due to the gradual process of formation of the local environmental regulation framework, ambiguity in the interpretation and enforcement of applicable environmental laws and regulations and the resultant operational irregularities in our compliance with certain procedures prescribed by the relevant laws and regulations specified above. In accordance with the relevant PRC environmental laws and regulations set out above, the maximum penalty that could be imposed on Zhongwang PRC in respect of such non-compliance is a fine of RMB200,000.

We have taken rectification measures in connection with each such project to (i) inform the relevant environmental protection authority of our past non-compliance with applicable laws and regulations; (ii) conduct an environmental impact evaluation; (iii) submit an environmental impact assessment report to the relevant environmental protection authority for approval; and (iv) apply for a completion certificate after final inspection from the relevant environmental protection authority. We have received approval for each environmental impact assessment report that we retroactively filed. In addition, we have obtained completion certificates for all our construction projects from the relevant environmental protection authority. On May 8, 2008, Zhongwang PRC received a certificate and a confirmation letter from the Liaoyang City Environmental Protection Bureau (遼陽市環境保護局), which has the discretion with regard to whether any penalty should be imposed as a result of Zhongwang PRC's past non-compliance with applicable laws and regulations, confirming that (i) it will not take legal actions or impose any penalty or other punitive measures against Zhongwang PRC in connection with any historical non-compliance, and (ii) Zhongwang PRC has never been penalized or received any fines from the PRC environmental protection authority. For the foregoing reasons, we believe our past non-compliance with applicable PRC environmental laws and regulations will not have an adverse impact upon our business in the future, and, accordingly, we have not made any provision in respect thereof.

According to the reports issued by the Liaoyang City Environmental Monitoring Station (遼陽市環境監測站), we have been in compliance with all applicable PRC environment laws and regulations with respect to discharge or emissions of pollutants for all of our operations over the past three years. As stated above, we have obtained all environmental permits or approvals necessary to conduct the business currently carried on by us at our existing manufacturing facilities. Other than the non-compliant situations disclosed above, our Directors confirm that we have been in compliance with all applicable PRC environmental laws and regulations during the Track Record Period.

We received a ISO14001 certification issued by China Quality Mark Certification Group Co., Ltd., a certifying body which is authorized by the Certification and Accreditation Administration of the PRC (中國國家認證認可監督管理委員會) to conduct certification activities, for meeting the required environmental protection control standards. In addition, we have strengthened our internal control system for environmental issues by (i) setting up a department dedicated to our environmental compliance including conducting regulatory procedures for our new construction projects and undertaking continuing environmental monitoring in the course of our normal operations, and (ii) maintaining environmental protection control standards meeting the requirements of the ISO 14001 standards.

We are subject to PRC safety laws and regulations, which set out the legal standards for health and safety measures with which our operations must comply. As our business expands and the complexity of our production operations increases, we regularly review and ensure that our occupational health and safety procedures and measures have developed to comply with all relevant legal standards. Since the establishment of our Company, we have adopted and implemented the following occupational health and safety procedures and measures for our business operations:

- (i) provide guidelines and tips on occupational safety, such as production safety measures and procedures for handling certain emergency situations, to all employees;
- (ii) establish a production safety management group, which is responsible for managing and implementing occupational health and safety practices at our facilities, under the supervision of a full-time production safety manager;
- (iii) inspect all equipment and facilities routinely, such as elevators, heavy lifting machines, pressure vessels and piping and boilers, and obtain safety inspection certificates from certified mechanical specialists;
- (iv) provide relevant training to all employees on a regular basis to increase safety awareness; and
- (v) purchase certain commercial safety insurance and accidental injury insurance for all employees.

As of the Latest Practicable Date, we had not been involved in any accident causing death or serious bodily injury in the course of our business operations.

### PROPERTIES

As of February 28, 2009, we operated our businesses through 131 properties in the PRC for our production facilities, offices and other places of operations. These properties comprised: (i) the land use rights to eight parcels of land with a total site area of approximately 720,741.0 sq.m.; (ii) 114 buildings with a total gross floor area of approximately 260,562.9 sq.m.; (iii) eight buildings under construction with a total planned gross floor area of approximately 138,728.6 sq.m.; and (iv) one leased property with a gross floor area of approximately 162.0 sq.m.

We have obtained all the required land use rights and building ownership certificates for all our properties. We believe that our current properties will meet our future needs and are consistent with our business plans.

Please refer to the Property Valuation Report set forth in Appendix IV to this prospectus for further details of our properties.

### INSURANCE

We maintain insurance policies with insurance companies in China which cover our equipment, facilities, buildings and their improvements, and vehicles. These insurance policies cover losses arising from fire, lightning, explosion and aircraft accidents. Insurance coverage for our fixed assets in China amounted to approximately RMB2,221.0 million as of December 31, 2008. Currently, we do not maintain business interruption insurance or insurance relating to marine, air and inland transit risks for the export of our products. We have not made any material claims under our insurance policies and have not experienced any material business interruptions since our Group commenced operations.

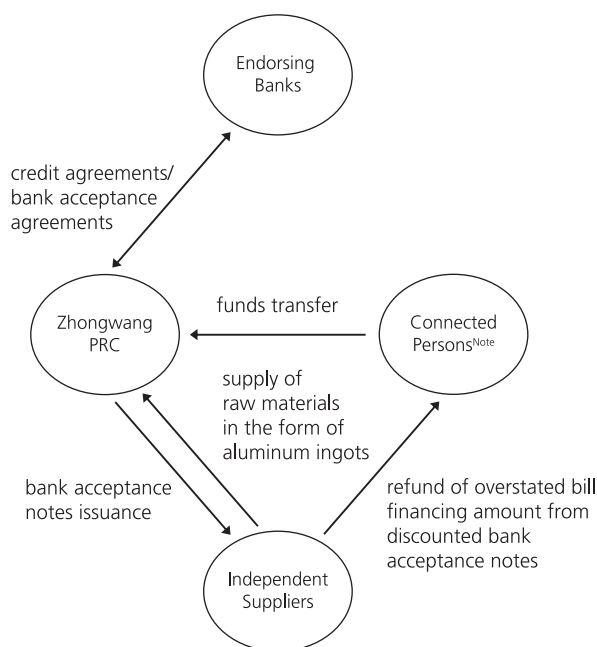
### BILL FINANCING

#### Background

We have entered into credit agreements with approximately 12 domestic municipal, provincial and national commercial banks in China pursuant to which such banks ("endorsing banks") agree to provide credit within stipulated limits with one-year term. The credit agreements generally include provisions relating to the limit, terms and types of credit facilities, including the issuance of bank acceptance notes (銀行承兌匯票), to be granted by the bank and the guarantees required for such credit facilities. Within the stipulated credit limits, we can issue bank acceptance notes to our suppliers as payments for our purchases. In order to issue such bank acceptance notes, we are typically required to enter into bank acceptance agreements (銀行承兌協議) with the endorsing banks, which require the presentation of the purchase contracts to support the issuance of such bank acceptance notes. The bank acceptance agreements generally include provisions relating to the terms of the bank acceptance notes, including payment terms and arrangements related to the required acceptance deposits. Under these agreements, we are generally required to make initial deposits with the endorsing banks in amounts of at least 50% of the face amount of the bank acceptance notes to be issued by us. These acceptance notes are due within three to six months. On or before the maturity date, we pay the remaining balance of the face amount of the bank acceptance notes to the endorsing banks. At any time prior to the maturity date, the bank acceptance notes may be presented, together with the related purchase contracts, by the relevant suppliers, which are Independent Third Parties, to PRC banks for discounting and payment. These relevant suppliers will obtain an amount equal to the face amount of the bank acceptance notes after deducting

discounted interest. At maturity, the bank acceptance notes may be presented to the endorsing banks for settlement. Our Directors have confirmed that all required initial deposits were maintained with the endorsing banks at all times in 2005, 2006, 2007 and 2008 and all remaining amounts of the bank acceptance notes issued by us during the same period were paid to the endorsing banks on or before their maturity dates.

As the discounted interest rates of bank acceptance notes are normally lower than the prevailing interest rates for short-term bank loans, to take advantage of these lower interest rates, we obtained funding for our business operations through issuing such bank acceptance notes (but within the credit limits stipulated by the endorsing banks and supported by the initial deposits made by us) in amounts that were greater than the actual amounts of our total purchases from the relevant suppliers (“overstated bill financing”).<sup>(1)</sup> Since the maximum face value of each bank acceptance note issued by us was RMB10 million, we would issue multiple bank acceptance notes to the relevant suppliers whereby (i) in respect of the amounts due to the relevant suppliers for actual purchases, the relevant suppliers would pay a cost to discount the respective bank acceptance notes prior to maturity if they choose to do so; and (ii) in respect of the overstated bill financing, we would pay for the cost to discount the respective bank acceptance notes earlier than maturity and would incur such cost as interest expenses in our financial statements during the relevant periods. The following flow chart sets forth the working mechanics of the overstated bill financing:



Note: Cheng Cheng and Hong Cheng, who acted as intermediaries for and on behalf of Zhongwang PRC.

(1) During the relevant periods, we estimated the maximum amounts to be purchased from the relevant independent suppliers and then entered into purchase contracts with such suppliers at amounts which exceeded our estimated maximum purchase amounts. The respective suppliers were willing to engage in the overstated bill financing arrangements based on their long-standing relationship with us and because such arrangements provided them with a higher level of cash flow and liquidity.



We used the overstated bill financing arrangements to fund a significant portion of our business operations from January 2005 to November 2007,<sup>(1)</sup> and all bank acceptance notes involved in such overstated bill financing were fully settled in May 2008.

As part of our preparation for the Listing, we were advised by our PRC legal advisor, Commerce & Finance Law Offices, that the overstated bill financing conducted by us was not in compliance with the PRC Negotiable Instruments Law (中華人民共和國票據法) (in particular Article 10 which states that bank acceptance notes shall be issued on the basis of actual underlying transactions) and certain banking regulations promulgated by the PBOC, including the Measures for the Implementation of the Administration of Negotiable Instruments (票據管理實施辦法), the Measures for Payment and Settlement of Accounts (支付結算辦法) and the Notice of the People's Bank of China on Certain Improvements to the Negotiable Instruments Systems (中國人民銀行關於完善票據業務制度 有關問題的通知). The overstated bill financing was also not in compliance with the agreements with the endorsing banks. Since then, our Directors understood that the overstated bill financing constituted a breach of the relevant PRC laws and regulations and became fully aware of the consequences of the past non-compliant actions regarding the overstated bill financing. We ceased to conduct the overstated bill financing in November 2007 and fully settled all bank acceptance notes involved in the overstated bill financing in May 2008.

### Effects on our financial position

In 2005, 2006, 2007 and 2008, the aggregate amount of the bank acceptance notes issued by us, which related to such overstated bill financing, was approximately RMB5,179.6 million, RMB5,886.4 million, RMB2,847.0 million and nil, respectively, whereas the aggregate amount of related actual purchases (including VAT)<sup>(2)</sup> from the relevant suppliers was approximately RMB2,675.7 million, RMB1,570.6 million, RMB1,741.7 million and nil, respectively. As such, the amount of the overstated bill financing, being the difference between the aggregate amount of such bank acceptance notes issued and the aggregate amount of related actual purchases, was approximately RMB2,503.9 million, RMB4,315.8 million, RMB1,105.3 million and nil, respectively, during the same period. The funding for our business operations obtained from the banks through such overstated bill financing in 2005, 2006, 2007 and 2008 was estimated to be approximately RMB626.0 million, RMB1,078.9 million, RMB276.3 million and

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(1) The first credit agreement involving the overstated bill financing was entered into in October 2004, while the first bank acceptance note involving the overstated bill financing was issued in January 2005 pursuant to such credit agreement.

(2) The amounts of purchases reported to the relevant PRC tax bureau for VAT and Enterprise Income Tax (EIT) purposes, which are the same as the amounts included in our financial statements, reflect actual purchase amounts with valid VAT invoices. Deloitte Touche Tohmatsu CPA Ltd., our independent tax advisors, has advised that, from the VAT perspective and based upon the relevant PRC tax laws and regulations, the amounts of input VAT that have been paid on purchases of goods as stated and specified on the valid VAT invoices could be used as a credit against the output VAT levied on sales, given that purchase contracts entered into reflected amounts greater than what we actually purchased from the relevant suppliers. Since the overstated amounts of the overstated bill financing arrangements were not actual purchases and there were no purchase VAT invoices issued by the relevant suppliers, we would not have any input VAT available to credit against the output VAT levied on sales. As such, the overstated amounts of the overstated bill financing arrangement shall have no impact on our VAT input claim. With respect to EIT, as only actual purchases with valid VAT invoices were included in our cost of sales, the overstated amounts of the overstated bill financing arrangement shall have no impact on our EIT liability.

nil, respectively.<sup>(3)</sup> As of December 31, 2005, 2006, 2007 and 2008, the year-end balance of the overstated bill financing was approximately RMB1,697.1 million, RMB1,241.1 million, RMB528.0 million and nil, respectively.

We had unutilized banking facilities of approximately RMB740.0 million, RMB1,100.0 million, RMB639.7 million and RMB1,389.4 million as of December 31, 2005, 2006, 2007 and 2008, respectively.<sup>(4)</sup> We maintained bank balances and cash and pledged bank deposits of approximately RMB3,155.8 million, RMB3,251.3 million, RMB3,959.7 million and RMB5,492.6 million, respectively, as of December 31, 2005, 2006, 2007 and 2008. In addition, we borrowed new bank loans of approximately RMB3,494.2 million, RMB4,078.1 million, RMB2,501.8 million and RMB3,354.1 million, respectively, in 2005, 2006, 2007 and 2008. We also issued short-term debentures with the aggregate principal value of RMB3,300.0 million in December 2006, April 2007, July 2008 and August 2008. Since the full settlement of all bank acceptance notes involved in the overstated bill financing arrangements in May 2008, we have demonstrated that we have sufficient funding to support our business operations for more than 11 months based on our operating income, adequate credit facilities and established relationships with PRC commercial banks and our ability to raise capital, such as through the issuance of short-term debentures. Based on the foregoing, our Directors consider that we would have had sufficient funding for our business operations in 2005, 2006, 2007 and 2008 assuming that there were no such overstated bill financing activities during the same period.

Our Directors have calculated the amount of additional finance costs (after tax) that would have been incurred by the Group had the funds obtained through discounting of bank acceptance notes been charged at the prevailing interest rates applicable to its normal bank borrowings (being the average interest rates charged on the Group's bank loans in 2005, 2006, 2007 and 2008) to be approximately RMB61.5 million, RMB73.5 million, RMB15.5 million and RMB5.6 million, respectively, in 2005, 2006, 2007 and 2008. Our Directors have calculated that the adjusted net profit of our Group during the same period would have been approximately RMB224.6 million, RMB477.9 million, RMB836.7 million and RMB1,904.8 million, respectively, had interest been charged as described above and calculated based on the finance costs incurred from discounted bills payable during the same period.

### **Involvement of the directors of Zhongwang PRC**

The relevant directors involved in the overstated bill financing arrangements were Mr. Liu, Ms. Chen Fuging, Mr. Liu Yan, Mr. Li Changhai and Mr. Li Hua. From January 2005 to February 2008, the board of directors of Zhongwang PRC consisted of these five members only. Mr. Liu was an executive director of Zhongwang PRC, whereas Mr. Liu Yan, Mr. Li Changhai and Mr. Li Hua were non-executive directors of Zhongwang PRC and they did not participate in the

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(3) Since substantially all of the bank acceptance notes issued by us were due in six months and we normally deposited at least 50% of the face amount of such bank acceptance notes in the endorsing banks, the funding for our business operations obtained through overstated bill financing on an annual basis was estimated to be 25% of the amount of the overstated bill financing.

(4) The amount of the unutilized banking facilities represented the difference between the aggregate amount of granted credit limits available to our Group, including the credit limits provided by the endorsing banks under the credit agreements and credit limits provided by other banks, and the aggregate amount of utilized banking facilities during the relevant periods. If we had not been engaged in the overstated bill financing arrangements described above, the amount of banking facilities made available to us by the banks may have been different during that period.

day-to-day management of our Group. The other director, Ms. Chen Fuqing, ceased to participate in the day-to-day management and operations of our Group since her retirement and resignation as an executive director of Zhongwang PRC in February 2005, and from which time she became a non-executive director of Zhongwang PRC. According to the requirement of the endorsing banks in connection with the issuance of bank acceptance notes, the directors of Zhongwang PRC, including the four non-executive directors, participated in the relevant board meetings for considering and approving the overstated bill financing arrangements. Each director of Zhongwang PRC had one vote on any matter to be considered and determined by the board of Zhongwang PRC.

**Subsequent actions undertaken by us and our Directors**

In preparation for the Listing, we reviewed the composition of the board of directors of Zhongwang PRC, and considered the necessity for the inclusion of non-executive directors to the board of directors of Zhongwang PRC. In order to support our business expansion and development, and having taken into consideration that the non-executive directors of Zhongwang PRC did not participate in its day-to-day management and operations, all four former non-executive directors of Zhongwang PRC resigned on February 28, 2008 and were replaced by four new executive directors of Zhongwang PRC, who are Directors or members of the senior management of our Company, on the same day. As a result, four of the five directors of Zhongwang PRC involved in the overstated bill financing arrangements had ceased to be directors and left our Group since February 28, 2008.

Our Board consists of ten Directors, of which four Directors are independent non-executive Directors. Each of our Directors has relevant industry experience or legal or financial background. For the experience and qualifications of our Directors, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus. Furthermore, our Directors have received training covering matters related to, among other things, the legal implications arising from the overstated bill financing activities, internal controls system and corporate governance. All Directors have confirmed that they fully comprehend their obligations and duties to take rectifying measures and to prevent the overstated bill financing or other non-compliant activities from happening again in future. Our executive Directors have also undertaken that our Group will not engage in overstated bill financing or other non-compliant activities in the future. We have also taken a series of actions to address and rectify this issue.

**Legal opinion from our PRC legal advisor**

To obtain an assessment of the potential legal implications of such overstated bill financing for us, our Directors and senior management, we have sought legal advice from our PRC legal advisor, Commerce & Finance Law Offices. On the basis that (i) the total amount of such overstated bill financing did not exceed the total credit limits granted by the relevant banks; (ii) our Directors and senior management were at all relevant times acting in the best interests of our Company; (iii) we paid all amounts due to the endorsing banks in full and on time; and (iv) all bank acceptance notes involved in the overstated bill financing were fully settled in May 2008, our PRC legal advisor has advised that (1) due to the fact that the relevant banks and third parties have not incurred any losses, we will not have any liability under any civil claims arising from such overstated bill financing, (2) our Directors and senior management will not be personally liable for any civil claims, and (3) there are no relevant PRC laws or regulations, nor are there any relevant rules promulgated by the PBOC or the China Banking Regulatory

Commission (中國銀行業監督管理委員會) (“CBRC”) imposing administrative or criminal liability in respect of such overstated bill financing. In particular, pursuant to Article 3 of the PRC Criminal Law (中華人民共和國刑法) and Article 4 of the PRC Administrative Penalty Law (中華人民共和國行政處罰法) describing the principles of “a legally prescribed punishment for a specified crime” and “administrative penalty decided by statutory regulations,” there is no legal basis for any PRC regulatory authority to impose administrative or criminal liability on us, our Directors or senior management in relation to the overstated bill financing. These legal opinions are consistent with the written confirmations we obtained from the relevant parties and government agencies as further discussed below.

**Confirmations from relevant endorsing banks**

Since certain of our agreements with the endorsing banks involving bill financing provide that the issuance of bank acceptance notes should be made based on actual purchases and transactions, in July and August 2008 and January 2009, we met with the branch presidents and/or customer relation managers of the endorsing banks and subsequently obtained such banks’ written confirmations that in connection with our business activities with them prior to December 2007, (i) our payments to them related to bill financing were made in full and on time; (ii) we had not defrauded them; (iii) they did not incur any losses as a result of our business activities with them and (iv) they will not take any legal action against us, our Directors and senior management.

**Confirmations from and consultation with relevant government agencies**

In July and August 2008, we, together with our PRC legal advisor, initiated meetings and consulted with the Shenyang branch of the PBOC, which is one of the nine branches of the PBOC in charge of Liaoning, Jilin and Heilongjiang provinces, and the Liaoning branch of the CBRC, which is the provincial authority of the CBRC, regarding our overstated bill financing. The PBOC is responsible for drafting the PRC Negotiable Instruments Law and other relevant laws and regulations, and the CBRC is the regulatory authority overseeing commercial banks and their operations in China. Our PRC legal advisor has advised that the PBOC and CBRC are the only two regulatory authorities who may determine whether there is any breach of PRC laws and regulations, or impose any liability in relation to the overstated bill financing. Since Zhongwang PRC was incorporated in Liaoning province, the Shenyang branch of the PBOC and the Liaoning branch of the CBRC are the two appropriate government agencies that we approached and consulted with regarding this matter. Notwithstanding the fact that such overstated bill financing was not in compliance with the Negotiable Instruments Law and relevant regulations of the PRC as disclosed above, on the basis that the overstated bill financing activities did not result in any loss to the relevant banks or any other third party, the relevant government agencies deemed the overstated bill financing to be an “immaterial breach of law.” Article 27(2) of the Administrative Penalty Law of the PRC states that “penalties may be waived for immaterial breaches of law that have been rectified promptly with no serious consequence caused.” Accordingly, the Liaoning branch of the CBRC confirmed in its written letter dated February 17, 2009 and the Shenyang branch of the PBOC confirmed in its written letter dated March 9, 2009 that they would not impose any administrative penalty or take any punitive or other measures against the parties involved in the overstated bill financing. These written confirmations represent the government agencies’ view and assessment of actions to be taken by them on issues related to the overstated bill financing. As of the date of this prospectus, we have not received any notice of formal investigation or inquiry regarding the overstated bill financing from these agencies.

### **Strengthening our internal controls system and corporate governance measures**

In December 2007, we engaged Moores Rowland (Beijing) Certified Public Accountants (“Moores Rowland”), an independent internal controls advisor, to examine our overall internal controls system. We particularly asked Moores Rowland to examine our internal control policies and procedures in relation to our capital management. For details of the review conducted by Moores Rowland, please refer to the section headed “Business – Internal Controls” below.

Moores Rowland commenced its review of our internal controls system, including internal control policies and procedures over issuing, recording and management of bank acceptance notes, in January 2008. With the assistance of Moores Rowland, we formulated and approved a series of specific internal guidelines and corporate governance measures to ensure no similar incidents will occur in the future and that all future financings are properly supported by actual transactions, such as cross checking of each of the financing transactions against underlying contracts; separating the administrative duties of the issuance and approval of bank acceptance notes; preparing summaries of bank acceptance notes activities and reporting results to the audit committee on a monthly basis.

Since January 2008, Moores Rowland has been reviewing our internal control policies and procedures over issuing, recording and management of bank acceptance notes. In the reports issued by Moores Rowland to us on January 18, 2009 and March 18, 2009, Moores Rowland concluded that (i) it did not identify any operating ineffectiveness of internal controls over bank acceptance notes issued from January 1, 2008 to February 28, 2009 and (ii) it did not identify any bank acceptance notes issued by us from January 1, 2008 to February 28, 2009 which involved any overstated bill financing activities.

We have also adopted additional measures to strengthen our overall corporate governance practices. For details, please see the section headed “Business – Internal Controls” below.

To ensure compliance with all applicable laws and regulations, we intend to continue to engage Moores Rowland for at least the next 12 months after Listing to (i) conduct periodic verifications of our newly implemented internal control mechanisms and measures on a quarterly basis; and (ii) comprehensively examine and monitor our bank acceptance notes activities on a quarterly basis and provide its report of our internal controls to our audit committee. Our audit committee will also refer internal control matters related to compliance issues to our corporate governance committee.

### **Indemnity from Controlling Shareholder**

Our Controlling Shareholder has agreed to indemnify us against any losses, liabilities and expenses, if any, relating to any claim brought by the banks, regulatory authorities or any other third party in relation to the overstated bill financing.

### **INTERNAL CONTROLS**

With the objective of establishing and maintaining high standards of internal control over our operations and financial management, since March 2005 we have adopted a set of policies and procedures to promote the consistency and transparency of our operational and financial management with built-in checks and balances. We have also retained Moores Rowland to evaluate our internal controls and to provide recommendations on how we can further improve the effectiveness of our internal controls system. The responsible officers overseeing our internal controls system and the implementation of enhanced internal controls are Mr. Cheung Lap Kei, our chief financial officer, and Mr. Chen Yan, an executive Director. For details of their experiences and qualifications, please refer to the section headed “Directors, senior management and staff” in this prospectus.

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## BUSINESS

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The scope of work conducted by Moores Rowland since its appointment in December 2007 includes reviewing our internal controls over financial reporting at both the entity level and process level, making recommendations to improve our existing internal controls system, conducting follow-up procedures and reviewing remedial measures we have implemented. Certain corporate governance measures including the role of the audit committee and the effectiveness of internal audit functions were also reviewed. Key business processes such as sales, procurement, inventory management, fixed assets and financial reporting were selected for review.

In addition, Moores Rowland conducted interviews with personnel in charge of each of our business units, performed walkthrough check of control points and reviewed our procedural manuals.

Based on its review, Moores Rowland identified certain deficiencies in the design of our internal controls system, such as the entity level control, process level control and information technology general control. Moores Rowland has advised that such deficiencies, if not rectified, would have an impact on the clear segregation of duties, governance accountability and transparency, timely risk assessment and steady operation of our information system. Moores Rowland also provided us recommendations to rectify these control deficiencies in February 2008. We have commenced implementation of various measures since March 2008 based on Moores Rowland's recommendations and have rectified all of the deficiencies identified after independent evaluation by Moores Rowland. The following is a summary of the deficiencies identified by Moores Rowland, recommended rectifying measures and the status of rectification work performed by us:

Key findings	Rectifying measures	Status of rectification work
Insufficient governance structure	<ul style="list-style-type: none"><li>• To improve our board composition with appointments of executive Directors and non-executive Directors</li><li>• To establish sub-committees of the board to deal with matters on financial reporting and internal control, remuneration of Directors and corporate governance</li><li>• To appoint joint company secretaries to assist in handling legal and regulatory compliance matters</li></ul>	<ul style="list-style-type: none"><li>• Completed in August 2008</li><li>• The audit committee, the strategy and development committee and the remuneration committee were all established in August 2008 and the corporate governance committee was established in February 2009</li><li>• Completed in December 2008</li></ul>



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## BUSINESS

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<b>Key findings</b>	<b>Rectifying measures</b>	<b>Status of rectification work</b>
Lack of an efficient organizational structure	<ul style="list-style-type: none"> <li>To adjust the organizational structure to match with our corporate development and internal control strategy</li> </ul>	<ul style="list-style-type: none"> <li>Completed in August 2008</li> </ul>
Insufficient self-assessment system	<ul style="list-style-type: none"> <li>To set up a systematic self-assessment mechanism (including setting up policies and procedures to support our existing internal audit function and to obtain assistance from external advisors) and perform self-assessment on an annual basis (except for our assessment on internal control over bank acceptance notes activities which is performed on a quarterly basis)</li> </ul>	<ul style="list-style-type: none"> <li>Completed in August 2008</li> </ul>
Lack of a set of centralized policies relating to information system	<ul style="list-style-type: none"> <li>To adjust the structure of the information system organizations, clarify and redefine their roles and responsibilities, and improve the relevant policies</li> </ul>	<ul style="list-style-type: none"> <li>Completed in August 2008</li> </ul>
Lack of formal authorization approval in some key review or control points (such as review of monthly sales report, cash forecast statement and budget variance analysis)	<ul style="list-style-type: none"> <li>To establish a formal written authorization approval process and documentation policies</li> </ul>	<ul style="list-style-type: none"> <li>Completed in August 2008</li> </ul>
Lack of a systematic risk assessment process	<ul style="list-style-type: none"> <li>To establish a formal corporate risk assessment process led by our internal audit department</li> </ul>	<ul style="list-style-type: none"> <li>Completed in December 2008</li> </ul>
Lack of timely and comprehensive policies and procedures in the key business areas (such as inventory management, information system and performance measurement system)	<ul style="list-style-type: none"> <li>To revise, supplement and consummate the respective policies and procedures in the key business areas</li> </ul>	<ul style="list-style-type: none"> <li>Completed in December 2008</li> </ul>

Based on Moores Rowland's independent due diligence review, verification and testing, and as disclosed in its follow-up summary report of internal controls dated January 18, 2009 and summary report on testing of internal controls dated March 18, 2009, Moores Rowland has concluded that all of the above material internal controls have been in place properly before December 31, 2008. In addition, Moores Rowland did not identify any material operating ineffectiveness of our internal controls during the period from January 1, 2009 to February 28, 2009. Such reports have also been reviewed by our audit committee and corporate governance committee.

We recognize the importance of incorporating elements of good corporate governance in the management and internal control procedures of our Group so as to achieve effective accountability. We established an audit committee, a remuneration committee and a strategy and development committee in August 2008. Since their establishment, our audit committee has reviewed our accounting policy, financial position and financial reporting procedures, our remuneration committee has reviewed the remuneration (including bonuses and other compensation) payable to our Directors and other senior management members, and our strategy and development committee has reviewed the development plans of our Group.

To monitor the implementation of our corporate governance policies and procedures, we have also established (i) a corporate governance committee which is responsible to oversee corporate governance matters within our Group, including the review of internal control over compliance matters; and (ii) an internal audit department which is responsible to audit and examine the activities of our finance department and to ensure the accuracy and integrity of our business activities. Our corporate governance committee consists of three members and all of them are independent non-executive Directors. Since its establishment, our corporate governance committee has reviewed our corporate governance policies. The head of internal audit department of our Company will regularly report internal control related matters (including our financing arrangements) to our audit committee, which will in turn report its findings to our Board. Our audit committee will also refer internal control matters related to compliance issues to our corporate governance committee. In addition, the head of legal department of our Company will regularly report legal compliance matters to our corporate governance committee. Our corporate governance committee will report its findings on corporate governance and legal compliance matters to our Board. In the event that our corporate governance committee or our audit committee becomes aware of and reports any deficiency on the corporate governance/internal control/legal compliance matters to our Board, we will take appropriate actions promptly to address and/or rectify such deficiency. For details of the duties and responsibilities of our Board committees, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus.

We have also retained Shenyin Wanguo Capital (H.K.) Limited, as our compliance advisor, to assist us with all compliance matters and issues related to the Hong Kong Listing Rules. We have adopted and will continue to adopt the following additional measures after Listing:

- engage Moores Rowland to comprehensively review our bank acceptance notes activities on a quarterly basis for at least the next 12 months after Listing and until our independent non-executive Directors determine otherwise;

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## BUSINESS

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- engage Moores Rowland to review and test the effectiveness of our material internal control measures, including newly implemented internal control mechanisms and measures, on a quarterly basis for at least the next 12 months after Listing and until our independent non-executive Directors determine otherwise;
- provide reports of internal controls prepared by Moores Rowland to our audit committee for their review on a continuous basis for at least the next 12 months after Listing. Our audit committee will also refer internal control matters related to compliance issues to our corporate governance committee; and
- review our internal controls system by our audit committee on a continuous basis after Listing.

We plan to continue to provide training to all relevant staff members on risk management and implementation of new policies and procedures in key business areas. Such training will be primarily provided by senior members of our accounting and internal audit departments, including Mr. Cheung Lap Kei, our chief financial officer, as well as our independent internal controls advisor, legal advisor and compliance advisor. Our senior management will set up the training plan and conduct training to all relevant staff members on a continuous basis, while our independent internal controls advisor, legal advisor and compliance advisor will conduct training to our staff members on a quarterly basis. The training to be provided by our independent internal controls advisor will mainly focus on the continuous improvement on our internal controls. The training to be provided by our legal advisor will mainly focus on the rectifying measures taken related to and the continuous improvement on legal compliance matters. The training to be provided by our compliance advisor will primarily focus on compliance matters and issues related to the Hong Kong Listing Rules. In addition, all training to be provided by our independent advisors will include topics related to risk awareness and risk identification. We intend to disclose results of our internal control review, findings and recommendations by Moores Rowland and related rectifications made by us in our interim and annual reports after Listing.

Our Directors, Mr. Liu, Mr. Chen Yan, Ms. Zhong Hong, Mr. Gou Xihui and Mr. Wen Xianjun, all of whom with relevant industry experience, and Mr. Lu, Mr. Ma Xiaowei, Mr. Wong Chun Wa, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy, all of whom with relevant legal or financial background, will assess the adequacy and effectiveness of our internal controls system based on the reports of the Board committees. For the experience and qualifications of our Directors and members of the Board committees, please see the section headed “Directors, Senior Management and Staff” in this prospectus.

### LEGAL PROCEEDINGS

As of the Latest Practicable Date, we were not a party to any material arbitration, litigation or administrative proceedings which could be expected to have a material adverse effect on our business or results of operations. We are not aware of any pending or threatened arbitration, litigation or administrative proceedings against us. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.