INTRODUCTION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on February 9, 2010.

Our Company's subsidiaries consist of Hongqiao Investment, Hongqiao Hong Kong, Shandong Hongqiao, Aluminum & Power and Zhengtong, all being wholly-owned subsidiaries. Hongqiao Investment and Hongqiao Hong Kong were incorporated in the BVI and Hong Kong on February 5, 2010 and February 18, 2010, respectively. They are both investment holding companies and were incorporated for the purpose of holding our Company's interests in Shandong Hongqiao, Aluminum & Power and Zhengtong. Aluminum & Power was our major operating company during the three years ended December 31, 2009 and the nine months ended September 30, 2010, and is engaged in the manufacturing of aluminum products.

We were the fifth-largest aluminum manufacturer in China, which is the fastest growing major aluminum market in the world in terms of designed annual aluminum production capacity as of September 30, 2010, according to Antaike. Our history can be traced to the establishment of Shandong Hongqiao, a sino-foreign joint venture, on July 27, 1994 and was held as to 60% by Chuangye Group and as to 40% by Chung Tai Development Co., Ltd., or Chung Tai, an Independent Third Party.

In September 2006, Aluminum & Power acquired from Chuangye Group certain aluminum products manufacturing facilities with an aggregate designed annual production capacity of approximately 156,000 tons. See "Business – Our Production Facilities." Aluminum & Power did not engage in the production of aluminum products before such acquisition and started the production of aluminum products thereafter.

Our management team had acquired relevant expertise and knowledge in respect of aluminum manufacturing business through (i) the operation and management of these aluminum products manufacturing facilities, (ii) our subsequent acquisition of aluminum products production facilities, (iii) construction of new aluminum products production lines, and (iv) the management expertise gained by our management team from relevant past working experience in different positions. See "Directors and Senior Management."

In order to further consolidate our core business and avoid any potential competition, on January 4, 2010, Shandong Hongqiao acquired relevant aluminum production facilities with an annual production capacity of 160,000 tons owned by Chuangye Group.

BUSINESS MILESTONES

Set out below are major business milestones of our Group since the establishment of Shandong Hongqiao:

July 1994	Shandong Hongqiao was established and was mainly engaged in the production and distribution of jeans (堅固尼) and yarn-dyed denim (色織布) at the time of its establishment.
December 2002	Aluminum & Power was established, the business scope of which included thermal power generation.
June 2006	Shandong Hongqiao acquired the entire equity interests of Aluminum & Power and therefore became the beneficial owner of Aluminum & Power.

September 2006	Aluminum & Power acquired from Chuangye Group the aluminum products manufacturing facilities with an aggregate designed annual production capacity of approximately 156,000 tons and started engaging in the production of aluminum products.[(1)]
April 2007	Aluminum & Power acquired from Chuangye Group the aluminum products manufacturing facilities with an aggregate designed annual production capacity of approximately 100,000 tons.[(2)]
2007	The aggregate designed weighted average annual production capacity of our Group was increased to approximately 301,513 tons through our construction of new aluminum products manufacturing facilities.
2008	The aggregate designed weighted average annual production capacity of our Group was increased to approximately 601,085 tons through our construction of new aluminum products manufacturing facilities.
2009	The aggregate designed weighted average annual production capacity of our Group was increased to approximately 738,973 tons through our construction of new aluminum products manufacturing facilities.
January 2010	Shandong Hongqiao acquired from Chuangye Group the aluminum production facilities with an aggregate designed annual production capacity of approximately 160,000 tons and the aggregate designed annual aluminum products manufacturing capacity of our Group was increased to approximately 916,000 tons.
March 2010	Aluminum & Power acquired the entire equity interests of Zhengtong.
April 2010	Shandong Hongqiao obtained the ISO 9001 Certification and the ISO 14001 Certification.

Notes:

(1) Pursuant to an asset transfer agreement entered into between Aluminum & Power and Chuangye Group dated September 28, 2006, Aluminum & Power acquired such assets at a consideration of approximately RMB839.2 million. The consideration and value of the subject assets were determined with reference to their appraised value as indicated in the appraisal report prepared by Zouping Jianxin Certified Public Accountants Corporation (鄒平鑒鑫有限責任會計師事務所) dated September 28, 2006. The consideration was paid by Aluminum & Power in cash in 2006.

(2) Pursuant to an asset transfer agreement entered into between Aluminum & Power and Chuangye Group dated April 30, 2007, Aluminum & Power acquired such assets from Chuangye Group at a consideration of approximately RMB499.9 million. The consideration and value of the subject assets were determined with reference to their appraised value as indicated in the appraisal reports prepared by Zouping Jianxin Certified Public Accountants Corporation (鄒平鑒鑫有限責任會計師事務所) dated April 30, 2007. The payment of such consideration was completed by Aluminum & Power in October 2009. Please refer to Note 35(a) to the Accountants' Report set out in Appendix I to this document for the details of payment of the consideration.

SHAREHOLDING HISTORY OF OUR PRC SUBSIDIARIES

(1) Shandong Hongqiao

Shandong Hongqiao was established as a sino-foreign joint venture on July 27, 1994 with an initial registered capital of US$3 million and was held as to 60% by Chuangye Group and as to 40% by Chung Tai, an Independent Third Party.

On October 29, 1996, pursuant to a share transfer agreement entered into between Chung Tai and Profit Long Investment, Chung Tai agreed to transfer 40% of the equity interests in Shandong Hongqiao to Profit Long Investment. The transfer was approved by Shandong Province Binzhou District Foreign Economic and Trade Committee (山東省濱州地區對外經濟貿易委員會) on December 17, 1996.

The registered capital of Shandong Hongqiao was increased to US$7,350,000 as evidenced by the business licence issued to Shandong Hongqiao on March 23, 1999 and the equity interests in Shandong Hongqiao were held by Chuangye Group and Profit Long Investment as to 60% and 40%, respectively. Shandong Province Binzhou District Foreign Economic and Trade Committee (山東省濱州地區對外經濟貿易委員會) approved such increase in its registered capital on March 22, 1999.

The registered capital of Shandong Hongqiao was further increased to US$13,800,000 as evidenced by the business licence issued to Shandong Hongqiao on August 8, 2000, which was contributed by Chuangye Group as to US$8,280,000 and by Profit Long Investment as to US$5,520,000 in total. After such increase, the equity interests in Shandong Hongqiao remained to be held by Chuangye Group and Profit Long Investment as to 60% and 40%, respectively. Such increase in the registered capital of Shandong Hongqiao was approved by Shandong Province Binzhou District Foreign Economic and Trade Committee (山東省濱州地區對外經濟貿易委員會) on June 6, 2000. Pursuant to the capital verification report issued by Zouping Jianxin Certified Public Accountants Corporation (鄒平鑒鑫有限責任會計師事務所) on August 2, 2000, the increase in the registered capital of Shandong Hongqiao was fully paid on April 12, 2000 and July 15, 2000 by Profit Long Investment and Chuangye Group, respectively.

Having considered that Shandong Hongqiao's operational results were not satisfactory, on June 5, 2006, Chuangye Group entered into a share transfer agreement to transfer 58% equity interests in Shandong Hongqiao to Profit Long Investment for a consideration of US$8,000,000. Pursuant to the said share transfer agreement, such amount was payable immediately after the execution of the agreement. As a result of further negotiation on the payment terms, the parties thereto entered into a supplemental agreement dated June 15, 2006, which provided that such consideration shall be paid by Profit Long Investment before June 30, 2010. Chuangye Group agreed to extend the due date for payment of the consideration primarily due to the fact that Profit Long Investment is a related party of Chuangye Group as the then beneficial interest of the entire issued share capital of Profit Long Investment was held by Mr. Zhang, who was the chairman of board of directors and a shareholder of Chuangye Group at the relevant time. Such consideration of US$8,000,000 was determined with reference to the then registered capital of Shandong Hongqiao and was paid by Profit Long Investment on March 10, 2010 by way of a loan from our Company, which was partly funded by a term loan facility provided to our Company by a commercial bank in Hong Kong. As Profit Long Investment and our Company were both 100% owned by Mr. Zhang and our Company had funds available at the relevant time, Profit Long Investment borrowed such funds from our Company to make the payment. In order to avoid the connected transaction implications associated with the provision of a loan by our Company to Profit Long Investment, Profit Long Investment borrowed a loan from Profit Rich Company to repay the loan from our Company on May 14, 2010. Profit Rich Company was a sole proprietorship of Mr. Chang Nai Chi (張乃梓), an Independent Third Party and a personal friend of Mr. Zhang. To the best knowledge of our Directors, the loan lent to Profit Long Investment by Mr. Chang Nai Chi (張乃梓) (trading as Profit Rich Company) was funded by his own resources. As advised by our PRC legal advisors, Zong Heng Law Firm, there was no mandatory requirement under the PRC laws in relation to the term of payment of the consideration for the aforesaid share transfer and the payment term agreed by Chuangye Group and Profit Long Investment has complied with the PRC laws and regulations. Zong Heng Law Firm has also advised us that the payment of the consideration of US$8,000,000 has complied with the necessary approval procedures in accordance with the PRC laws and regulations and the transfer of the 58% equity interests in Shandong Hongqiao by Chuangye Group to Profit Long Investment complied with relevant PRC laws and regulations and is legal and valid.

The Bureau of Foreign Trade and Economic Cooperation of Binzhou (previous known as Binzhou District Foreign Economic and Trade Committee) (濱州市對外貿易經濟合作局) approved such share transfer on June 7, 2006. Upon completion of the above transfer, the equity interests of Shandong Hongqiao were held as to 98% by Profit Long Investment and as to 2% by Chuangye Group.

Shandong Hongqiao had been principally engaged in production and distribution of yarn-dyed denim (色織布) since its establishment until 2007. It ceased such production in 2008 and 2009 due to adverse market conditions. During the years 2008 and 2009, Shandong Hongqiao did not engage in other businesses. As part of the business restructuring, on January 4, 2010, Shandong Hongqiao entered into an agreement with Chuangye Group, pursuant to which Shandong Hongqiao acquired the aluminum production assets with a total designed annual production capacity of approximately 160,000 tons of aluminum products from Chuangye Group at a consideration of RMB1,189.7 million. See "Business – Our Production Facilities." As confirmed by our Directors, the construction of these aluminum product manufacturing assets was completed by Chuangye Group at the end of 2009. They have been put into operation and commenced the production of aluminum products in 2010 only after the acquisition by Shandong Hongqiao. Our Directors further confirmed that Shandong Hongqiao did not acquire these aluminum product manufacturing assets when they were under construction as it considered not practicable to acquire such facilities when they were still under construction. Shandong Hongqiao acquired these aluminum product manufacturing assets from Chuangye Group in 2010 to avoid any potential competing business to be operated by Chuangye Group. Part of the consideration for the acquisition of these aluminum manufacturing facilities was settled by the transfer of the dyeing and weaving assets owned by Shandong Hongqiao at an appraised value of RMB35.4 million to Chuangye Group. The balance of the consideration was paid in cash by Shandong Hongqiao in March 2010. The consideration and value of the subject assets were determined with reference to the appraised value of these assets as indicated in the appraisal reports prepared by Shandong Jianxin Asset Appraisal Company Limited (山東鑒鑫資產評估有限公司). Our PRC legal advisors, Zong Heng Law Firm, have advised us that no government approval is required under the PRC laws and regulations in respect of the aforesaid transaction.

On March 16, 2010, the registered capital of Shandong Hongqiao was further increased to US$110,000,000. After such increase, the equity interests in Shandong Hongqiao remained to be held by Profit Long Investment and Chuangye Group as to 98% and 2%, respectively. The Department of Commerce of Shandong Province (山東省商務廳) approved such increase in the registered capital of Shandong Hongqiao on March 8, 2010. Pursuant to the capital verification report issued by Shandong Jianxin Accounting Firm Company Limited (山東鑒鑫會計師事務所有限公司) on March 11, 2010, the increase in the registered capital of Shandong Hongqiao was fully paid on March 11, 2010 by the contribution of the undistributed profits in Shandong Hongqiao by Profit Long Investment and Chuangye Group.

As confirmed by our Company, the legal and beneficial owners of the equity interests in Profit Long Investment were Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良), Independent Third Parties and two personal friends of Mr. Zhang, since its incorporation until June 2, 2006. Pursuant to the share transfer agreement dated June 2, 2006 entered into among Mr. Zhang, Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良), each of Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) agreed to transfer their respective equity interests in Profit Long Investment to Mr. Zhang. The parties subsequently further agreed to fix the total consideration for such transfer at US$5,520,000 (equivalent to approximately RMB44,270,000). Such total consideration was determined with reference to the registered capital of Shandong Hongqiao at the time of such transfer as Profit Long Investment was holding 40% of the equity interests in Shandong Hongqiao at that time. The total consideration was fully paid by Mr. Zhang to Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) by July 2006. Our PRC legal advisors, Zong Heng Law Firm, have advised us that the payment of the consideration, which was made by Mr. Zhang paying the US$5,520,000 in Renminbi to a domestic bank account designated by Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良), did not require any governmental approval under PRC laws and regulations.

As Profit Long Investment is a company incorporated in Hong Kong and that both Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) are Hong Kong residents, Mr. Zhang was of the view that given both Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) had been the shareholders of Profit Long Investment since its incorporation and were more familiar with the legal requirements governing the operation of a Hong Kong company, they were in a better position to administer and manage the operation of Profit Long Investment. Taking into account the aforesaid reasons, each of Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) would continue to hold the legal interest of 50% of equity interests in Profit Long Investment on trust for and on behalf of Mr. Zhang. Accordingly, on the same date, Mr. Zhang signed a declaration of trust with each of Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) to evidence the aforesaid trust arrangement which was effective on June 2, 2006. On February 23, 2010, in order to reflect the legal interest of Mr. Zhang in the equity interests of Profit Long Investment, each of Mr. Zhang, Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) decided to terminate the aforesaid trust arrangement and the entire legal interests in Profit Long Investment were transferred to Mr. Zhang. Thereafter, Mr. Zhang held the entire legal and beneficial interests in Profit Long Investment.

The said arrangement was further confirmed by each of Mr. Chang Nai Chi (張乃梓), Mr. Ng Tse Leung (吳子良) and Mr. Zhang by statutory declarations executed by each of them dated April 14, 2010 and April 15, 2010, respectively.

Our Company's PRC legal advisors, Zong Heng Law Firm, have advised us that: (1) such trust arrangement is legal, valid and enforceable under PRC laws between Mr. Zhang, Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) and did not violate any laws or regulations in the PRC; (2) there would not be any substantial legal impediment for Mr. Zhang to hold the legal interests in Profit Long Investment directly in 2006. Regardless of whether Mr. Zhang held the legal interests in Profit Long Investment directly or indirectly in 2006, including by way of trust arrangement, Mr. Zhang would be required to complete the relevant SAFE registration under the relevant PRC laws and regulations before his acquisition of Profit Long Investment. Mr. Zhang did not make the foreign exchange registration application before he held the beneficial interests in Profit Long Investment in June 2006 as he misunderstood that the relevant PRC laws and regulations would allow him to complete the foreign exchange registration after he held the legal interests in Profit Long Investment. Mr. Zhang has completed the SAFE registration as required under the relevant PRC laws and regulations in March 2010 after the termination of the trust arrangement and the entire legal interests in Profit Long Investment were vested in Mr. Zhang since 2010. As advised by our PRC legal advisors, Zong Heng Law Firm, such SAFE registration was valid and legal and Mr. Zhang will not be subject to any legal risk or potential liability under the relevant PRC laws and regulations and the change of shareholder of Profit Long Investment was not required to obtain further governmental approval under PRC laws and regulations.

Our Company's Hong Kong legal advisors, Orrick, Herrington & Sutcliffe, have advised us that (i) the share transfer agreement dated June 2, 2006 entered into among Mr. Zhang, Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) constitute valid legal obligations of Mr. Zhang, Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) under the applicable laws of Hong Kong; (ii) the beneficial interest in the entire issued share capital of Profit Long Investment was vested in Mr. Zhang from June 2, 2006, whereas the legal interest in the entire issued share capital of Profit Long Investment remained with Mr.

Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) and was held on behalf of Mr. Zhang by Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) from June 2, 2006 pursuant to the declarations of trust mentioned above until the termination of the trust arrangement on February 23, 2010; and (iii) by not stamping the declarations of trust dated June 2, 2006 and the associated contract notes in June 2006 pursuant to the Stamp Duty Ordinance (Chapter 117, Laws of Hong Kong), each of Mr. Zhang, Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良) would be subject to penalty for late payment under section 9 of the Stamp Duty Ordinance (Chapter 117, Laws of Hong Kong), based on the assumptions that (i) the execution and performance of the share transfer agreement and declarations of trust mentioned above are within the capacities and powers of the parties thereto and the transactions contemplated by these documents were performed in accordance with the terms therein; (ii) none of them is insolvent or has been dissolved or declared bankrupt or committed an act of bankruptcy; and (iii) the facts in these documents are true and accurate. Clifford Chance, concur with the view of our Company's Hong Kong legal advisors above. In order to opine on the above matters, Orrick, Herrington & Sutcliffe and Clifford Chance have taken the following steps: (i) reviewed the original share transfer agreement dated June 2, 2006 and the two original declarations of trust both dated June 2, 2006 in respect of the entire issued share capital of Profit Long Investment executed by each of Mr. Zhang, Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良); (ii) participated in interviews with each of Mr. Zhang, Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良), respectively, held on May 12, 2010 and November 24, 2010; (iii) reviewed documents evidencing payment of the consideration for the acquisition of the entire issued share capital of Profit Long Investment made by Mr. Zhang in the amount of US$5.52 million at the relevant time; and (iv) reviewed the statutory declarations made by each of Mr. Zhang, Mr. Chang Nai Chi (張乃梓) and Mr. Ng Tse Leung (吳子良). As of the Latest Practicable Date, the stamp duty in the amount of HK$91,220 and the penalty for late payment in the amount of HK$912,200 has been paid to the Stamp Duty Office in respect of the consideration in the amount of US$5.52 million for the share transfer under the share transfer agreement dated June 2, 2006.

(2) Marine Chemical

Marine Chemical was established on March 2, 2006 in the PRC as a limited liability company with an initial registered capital of RMB200 million. Upon its establishment, Ms. Zhang Yanhong, Mr. Zhang's daughter, Shandong Runbo Investment Co., Ltd. (山東潤波投資有限公司), or Runbo Investment, and Shandong Runxia Investment Co., Ltd. (山東潤霞投資有限公司), or Runxia Investment, held 51%, 29% and 20% of the equity interests in Marine Chemical, respectively. Mr. Zhang Bo (one of our executive Directors and Mr. Zhang's son) and Ms. Zhang Hongxia, Mr. Zhang's daughter held 75% equity interests in Runbo Investment and Runxia Investment, respectively. Mr. Wei Yingzhao and Mr. Wang Jianwei held 15% and 10% equity interests in Runbo Investment, both of whom are Independent Third Parties to our Group. Ms. Zhao Suhua and Mr. Cheng Wangbo held 15% and 10% equity interests in Runxia Investment, respectively, both of whom are Independent Third Parties to our Group. Marine Chemical has not conducted business operation since its incorporation in 2006 until 2009. Marine Chemical has been at trial production stage of caustic soda products since May 2009 and as of December 31, 2009, Marine Chemical has not commenced commercial production of caustic soda products. Marine Chemical is currently principally engaged in production and sales of caustic soda products, which serve as a catalyst in the production process of alumina.

On June 16, 2006, Shandong Hongqiao entered into a share transfer agreement with each of Ms. Zhang Yanhong, Runbo Investment and Runxia Investment pursuant to which each of Ms. Zhang Yanhong, Runbo Investment and Runxia Investment agreed to transfer all of their respective equity interests in Marine Chemical to Shandong Hongqiao for a total consideration of RMB200 million. The consideration was determined with reference to the then registered capital of Marine Chemical and was paid by Shandong Hongqiao in cash in June 2006. Upon completion of the above transfers, the entire equity interests in Marine Chemical was held by Shandong Hongqiao. Our PRC legal advisors, Zong Heng Law Firm, have advised us that no government approval is required under the PRC laws and regulations in respect of the aforesaid transfers.

The registered capital of Marine Chemical was increased to RMB260 million, RMB400 million and RMB600 million, respectively, which was contributed by Shandong Hongqiao as evidenced by business licences issued to Marine Chemical on June 17, 2008, June 30, 2008 and December 26, 2008, respectively. Pursuant to the capital verification reports issued by Shandong Jianxin Accounting Firm Company Limited (山東鑒鑫會計師事務所有限公司) on June 14, 2008, June 21, 2008 and December 21, 2008, respectively, the increases in the registered capital of Marine Chemical was fully paid as of June 13, 2008, June 20, 2008 and December 19, 2008, respectively.

(3) Aluminum & Power

Aluminum & Power was established on December 25, 2002 as a limited liability company in the PRC with an initial registered capital of RMB200 million by Chuangye Group, Shandong Shiping Investment Co., Ltd. (山東士平投資有限公司), or Shiping Investment, Runbo Investment, Runxia Investment and Shandong Runqi Investment Co., Ltd. (山東潤齊投資有限公司), or Runqi Investment, as to 55%, 24.75%, 6.75%, 6.75% and 6.75% equity interests, respectively. Mr. Zhang and Mr. Qi Xingli (one of our executive Directors) held 75% equity interests in Shiping Investment and Runqi Investment, respectively. Mr. Liu Shubin and Mr. Zhang Shixue held 15% and 10% equity interests in Shiping Investment, both of whom are Independent Third Parties to our Group. Runqi Investment was dissolved in 2005. Aluminum & Power is currently principally engaged in production and sales of aluminum products.

On March 10, 2005, Runqi Investment transferred 6.75% of the equity interests in Aluminum & Power to Shiping Investment for a consideration of RMB13.5 million. The consideration was determined with reference to the registered capital of Aluminum & Power.

Pursuant to the capital verification report issued by Zouping Jianxin Limited Liability Accounting Firm (鄒平鑒鑫有限責任會計師事務所) on May 29, 2006, the registered capital of Aluminum & Power was increased to RMB2,000 million by the additional contribution of RMB1,800 million made by Chuangye Group, in the form of (i) certain alumina production assets with an appraised value of approximately RMB1,170 million contributed on May 20, 2006, and (ii) cash of RMB630 million paid on May 29, 2006. On June 5, 2006, Aluminum & Power was issued a new business licence which evidenced such an increase in its registered capital. It was intended that the injection of alumina assets into Aluminum & Power would increase the registered capital of Aluminum & Power and improve its debt-asset ratio, which would in turn improve Aluminum & Power's financing capacity to facilitate its development plan. Having considered the expected increase in the demand for aluminum products in the PRC in future, the excess production capacity of alumina in Shandong Province and the future expenditure to be incurred for the alumina production business, at the time of the injection of alumina assets into Aluminum & Power, our Group (i) did not intend to keep the alumina assets after the completion of the capital increase; (ii) considered that it would be in the best interest of Aluminum & Power to focus on the aluminum production business; and (iii) intended to transfer such alumina assets back to Chuangye Group in the event that no Independent Third Party could be identified to purchase such alumina assets. Under the aforesaid arrangement, Chuangye Group increased the registered capital of Aluminum & Power from RMB200 million to RMB2,000 million by the injection of the said alumina production assets and RMB630 million in cash. After such increase, the equity interests in Aluminum & Power were held by Chuangye Group, Shiping Investment, Runbo Investment and Runxia Investment as to 95.5%, 3.15%, 0.675% and 0.675%, respectively.

On June 5, 2006, Aluminum & Power entered into an alumina assets transfer agreement, pursuant to which the alumina assets previously injected by Chuangye Group as part of the registered capital of Aluminum & Power were transferred back to Chuangye Group before Chuangye Group was able to identify any Independent Third Party to purchase such assets. The alumina assets were transferred back at the request of Shandong Hongqiao as the proposed acquirer of Aluminum & Power at that time. At the time of such transfer, Mr. Zhang held approximately 4.53% equity interests in Chuangye Group and held 98%

beneficial interests in Shandong Hongqiao. The alumina assets were transferred at a consideration of RMB1,170 million which was determined based on the appraised value of the alumina assets. Chuangye Group paid such consideration through settlement of receivables and payables among Shandong Hongqiao, Aluminum & Power and Chuangye Group at the end of 2006. Our PRC legal advisors, Zong Heng Law Firm, have advised us that such settlement is lawful, valid and enforceable under PRC laws and regulations and the capital contribution made by Chuangye Group by way of injection of the alumina assets and the subsequent buyback of the same alumina assets complied with the relevant requirements and would not constitute false capital contribution under the PRC laws.

Taking the expected future growth in the aluminum product market into consideration, we wished to engage in aluminum products manufacturing business through Aluminum & Power as a platform and planned to acquire aluminum production facilities or construct new facilities in 2006 and 2007, including power generation facilities and aluminum products manufacturing lines. Aluminum & Power's business scope includes thermal power generation and was constructing power stations at the time of our acquisition. Since electricity is essential to the manufacture of aluminum products and the power generation capabilities of Aluminum & Power would ensure a stable supply of electricity to our Group, Aluminum & Power was considered an integral part of our Group's business model and of significant strategic value to our Group. Therefore, our Directors considered it a suitable platform for the development of our aluminum product manufacturing business.

In light of the above considerations, on June 9, 2006, Shandong Hongqiao, Chuangye Group, Shiping Investment, Runbo Investment and Runxia Investment entered into a share transfer agreement or, the Share Transfer Agreement, pursuant to which each of Shandong Hongqiao, Chuangye Group, Shiping Investment, Runbo Investment and Runxia Investment agreed that all the beneficial interest and the rights and obligations attaching to the entire equity interest in Aluminum & Power would be transferred to Shandong Hongqiao. Each of Chuangye Group, Shiping Investment, Runbo Investment and Runxia Investment remained the registered shareholders of Aluminum & Power before the completion of the registration procedure with the local administration for industry and commerce in November 2006 and February 2007 as set out below. Our Company's PRC legal advisors, Zong Heng Law Firm, have advised us that such arrangement is legal and valid under the PRC laws and regulations and no government approval is required under the PRC laws and regulations in respect of the aforesaid arrangement.

The consideration of RMB5,000 million for the above transfer was determined with reference to the then registered capital of RMB2,000 million of Aluminum & Power and the condition that additional financial resources would be contributed to the registered capital of Aluminum & Power for and on behalf of Shandong Hongqiao after the transfer of the beneficial interest in the equity interests in Aluminum & Power to Shandong Hongqiao. Aluminum & Power paid RMB3,630 million for and on behalf of Shandong Hongqiao and settled part of the consideration of RMB1,170 million for Shandong Hongqiao by offsetting its amounts due from Chuangye Group at the end of 2006 and the remaining consideration of RMB200 million was paid by Shandong Hongqiao to Chuangye Group by May 15, 2007. Our PRC legal advisors, Zong Heng Law Firm, have advised us that such settlement is lawful and valid and enforceable under PRC laws and regulations. Based on the then operation status of Aluminum & Power and its future expansion plan, Aluminum & Power needed more readily available funds and a higher registered capital to enhance its financing capability to afford more flexibility in its working capital and to implement its expansion plan and Chuangye Group was in a better financial position and had more readily available funds than Shandong Hongqiao to make further capital contribution to the registered capital of Aluminum & Power at that time. Therefore, Chuangye Group contributed an additional RMB3,000 million to the registered capital of Aluminum & Power for and on behalf of Shandong Hongqiao in June and December 2006, as set out below.

On June 27, 2006, the registered capital of Aluminum & Power was increased to RMB3,500 million which was contributed by Chuangye Group for and on behalf of Shandong Hongqiao. Pursuant to the capital verification report issued by Zouping Jianxin Limited Liability Accounting Firm (鄒平鑒鑫有限責任會計師事務所) dated June 23, 2006, the increase in the registered capital of Aluminum & Power was fully paid on June 19, 2006. After such increase, Chuangye Group held 97.43% equity interests in Aluminum & Power for and on behalf of Shandong Hongqiao.

On November 25, 2006, Chuangye Group entered into a share transfer agreement with each of Shiping Investment, Runbo Investment and Runxia Investment, pursuant to which Chuangye Group acquired 1.8%, 0.385% and 0.385% equity interests in Aluminum & Power from Shiping Investment, Runbo Investment and Runxia Investment at a consideration of RMB63 million, RMB13.5 million and RMB13.5 million, respectively, which was determined with reference to the then registered capital of Aluminum & Power of RMB3,500 million. Such transfer was requested by Shiping Investment, Runbo Investment and Runxia Investment to enable them to obtain such consideration for their investment in other businesses and Chuangye Group paid such consideration for and on behalf of Shandong Hongqiao for the convenience of subsequent settlement among Chuangye Group, Shandong Hongqiao and Aluminum & Power. The filing with the relevant local administration for industry and commerce was completed on December 15, 2006. After such transfer, Chuangye Group held 100% equity interests in Aluminum & Power for and on behalf of Shandong Hongqiao.

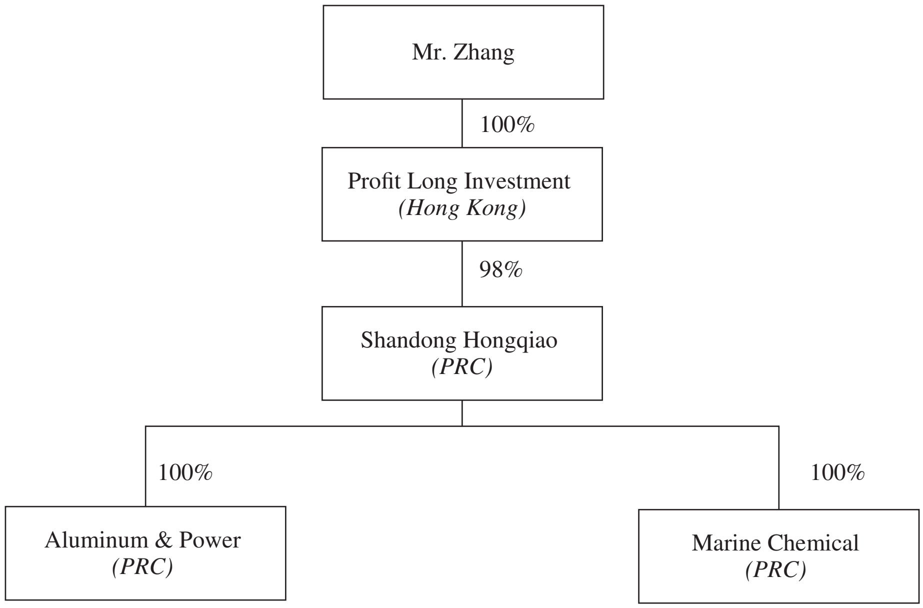
On December 20, 2006, the registered capital of Aluminum & Power was further increased to RMB5,000 million as evidenced by a new business licence of Aluminum & Power, which was contributed by Chuangye Group for and on behalf of Shandong Hongqiao. Pursuant to the capital verification report issued by Zouping Jianxin Limited Liability Accounting Firm (鄒平鑒鑫有限責任會計師事務所), the increase in the registered capital of Aluminum & Power was fully paid on November 28, 2006. The total amount of increase in registered capital of RMB3,000 million was mainly used by Aluminum & Power for the procurement of raw materials, construction of thermal power station and purchase and construction of aluminum products manufacturing facilities in 2006 and 2007. On February 1, 2007, Shandong Hongqiao completed registration procedure with local administration for industry and commerce authority and became the registered shareholder of Aluminum & Power.

(4) Zhengtong

Zhengtong was established in the PRC on May 20, 2008 as a limited liability company with a registered capital of RMB200 million and is an indirect wholly-owned subsidiary of our Company. Upon its establishment, Ms. Zheng and Marine Chemical held 80% and 20% of the equity interests in Zhengtong, respectively.

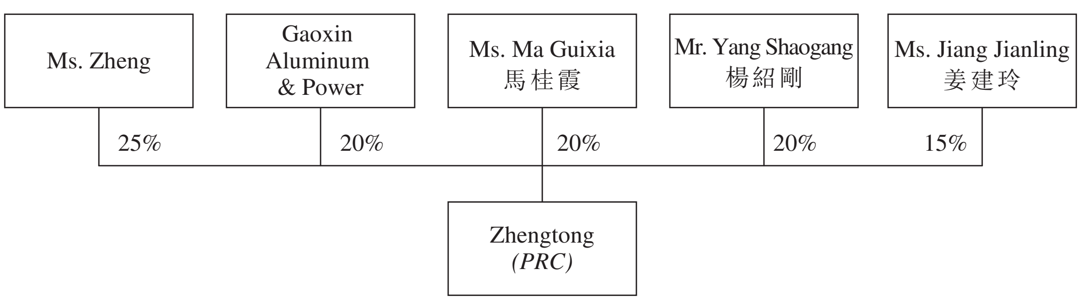
On June 21, 2008, Marine Chemical entered into a share transfer agreement with Gaoxin Aluminum & Power, pursuant to which Marine Chemical transferred its 20% of the equity interests in Zhengtong to Gaoxin Aluminum & Power at a consideration of RMB40 million. The consideration was determined with reference to the registered capital of Zhengtong. On November 1, 2008, Ms. Zheng transferred 15%, 20% and 20% of the equity interests in Zhengtong to each of Ms. Jiang Jianling (姜建玲), Mr. Yang Shaogang (楊紹剛) and Ms. Ma Guixia (馬桂霞) at a consideration of RMB30 million, RMB40 million and RMB40 million, respectively. The consideration was determined with reference to the registered capital of Zhengtong. Ms. Jiang Jianling (姜建玲), Mr. Yang Shaogang (楊紹剛) and Ms. Ma Guixia (馬桂霞) are all employees of Chuangye Group.

Set out below is the shareholding structure of our PRC subsidiaries immediately prior to the Reorganization:



Note: Chuangye Group held 2% equity interests in Shandong Hongqiao immediately before our Reorganization.

Shareholding structure of Zhengtong



REORGANIZATION

In order to streamline our corporate structure and rationalize our corporate structure, the companies comprising our Group underwent the Reorganization and as a result, our Company became the holding company of our Group. The Reorganization involved the following steps:

(1) Offshore restructuring

(a) Hongqiao Holdings

Hongqiao Holdings was incorporated in the BVI with limited liability on February 5, 2010 with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On February 5, 2010, Mr. Zhang subscribed for 100 shares in Hongqiao Holdings and became the sole shareholder of Hongqiao Holdings which is used to hold his interests in our Group.

(b) Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 9, 2010 to act as the holding company of the subsidiaries of our Group. As of the date of incorporation, the authorized share capital of our Company was US$50,000 divided into 50,000 shares of US$1.00 each and the issued shares of our Company were 100 shares, of which 1 share and 99 shares were allotted and issued, credited as fully paid, to Offshore Incorporation (Cayman) Limited (as nominee) and Hongqiao Holdings, respectively. On the same date, Offshore Incorporation (Cayman) Limited transferred the one share held by it to Hongqiao Holdings at the nominal value of US$1.00.

As set out below, on April 13, 2010, 9,900 Shares were issued to Hongqiao Holdings. On June 7, 2010, the par value of our Shares has been changed from US$1.00 to US$0.01 and therefore, the number of Shares held by Hongqiao Holdings was increased to 1,000,000 from 10,000.

(c) Hongqiao Investment

Hongqiao Investment was incorporated in the BVI with limited liability on February 5, 2010 with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each. No share was issued by Hongqiao Investment as of the date of its incorporation. On February 9, 2010, our Company subscribed for 100 shares in Hongqiao Investment, which became our wholly-owned subsidiary.

(d) Hongqiao Hong Kong

Hongqiao Hong Kong was incorporated as a limited liability company in Hong Kong on February 18, 2010 with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. At the time of its incorporation, 10,000 shares of Hongqiao Hong Kong were allotted and issued, credited as fully paid, to Hongqiao Investment.

(2) Onshore Restructuring

(a) Shandong Hongqiao

On March 9, 2010, Hongqiao Hong Kong entered into an equity transfer agreement with Profit Long Investment and Chuangye Group, pursuant to which each of Profit Long Investment and Chuangye Group agreed to transfer their respective 98% and 2% of the equity interests in Shandong Hongqiao to Hongqiao Hong Kong at considerations of RMB3,193,920,500, or the 98% Transfer Consideration, and RMB65,182,000, respectively. The considerations were determined with reference to the appraised value of the net assets of Shandong Hongqiao as of December 31, 2009 as indicated in the appraisal reports prepared by Shandong Huayong Assets Appraisal Co., Ltd (山東華永資產評估有限公司). On March 15, 2010, the Department of Commerce of Shandong Province (山東省商務廳) approved such transfer. After such transfers, Shandong Hongqiao became an indirect wholly-owned subsidiary of our Company. On March 16, 2010, Hongqiao Hong Kong paid the consideration to Chuangye Group for its acquisition of 2% equity interest in Shandong Hongqiao from Chuangye Group, which was funded by a term loan facility provided to our Company by a commercial bank in Hong Kong on March 9, 2010. Our Company repaid such bank loan on May 28, 2010. In order to repay such loan from such commercial bank, our Company entered into a loan agreement on May 15, 2010 with Winning Shipping (HK) Company Limited, or Winning Shipping, an Independent Third Party. Pursuant to such loan agreement, Winning Shipping agreed to lend US$10,500,000 to our Company for a term of two years and if our Company can repay such loan within two years, the loan will be free of interest. This loan was unsecured and unguaranteed. If our Company failed to repay such loan within two years, our Company would need to pay the principal and the interests at an annual interest rate of 4%. As confirmed by our Directors, Winning Shipping provided such loan to our Company mainly due to the fact that Mr. Zhang Bo, one of our executive Directors, was a friend of the chairman of Winning Shipping. On November 24, 2010, we repaid such loan through a bank loan from a commercial bank in Hong Kong.

On April 13, 2010, our Company signed a deed of assignment of receivables with Mr. Zhang, Profit Long Investment, Hongqiao Investment and Hongqiao Hong Kong, pursuant to which Profit Long Investment has agreed to assign, and Mr. Zhang has agreed to accept the rights and entitlement of Profit Long Investment to receive the 98% Transfer Consideration from Hongqiao Hong Kong. On the same date, our Company entered into a share subscription agreement with Mr. Zhang, Hongqiao Holdings, Hongqiao Investment and Hongqiao Hong Kong, pursuant to which (1) our Company (as the holding company of Hongqiao Hong Kong) has agreed to issue and allot, credited as fully paid 9,900 Shares to Hongqiao Holdings (a company wholly-owned by Mr. Zhang) at a consideration of RMB3,193,920,500, or the Share Allotment Consideration; (2) each of Mr. Zhang, Honqiao Holdings, our Company and Hongqiao Investment has agreed that the 98% Transfer Consideration shall be set-off by the Share Allotment Consideration such that after the issue of the 9,900 Shares to Hongqiao Holdings, the liability of Hongqiao Hong Kong to pay the 98% Transfer Consideration to Mr. Zhang will be released and discharged; (3) in consideration of our Company agreeing to issue the 9,900 Shares to Hongqiao Holdings at the Share Allotment Consideration which set-off the 98% Transfer Consideration on behalf of Hongqiao Hong Kong, Hongqiao Hong Kong agreed to issue and allot 100 shares of its share capital to Hongqiao Investment at a consideration of RMB3,193,920,500 which, at the direction of Hongqiao Hong Kong, shall be settled by Hongqiao Investment issuing 100 shares of its share capital to our Company; and (4) after the issue and allotment of shares as set out in (3) above, each of our Company, Hongqiao Investment and Hongqiao Hong Kong has agreed that the liability of Hongqiao Hong Kong to pay RMB3,193,920,500 to our Company will be released and discharged. On the same date, the 9,900 Shares were issued to Hongqiao Holdings by our Company and accordingly, the liability of Hongqiao Hong Kong to settle the 98% Transfer Consideration was released and discharged. On the same date, each of Hongqiao Hong Kong and Hongqiao Investment also issued and allotted 100 shares of its respective share capital to Hongqiao Investment and our Company, respectively.

(b) Marine Chemical

Marine Chemical is principally engaged in production and sales of caustic soda products, which are used in the production of alumina but not in our Group's production of aluminum products. In order to better delineate the business of our Group and to concentrate on our core business, on December 28, 2009, Shandong Hongqiao, Huibin Dyeing, Marine Chemical, Profit Long Investment and Chuangye Group entered into an equity transfer framework agreement, pursuant to which (1) Shandong Hongqiao agreed to transfer, and Huibin Dyeing agreed to purchase, the 100% equity interests in Marine Chemical from Shandong Hongqiao with effect from January 1, 2010; (2) with effect from January 1, 2010, Huibin Dyeing shall assume all of the shareholder's rights and obligations attaching to the 100% equity interests in Marine Chemical; and (3) the signing of the formal share transfer agreement and the completion of the share transfer of the 100% equity interests in Marine Chemical from Shandong Hongqiao to Huibin Dyeing shall be conditional on the acquisition of entire equity interest of Huibin Dyeing by Profit Long Investment. Pursuant to a confirmation letter signed by Shandong Hongqiao, Huibin Dyeing, Marine Chemical, Profit Long Investment and Chuangye Group on January 1, 2010, all of the shareholder's rights and obligations attaching to the 100% equity interests in Marine Chemical have been assumed by Huibin Dyeing since January 1, 2010.

On February 25, 2010, Shandong Hongqiao and Huibin Dyeing entered into an equity transfer agreement, pursuant to which Shandong Hongqiao transferred 100% of the equity interests in Marine Chemical to Huibin Dyeing at a consideration of RMB600 million with effect from January 1, 2010. Such consideration was determined with reference to the registered capital of Marine Chemical and was paid by Huibin Dyeing in cash in March 2010. After the aforesaid transfer, Marine Chemical ceased to be a member of our Group. Our Group recorded approximately RMB6.60 million as a gain for the disposal of the entire equity interests of Marine Chemical. Our PRC legal advisors, Zong Heng Law Firm, have advised us that no government approval is required under the PRC laws and regulations in respect of the aforesaid transfer.

(c) Zhengtong

On March 25, 2010, Ms. Zheng, Ms. Jiang Jianling (姜建玲), Mr. Yang Shaogang (楊紹剛), Ms. Ma Guixia (馬桂霞), Gaoxin Aluminum & Power and Aluminum & Power entered into an equity transfer agreement, pursuant to which each of Ms. Zheng, Ms. Jiang Jianling (姜建玲), Mr. Yang Shaogang (楊紹剛), Ms. Ma Guixia (馬桂霞) and Gaoxin Aluminum & Power agreed to transfer all of their respective equity interests in Zhengtong to Aluminum & Power at a consideration of RMB205 million. Such consideration was determined with reference to the appraised value of the net assets of Zhengtong as indicated in the appraisal report prepared by Jones Lang LaSalle Sallmanns Limited and was paid by Aluminum & Power in cash in March 2010. Upon such transfers, Zhengtong became an indirect wholly-owned subsidiary of our Company. Our PRC legal advisors, Zong Heng Law Firm, have advised us that no government approval is required under the PRC laws and regulations in respect of the aforesaid transfer.

Our Binzhou Manufacturing Base Phase I, Binzhou Manufacturing Base Phase II and Binzhou Manufacturing Base Phase III will be operated under Zhengtong. It is expected that Zhengtong will be engaged in production and sales of aluminum alloy products. Our Directors believe that the acquisition of Zhengtong will strengthen our Group's competitiveness against other market players.

PRC LEGAL COMPLIANCE

(1) The M&A Rules

On August 8, 2006, six PRC Governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), or the M&A Rules, which became effective on September 8, 2006 and was revised on June 22, 2009. Pursuant to the M&A Rules, where a domestic individual intends to take over his/her related domestic company in the name of an offshore vehicle which he/she lawfully established or controls, such takeover shall be subject to the examination and approval of the Ministry of Commerce of the PRC; and the M&A Rules require an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC entities or individuals shall obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

The M&A Rules further provides the definition of "takeover of a domestic enterprise by a foreign investor". According to Article 2 of the M&A Rules, "takeover of a domestic enterprise by a foreign investor" is defined as a situation where a foreign investor purchases by agreement the equity interests of a domestic non-foreign-invested enterprise (a "domestic enterprise") or subscribes to the increased capital of a domestic enterprise, and thus changes the domestic enterprise into a foreign-invested enterprise; or a foreign investor establishes a foreign invested enterprise, and through which it purchases by agreement the assets of a domestic enterprise and operates its assets; or a foreign investor purchases by agreement the assets of a domestic enterprise, and then uses such assets to invest in and establish a foreign-invested enterprise through which it operates the assets.

As advised by our PRC legal advisors, Zong Heng Law Firm, a foreign wholly-owned enterprise established by companies, enterprises or individuals of Hong Kong, the Macau Special Administration Region of the PRC and Taiwan needs to comply with the PRC Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法) and its implementation rules. Shandong Hongqiao was a foreign invested enterprise under the PRC laws and regulations at that time as it was directly held by Hongqiao Hong Kong, which was a foreign investor. Therefore, the acquisition of the 100% equity interests in Shandong Hongqiao by Hongqiao Hong Kong from Profit Long Investment and Chuangye Group was a transfer of equity interests in a foreign-invested enterprise and did not constitute a "takeover of a domestic enterprise by a foreign investor" as defined in the M&A Rules and therefore the M&A Rules is not applicable to such transfer. Our Group did not acquire any equity interests in any PRC domestic enterprise by means of share swap for the purpose of an overseas listing, and therefore the approval of the Ministry of Commerce for our Reorganization and the CSRC's approval are not required.

Furthermore, as advised by our PRC legal advisors, Zong Heng Law Firm, we have complied with all applicable PRC rules and regulations and have obtained all relevant approvals from PRC government authorities in this regard.

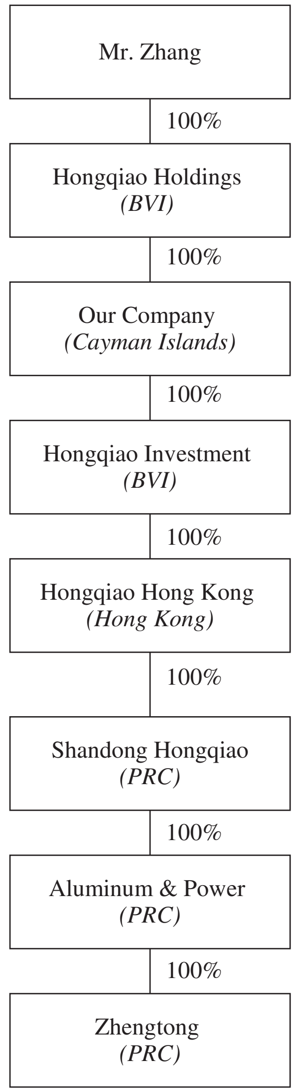
(2) Circular 75 Registration

On October 21, 2005, SAFE issued Circular 75, which became effective on November 1, 2005. Pursuant to Circular 75, domestic residents establishing or taking control of a special purpose company abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by domestic residents are required to effect foreign exchange registration with the local foreign exchange bureau.

As advised by our PRC legal advisors, Zong Heng Law Firm, Circular 75 applies to our Company's Reorganization as our Controlling Shareholder, Mr. Zhang is a PRC resident. Mr. Zhang has completed all procedures for the registration and filing in respect of his offshore investment, financing and round-trip investment in March 2010. In his application for the Circular 75 registration in 2010, the trust arrangement in relation to his equity interests in Profit Long Investment has been disclosed to the relevant SAFE governmental authorities. Our PRC legal advisors, Zong Heng Law Firm, has advised us that Mr. Zhang has complied with all of the requirements under Circular 75 and therefore the Company will not be affected by such SAFE registration.

Our Company's PRC legal advisors, Zong Heng Law Firm, have further advised us that no other PRC approvals or consents are required to be obtained.

The following chart sets out our shareholding structure upon completion of the above steps:



HISTORY AND REORGANIZATION

Going forward our simplified corporate structure will be as follows: