

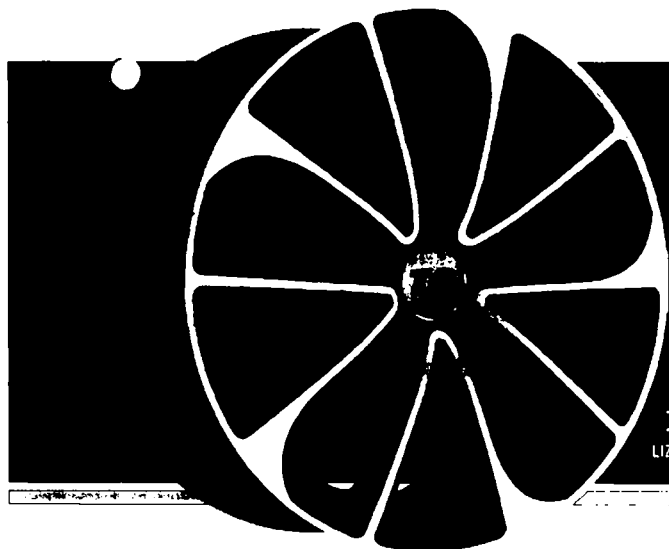
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## ***ANNUAL REPORT 2010***



# **LIZHONG WHEEL GROUP LTD.**

**立中车轮**  
LIZHONG WHEEL



立中车轮 转动世界  
LIZHONG WHEEL ROTATE THE WORLD

## CORPORATE PROFILE

Listed on the main board of SGX in 2005, Lizhong Wheel Group Ltd ("Lizhong Wheel" or, together with its subsidiaries, the "Group"), is a specialist in the design, manufacture and sales of aluminum alloy wheels in the People's Republic of China ("PRC"). The products manufactured by the Group are sold to customers via three (3) major channels, including original equipment manufacturing ("OEM") services to renowned automobile brands such as Toyota, GM, Geely and Great Wall, retail sales to after-sales markets through over 50 distribution channels covering major provinces of the PRC, and export sales to automobile manufacturers and international wheel distributors in the USA, Europe, Japan and South Korea.

The Group's six (6) production facilities are strategically located in the Pan Bohai Sea Region - an important auto hub in the PRC. This gives the Group access to the entire production chain for automobile manufacturing and therefore enables the Group to respond quickly to customers' demands and develop long-lasting relationships with many of its local customers.

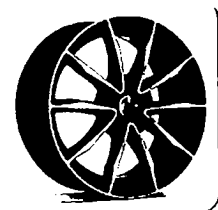
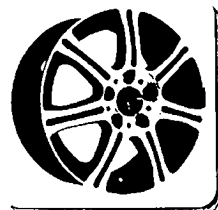
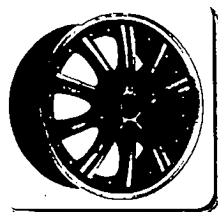
The Group's Thailand plant in Thai-China Rayong Industrial Park was incorporated in September 2010 and is currently under construction. The Thailand plant will be a platform for the Group's overseas development and expansion as it is set to be completed by October 2011 and production is expected to commence soon thereafter. With an annual production capacity of 8.7 million wheels by the end of 2010, the Group is one of the largest producers of aluminum alloy wheels in the PRC.

As a testament to the quality of the Group's production, the Group's products are able to conform to strict international quality standards such as QS9000, ISO/TS 16949, TÜV (Germany), SFI (USA) and VIA (Japan). The Group is committed to product innovation and has established a mould production plant, which has an annual production capacity of 600 sets of moulds in 2010. The Group currently manufactures and sells more than 300 patented models of wheels ranging from 12 to 24 inches in diameter, many of which designs are patented by the Group.



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# CHAIRMAN'S STATEMENT



## Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of Lizhong Wheel Group Ltd. ("Lizhong Wheel" or, together with its subsidiaries, the "Group") for the financial year ended 31 December ("FY") 2010.

2010 was generally a commendable year for the Group as growth in the domestic auto market remained robust and the overseas auto market gradually recovered after a two-year recession amidst the global financial crisis. We were able to leverage on the favorable market environment and our competitive edge as a prominent player in China's aluminum wheel industry to achieve another set of strong performance.

### Inflexion year of 2010

Our turnover in FY2010 surged 60.8% year-on-year to RMB1,610.0 million from RMB1,001.3 million in FY2009 as we recorded tremendous growth across all our business segments. Meanwhile, we secured larger orders from our existing original equipment manufacturer ("OEM") customers and expanded both our OEM and export customer bases. This was attributable to our enhanced marketing efforts, strong

research and development capabilities and close ties with our customers in product innovation.

Our gross profit margin dropped from 15.0% in FY2009 to 12.6% in FY2010 as we were constrained by production capacity and outsourced some production to our associates, which resulted in a low gross profit margin. If sales and profit recorded from our associates were excluded, our gross profit margin would have remained stable at 14.3% in FY2010.

Our net profit attributable to shareholders tripled to RMB125.8 million in FY2010 from RMB43.3 million in FY2009. This was inclusive of a one-off gain of RMB75.0 million from the redemption of convertible bonds.

Owing to our continual efforts on improving financial position and liquidity, we significantly reduced our net gearing ratio to 38.6% in FY2010 from 74.8% in FY2009. Net asset value per share in FY2010 rose to RMB2.48 from RMB1.94 in FY2009.

### Solid record to transcend

Since listing on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") in 2005, we have set out a blueprint to expand the Group and eventually become the leading aluminum alloy wheel producer in the PRC. After prudentially increasing our annual production capacity from 3.0 million wheels in 2006 to 8.7 million wheels by end 2010, we are now one of the largest aluminum alloy wheel manufacturers in the PRC.

We have diversified our OEM customer base to include 15 renowned auto brands to date and enjoy about a 15.6% market share in the domestic OEM market. In the years ahead, we will also look towards sourcing for more OEM customers to further enhance our market share.

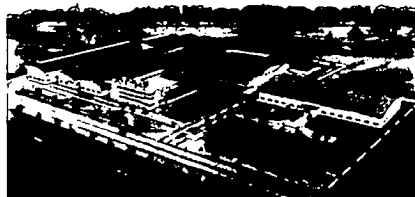
On the overseas expansion front, we have already expanded our footprint in the European, American and Japanese automobile markets, and penetrated the Australian automobile market in 2010.

### Ample capacity allowing for growth in 2011

We look set to continue our growth momentum in 2011, by riding on the robust demand from both domestic and overseas automobile markets. With the new annual production capacity of 1.0 million wheels added to our factory located in Tianjin City at the end of 2010, we will not be subject to such stringent capacity constraints and will be able to push our business to new heights.

### Expanding beyond China

Even with the anti-dumping duty imposed on Chinese-made aluminum alloy wheels by the European Union at the end of 2009, the Group showed its ability to react quickly and decisively to changing market conditions by laying out its plan to start development on a Thailand plant in the Thai-China Rayong Industrial Park from as early as June 2010.



The Thai Project, with an annual production capacity of 1.0 million wheels, is set to target the overseas markets, including Europe, America and other countries.

Upon the completion of the Thailand plant by the end of 2011, we will be the first amongst our domestic peers to have built an overseas factory. This will give us the first-mover advantages that will assist us to compete with our peers from other manufacturing countries and have more exposure to a bigger share of overseas markets.

### Dividend

To reward shareholders for their support, the Board of Directors has declared a final dividend of RMB5.0 cents per share for FY2010.

Subject to the approval of shareholders at the Annual General Meeting to be held on 29 April 2011, the proposed dividend will be payable in due course.

### Appreciation

On behalf of the Board, I would like to extend my utmost appreciation to our management and staff, shareholders, business partners and customers for their dedication and commitment. Without your professionalism and loyalty, Lizhong Wheel would not be able to achieve what it has done so far. We will continue to put in our best efforts to deliver value to all our stakeholders. I look forward to meeting you at the forthcoming Annual General Meeting to be held on 29 April 2011.

Yours faithfully,

Zang Ligen  
Executive Chairman  
6 April 2011

# OPERATIONS REVIEW

The following discussion is based upon, and should be read in conjunction with the audited consolidated financial statements of Lishong Wheel Group Ltd. ("Lishong Wheel" or, together with its subsidiaries, the "Group"), including the notes thereto.

Except as otherwise noted, financial and statistical information presented in this report for Lishong Wheel is on a consolidated basis.

## Financial Performance

The Group recorded a strong recovery in its financial performance for the financial year ended 31 December ("FY") 2010. Revenue surged 60.8% year-on-year to RMB1,610.0 million in FY2010 from RMB1,001.3 in FY2009 with an improved performance across all its business segments.

## Sales by business segment

Revenue	Year ended 31 December 2010		Year ended 31 December 2009		Change +/(−)
	RMB' Million	%	RMB' Million	%	%
OEM	1,046.3	65.0	653.4	65.3	60.1
Export	420.6	26.1	212.8	21.3	97.7
Retail	124.1	7.7	118.5	11.8	4.7
Others	19.0	1.2	16.6	1.7	14.5
Total	1,610.0	100.0	1,001.3	100.0	60.8

Sales from the original equipment manufacturer ("OEM") segment increased 60.1% year-on-year from RMB653.4 million in FY2009 to RMB1,046.3 million in FY2010 as the Group boosted its sales from both existing and newly secured customers due to the robust automobile market in China. With the continual recovery in overseas automobile markets since the end of 2009 and the Group's enhanced marketing efforts, the Group was able to double its export sales from RMB212.8 million in FY2009 to RMB420.6 million in FY2010. Adding to the robust growth from the OEM and export segments was the Group's retail segment, which saw a 4.7% year-on-year increase in sales from RMB118.5 million in FY2009 to RMB124.1 million in FY2010.

On a full year basis, gross profit margin of the Group fell by 2.4%, from 15.0% in FY2009 to 12.6% in FY2010 due to the higher mix of low-margin outsourced products. As the production utilisation rate of the Group recovered to above 95.0% in line with a high volume of orders, the Group outsourced the production of 1.55 million wheels, or 20.4% of the Group's total output, to its associates. Generally, outsourced products command a low gross profit margin, and the Group's gross profit margin would have been stable at 14.3% in FY2010 if sales and profit recorded from the associates were excluded.

The Group recognised a bulk gain of RMB75.0 million from the redemption of convertible bonds under other operating income, which in turn jumped from RMB7.0 million in FY2009 to RMB80.6 million in FY2010.

Administrative expenses rose 61.0% year-on-year from RMB58.0 million in FY2009 to RMB93.4 million in FY2010 as the Group placed more focus on research and development activities, and expanded its headcount during the year.

As a result of the above factors, the Group nearly tripled its net profit attributable to shareholders from RMB43.3 million in FY2009 to RMB125.8 million in FY2010.

### Financial Position

The Group's financial position continued to improve in line with market recovery. Our shareholders' equity stood at RMB604.9 million as at 31 December 2010, up 27.1% from RMB475.8 million as at 31 December 2009.

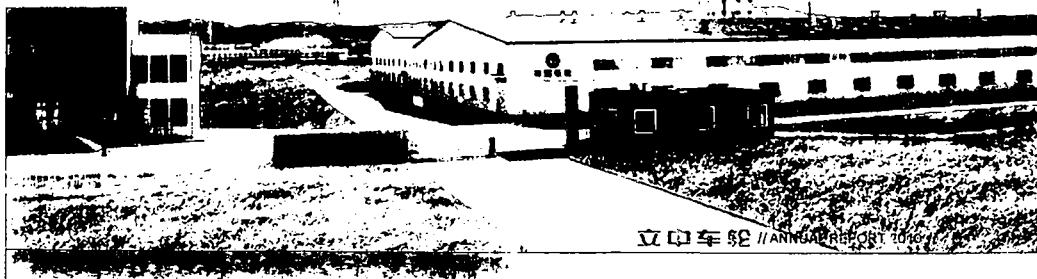
On a per share basis, our diluted earnings per share went up to RMB53.53 cents for FY2010 from RMB18.11 cents for FY2009. Our net asset value per share rose to RMB2.48 as at 31 December 2010 from RMB1.94 as at 31 December 2009.

The Group significantly reduced its net gearing ratio to 38.6% as at 31 December 2010 from 74.8% as at 31 December 2009, as a result of continued efforts in cash flow management.

### Cash Flow Management

The Group's cash conversion cycle improved from 91 days in FY2009 to 59 days in FY2010 as a result of extension of its repayment period to suppliers, in line with loose credit policies as well as improved inventory management on the part of the Group.

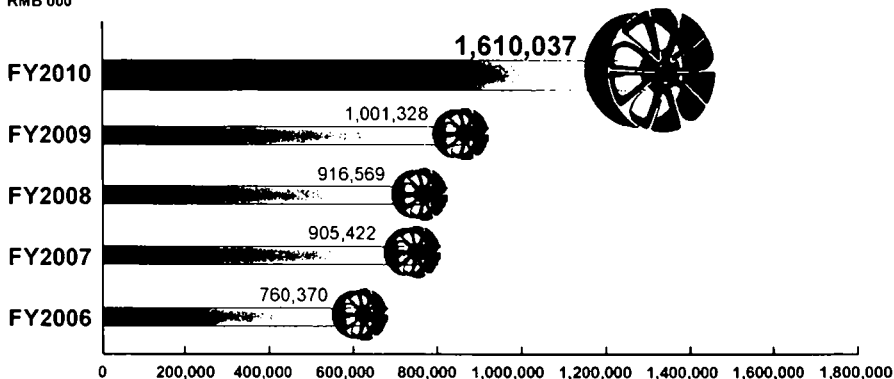
With effective cash management, the Group generated net cash from operations of RMB117.0 million in FY2010 as compared to RMB56.5 million in FY2009. With regard to the Group's production capacity expansion plan, the Group made payments of RMB54.3 million to acquire additional production equipment. As a result, cash and cash equivalents increased by RMB39.6 million or 63.8% from RMB62.1 million as at 31 December 2009 to RMB101.7 million as at 31 December 2010.



# FINANCIAL HIGHLIGHTS

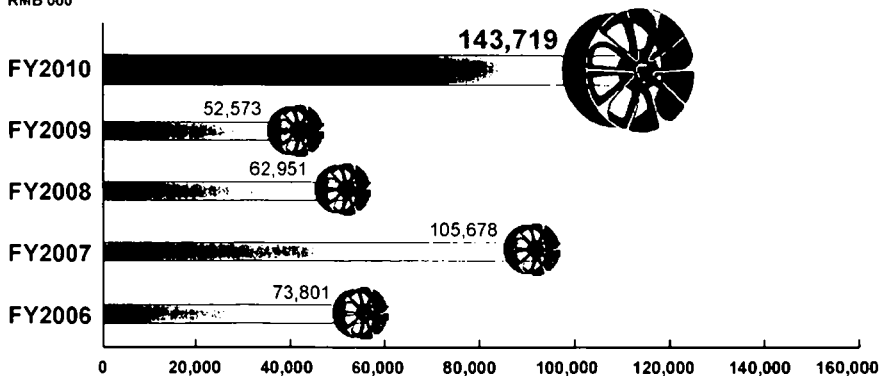
## REVENUE

RMB'000



## PROFIT BEFORE INCOME TAX

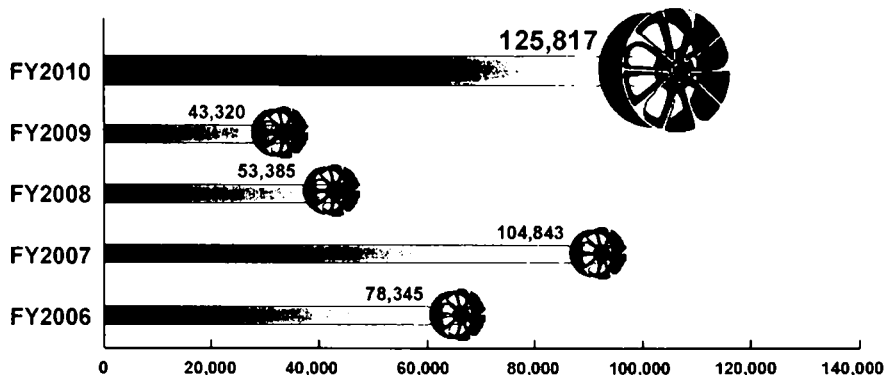
RMB'000



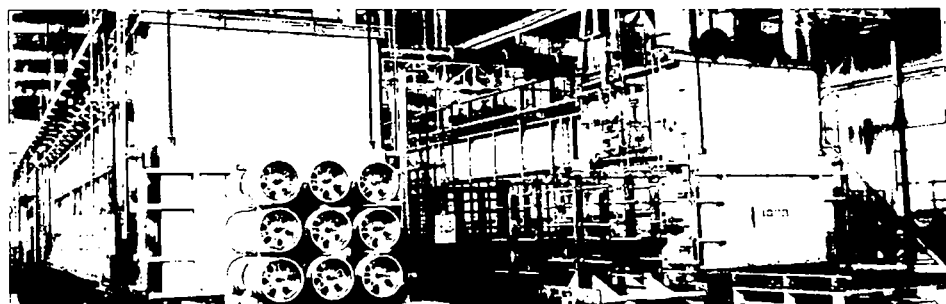
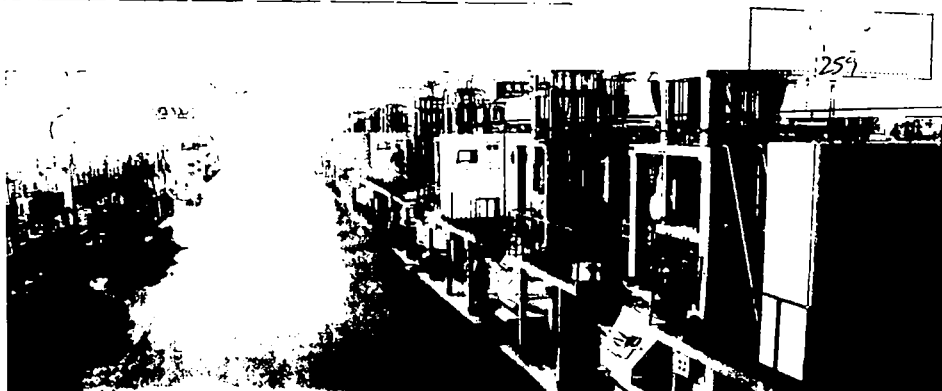


## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

RMB'000



RMB'000	Actual				
	FY2006	FY2007	FY2008	FY2009	FY2010
Revenue	760,370	905,422	916,569	1,001,328	1,610,037
Profit Before Income Tax	73,801	105,678	62,951	52,573	143,719
Profit Attributable to Equity Holders of the Company	78,345	104,843	53,385	43,320	125,817
Total Assets	692,556	1,051,098	1,106,448	1,243,526	1,601,211
Total Liabilities	400,508	658,084	677,717	767,722	996,299
Equity Attributable to Equity Holders of the Company	287,941	376,332	412,795	456,115	581,782
Cash and Cash Equivalents	84,657	154,863	133,249	62,102	101,749
Earnings Per Share (RMB cents)	33.33	44.61	22.71	18.43	53.53
Net Operating Cash Flow	64,933	24,967	122,362	56,451	117,002



# BOARD OF DIRECTORS



**Mr Zang Ligen**  
**Executive Chairman**

Mr Zang Ligen, one of the founders of our Group, is our Executive Chairman and is responsible for the overall management of our Group. He has approximately 27 years of relevant experience in the manufacture and processing of aluminium alloy and more than 16 years of relevant experience in the manufacture of aluminium alloy wheels.

Mr Zang Ligen, together with our other Executive Directors, established Qingyuan County Joint Supply and Marketing Co., Ltd. in 1984 (now known as Hebei Lizhong), a company principally engaged in the manufacture and processing of aluminium alloy. In 1995, Mr Zang, together with our other Executive Directors, established Baoding Wheel to undertake the manufacture of aluminium alloy wheels and was its chairman from 1995 to 2000 and from 2004 to date. In 1996, he was appointed deputy chairman of Baoding Longda Aluminium Co., Ltd., a company principally engaged in the manufacture and processing of aluminium alloy, and remains as its deputy chairman to date. In 1997, he became chairman of Hebei Lizhong and remains as its chairman to date. In 2001, he was appointed chairman of Chongqing Lizhong, a company principally engaged in the sale of aluminium alloy wheels, and Meilu Alloy, a company principally engaged in the manufacture and processing of aluminium alloy, and remains as their chairman to date. In 2002, he was appointed chairman of Qinhuangdao Dicamry and remains as its chairman to date. In 2003, he was appointed chairman of Guangzhou Lizhong Jishan Alloy Co., Ltd., a company principally engaged in the manufacture and processing of aluminium alloy, and remains as its chairman to date. He has held several notable positions such as deputy to the 10th People's Congress of Hebei Province (since 2003), deputy head of China Non-ferrous Metals Industry Association, Recycled Metals Division (since 2002), and committee member of Hebei Provincial Township Enterprise Association (1996-2001).

Mr Zang was awarded a certificate for being the main contributor in relation to the A356 aluminium, silicon, magnesium and titanium alloy products of high purity in 1999 by Hebei Provincial Science and Technology Committee and a certificate to recognise him as outstanding factory head of Township Enterprise in Hebei Province in 1999.

## Board of Directors



**Mr Zang Lizhong**  
**Executive Director**

Mr Zang Lizhong, one of the founders of our Group, is our Executive Director and assists our Executive Chairman in the management, supervision and co-ordination of the business of the Group. Mr Zang Lizhong, together with our other Executive Directors, established Qingyuan County Joint Supply and Marketing Co., Ltd. in 1984 (now known as Hebei Lizhong), a company principally engaged in the manufacture and processing of aluminium alloy. In 1995, Mr Zang, together with our other Executive Directors, established Baoding Wheel to undertake the manufacture of aluminium alloy wheels and was appointed its deputy general manager, where he was responsible for production and technological development. In 1997, he became deputy chairman of Hebei Lizhong and remains as its deputy chairman to date. From 2000 to 2004, he was appointed chairman of Baoding Wheel. Mr Zang Lizhong was appointed visiting professor of Baoding Junior College of Finance in 2004. He was appointed deputy president of the 2nd Standing Committee of the Federation of Industry and Commerce of the North District of Baoding (General Chamber of Commerce) in 2003. In 2010, he was appointed as the Chairman of New Thai Wheel Manufacturing Co., Ltd.



**Mr Zang Ligu**  
**Executive Director**

Mr Zang Ligu, one of the founders of our Group, is our Executive Director and assists our Executive Chairman in the management, supervision and coordination of the business of the Group.

Mr Zang Ligu, together with our other Executive Directors, established Qingyuan County Joint Supply and Marketing Co., Ltd. in 1984 (now known as Hebei Lizhong), a company principally engaged in the manufacture and processing of aluminium alloy. In 1995, Mr Zang, together with our other Executive Directors, established Baoding Wheel to undertake the manufacture of aluminium alloy wheels. From 1996 to 1997, he was appointed as deputy general manager of Baoding Longda Aluminium Co., Ltd., a company principally engaged in the manufacture and processing of aluminium alloy. In 1998, he was appointed chairman of Sitong Aluminium, a company principally engaged in the processing of scrap aluminium alloy into reusable aluminium alloy ingots. In 2001, he was appointed deputy chairman cum general manager of Pioneer, a company principally engaged in the provision of electroplating services, and remains as its deputy chairman to date.

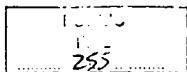
## Mr Zhao Qinghua Independent Director

Mr Zhao Qinghua is our Independent Director.



He was a teacher at the Faculty of Economics Management of Hebei Geological College (now known as Economic University of Shijiazhuang) from 1978 to 1984 and at Baoding Junior College of Finance from 1984 to 1988. From 1989 to 1995, he was an economics adviser to Baoding Nonferrous Metals Processing Factory (now known as Hebei Lizhong) and Baoding Lizhong Nonferrous Metals Co., Ltd. He was concurrently a lawyer of Baoding City Economics Law Firm and Baoding City Jinfang Law Firm from 1988 to 1991 and from 1991 to 1994 respectively. From 1996 to 1997, he was appointed general manager of Baoding Longda Aluminium Co., Ltd., a company principally engaged in the manufacture and processing of aluminium alloy. From 1998 to 2002, he was appointed general manager of Hebei Lizhong, a company principally engaged in the manufacture and processing of aluminium alloy.

Currently, he is an associate professor of Baoding Junior College of Finance. He holds a Diploma in Economics Management (Geology) from Hebei Geology College. He also holds a Diploma in Accountancy from the Renmin University of China. He is concurrently the research fellow of China Township Enterprise Research Institute. He also holds various positions such as committee member of the Chinese People's Political Consultative Conference of Hebei Provincial Committee, deputy head of the Taiwan, Hong Kong, Macau Compatriots Commission of Chinese People's Political Consultative Conference Baoding, committee member of the Chinese People's Political Consultative Conference of Baoding and member of Jiu San Society Baoding Municipal Committee.



**Mr Ong Tiew Siam**  
**Independent Director**

Mr Ong Tiew Siam is our Independent Director.

He obtained his Bachelor of Commerce (Accountancy/Honours) from the Nanyang University in Singapore in 1974. He is presently a fellow member of the Institute of Certified Public Accountants, Singapore and Australia, and a member of the Singapore Institute of Directors. Mr Ong has wide and varied business experience in different industries. Mr Ong started his career with Arthur Andersen as an audit assistant in 1978. After he left Arthur Andersen, he joined Singapore Automotive Engineering Pte. Ltd. as a finance officer. From 1982 to 1983, he was the finance manager of Acmil S.E Asia Pte. Ltd. (a subsidiary of ACI International Ltd., which was then listed on the Australian Stock Exchange). He joined Tat Hong Holdings Ltd. in 1983 as the finance and administration manager and was appointed group financial controller and company secretary in 1997 and executive director in 1999. He has resigned as executive director with effect from 1 January 2010 and remained as a non-executive director of the company.

Mr Ong is also the independent director of several listed companies.



**Mr Chua Hung Meng**  
**Independent Director**

Mr Chua Hung Meng is our Independent Director.

In the early part of his banking career, Mr Chua worked in various domestic and international banks including Industrial and Commercial Bank, Singapore, AMRO Bank (Singapore Branch) and Credit Suisse (Singapore Branch). He was Head of Placement in London Forfeiting Asia Pacific Ltd. in Hong Kong from 1995 to 1997. From 1997 to 1999, he was Head of Placement in SouthQuay Global Markets Ltd. in Hong Kong and from 1999 to 2001, he held a number of positions at Vickers Ballas & Co Pte. Ltd. Mr Chua currently holds a senior position with a Singapore branch of a European Bank, a position he has held since 2002.

He attained his Bachelor of Business Administration from the National University of Singapore in 1981, and received a Masters for Professional Accounting from The University of Southern Queensland in 2003.

# KEY MANAGEMENT



**Mr Zhang Jianliang**  
Group Chief Executive Officer

Mr Zhang Jianliang is the Chief Executive Officer of the Group. He is responsible for assisting the Board to formulate and implement the business strategies of the Group, and oversees its day-to-day operations. From 1987 to 1988, he was a technical officer of CITIC Bohai Aluminium Co., Ltd. From 1988 to 1995, he was the head of the machining and sales department of Dicastal Wheel. He was seconded by Dicastal Wheel to Baoding Wheel from 1995 to 1999. He was the general manager of Baoding Wheel from 1995 to 2001 and from 2004 to date. From 2002 to 2008, he was the general manager of Qinhuangdao Dicastal. He is currently also a professor of Baoding Junior College of Finance and a technology consultant of GIMA GmbH (located in Goeppingen, Germany). He holds a Bachelor Degree in Mechanical Engineering from the Faculty of Machinery from Beijing Institute of Chemical Technology (now known as Beijing University of Chemical Technology).



**Mr Zhang Jinli**  
Group Chief Financial Officer

Mr Zhang Jinli is the Chief Financial Officer of the Group. He is responsible for the financial management of our Group. From 1991 to 1996, he was a product design personnel of Baoding Transformer Factory (now known as Tianwei Baobian Co., Ltd.) where he was responsible for product design and development. From 1999 to 2000, he was an auditor with Shenzhen Zhonghua Accounting Firm, where he was responsible for the audit of listed companies in the PRC. From 2000 to 2004, he was an investment manager of Guangdong Hualong Group Company Limited. He holds a Bachelor Degree in electric machinery studies and a Bachelor Degree in Technological Economics from Tianjin University and obtained a Masters in Management from Renmin University of China. He is currently a non-practising member of the PRC Certified Public Accountants' Association and a fellow member of the Association of Chartered Certified Accountants.

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**Mr Wei Jijian**

Vice-President

Mr Wei Jijian is the Vice-President of the Group, having been with our Group since February 2003. He is in charge of production management in Baoding Wheel. From 1970 to 1996, he was a production worker and was subsequently promoted to head one of the production workshops of Tianjin Car Engine Factory. From 1996 to 2002, he was in charge of casting operations of Tianjin Fengtian Car Engines Co., Ltd. From 2003 to 2004, he was the production manager and assistant to the general manager of Qinhuangdao Dicamry. He was appointed the deputy general manager of Baoding Wheel in 2004. From 2007 to 2010, he was the standing deputy General Manager of Baoding Wheel. He holds a Diploma in Business Management from School of Communist Party of China (CPC) Tianjin Committee.

**Mr Liu Baoxing**

Vice-President

Mr Liu Baoxing is the Vice-President of the Group and the standing Deputy General Manager of Baoding Wheel, having been with our Group since 1996. He is responsible for the procurement and sales of our Group. From 1991 to 1996, he was a sales personnel of Hebei Province Qingyuan County Foreign Trade Integrated Processing Factory where he was responsible for sales. In 1996, he joined Baoding Wheel as a sales executive, and has since held various positions of deputy sales manager, sales manager, assistant to general manager and deputy general manager. He holds a Diploma in Industrial Economics (Management of Rural Enterprises) from the Department of Economics of Hebei University.

**Mr Ji Guofu**

Chief Engineer

Mr Ji Guofu is the Chief Engineer of the Group and the Deputy General Manager of Baoding Wheel, having been with our Group since 1998. He is in charge of R&D and Quality Control and responsible for our Group's technology systems, development of new products and quality control. Prior to joining our Group, he served as a technician of Nanchang Hongdu Machinery Factory from 1986 to 1992. From 1992 to 1998, he was the head of Xiamen City Chengdong Machinery Factory. He was appointed as deputy general manager and chief engineer of Baoding Wheel in 1998. He obtained a Diploma in Machine-Building Technology and Equipment from Nanchang Airplane Manufacturing Company Polytechnic Institute in 1990.

**Mr Song Zhao Yi**

General Manager

Mr Song Zhao Yi is the General Manager of Tianjin Dicastal and has been with our Group since April 2006. From 1992 to 1995, he was an engineer with the Manufacture & Repair Branch Factory of Fushun Aluminum Plant. From 1995 to 2005, he joined Fushun Shunhua Aluminium Wheel Manufacturing Co., Ltd. and rose through the ranks to the position of general manager. From 2005 to 2006, he was the general manager of CAM Automotive Manufacturing (Fushun) Co., Ltd. In 2007, he was appointed General Manager of Tianjin Dicastal. He obtained his professional training in the areas of casting techniques and equipment at the Jinzhou Institute of Technology.



**Mr Liu Bin**

General Manager

Mr Liu Bin is the General Manager of Inner Mongolia Lizhong Huomei and has been with our Group since March 2004. Prior to joining our Group, he served as an engineer and subsequently, manager of Shenyang Aerospace Xinguang Power Machine Corporation from 1992 to 1996. From 1997 to 2004, he held the position of section leader and subsequently, supervisor of Shenyang Aerospace Mitsubishi Co. In 2007, he was appointed General Manager of Inner Mongolia Lizhong Huomei. He graduated from the Nanchang Institute of Aeronautical Technology in 1992 and has a Master's in Business Administration from Central State University in the United States.

**Mr Cao Weize**

General Manager

Mr Cao Weize is the General Manager of Qinhuangdao Dicamry and has been with our Group since March 2005. From 1988 to 1990, he held the position of journalist at the Baoding Radio Station in the Hebei province. From 1990 to 2001, he served as a clerk, and held various judiciary positions in the Intermediate People's Court in Baoding City. In the period of 1997 to 2000, he studied law at Renmin University of China. From July 2001 to March 2005, he served as the Secretary of the Board at Hebei Lizhong. From March 2005 to October 2007, he held the position of operations manager within Lizhong Wheel Group Ltd. and was subsequently appointed to be the deputy general manager of Qinhuangdao Dicamry in November 2007. He holds a degree in Master of Law from the Renmin University of China.

**Mr Wang Xianbin**

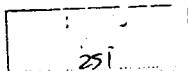
General Manager

Mr Wang Xianbin is the General Manager of Tianjin Nano Machinery Manufacturing Co., Ltd. From July 1995 to March 2000, he worked as a technician in Hebei Tianye Automobile Group Co., Ltd. From March 2000 to October 2008, he served as head of the production department with Baoding Lizhong Wheel Manufacturing Co., Ltd.. From November 2008 to May 2010, he was Deputy General Manager of Tianjin Nano and was in charge of overall management. He obtained a Bachelor Degree of Machine Manufacturing in Hebei University of Electromechanics.

**Mr Jiang Xiaoping**

General Manager

Mr Jiang Xiaoping is the General Manager of New Thai Wheel Manufacturing Co., Ltd. and has been with our Group since early 2010. Prior to joining our Group, he was an engineer at Daye Special Steel Co., Ltd. under the Hubei Ministry of Metallurgical Industry, China from 1983 to 1992. From April 1998 to March 2001, he was a researcher at the R&D headquarters of ENKEI Group, Japan. From April 2001 to December 2009, he worked as a project manager at Yubu Automobile Aluminum Wheel plant in Canada. In early 2010, he joined Baoding Wheel and worked as a Technology Manager. In September 2010, he was appointed as Deputy General Manager of Baoding Wheel and General Manager in January 2011. He graduated from Wuhan Institute of Iron and Steel in China in 1983, and obtained a master and doctor degree from Okayama University in Japan in 1995 and 1998 respectively.



**Mr Tian Baoji**

Deputy General Manager

Mr Tian Baoji is the Deputy General Manager of Tianjin Lizhong Wheel and has been with our Group since 1995. From 1990 to 1994, he worked at the Baoding Machine Tool Plant. From 1995 to 2002, he was the supervisor of the plant at Baoding Lizhong. From 2002 to March 2005, he was appointed as the assistant to the general manager and head of operations in Qinhuangdao Dicamry and was later promoted to deputy general manager of Tianjin Lizhong Wheel in November 2007. He holds a degree in Economics from the Hebei University of Technology and professional certifications as an assistant engineer.

**Mr Zhao Qishan**

Deputy General Manager

Mr Zhao Qishan is the Deputy General Manager of Tianjin Dicastal and has been with the company since 2001. From 1996 to 2000, he was a production worker at Hebei Lizhong and was subsequently promoted to the head of the facility. Between June 2000 and February 2001, he was the head of production at Baoding Longda Aluminium Ltd. From 2001 to 2007, he held various positions including head of casting, heat treatment, production and deputy head of quality control. From 2007, he has been serving as the deputy general manager of Tianjin Dicastal. He holds professional certifications as an assistant engineer.

**Mr Hou Junfeng**

Deputy General Manager

Mr Hou Junfeng is the Deputy General Manager of Inner Mongolia Lizhong Huomei and has been with our Group since November 2007. Prior to joining our Group, he served as a technician and subsequently, engineer and technology section leader of Tongliao Forging Machine Tool Plant from August 1983 to May 1994. From June 1994 to August 2007, he successively held the positions of Deputy Chief Engineer in Tongliao Tongshun Aluminium Co., Ltd, the Chief Engineer of the aluminium plant of Zhengzhou Faxiang Aluminium Co., Ltd and the branch factory manager and branch secretary in Zhongdian Huomei-Hongjun Aluminium Co., Ltd. He then joined Huomei Group and was appointed as the Deputy General Manager of Inner Mongolia Lizhong Huomei Wheel Manufacturing Co., Ltd in November 2007. He graduated from Jilin University of Technology in 1983.

**Mr Yu Qiulin**

Deputy General Manager

Mr Yu Qiulin is the Deputy General Manager of New Thai Wheel Manufacturing Co., Ltd. and has been with our Group since 2003. Prior to joining our Group, he served as a technician in Xiamen Minxing Industry Co., Ltd. in Fujian Province from 1999 to 2002. From October 2002 to August 2003, he worked as Quality Manager in Xiamen New East Asia Color Printing Co., Ltd. From September 2003, he joined Baoding Wheel and has since held various positions of Technician, Director for the first Casting Workshop, Assistant Director of Production Department, Deputy Director of the first Production Department and Director of Comprehensive Department. He holds a Diploma in Quality Control Studies and Engineering from Hubei University.

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive:

Mr Zang Ligen (Executive Chairman)  
Mr Zang Liguo (Executive Director)  
Mr Zang Lizhong (Executive Director)

### Non-Executive:

Mr Zhao Qinghua (Independent Director)  
Mr Chua Hung Meng (Independent Director)  
Mr Ong Tiew Siam (Independent Director)

## AUDIT COMMITTEE

Mr Ong Tiew Siam (Chairman)  
Mr Zhao Qinghua  
Mr Chua Hung Meng

## NOMINATING COMMITTEE

Mr Zhao Qinghua (Chairman)  
Mr Chua Hung Meng  
Mr Ong Tiew Siam

## REMUNERATION COMMITTEE

Mr Chua Hung Meng (Chairman)  
Mr Ong Tiew Siam  
Mr Zhao Qinghua

## SECRETARY

Ms Ng Peishi Loseana

## REGISTERED OFFICE

1 Robinson Road #17-00, AIA Tower  
Singapore 048542  
Tel : 65- 6535 1944  
Fax : 65- 6535 8577

## BUSINESS OFFICE

No. 948 East Qiyi Road, Baoding City Hebei, China 071000  
Tel : 86- 312- 599 7688  
Fax : 86- 312- 599 7666  
Email : [sunjiewu@lzwheel.com](mailto:sunjiewu@lzwheel.com)  
Website : [www.lzwheel.com](http://www.lzwheel.com)

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place #32-01 Singapore Land Tower  
Singapore 048623  
Tel : 65- 6536 5355  
Fax : 65- 6536 1360

## AUDITORS

Deloitte & Touche LLP  
6 Shenton Way  
#32-00 DBS Building Tower Two  
Singapore 068809

## AUDIT PARTNER-IN-CHARGE

Name: James Xu Jun  
Date of Appointment: 30 April 2009

# CORPORATE STRUCTURE

**立中车轮**

Lizhong Wheel Group Ltd

100%	Baoding Lizhong Wheel Manufacturing Co., Ltd
90%	Qinhuangdao Dicamry Wheel Co., Ltd
100%	Tianjin Lizhong Wheel Co., Ltd
80%	Tianjin Dicastal Wheel Manufacturing Co., Ltd
29.22%	Inner Mongolia Lizhong Huomei Wheel Manufacturing Co., Ltd
51%	Tianjin Nano Machinery Manufacturing Co., Ltd
100%	Clever View Limited
99.97%	New Thai Wheel Manufacturing Co., Ltd

## CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Lishong Wheel Group Ltd. (the "Company") is committed to high standards of corporate governance by complying with the benchmark set by the Code of Corporate Governance 2005 (the "Code"). This report outlines the Company's corporate governance framework in place with specific reference to the principles of the Code.

### (A) BOARD MATTERS

**Principle 1:** Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this, and Management remains accountable to the Board.

The Board as at the date of this Report comprises:-

Name	Appointment	Date of Appointment	Date of last re-election	Code Guideline 4.6
Mr Zang Ligen	(Executive Chairman)	10 June 2004	30 April 2009	
Mr Zang Lishong	(Executive Director)	24 August 2005	30 April 2010	
Mr Zang Liguo	(Executive Director)	24 August 2005	30 April 2008	
Mr Zhao Qinghua	(Independent Director)	24 August 2005	30 April 2008	
Mr Ong Tiew Siam	(Independent Director)	30 May 2005	30 April 2009	
Mr Chua Hung Meng	(Independent Director)	24 August 2005	30 April 2010	

The detailed profiles of the Directors are set out on pages 9 to 12 of this Annual Report.

The Board's role is to:

1. provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Company and its subsidiaries (the "Group") to meet their objectives,
2. establish a framework of prudent and effective controls which enables risk to be assessed and managed,
3. review Management performance, and
4. set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met.

Code Guideline  
1.1

The Board regularly reviews the business plans and the financial performance of the Group. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board members bring their independent judgment, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct.

The Board has identified a number of areas for which the Board has direct responsibility for decision-making. The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance, dividends policy and major corporate policies on key areas of operation, the release of quarterly, half yearly and full year results and interested person transactions of a material nature.

Code Guideline  
1.5

# CORPORATE GOVERNANCE REPORT

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The Board also ensures that incoming new Directors are familiarised with the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties.

Code Guideline  
1.6

A formal letter is provided to each Director upon his appointment, setting out the Director's duties and obligations.

Code Guideline  
1.7

To assist the Board in the discharge of its responsibilities, the Board has established the Audit Committee (the "AC"), Remuneration Committee (the "RC"), Nominating Committee (the "NC") and Management Committee (the "MC") (collectively, the "Board Committees"). These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis by the Board. The Board also constantly reviews the effectiveness of each Board Committee.

Code Guideline  
1.3

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. Ad-hoc meetings will be convened to deliberate on urgent substantive matters when necessary. Attendance by means of telephone and conference via audio-visual communications at Board meetings is allowed under the Company's Articles of Association.

Code Guideline  
1.4

## Management Committee

The MC has the responsibility of assisting our Board in coordinating, supervising and managing the operations of the Group. As at the date of this Report, the MC comprises the following members:-

Mr Zang Lizhong (Chairman and Executive Director)  
Ms Zang Xiufen (Nominee of Zang Ligen)  
Ms Shi Hui (Manager, Finance Department)

The MC has adopted its own terms of reference that describe the responsibilities of its members.

The number of Board and Board Committee meetings held during the financial year ended 31 December 2010 ("FY2010") and the attendance of Directors during these meetings is set out as follows:

Code Guideline  
1.4

Name	Board		AC		RC		NC		MC	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Zang Ligen	4	4	NA	NA	NA	NA	NA	NA	NA	NA
Mr Zang Lizhong	4	2	NA	NA	NA	NA	NA	NA	1	1
Mr Zang Liguo	4	2	NA	NA	NA	NA	NA	NA	NA	NA
Mr Zhao Qinghua	4	1	4	1	1	1	1	1	NA	NA
Mr Ong Tiew Siam	4	4	4	4	1	1	1	1	NA	NA
Mr Chua Hung Meng	4	4	4	4	1	1	1	1	NA	NA

**Principle 2:** There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises three (3) Executive Directors and three (3) Independent Non-Executive Directors

Code Guideline  
2.1

## CORPORATE GOVERNANCE REPORT

There is presently a good balance between the Executive and Non-Executive Directors and a strong and independent element on the Board. The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, legal, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions.

The NC considers an Independent Director as a Director who has no relationship with the Company, its related companies or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the conduct of the Group's affairs and is not a substantial shareholder, or a partner in (with a stake of five per cent (5%) or more) or as executive officer of, any for-profit business organisation to which the Company made or from which the Company has received significant payments (aggregated over any financial year in excess of S\$200,000) in the current or immediately preceding financial year.

Code Guideline  
4.3

As a result of the NC's review of the independence of each Director for FY2010, the NC is of the view that the Independent Directors are independent of the Company's Management as contemplated by the Code, and further, that no individual or small group of individuals dominate the Board's decision making process.

As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience. Each Director has been appointed on the strength of his calibre, experience and potential to contribute to the Company and its businesses. The Directors bring valuable insights from different perspectives vital to the strategic interests of the Company. The Board and NC have strived to ensure that members possess the background, experience, knowledge and skills necessary to promote the Company's business and governance process, so as to enable the Board to make balanced and well-considered decisions. The Board and the NC are of the view that its Directors as a group possess the necessary competencies necessary to lead and govern the Company effectively.

Code Guideline  
2.4

Although all the Directors have an equal responsibility for the Group's operations, the role of the independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Non-Executive Directors help to develop proposals on strategy. The Non-Executive Directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

Code Guideline  
2.5

**Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.**

There is a clear division of responsibilities at the top management with clearly defined lines of responsibility between the Board and executive functions of the Management of the Company's business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of executive management performance on a periodic basis.

There is a distinct separation of responsibilities between the Executive Chairman and Chief Executive Officer (the "CEO") to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. Mr Zang Ligen, the Executive Chairman, is consulted on the Group's strategic direction and formulation of policies. The daily operation of the Group is led by the CEO, Mr Zhang Jianliang. He is assisted by a team of experienced and qualified executive officers of the Group.

Code Guidelines  
3.1 and 3.2

# CORPORATE GOVERNANCE REPORT

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The Executive Chairman's primary function is to manage the business of the Board and the Board Committees and to promote harmonious relations with the shareholders. The Executive Chairman's role with regard to the Board proceedings is as follows:

Code Guideline  
3.2

1. schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
2. prepare meeting agenda;
3. exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
4. assist in ensuring compliance with the Group's guidelines on corporate governance; and
5. monitor communications and relations between the Company and its shareholders, between the Board and Management, and between Executive and Non-Executive Directors and independent and non-independent Directors, with a view to encouraging constructive relations and dialogue amongst them.

**Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.**

## Nominating Committee

The NC comprises the following Independent Directors:

Code Guideline  
4.1

Mr Zhao Qinghua (Chairman)  
Mr Ong Tiew Siam  
Mr Chua Hung Meng

The NC meets at least once annually. The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

Code Guideline  
4.1

The NC has adopted its own terms of reference in compliance with the Code that describe the responsibilities of its members. Amongst them, the NC is responsible for making recommendations to the Board on all board appointments.

Code Guideline  
4.1

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to consider how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:

Code Guideline  
4.2

1. to make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;
2. to regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
3. to be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent. This includes disclosure on the search and nomination process;
4. to make plans for succession, in particular for the Executive Chairman and the CEO;



## CORPORATE GOVERNANCE REPORT

5. to determine, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one (1) or more of the relationships mentioned under the Code is in fact independent, the Company should disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. Conversely, the NC has the discretion to determine that a Director is non-independent even if the circumstances set forth in Guideline 2.1 of the Code do not apply to him;
6. to make recommendations to the Board for the continuation (or not) in services of any Director who has reached the age of 70 years;
7. to recommend Directors who are retiring by rotation to be put forward for re-election having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director;
8. to decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;
9. the NC shall recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards;
10. to be responsible for assessing the effectiveness of the Board as a whole via a performance evaluation conducted based on performance criteria set by the NC and approved by the Board and for assessing the contribution of each individual Director to the effectiveness of the Board, and
11. the Chairman of the NC should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors, in consultation with the NC.

The NC reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations.

Code Guideline  
2.3

Under the Company's Articles of Association, at least one third of the Company's Directors are required to retire from office at every Annual General Meeting of the Company. Every Director must retire from office at least once every three (3) years and are eligible for re-election.

Code Guideline  
4.2

In its search, nomination and selection process for new Directors, the NC identifies the key attributes that an incoming Director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of Directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached.

Code Guideline  
4.5

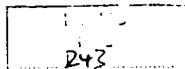
The Chairman of the Board will give feedback to the NC on the appointment of new Directors or retirement or resignation of existing Directors, following the outcome of an annual performance evaluation of individual Directors, and the NC will take into consideration his views in this regard.

Code Guideline  
5.4

The NC is also responsible for determining annually, the independence of Directors. In doing so, the NC takes into account the circumstances set forth in Guideline 2.1 of the Code and any other salient factors. Following its annual review, the NC has endorsed the independent status of Mr Ong Tiew Siam, Mr Chua Hung Meng and Mr Zhao Qinghua.

Code Guideline  
4.3

# CORPORATE GOVERNANCE REPORT



The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the NC.

Code Guideline  
4.4

**Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.**

The Board has implemented a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. For the year under review, the NC has evaluated and discussed the results of individual Directors' assessment of the Board's performance and effectiveness as a whole and carried out a review of the independence of Directors.

Code Guidelines  
5.1 and 5.2

**Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.**

The Board has separate and independent access to senior management of the Company, the Company Secretary, the internal auditors and the external auditors at all times. Requests for information from the Board are dealt with promptly by Management. The Board is informed of all material events and transactions as and when they occur. Directors are given Board papers in advance of meetings for them to be adequately prepared for meetings and senior management are, where necessary, in attendance at the Board meetings. The Company Secretary attends all Board, AC, RC and NC meetings and prepares the minutes of these meetings. The Company Secretary also assists the Chairman in ensuring that Board procedures are followed in accordance with the Company's Articles of Association so that the Board functions effectively as well as ensures that the relevant rules and regulations applicable to the Company are complied with.

Code Guidelines  
6.1, 6.2 and 6.3

Each Director has the right to seek independent legal and other professional advice, where necessary, in order to fulfill their duties and responsibilities as Directors. Any expense incurred in this aspect shall be borne by the Group.

Code Guideline  
6.5

The Board receives from the Management regular updates and financial information which present a balanced and understandable assessment of the Company's performance, position and prospects. The Chief Financial Officer circulates monthly reports to the AC which includes the profit and loss statement, balance sheet and cash flow statement of the Group, transactions between the Group and any interested person (namely, the Directors of the Company or any of the Controlling Shareholders or their Associates) and latest corporate developments.

Code Guideline  
10.2

Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

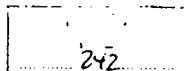
Code Guideline  
6.4

## (B) REMUNERATION MATTERS

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors and senior management.

# CORPORATE GOVERNANCE REPORT



## Remuneration Committee

The RC comprises the following Independent Directors:

Code Guideline  
7.1

Mr Chua Hung Meng (Chairman)  
Mr Ong Tiew Siam  
Mr Zhao Qinghua

The principal responsibilities of the RC are:

1. recommending to the Board for endorsement, a framework of computation of Directors' fees of the Board, as well as remuneration of Executive Directors, CEO and senior management. For Executive Directors, CEO and such senior management, the framework covers all aspects of executive remuneration (including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind); and
2. recommending the specific remuneration packages for each Director, CEO and senior management.

Code Guideline  
7.2

The RC meets at least once annually. The RC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of its members.

Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

**Principle 8:** The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

**Principle 9:** Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

In structuring a compensation framework for Executive Directors and key executives, the RC seeks to link a proportion of the relevant executive's compensation to the Group's performance. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

Code Guideline  
8.1

An appropriate and attractive level of remuneration has been set to attract, retain and motivate Directors and staff. The remuneration package is made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. Annual increments and adjustments to remuneration are reviewed and approved taking into account the results of the annual review made by the Executive Directors and the various heads of department. All Non-Executive Directors are paid directors' fees that are subject to shareholders' approval at the Annual General Meetings.

Code Guideline  
8.2

The service contracts for Executive Directors are for fixed appointment periods which are not excessively long and they do not contain onerous removal clauses. Notice periods are generally six (6) months or less in service contracts for Executive Directors and in the terms of employment of senior management. The RC is responsible for reviewing the compensation commitments, if any, that the Directors' contracts of service entail in the event of early termination.

Code Guideline  
8.3  
Commentary  
8.6

# CORPORATE GOVERNANCE REPORT

## DISCLOSURE ON REMUNERATION

Code Guidelines  
9.1, 9.2 and 9.4

	Salary (%)	Bonus (%)	Benefits (%)	Director hFees (%)	Total (%)
<b>Directors</b>					
<u>Below S\$250,000</u>					
Zang Ligen	31.83	68.17	-	-	100
Zang Lizhong	38.61	61.39	-	-	100
Zang Liguo	100	-	-	-	100
Ong Tiew Siam	-	-	-	100	100
Chua Hung Meng	-	-	-	100	100
Zhao Qinghua	-	-	-	100	100
<b>Key Executives</b>					
<u>Below S\$250,000</u>					
Zhang Jianliang	21.80	78.20	-	-	100
Zhang Jinli	100	-	-	-	100
Liu Baoxing	100	-	-	-	100
Ji Guofu	100	-	-	-	100
Wei Jijian	100	-	-	-	100

### Immediate Family Members of Directors or CEO

There are no immediate family members of Directors or CEO in employment with the Group and whose remuneration exceeds S\$150,000 during FY2010.

Code Guideline  
9.3

# CORPORATE GOVERNANCE REPORT

## (C) ACCOUNTABILITY AND AUDIT

**Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position, prospects, operations and financial position and updates shareholders through the quarterly, half yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Code Guideline  
10.1

**Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference, which clearly set out its authority and duties.**

### Audit Committee

The AC comprises the following Independent Directors.

Code Guidelines  
11.1 and 11.8

Mr Ong Tiew Siam (Chairman)

Mr Zhao Qinghua

Mr Chua Hung Meng

The AC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of its members.

The AC held four (4) meetings during FY2010. These meetings were attended by the Chief Financial Officer. The CEO, internal auditors and external auditors were also present at the relevant junctures during these meetings. The AC has also met the external auditors without the presence of the Management during the financial year.

Code Guideline  
11.5

The Board is of the view that the AC members are appropriately qualified in that they have sufficient accounting or related financial management expertise and experiences to discharge the AC's function.

Code Guideline  
11.2

The AC has written terms of reference endorsed by the Board, setting out their duties and responsibilities. The AC is authorised by the Board to investigate any matter within its terms of reference and has full access to, and co-operation of Management, with full discretion to invite any Director or executive officer to attend its meetings. It has reasonable resources to enable it to discharge its functions properly. During the meetings of the AC held during the financial year, the Committee performed its functions and responsibilities as set out in its terms of reference, which include the following:

Code Guideline  
11.3

Code Guidelines  
11.4, 11.6,  
11.8 and 12.1.

1. reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
2. reviewing the nature and extent of the external auditors' non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money.

## CORPORATE GOVERNANCE REPORT

3. reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
4. reviewing the adequacy of the Group's internal financial controls, operational and compliance controls, and risk management policies and systems (hereinafter referred to collectively as 'internal controls');
5. reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
6. making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
7. reviewing the external auditors' audit plan, audit report and the evaluation of the system of internal accounting controls with the external auditors, as well as the assistance given by Management to the external auditors;
8. reviewing the quarterly, half-yearly and full year financial statements of the Group, prior to their submission to the Board;
9. reviewing the co-operation given by the Management to the auditors;
10. reviewing and approving interested person transactions;
11. reviewing any potential conflict of interests;
12. reviewing regularly all hedging policies, all types of instruments used for hedging and foreign exchange policies and practices of the Group; and
13. to generally undertake such other functions and duties as may be required by law or the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations in to matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position.

Management has put in place, and the AC has endorsed, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

Code Guideline  
11.7

The AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of the external auditors for re-appointment. The AC has conducted an annual review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

Code Guidelines  
11.4(a) and 11.6

Pursuant to Rule 716 of the Listing Manual, the Board and the AC are satisfied that the appointment of different auditors for the subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The details of the auditors are outlined in Notes 12 & 13 to the financial statements.

# CORPORATE GOVERNANCE REPORT

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**Principle 12:** The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

**Principle 13:** The company should establish an internal audit function that is independent of the activities it audits.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

Code Guideline  
12.1

The Company has appointed Messrs UHY Lee Seng Chan & Co as the internal auditor of the Company and has implemented internal reviews, to ensure that the system of internal controls maintained by the Company is sufficient to provide reasonable assurance that the Company's assets are safeguarded against loss from unauthorised use or disposal, transactions are properly authorised and proper financial records are being maintained. The internal auditors are required to adopt the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

Code Guidelines  
13.1 and 13.2

The internal auditor has a direct and primary reporting line to the AC and assists the Board in monitoring and managing risks and internal controls of the Group. The AC approves the internal audit plan and ensures the adequacy of internal audit resources during the first AC meeting each year.

Code Guideline  
13.1

The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

Code Guideline  
13.3

The AC and the Board have reviewed the Company's risk assessment based on the reports of the internal auditor and external auditors and are assured that adequate internal controls, including financial, operational and compliance control and risk management, are in place.

Code Guidelines  
12.1 and 12.2

## (D) COMMUNICATION WITH SHAREHOLDERS

**Principle 14:** Companies should engage in regular, effective and fair communication with shareholders.

**Principle 15:** Companies should encourage greater shareholder participation at Annual General Meetings and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis so that it can discharge its duties effectively. The Company also believes in timely, fair and adequate disclosure of relevant information to shareholders and investors so that they will be apprised of developments that may have a material impact on the Company's securities. The Company does not practice selective disclosure. All information of the Company is published through the SGXNET and where appropriate, through media releases. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure. Information is also available on the Company's website at [www.lzwheel.com](http://www.lzwheel.com).

Code Guidelines  
14.1 and 14.2

## CORPORATE GOVERNANCE REPORT

All shareholders of the Company receive the Annual Report and notice of Annual General Meeting. At general meetings of shareholders, shareholders are given the opportunity to voice their views and ask Directors or Management questions regarding the Company's affairs. The Chairmen of the AC, RC, NC and MC will normally be present at the Annual General Meetings to answer any questions relating to the work of these Committees. The external auditors are also present at the Annual General Meetings to assist the Directors in answering questions from shareholders.

Code Guidelines  
15.1 and 15.3

The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one (1) or two (2) proxies (who can either be named individuals nominated by the shareholder to attend the meeting or the Chairman of the meeting as the shareholder may select).

Code Guideline  
15.1

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Code Guideline  
15.2

### DEALINGS IN SECURITIES

The Company has adopted its own internal Code of Conduct to provide guidance to all Directors and officers of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with the Rule 1207(18) of the Listing Manual. The Code of Conduct relates to, *inter alia*, insider trading prohibitions under the Securities and Future Act, Cap 289, the disclosure requirements of the SGX-ST and prohibitions on Directors and employees from dealing in the Company's securities during the two (2) weeks immediately preceding, and up to the time of the announcement of, the Company's results for each of the first three quarters of its financial year and during the one (1) month preceding, and up to the time of announcement of, the Company's results for the full financial year.

Rule 1207(18) of  
the Listing Manual

Directors and all officers are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

### MATERIAL CONTRACTS

The following contract, not being a contract entered into in the ordinary course of business, was entered into by the Company during FY2010:

Rule 1207(8) of  
the Listing Manual

A redemption agreement (the "Agreement") dated 10 February 2010 entered into between the Company, Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) ("the Bondholder"), the joint and several liquidators of the Bondholder, the Company's Controlling Shareholder, Li Zhong Investment Ltd., and the Company's Executive Chairman, Mr Zang Ligen, for the full redemption ("the Redemption") of convertible bonds (the "CB") which bear interest at the rate of three per cent. (3%) per annum.

The CB will be redeemed using the internal funds of the Company.

Pursuant to the terms of the Agreement, in consideration for the surrender of the CB by the Bondholder, the Company shall:

- (1) pay the Bondholder USD15,000,000 (the "Fixed Amount") no later than the date falling three (3) months after the date of the Agreement or such date as may be agreed between the Bondholder and the Company; and



## CORPORATE GOVERNANCE REPORT

- (2) if, at any time from the date of the Agreement to the date falling the second anniversary of the Agreement
- (a) the volume-weighted average price of a share in the Company reaches for the first time S\$0.60 or above but less than S\$0.80 for 20 consecutive trading days, pay the Bondholder an additional USD1,500,000;
  - (b) after the payment described in paragraph (a) above, if the volume-weighted average price of a share in the Company reaches for the first time S\$0.80 or above for 20 consecutive trading days, pay the Bondholder an additional USD1,500,000; or
  - (c) as an alternative to the payment described in paragraphs (a) and (b) above, if the volume-weighted average price of a share in the Company reaches or rises for the first time to S\$0.80 or above from less than S\$0.60 for 20 consecutive trading days, pay the Bondholder a single payment of USD3,000,000.

Provided that the aggregate additional consideration payable by the Company to the Bondholder shall not at any time exceed USD3,000,000. The Company shall promptly give notice to the Bondholder of the date of any additional amount described in paragraphs (a) to (c) above becoming payable and pay to such amount to the Bondholder on the business day falling 60 days after such date

The Company's obligation under the Agreement is guaranteed by Li Zhong Investment Ltd. and Mr. Zang Ligen on a joint and several basis.

In consideration for the surrender of the CB by the Bondholder, the Company's Controlling Shareholder, Li Zhong Investment Ltd., has agreed to charge 50,000,000 shares in the Company held by it in favour of the Bondholder (the "Share Charge").

Upon confirmation by the Bondholder of receipt of the Fixed Amount and the creation and perfection of the Share Charge by Li Zhong Investment Ltd. in favour of the Bondholder, the Bondholder will surrender all such right, title and interest (if any) the Bondholder may have in the CB to the Company (including any accrued but unpaid interest and premium) and return the bond certificate in respect of the CB to the Company.

The Board, having considered the terms and the rationale for the Redemption, is of the view that the Redemption is in the interest of the Company and its shareholders.

As at the date of this annual report, all the net proceeds from the issuance of CB had been fully utilised and invested in the production facilities at Tianjin Binhai New Area in accordance with the purpose of the issue of CB.

Save as disclosed above, there are no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman and CEO or any Directors or controlling shareholders subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

# CORPORATE GOVERNANCE REPORT

## INTERESTED PERSON TRANSACTIONS

A shareholders' mandate (the "Shareholders' Mandate") to authorise the Company to enter into transactions with specific categories of interested persons in respect of recurrent transactions of revenue or trading nature or those necessary for the day-to-day operations of the Company was obtained on 23 August 2005. The Shareholders' Mandate has been renewed annually and was last renewed during the Annual General Meeting of the Company held on 30 April 2010.

Rule 1207(16) of the Listing Manual

The Shareholders' Mandate was expressed to take effect until the conclusion of the Annual General Meeting of the Company to be held on 29 April 2011 and the Board has proposed that the Shareholder's Mandate be renewed during the Annual General Meeting of the Company on 29 April 2011 to take effect until the conclusion of the next following Annual General Meeting of the Company.

The aggregate value of interested person transactions entered into for the financial year from 1 January 2010 to 31 December 2010 is as follows: -

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the Shareholders' Mandate pursuant to Rule 920) (RMB'000)	Aggregate value of all interested person transactions conducted under the Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (RMB'000)
<b>Hebel Nonferrous Metals Group Co., Ltd.</b>		
- Lease of properties and equipment	-	2,635
- Purchase of aluminum alloy ingots	-	42,962
- Supply of molten aluminum alloy	-	269,502
- Purchase of auxiliary raw materials	-	3,304
- Payment of staff social insurance premiums	-	757
- Sale of scraps	-	7,950
<b>Qinhuangdao Development Zone Melu Alloy Co., Ltd.</b>		
- Lease agreement	-	1,191
- Supply of molten aluminum alloy	-	140,538
- Processing and recycling of rejects and scraps	-	6,292
- Supply of water and electricity	-	6,175
<b>Tianjin Lizhong Wheel Co., Ltd.</b>		
- Supply of molten aluminum alloy	-	350,036
- Processing and recycling of rejects and scraps	-	15,773

## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT

The risk factors relating to the Group and risks relating to the PRC were disclosed under "Risk Factors" (pages 31 to 39 of the Company's prospectus dated 10 October 2005).

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The financial risk management objectives and policies are outlined in the financial statements.

### TREASURY SHARES

There are no treasury shares held by the Company as at the end of the financial year ended 31 December 2010.

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# DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2010.

## 1 DIRECTORS

The directors of the company in office at the date of this report are:

Zang Ligen  
Zang Lizhong  
Zang Liguo  
Zhao Qinghua  
Ong Tiew Siam  
Chua Hung Meng

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

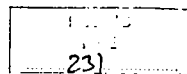
Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

Names of directors and companies in which interests are held	Shareholdings registered in names of directors		Shareholdings in which directors are deemed to have interests	
	At beginning of year	At end of year	At beginning of year	At end of year
<u>The company</u>				
(Ordinary shares)				
Zang Ligen	-	711,000	-	-
Zang Liguo	-	-	150,956,250	150,956,250
Zhao Qinghua	1,250,250	1,250,250	-	-
<u>Holding company</u>				
<u>- Lizhong Investment Ltd</u>				
(Ordinary shares)				
Zang Ligen	1,130	1,130	-	-
Zang Lizhong	1,130	1,130	-	-
Zang Liguo	2,330	2,330	-	-
<u>Subsidiary company</u>				
<u>- New Thai Wheel Manufacturing Ltd</u>				
(Ordinary shares)				
Zang Lizhong	-	10,000	-	-
Zang Liguo	-	10,000	-	-

# DIRECTORS' REPORT



By virtue of Section 7 of the Singapore Companies Act, Mr Zang Liguao is deemed to have an interest in the subsidiaries held by the company.

The directors' interests in the shares of the company and related corporations at January 21, 2011 were the same at December 31, 2010.

## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

## 5 SHARE OPTIONS

### (a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the company or any corporation in the group were granted.

### (b) *Options exercised*

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

### (c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

## 6 AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises three non-executive and independent directors:

Ong Tiew Siam (Chairman)  
Zhao Qinghua  
Chua Hung Meng

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board of Directors acting through the Audit Committee.

During the financial year, the Audit Committee has met four times and has reviewed the following, where relevant, with the executive directors, and the internal and external auditors when appropriate, of the company:

- (a) the audit plan and results of the internal auditors' examination and evaluation of the group's systems of internal accounting controls;
- (b) the external auditors' audit plan;
- (c) the group's financial and operating results and accounting policies;

## DIRECTORS' REPORT

- (d) the statement of financial position and statement of changes in equity of the company and the consolidated financial statements of the group before submission to the Board of Directors and external auditors' report on those financial statements;
- (e) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the group;
- (f) the co-operation and assistance given by the management to the external auditors;
- (g) interested person transactions; and
- (h) the re-appointment of the external auditors.

The Audit Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its function properly. It has also full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors at the forthcoming Annual General Meeting of the company.

### 7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

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Ong Tiew Siam

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Zang Ligen

April 4, 2011

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## STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 40 to 84 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2010, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due

ON BEHALF OF THE DIRECTORS

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Ong Tiew Siam

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Zang Ligen

April 4, 2011



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LIZHONG WHEEL GROUP LTD.

## Report on the Financial Statements

We have audited the accompanying financial statements of Lizhong Wheel Group Ltd. (the "company") and its subsidiaries (the "group") which comprise the statements of financial position of the group and the company as at December 31, 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 84.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2010 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP  
Public Accountants and  
Certified Public Accountants  
Singapore

April 4, 2011

# STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010

		Group		Company	
	Note	2010	2009	2010	2009
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	7	116,763	75,492	363	507
Trade receivables	8	715,073	435,927	-	-
Other receivables and prepayments	9	35,814	34,350	-	-
Amount due from subsidiaries	10	-	-	-	38,610
Derivative financial instruments	21	38	-	-	-
Inventories	11	175,675	153,699	-	-
Total current assets		1,043,363	699,468	363	39,117
<b>Non-current assets</b>					
Investment in subsidiaries	12	-	-	439,522	339,315
Investment in associate	13	22,593	22,184	-	-
Amount due from subsidiaries	14	-	-	-	149,010
Prepaid lease payments	9	63,660	65,087	-	-
Prepayment for construction-in-progress	9	8,342	577	-	-
Property, plant and equipment	15	456,643	449,294	-	-
Intangible assets	16	6,610	6,916	-	-
Total non-current assets		557,848	544,058	439,522	488,325
Total assets		1,601,211	1,243,526	439,885	527,442

See accompanying notes to financial statements.

# STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010

Note	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Short-term loans	17	330,500	141,500	-
Current portion of long-term loans	17	-	95,796	-
Amount due to subsidiaries	18	-	-	85,651
Trade payables	19	589,124	289,503	-
Other payables	20	50,735	46,659	1,263
Derivative financial instruments	21	5,733	2,198	5,733
Income tax payable		2,624	2,337	-
Convertible loan notes	22	-	180,607	-
Deferred income	23	347	347	-
Dividend payable to non-controlling interests of a subsidiary		4,913	859	-
Total current liabilities		983,976	759,806	6,996
<b>Non-current liabilities</b>				
Deferred income	23	2,775	3,122	-
Long-term loan	17	5,000	-	-
Deferred tax liability	24	4,548	4,794	-
Total non-current liabilities		12,323	7,916	-
<b>Capital, reserves and non-controlling interest</b>				
Share capital	26	140,500	140,500	140,500
Capital reserve	32	38,780	32,544	-
Translation reserve		(150)	-	-
Retained earnings		402,652	283,071	292,389
Equity attributable to owners of the company		581,782	456,115	432,889
Non-controlling interests		23,130	19,689	-
Total equity		604,912	475,804	253,597
<b>Total liabilities and equity</b>		<b>1,601,211</b>	<b>1,243,526</b>	<b>439,885</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YE ENDED DECEMBER 31, 2010

	Note	Group	
		2010	2009
		RMB'000	RMB'000
<b>Revenue</b>	27	1,610,037	1,001,328
<b>Cost of sales</b>		(1,406,962)	(851,417)
<b>Gross profit</b>		203,075	149,911
Other operating income	28	80,561	7,016
Distribution and selling costs		(25,643)	(25,732)
Administrative expenses		(93,372)	(58,021)
Other operating expenses		(3,477)	(3,517)
Share of profit (loss) of an associate	13	197	(27)
Finance costs	29	(17,622)	(17,057)
<b>Profit before tax</b>		143,719	52,573
Income tax	30	(12,373)	(5,500)
<b>Profit for the year</b>	31	131,346	47,073
Other comprehensive income for the year, net of tax			
Exchange differences on translation of foreign operations		(150)	-
<b>Total comprehensive income for the year</b>		<u>131,196</u>	<u>47,073</u>
Profit for the year attributable to:			
Owners of the company		125,817	43,320
Non-controlling interests		5,529	3,753
		<u>131,346</u>	<u>47,073</u>
Total comprehensive income for the year attributable to:			
Owners of the company		125,667	43,320
Non-controlling interests		5,529	3,753
		<u>131,196</u>	<u>47,073</u>
Earnings per share (in RMB cents):			
Basic	33	53.53	18.43
Diluted	33	53.53	18.11

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2010

	Share capital	Capital reserve	Translation reserve	Retained earnings	Attributable to owners of the company	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>							
Balance at January 1, 2009	140,500	26,792	-	245,503	412,795	15,936	428,731
Appropriation to statutory reserve	-	5,752	-	(5,752)	-	-	-
Total comprehensive income for the year	-	-	-	43,320	43,320	3,753	47,073
Balance at December 31, 2009	140,500	32,544	-	283,071	456,115	19,689	475,804
Dividends payable to non-controlling shareholder of a subsidiary	-	-	-	-	-	(4,054)	(4,054)
Receipt of capital injection from non-controlling shareholder of a subsidiary	-	-	-	-	-	1,966	1,966
Appropriation to statutory reserve	-	6,236	-	(6,236)	-	-	-
Total comprehensive income for the year	-	-	(150)	125,817	125,667	5,529	131,196
Balance at December 31, 2010	140,500	38,780	(150)	402,652	581,782	23,130	604,912

	Share capital	Retained earnings	Total
	RMB'000	RMB'000	RMB'000
<b>Company</b>			
Balance at January 1, 2009	140,500	109,084	249,584
Total comprehensive income for the year	-	4,013	4,013
Balance at December 31, 2009	140,500	113,097	253,597
Total comprehensive income for the year	-	179,292	179,292
Balance at December 31, 2010	140,500	292,389	432,889

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

LIZHONG WHEEL GROUP LTD.

	Group	
	2010	2009
	RMB'000	RMB'000
<b>Operating activities</b>		
Profit before income tax	143,719	52,573
Adjustments for:		
Share of (profit) loss of associate	(197)	27
Depreciation of property, plant and equipment	48,019	43,219
Interest income	(1,302)	(1,277)
Finance costs	17,622	17,057
Allowance for doubtful debts	63	-
Inventories written off	1,118	1,375
Amortisation of intangible assets	306	305
(Gain) Loss on disposal of property, plant and equipment	(70)	203
Prepaid lease payments released to the profit or loss	1,427	1,425
Unrealised foreign exchange loss (gain) of convertible loan notes	-	205
Fair value gain on derivative instruments	(38)	-
Gain on redemption of convertible loan notes	(75,014)	-
Net realised gain from the settlement of derivative financial instrument	(337)	(2,967)
Fair value (gain) loss on financial derivatives	(467)	2,000
Operating cash flows before movements in working capital	134,849	114,145
Trade receivables	(279,209)	(185,976)
Other receivables and prepayments	(1,370)	19,230
Inventories	(23,654)	(28,570)
Trade payables	299,621	141,652
Other payables (Note A)	(2,205)	(4,985)
Cash generated from operations	128,032	55,496
Interest received	1,302	1,277
Income taxes paid	(12,332)	(322)
Net cash from operating activities	117,002	56,451

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

	Group	
	2010	2009
	RMB'000	RMB'000
<b>Investing activities</b>		
Sale of patent to an associate	—	3,469
Proceeds from disposal of property, plant and equipment (Note A)	676	197
Property, plant and equipment purchased and paid (Note A)	(54,330)	(67,097)
Net cash used in investing activities	(53,654)	(63,431)
<b>Financing activities</b>		
Dividend paid to non-controlling interests	—	(511)
Repayments of borrowings	(481,448)	(250,464)
New bank loans raised	475,500	209,594
Interest paid	(18,062)	(18,479)
Pledged cash placed with banks	(1,624)	(4,307)
Receipt of contribution from non-controlling interests	1,966	—
Net cash used in financing activities	(23,668)	(64,167)
Net increase (decrease) in cash and cash equivalents	39,680	(71,147)
Cash and cash equivalents at beginning of year	62,102	133,249
Effects of exchange rate changes on the balance of cash held in foreign currency	(33)	—
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>101,749</b>	<b>62,102</b>

## Note A:

In 2010, total additions of property, plant and equipment was RMB55,846,000 (2009 : RMB58,025,000), including interest of RMB Nil (2009 : RMB11,046,000) capitalised as costs of construction and an amount of RMB12,727,000 (2009 : RMB3,446,000) remained unpaid as at end of the reporting period. The group had also prepaid RMB8,342,000 (2009 : RMB577,000) construction-in-progress at the end of the reporting period.

In 2010, plant and equipment with net book value amounting to RMB478,000 (2009 : RMB533,000) was sold for RMB548,000 (2009 : RMB325,000). Of this amount, RMB Nil (2009 : RMB128,000) has not been received as at the end of the reporting period.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

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## 1 GENERAL

The company (Registration No. 200407196C) is incorporated in Singapore with its registered office at 1 Robinson Road #17-00 AIA Tower, Singapore 048542 and its principal place of business at No. 948 Qiye Dong Road, Baoding, Hebei 071000, The People's Republic of China. The company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Renminbi ("RMB").

The principal activity of the company is that of investment holding.

The principal activities of the subsidiaries and associate are disclosed in Notes 12 and 13 to the financial statements respectively.

The consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the year ended December 31, 2010 were authorised for issue by the Board of Directors on April 4, 2011.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

**ADOPTION OF NEW AND REVISED STANDARDS** - In the current financial year, the group has adopted all the new and revised FRSs and interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2010. The adoption of these new/revised FRSs and INT FRSs resulted in certain changes to the group's and company's accounting policies but has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the group and the company were issued but not effective.

- FRS 24 (Revised) Related Party Disclosures
- Improvements to Financial Reporting Standards (issued in June 2010)

Consequential amendments were also made to various standards as a result of these new/revised standards.

FRS 24 (Revised) is effective for annual periods beginning on or after January 1, 2011. The revised Standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity. In addition, the revised Standard provides partial exemption for government-related entities, in relation to the disclosure of transactions, outstanding balances and commitments. Where such exemptions apply, the reporting entity has to make additional disclosures, including the nature of the government's relationship with the reporting entity and information on significant transactions or group of transactions involved. In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial adoption.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.



## NOTES TO FINANCIAL STATEMENTS

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The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

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

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

**BUSINESS COMBINATIONS** - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree, and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 Financial Instruments: Recognition and Measurement, or FRS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

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Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 Income Taxes and FRS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the group of an acquiree's share-based payment awards are measured in accordance with FRS 102 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

**FINANCIAL INSTRUMENT** - Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

## Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those financial instruments "at fair value through profit or loss".

## **Financial assets**

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets in the group and company are classified into the following specified categories: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

## NOTES TO FINANCIAL STATEMENTS

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### Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 4.

### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

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If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## **Financial liabilities and equity instruments**

### Classification as debt or equity

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

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

### Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables when the recognition of interest would be immaterial.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

### Financial liabilities at fair value through profit or loss (FVTPL)

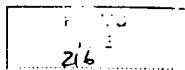
Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future, or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

# NOTES TO FINANCIAL STATEMENTS

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A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 4.

## Convertible loan notes

Convertible bonds are regarded as compound instruments, consisting of a liability component and an embedded derivative component. The component parts of compound instruments are classified separately as financial liabilities and derivative financial instruments in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The embedded derivative components are recorded at fair value at the date of the issue and are subsequently remeasured to their fair value at each end of the reporting period. The resulting gain or loss is recognised in the profit or loss immediately.

## Derivative financial instruments and hedge accounting

The group enters into a variety of derivative financial instruments to manage its exposure to aluminum prices, including aluminum futures contracts.

The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value at the date the derivative contract is entered, and are subsequently remeasured to their fair value at each end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of hedging relationship is more than 12 months and as a current asset or current liability if the remaining maturity of the hedging relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

## Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the profit or loss.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

**LEASES** – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Consideration paid for land use rights are recorded as prepaid lease payments and are charged to the profit or loss on a straight-line basis over the term of relevant land use right acquired.

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**INVENTORIES** – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**PROPERTY, PLANT AND EQUIPMENT** – Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Buildings and plant and machinery in the course of construction ("construction-in-progress") for production, rental or administrative purposes, or for purpose not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than construction-in-progress, over their estimated useful lives and taking into account their residual value of 5%, except for computer software which has no residual value, using the straight-line method, on the following bases per annum:

Buildings	-	10 to 20 years
Plant and machinery	-	10 years
Computer software	-	3 years
Motor vehicles	-	5 years
Furniture and fittings	-	5 years

Depreciation is not provided on construction-in-progress.

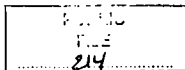
The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

# NOTES TO FINANCIAL STATEMENTS

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## INTANGIBLE ASSETS

### Intangible assets acquired separately

Intangible assets acquired separately include expenditure on trademarks and brand names and are reported at cost less accumulated amortisation and accumulated impairment losses. Trademarks are amortised on a straight-line basis over their estimated useful lives of 19 years. Brand names are amortised on a straight-line basis over their estimated useful lives of 30 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Such assets are tested for impairment in accordance with the policy below.

### Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

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

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL** - At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

**ASSOCIATES** - An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised, unless the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

**PROVISIONS** - Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**GOVERNMENT GRANTS** - Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attached to them and the grants will be received. Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are presented as a deduction from the carrying amount of the related assets and recognised as income over the useful lives of the assets by way of a reduced depreciation charge.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**REVENUE RECOGNITION** - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.



# NOTES TO FINANCIAL STATEMENTS

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## Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied.

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

## Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

## Financial guarantee income

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight line basis.

**BORROWING COSTS** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

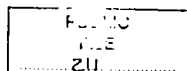
**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly to equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each group entity are measured and presented in Renminbi ("RMB"), which is the currency of the primary economic environment in which each entity operates (its functional currency). The consolidated financial statements of the group and the statement of financial position of the company are presented in RMB, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

# NOTES TO FINANCIAL STATEMENTS

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Exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the hedge accounting policies above.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**CASH AND CASH EQUIVALENTS** - Cash and cash equivalents comprise cash on hand and at banks and time deposits less pledged cash placed with bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Critical judgements in applying the entity's accounting policies*

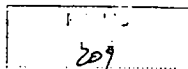
Management is of the opinion that there is no critical judgement involved that has a significant effect on the amounts recognised in the financial statements apart from those involving estimations which are dealt with below.

### *Key sources of estimation uncertainty*

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

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## Allowance for doubtful debts

The policy for allowance for doubtful debts of the group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. Allowance for doubtful debts as at December 31, 2010 are disclosed in Notes 8 and 9 to the financial statements.

## Allowance for inventories obsolescence

The policy for allowance for inventories obsolescence of the group is based on the aging analysis of inventories and on management's judgement on the saleability of the inventories. The carrying amount for inventories as at December 31, 2010 is disclosed in Note 11.

## Impairment of property, plant and equipment and intangible assets

As described in Note 2, at each end of the reporting period, the group reviews the carrying amounts of its property, plant and equipment, including construction-in-progress, and intangible assets to determine whether there is any indication of impairment. As at December 31, 2010, management is of the opinion that there did not exist any indication of impairment, and accordingly no impairment is required for property, plant and equipment and intangible assets. The carrying amount of property, plant and equipment, including construction-in-progress, and intangible assets are disclosed in Notes 15 and 16 respectively.

## Useful lives and residual values of property, plant and equipment

As described in Note 2, the group reviews the estimated useful lives and the residual values of the property, plant and equipment at the end of each annual reporting period. During the financial year, management determined that the estimated useful lives and residual values of the property, plant and equipment are appropriate and no revision is required.

## Fair value of derivative financial instruments

The group is required to assess the fair values of the derivative financial instruments which involve the input of certain variables and accordingly, require significant estimates and assumptions. Details of the derivative financial instruments are provided in Note 21 to the financial statements.

## 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) *Categories of financial instruments*

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Loans and receivables (including cash and bank balances)	857,987	539,192	363	188,127
Derivative financial asset	38	-	-	-
<b>Financial liabilities</b>				
Amortised cost	979,115	753,950	1,262	271,647
Derivative financial liabilities	5,733	2,198	5,733	2,198

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## (b) Financial risk management policies and objectives

The group does not have written risk management policies and guidelines. However, the Board of Directors meet periodically to analyse and formulate measures to manage the group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the group employs a conservative strategy regarding its risk management.

The group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

### (i) Price risk management

The group is exposed to fluctuations in the prices of aluminium it requires for the production of the group's products and purchases its raw materials at market prices. The group currently does not significantly hedge against price risk arising from the purchase of aluminium.

### (ii) Foreign currency risk management

The group's foreign currency exposures arose mainly from the exchange rate movements of the Singapore dollars, Japanese yen, Euro and the United States dollars against Renminbi.

At the reporting date, the carrying amounts of significant foreign currency denominated monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2010	2009	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	1,152	821	3,992	1,830	1,152	821	299	499
Japanese yen	-	-	9,127	-	-	-	-	-
Euro	22	-	4,460	4,869	-	-	-	-
United States dollars	1,256	277,240	88,554	18,382	-	268,818	55	149,010

### Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Renminbi against the relevant foreign currencies. 10% is the sensitivity rate representing management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

# NOTES TO FINANCIAL STATEMENTS

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If the Renminbi strengthens by 10% against the relevant foreign currency, profit or loss will increase (decrease) by:

	Singapore dollars impact		Japanese yen impact		Euro impact		US dollars impact	
	2010	2009	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>								
Profit or loss	(284)	(101)	(913)	-	(444)	(487)	(8,730)	25,885
<u>Company</u>								
Profit or loss	86	32	-	-	-	-	(6)	11,981

If the Renminbi weakens by 10% against the relevant foreign currency, the above will have a vice-versa effect.

## (iii) Interest rate risk management

The group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The group's interest rate exposure is related primarily to the time deposits and loans as disclosed in Notes 7 and 17 to the financial statements. The group borrows at both fixed and floating interest rates to manage interest rate risk.

### Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year in the case of bank borrowings that bear interest at floating rates. A range of 25 to 75 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates have been higher or lower and all other variables were held constant, the group's profit for the current year would decrease or increase accordingly. This is mainly attributable to the group's exposure to interest rates on its floating rate borrowings which is not hedged. The following analysis shows the group's sensitivity to interest rate exposure:

Increase in interest rate basis points by:

	Decrease in group's profits	
	2010	2009
	RMB'000	RMB'000
25 basis points	468	373
50 basis points	935	746
75 basis points	1,403	1,119

# NOTES TO FINANCIAL STATEMENTS

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A decrease in interest rate basis points will have the same vice-versa effect.

The company's profit and loss are not affected by the changes in interest rates as the interest-bearing instruments carry fixed interest and are measured as amortised cost. The group's time deposits carry fixed interest rates and are not affected by changes in interest rates.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The group's principal financial assets are cash and bank balances, trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables. The amounts in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

As at December 31, 2010, approximately 26% (2009 : 41%) of the group's trade receivables is concentrated in one customer, which is the non-controlling interest of two subsidiaries.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 respectively.

Cash and bank balances are held with creditworthy financial institutions.

The group's and the company's maximum exposure to credit risk is the carrying amount of the financial assets. In 2009, the company's maximum exposure to credit risk was the carrying amount of the financial assets, including forced settlement under the financial guarantee contracts (Note 20), if there was a default.

(v) Liquidity risk management

The group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities.

Liquidity and interest rate risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

# NOTES TO FINANCIAL STATEMENTS

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	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>						
<b>2010</b>						
Non-interest bearing	-	643,615	-	-	-	643,615
Fixed interest rate instruments	5.40%	152,944	-	-	(4,444)	148,500
Variable interest rate instruments	5.54%	185,546	5,540	-	(4,086)	187,000
		<u>982,105</u>	<u>5,540</u>	<u>-</u>	<u>(8,530)</u>	<u>979,115</u>
<b>2009</b>						
Non-interest bearing	-	336,047	-	-	-	336,047
Fixed interest rate instruments	4.65%	89,533	-	-	(1,533)	88,000
Variable interest rate instruments	4.88%	153,229	-	-	(3,933)	149,296
Convertible loan	9.30%	189,239	-	-	(8,632)	180,607
		<u>768,048</u>	<u>-</u>	<u>-</u>	<u>(14,098)</u>	<u>753,950</u>

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Company</u>						
<b>2010</b>						
Non-interest bearing	-	1,262	-	-	-	1,262
<b>2009</b>						
Non-interest bearing	-	3,942	-	-	-	3,942
Interest bearing	4.59%	87,775	-	-	(2,124)	85,651
Financial guarantee contract	0.5%	1,447	-	-	-	1,447
Convertible loan notes	9.30%	189,239	-	-	(8,632)	180,607
		<u>282,403</u>	<u>-</u>	<u>-</u>	<u>(10,756)</u>	<u>271,647</u>

In 2009, the maximum amount that the company could be forced to settle under the financial guarantee contract in note 37, if the full guaranteed amount was claimed by the counterparty to the guarantee, was RMB224,937,000. The earliest period that the guarantee could be called was as and when the guarantee was claimed by the counterparty. There is no financial guarantee contract as at the end of the current reporting period.



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## Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group and the company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>						
<b>2010</b>						
Non-interest bearing	-	857,987	-	-	-	857,987
<b>2009</b>						
Non-interest bearing	-	513,192	-	-	-	513,192
Fixed interest rate instruments	1.17%	26,304	-	-	(304)	26,000
		539,496	-	-	(304)	539,192
<u>Company</u>						
<b>2010</b>						
Non-interest bearing	-	363	-	-	-	363
<b>2009</b>						
Non-interest bearing	-	38,610	-	184,255	(35,247)	187,618
Fixed interest rate instruments	0.24%	509	-	-	-	509
		39,119	-	184,255	(35,247)	188,127

The liquidity risk analysis relating to the derivatives of the group and of the company are disclosed in Notes 21 and 22 of the financial statements

## (vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

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- the fair value of the derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow model is used, based on applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The group classifies fair value measurements using a fair value hierarchy that reflect the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The group has derivatives financial assets and liabilities that fall under Level 2 as disclosed in Note 21.

## (c) Capital risk management policies and objectives

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in Note 17 and equity attributable to owners of the company, comprising share capital, reserves and retained earnings. The group does not have any externally imposed capital requirements.

The group's Board of Directors ("Board") reviews the capital structure on a quarterly basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on decisions of the Board, the group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The group's overall strategy remains unchanged from 2009.

## 5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The company is a subsidiary of Lihong Investment Ltd, incorporated in British Virgin Islands, which is also the company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

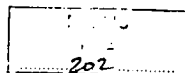
Some of the transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between the company and its subsidiaries, which are related companies of the company, have been eliminated on consolidation.

During the financial year ended December 31, 2009 and 2010, there were no other transactions with other related companies apart from the above.

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## 6 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and are repayable on demand unless otherwise stated.

Significant related party transactions, all of which were entered into with companies in which certain directors of the company have financial interests, other than those disclosed elsewhere in the financial statements, are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Sales of goods	(7,950)	(852)
Purchases of goods and services	834,785	599,540
Rental expense	3,827	3,827

During the year, group entities entered into the following trading transactions with other related parties:

	Group	
	2010	2009
	RMB'000	RMB'000
Sales of goods to an associate	(2,842)	-
Purchases of goods from an associate	230,395	-
Sales of goods to non-controlling interests	(593,842)	(424,277)
Purchases of goods from non-controlling interests	508	1,483

### Compensation of directors and key management personnel

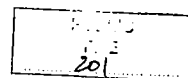
The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Short-term benefits	7,334	3,032
Post-employment benefits	45	37
	7,379	3,069

The remuneration of directors and key management is determined by the Remuneration Committee of the company having regard to the performance of the individuals and market trends.

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## 7 CASH AND BANK BALANCES

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	101,198	35,361	337	422
Cash on hand	551	741	26	85
Fixed deposits	—	26,000	—	—
Cash and cash equivalents	101,749	62,102	363	507
Pledged cash placed with banks	15,014	13,390	—	—
Cash and bank balances	116,763	75,492	363	507

Bank balances and cash comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

As at December 31, 2010, included in the banks' balances is an interest-bearing balance amounting to RMB3,664,000 which bears interest at a fixed rate of 0.18%.

In 2009, fixed deposits bear average interest rate of 1.17% per annum and have a tenure of approximately 7 days.

Cash amounting to RMB15,014,000 (2009: RMB13,390,000) has been pledged to banks as security for bills payable (Note 19) and letter of credit facilities provided to the group.

The group's and company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

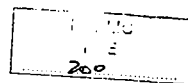
	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	3,992	1,830	299	499
Japanese yen	1,311	—	—	—
Euro	1,231	12	—	—
United States dollars	44,232	8,230	55	—

## 8 TRADE RECEIVABLES

	Group	
	2010	2009
	RMB'000	RMB'000
Amounts receivable from the sale of goods:		
Third parties	242,579	134,201
Bills receivables	286,196	122,686
Associate company (Note 6 and 13)	1,477	—
Non-controlling interests (Note 6)	184,945	179,101
	715,197	435,988
Allowance for doubtful debts – third parties	(124)	(61)
	715,073	435,927

# NOTES TO FINANCIAL STATEMENTS

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The average credit period on sales of goods is 90 days (2009 : 90 days). No interest is charged on the trade receivables from the date of the invoice. The group has provided fully for all receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable. Trade receivables between 91 days and 365 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the group uses a scoring system to assess the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers are reviewed annually.

Included in the group's trade receivable balance are debtors with a carrying amount of RMB31,988,000 (2009 : RMB44,740,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group has not made any allowance for the above balances as the management is of the view that these receivables are recoverable. The group does not hold any collateral over these balances, and the average age of these receivables (excluding bills receivables) are 130 days (2009 : 116 days).

Aging of receivables that are past due but not impaired:

	Group	
	2010	2009
	RMB'000	RMB'000
91 to 180 days	31,892	44,715
180 days to 1 year	96	25
	<u>31,988</u>	<u>44,740</u>

	Group	
	2010	2009
	RMB'000	RMB'000
Movement in the allowance for doubtful debts		
Balance at beginning of year	61	61
Increase in allowance to profit or loss	63	-
Balance at end of year	<u>124</u>	<u>61</u>

The group's trade receivables that are not denominated in the functional currencies of the respective entities are as follows

	Group	
	2010	2009
	RMB'000	RMB'000
Japanese yen	7,816	-
Euro	3,229	4,857
United States dollars	<u>43,839</u>	<u>9,777</u>

# NOTES TO FINANCIAL STATEMENTS

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## 9 OTHER RECEIVABLES AND PREPAYMENTS

	Group	
	2010	2009
	RMB'000	RMB'000
Advances to suppliers	6,279	4,830
Deposits for aluminium futures trading	6,098	21,780
Prepaid lease payments (Note a)	65,053	66,325
Prepayment for construction-in-progress	8,342	577
Prepayments	1,991	509
Value added tax recoverable	17,216	2,648
Others	2,837	3,345
	107,816	100,014
Less: Non-current portion of prepaid lease payments (shown under non-current assets)	(63,660)	(65,087)
Less: Non-current portion of prepayment for construction -in-progress (shown under non-current assets)	(8,342)	(577)
	35,814	34,350

### Note:

- (a) The prepaid lease payments are made for land use rights on which the group's buildings are situated or construction is in progress

The group's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
United States dollars	483	375

## 10 AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2010	2009
	RMB'000	RMB'000
Dividend income receivable from subsidiaries (Note 12)	-	7,433
Recoverable from a subsidiary (Note 12)	-	31,163
Others	-	14
	-	38,610

The non-trade amount due from subsidiaries, all denominated in RMB, were unsecured, interest-free and repayable on demand. The amounts were fully repaid in 2010.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

## 11 INVENTORIES

	Group	
	2010	2009
	RMB'000	RMB'000
Raw materials	42,803	33,023
Work-in-progress	10,492	15,780
Finished goods	122,380	104,896
	<u>175,675</u>	<u>153,699</u>

The cost of inventories recognised as an expense includes RMB1,118,000 (2009 : RMB1,375,000) in respect of write-downs of inventories to net realisable value.

## 12 INVESTMENT IN SUBSIDIARIES

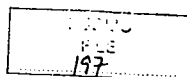
	Company	
	2010	2009
	RMB'000	RMB'000
Unquoted equity shares, at cost	404,650	304,443
Deemed investment arising from interest-free loan granted to a subsidiary (Note 14)	44,178	44,178
Deemed investment arising from financial guarantees provided to a bank for a subsidiary (Note 20)	2,668	2,668
Deemed distribution arising from interest-free loan obtained from a subsidiary (Note 18)	(11,974)	(11,974)
	<u>439,522</u>	<u>339,315</u>

Details of all the company's subsidiaries at December 31, 2010 are as follows:

Subsidiaries/Country of registration and operations	Proportion of ownership interest and voting power held		Principal activities
	2010	2009	
	%	%	
Baoding Lizhong Wheel Manufacturing Co., Ltd People's Republic of China <sup>(1)</sup>	100	100	Manufacture and sale of aluminium alloy wheels and its related fittings.
Qinhuangdao Dicamry Wheel Co., Ltd People's Republic of China <sup>(1)</sup>	90	90	Manufacture and sale of aluminium alloy wheels and its related fittings and production of non-ferrous metals, composite materials and alloyed metals.
Tianjin Lishong Wheel Limited People's Republic of China <sup>(1)</sup>	100	100	Manufacture and sale of aluminium alloy wheels and its related fittings and production of non-ferrous metals, composite materials and alloyed metals.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010



Subsidiaries/Country of registration and operations	Proportion of ownership interest and voting power held		Principal activities
	2010	2009	
	%	%	
Tianjin Dicastal Wheel Manufacturing Co., Ltd People's Republic of China <sup>(1)(3)</sup>	80	80	Manufacture and sale of aluminium alloy wheels and its related fittings and production of non-ferrous metals, composite materials and alloyed metals.
Tianjin Nano Machinery Manufacturing Co., Ltd. People's Republic of China <sup>(1)(4)</sup>	51	51	Manufacture and sale of related fittings of aluminium alloy wheels.
Clear View Limited British Virgin Islands <sup>(2)</sup>	100	100	Provision of group treasury functions.
New Thai Wheel Manufacturing Co., Ltd Thailand <sup>(5)</sup>	99.97	-	Manufacture and sale of aluminium alloy wheels and its related fittings. Dormant in 2010.

<sup>(1)</sup> Audited by an overseas practice of Deloitte Touche Tohmatsu for consolidation purposes.

<sup>(2)</sup> Not required to be audited by law in its country of incorporation. Audited by Deloitte & Touche LLP Singapore for consolidation purposes.

<sup>(3)</sup> Shares are 15% held by Lizhong Wheel Group Ltd. and 65% held by Tianjin Lizhong Wheel Limited.

<sup>(4)</sup> Shares are held by Tianjin Lizhong Wheel Limited.

<sup>(5)</sup> Not audited as newly incorporated during the year. Shares are held by Baoding Lizhong Wheel Manufacturing Co., Ltd.

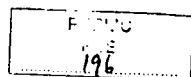
## 13 INVESTMENT IN ASSOCIATE

	Group	
	2010	2009
	RMB'000	RMB'000
Unquoted equity shares, at cost	22,501	22,501
Share of post-acquisition profit (loss), net of dividend received	92	(317)
	22,593	22,184



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010



Details of the associate at December 31, 2010 are as follows:

Associate/Country of registration and operations	Proportion of ownership interest and voting power held		Principal activities
	2010	2009	
	%	%	
Inner Mongolia Lizhong Huomei Wheel Manufacturing Co., Ltd People's Republic of China <sup>(1) (2)</sup>	29	29	Manufacture and sale of aluminium alloy wheels and its related fittings.

<sup>(1)</sup> Audited by Tong Liao Xin Da CPA firm.

<sup>(2)</sup> Shares are 13% (2009 : 13%) held by Tianjin Lizhong Wheel Limited and 16% (2009 : 16%) held by Clear View Limited.

Summarised financial information in respect of the group's associate are set out below.

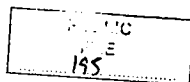
	Group	
	2010	2009
	RMB'000	RMB'000
Total assets	370,721	265,157
Total liabilities	(292,814)	(188,661)
Net assets	77,907	76,496
Group's share of associate's net assets	22,593	22,184
Revenue	234,117	—
Profit (Loss) for the year	1,411	(93)
Share of associate's profit (loss) for the year	409	(27)
Elimination of profit or loss arising on transactions with group's entities to the extent of 29%	(559)	—
Amortisation of deferred income (Note 23)	347	—
Group's share of associate's profit (loss) for the year	197	(27)

## 14 AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2010	2009
	RMB'000	RMB'000
Nominal value	—	184,255
Less: Future finance charges	—	(35,245)
	—	149,010

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010



Future finance charges is represented by:

	Company	
	2010	2009
	RMB'000	RMB'000
Excess of nominal value over the fair value of intercompany loan at loan inception (Note 12)	-	44,178
Notional interest income deemed earned using amortised cost method	-	(8,933)
Total	-	35,245

The loan agreement between the company and its subsidiary was interest-free, unsecured and with full repayment on August 31, 2013. The loan was denominated in United States dollars and was fully repaid during the financial year.

## 15 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Computer software	Motor vehicles	Furniture and fittings	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>							
<b>Cost</b>							
At January 1, 2009	54,302	375,458	3,630	11,931	5,163	99,888	550,372
Additions	389	3,365	95	194	443	53,539	58,025
Reclassifications	30,574	39,559	-	-	164	(70,297)	-
Disposals	-	(680)	(25)	(453)	(131)	-	(1,289)
At December 31, 2009	85,265	417,702	3,700	11,672	5,639	83,130	607,108
Additions	55	31,775	12	1,158	1,753	21,093	55,846
Reclassifications	12,338	5,729	-	94	648	(18,809)	-
Disposals	-	(1,133)	-	(585)	(237)	-	(1,955)
At December 31, 2010	97,658	454,073	3,712	12,339	7,803	85,414	660,999
<b>Accumulated depreciation:</b>							
At January 1, 2009	10,578	96,338	1,810	4,110	2,515	-	115,351
Depreciation for the year	3,279	36,632	400	1,961	947	-	43,219
Disposals	-	(390)	(24)	(225)	(117)	-	(756)
At December 31, 2009	13,857	132,580	2,186	5,846	3,345	-	157,814
Depreciation for the year	4,602	39,739	259	1,912	1,507	-	48,019
Disposals	-	(852)	-	(410)	(215)	-	(1,477)
At December 31, 2010	18,459	171,467	2,445	7,348	4,637	-	204,356
<b>Carrying amount:</b>							
At December 31, 2010	79,199	282,606	1,267	4,991	3,166	85,414	456,643
At December 31, 2009	71,408	285,122	1,514	5,826	2,294	83,130	449,294

### Note:

In 2009, construction-in-progress has been determined after charging net borrowing and related costs of RMB11,046,000. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 10.2%.

During the year, no borrowing and related costs were capitalised as the construction was substantially completed.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

## 16 INTANGIBLE ASSETS

	Trademarks RMB'000	Brand name RMB'000	Total RMB'000
<u>Group</u>			
Cost			
At January 1, 2009, December 31, 2009 and December 31, 2010	2,000	6,000	8,000
Accumulated amortisation:			
At January 1, 2009	561	218	779
Amortisation for the year	105	200	305
At December 31, 2009	666	418	1,084
Amortisation for the year	105	201	306
At December 31, 2010	771	619	1,390
Carrying amount:			
At December 31, 2010	1,229	5,381	6,610
At December 31, 2009	1,334	5,582	6,916

The intangible assets included above have finite useful lives, over which the assets are amortised. Trademarks are amortised over their estimated useful lives, which is 19 years. The remaining amortisation period for these trademarks is approximately 12 years. Brand names are amortised over their estimated useful lives, which is 30 years. The remaining amortisation period for the brand names is approximately 26 years.

The amortisation expense has been included in the line item "administrative expenses" in profit or loss.

## 17 LOANS

	Group	
	2010 RMB'000	2009 RMB'000
<u>Short-term loans</u>		
Short-term bank loans	330,500	141,500
<u>Long-term loans</u>		
Long-term bank loans	-	90,796
Long-term loan from a non-controlling shareholder	5,000	5,000
	5,000	95,796
Amount due for settlement after twelve months	(5,000)	-
Amount due for settlement within twelve months	-	95,796

- i) Short-term bank loans amounting to RMB148,500,000 (2009 : RMB88,000,000) are unsecured, bear fixed interest at rates ranging from 5.31% to 5.58% (2009 : 3.43% to 5.31%) per annum and are repayable within the next twelve months.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

- ii) Short-term bank loans amounting to RMB182,000,000 (2009 : RMB53,500,000) are unsecured, bear interest at rates fixed by the central bank in People's Republic of China ("PRC") which are refreshed periodically by the central bank and are repayable within the next twelve months. The interest rates ranged from 5.31% to 6.10% (2009 : 4.59% to 5.40%) per annum.
- iii) Loan from a non-controlling shareholder was renewed during the year, bearing interest at 5.4% (2009 : 5.4%) per annum and is unsecured and repayable on November 21, 2013 (2009 : November 21, 2010). The interest rate is determined at every annual period based on the then prevailing market interest rates.
- iv) In 2009, long-term bank loan amounting to RMB90,796,000 was guaranteed by the company, bore interest at 1.5% plus LIBOR and was denominated in United States dollars. Repayments commenced on July 15, 2008 and continued until July 15, 2010. The first four instalments were based on 10% of the loan amount, each payable on a half-yearly basis and the remaining balance was repayable on July 15, 2010. The loan was fully repaid during the financial year.
- v) Unless otherwise disclosed above, all loans are denominated in Renminbi.
- vi) The management is of the opinion that the carrying amounts of these loans approximate their fair values.

## 18 AMOUNT DUE TO SUBSIDIARIES

	Company	
	2010	2009
	RMB'000	RMB'000
Nominal value	-	88,653
Less: Future finance charges	-	(3,002)
	-	85,651
Less: Amount due for settlement within twelve months (shown under current liabilities)	-	(85,651)
	-	-
Future finance charges is represented by		
Excess of nominal value over the fair value of intercompany loan at loan inception (Note 12)	-	11,974
Notional interest expense deemed distributed using amortised cost method	-	(8,972)
Total	-	3,002

The loan between the company and its subsidiary was interest-free, unsecured, and repayable in five instalments with full repayment on July 15, 2010. The first four instalments were based on 10% of the loan amount, payable on a half-yearly basis and the balance was repayable on July 15, 2010. The loan was denominated in United States dollars and was fully repaid during the financial year.



## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

The group and company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	1,152	821	1,152	821
United States dollars	1,256	5,837	-	2,560

## 21 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial asset:				
- Forward aluminium contracts (Note a)	38	-	-	-
Derivative financial liabilities:				
- Arising from convertible loan notes (Note 22 and b)	-	(2,198)	-	(2,198)
- Arising from redemption of convertible loan notes (Note c)	(5,733)	-	(5,733)	-
Total	(5,733)	(2,198)	(5,733)	(2,198)

Note:

(a) The derivative financial asset of RMB38,000 represented the fair value of the forward contract for aluminum purchases recognised in the profit or loss. At the end of the reporting period, the notional value of outstanding forward contract to which the group is committed amounted to RMB1,628,000.

(b) The derivative financial liabilities of RMB2,198,000 represented the embedded derivative components of the convertible loan notes (Note 22) and was revalued at the end of the reporting period in 2009 by Vigers Appraisal & Consulting Limited ("Vigers"), independent valuers not connected with the group, using binominal model to approximate the fair value of the embedded derivatives.

Pursuant to the revaluation, the group recognised a loss of RMB2,000,000 relating to the change in fair value of the embedded derivatives in the profit or loss in 2009, included as part of other operating expenses in the profit or loss.

During the year, the derivative financial liabilities were settled as part of the redemption of the convertible loan notes (Note 22).

(c) The derivative financial liability arises in conjunction with the redemption of the convertible loan notes (Note 22) during the year and is revalued by Vigers using binominal model. Based on the valuation performed by Vigers, the fair value of the derivative financial instrument at date of the redemption of the convertible loan notes and at the end of the reporting period amounted to approximately RMB 6,200,000 and RMB 5,733,000 respectively.

Pursuant to the above valuation, the group recognises a gain of RMB467,000 which is included as part of other operating income in the profit or loss.

(d) Taking into consideration the revaluation reports issued by Vigers, management believes that the carrying value of the derivative financial instruments in connection with the convertible loan notes approximate its fair value as at the end of the reporting period.

(e) The fair value of the derivative financial assets and liabilities falls under level 2 of the fair value hierarchy as specified under FRS 107 and is measured based on inputs other than quoted prices.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

## 22 CONVERTIBLE LOAN NOTES

	Group and Company	
	2010	2009
	RMB'000	RMB'000
Convertible loan notes	182,805	171,788
Embedded derivative components (Note 21b)	(2,198)	(2,198)
Liability component	180,607	169,590
Exchange rate realignment	-	205
Interest charged	-	16,038
Interest paid	-	(5,226)
Repayments in accordance with the Redemption Agreement	(102,952)	-
Release of embedded derivatives on Redemption	2,198	-
Waiver of accrued interest on Redemption	2,560	-
Consultancy expense on Redemption	(1,199)	-
Derivative financial liability arising on inception of the Redemption Agreement (Note 21c)	(6,200)	-
Gain on the Redemption (Note 28)	(75,014)	-
Liability component at end of the year	-	180,607

The company issued US\$25,000,000 convertible loan notes on August 29, 2007. The notes were convertible into Singapore dollars ordinary shares of the company at any time between the date of issue of the notes and their settlement date at the option of the holder. On February 10, 2010, the company entered into a redemption agreement (the "Redemption Agreement") with the bondholders, the joint and several liquidators of the bondholders, the ultimate holding company (Note 5) and Mr Zang Ligen, a director of the company, for the full redemption of the convertible loan notes ("the Redemption").

Pursuant to the terms of the Redemption Agreement, in consideration for the surrender of the convertible loan notes by the bondholders, the company shall:

- (1) pay the bondholders US\$15,000,000 no later than the date falling three months after the date of the Agreement or such date as may be agreed between the Bondholder and the company; and
- (2) if, at any time from the date of the Redemption Agreement to the date falling the second anniversary of the Redemption Agreement
  - (a) the volume-weighted average price of a share in the company reaches for the first time S\$0.60 or above but less than S\$0.80 for 20 consecutive trading days, pay the bondholders an additional US\$1,500,000;
  - (b) after the payment described in paragraph (a) above, if the volume-weighted average price of a share in the company reaches for the first time S\$0.80 or above for 20 consecutive trading days, pay the bondholders an additional US\$1,500,000.

The company's obligation under the Redemption Agreement is guaranteed by the ultimate holding company and a director on a joint and several bases. The ultimate holding company has agreed to charge 50,000,000 shares in the company held by it in favour of the bondholders to secure the company's obligation under the Redemption Agreement. Accordingly, a charge on the 50,000,000 was created on April 15, 2010, and remains under charge as at the end of the reporting period.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

In 2009, interest charged was calculated by applying an effective interest rate of 9.30% per annum to the liability component. In accordance with the Redemption Agreement, no further interest was charged during the current financial year and accrued interest amounting to RMB2,560,000 at December 31, 2009 was also waived.

Taking into consideration the revaluation report issued by Vigers, management believes that the carrying value of the liability component of the convertible loan notes as at December 31, 2009 approximate its fair value.

## 23 DEFERRED INCOME

	Group	
	2010	2009
	RMB'000	RMB'000
Deferred income	3,122	3,469
Current portion	(347)	(347)
Non-current portion	2,775	3,122

The deferred income relates to the group's share of the unrealised profit from the sale of patents on moulds to an associate (Note 13). The deferred income will be amortised over the remaining useful life of the patent against the results of the associate in the profit or loss.

## 24 DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the group and the movements thereon, during the current and prior reporting periods:

	Group	
	2010	2009
	RMB'000	RMB'000
Deferred tax liability at beginning of year	(4,794)	(2,286)
Utilised	2,961	-
Charged to profit and loss	(2,715)	(2,508)
Deferred tax liability at end of year	(4,548)	(4,794)

Subject to the agreement by the tax authorities, at end of December 31, 2009, the group had unutilised tax losses of RMB4,442,000 available for offset against future profits. In 2009, no deferred tax asset was recognised in respect of such losses due to the unpredictability of future profit streams. During the current financial year, the tax losses were fully utilized. There was no unutilized tax losses at December 31, 2010.

Pursuant to the new income tax laws in the People's Republic of China, profits earned from January 1, 2008 when distributed to the company in future will be subjected to a withholding tax rate of 5%. The group utilised RMB2,961,000 in 2010 for withholding taxes paid on profits distributed to the company.

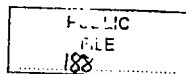
## 25 RETIREMENT BENEFIT OBLIGATIONS

In 2009, contributions of RMB87,000 due in respect of that financial year had not been paid over to the state-managed retirement benefit plans (Note 20). The amounts were paid in 2010.



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010



## 26 SHARE CAPITAL

	Group and Company			
	2010	2009	2010	2009
	Number of ordinary shares		RMB'000	RMB'000
Issued and paid up:				
At beginning and end of financial year	235,025,550	235,025,550	140,500	140,500

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

## 27 REVENUE

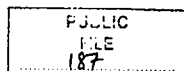
	Group	
	2010	2009
	RMB'000	RMB'000
Sale of goods	1,610,037	1,001,328

## 28 OTHER OPERATING INCOME

	Group	
	2010	2009
	RMB'000	RMB'000
Government grant income	3,428	5,733
Interest income	1,302	1,277
Fair value gain on embedded derivative arising from the redemption of convertible loan notes (Note 21c)	467	-
Gain on redemption of convertible loan notes, net of related income and costs (Note 22)	75,014	-
Others	350	6
	80,561	7,016

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010



## 29 FINANCE COSTS

	Group	
	2010	2009
	RMB'000	RMB'000
Interest expense on:		
Convertible loan notes (Note 22)	—	16,038
Bank loans	15,506	11,573
Bills payable	1,841	218
Loans from non-controlling interest	275	274
Total borrowing costs	17,622	28,103
Less: Amount capitalised as costs of construction (Note 15)	—	(11,046)
	17,622	17,057

## 30 INCOME TAX

	Group	
	2010	2009
	RMB'000	RMB'000
On profit for the year:		
- Current tax	13,133	2,992
- Overprovision of current tax in prior year	(3,475)	—
- Deferred tax arising on 5% withholding tax on undistributed PRC earnings (Note 24)	2,715	2,508
	12,373	5,500

Domestic income tax of the company is calculated at 17% (2009 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions as explained below.

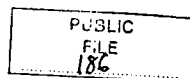
In accordance with the tax legislations applicable to foreign investment enterprises ("FIE"), the enterprises are entitled to exemptions from PRC income tax for two years commencing from their first profit-making year of operation and thereafter, entitled to a 50% relief from PRC enterprise income tax for the next three years. The following group companies are entitled to these tax benefits:

- Tianjin Lihong Wheel Co., Ltd obtained the FIE licence in 2008 and is exempted from income tax commencing from the financial year ended December 31, 2008. The prevailing tax rate applicable to the FIE is 11% (2009 : 10%); and
- Qinhuangdao Dicamry Wheel Co., Ltd ("Dicamry") obtained the FIE licence in September 2005 and is exempted from income tax commencing from the financial year ended December 31, 2005. As Qinhuangdao Dicamry Wheel Co., Ltd is established in the economic zones of PRC, it is entitled to a preferential tax rate of 18% for the year ended December 31, 2009. The tax benefits expired in 2010.

During the year, Baoding Lihong Wheel Manufacturing Co., Ltd and Dicamry attained the status of advance technology enterprises ("ATE"), and are entitled to a reduced PRC enterprise income tax rate of 15% for the year ended December 31, 2010.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010



The tax for the year can be reconciled to the accounting profit as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Income tax expense at PRC statutory rate of 25% (2009: 25%)	35,930	13,143
(Non-taxable) Non-deductible items, net	(16,120)	1,750
Overprovision of current tax in prior year	(3,475)	-
Utilisation of tax losses previously not recognised	(1,110)	-
5% Withholding tax on undistributed PRC earnings	2,715	2,508
Tax incentives	(5,567)	(11,901)
	12,373	5,500

## 31 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2010	2009
	RMB'000	RMB'000
Directors' remuneration:		
Directors of the company	562	539
Directors of the subsidiaries	3,648	1,491
Total directors' remuneration	4,210	2,030
Employee benefits expense (including directors' remuneration)		
Defined contribution plans	8,757	9,674
Others	114,412	71,444
Total employee benefits expense	123,169	81,118
Research costs	41,533	11,723
Net realised gain from the settlement of derivative financial instruments (Note)	(337)	(2,967)
Fair value gain on derivative financial instruments (Note)	(38)	-
Fair value loss on embedded option of convertible loan notes	-	2,000
Foreign currency exchange adjustment loss, net	3,181	1,002
Inventories written off	1,118	1,375
(Gain) Loss on disposal of property, plant and equipment	(70)	203
Cost of inventories recognised as expense	1,406,962	738,030
Non-audit fees:		
Paid to auditors of the company	63	18

### Note:

The group utilised aluminum futures contracts to hedge against the aluminum prices. The instruments purchased were primarily denominated in the currencies of the group's principal markets. The group did not designate any derivative as hedging instrument.

In 2009, there was no outstanding aluminum futures contract for the group. At the end of the current reporting period, the group is committed to an outstanding forward contract as disclosed in Note 21(a).

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

## 32 CAPITAL RESERVE

Pursuant to relevant laws and regulations in the People's Republic of China ("PRC") and the Articles of Association of the subsidiaries, the subsidiaries are required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to statutory reserve fund at an amount subject to the approval of the board of directors. The statutory reserve fund may be used to make up losses incurred and, with approval from relevant government authority, to increase capital for expansion of production.

## 33 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the company is based on the following data:

	Group	
	2010	2009
<u>Earnings (RMB'000)</u>		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the company)	125,817	43,320
Effect of dilutive potential ordinary shares: inherent on convertible loan notes	-	5,857
Earnings for the purpose of diluted earnings per share	125,817	49,177
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	235,025,550	235,025,550
Effect of dilutive potential ordinary shares: Convertible loan notes	-	36,519,139
Weighted average number of ordinary shares for the purpose of diluted earnings per share	235,025,550	271,544,689
Basic earnings per share (in RMB cents)	53.53	18.43
Diluted earnings per share (in RMB cents)	53.53	18.11

## 34 CAPITAL EXPENDITURE COMMITMENTS

	Group	
	2010	2009
	RMB'000	RMB'000
Commitments for acquisition of property, plant and equipment authorised but not contracted for	29,677	38,309

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

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## 35 OPERATING LEASE COMMITMENTS

	Group	
	2010	2009
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	9,566	6,452

At the end of the reporting period, the group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Future minimum lease payments payable:		
Within one year	2,170	3,751
In the second to fifth year inclusive	4,797	6,575
After five years	2,623	2,885
	9,590	13,211

Operating lease payments represent rentals payable by the group for certain of its office premises. Leases are negotiated for either an average of one to ten years or twenty years.

## 36 SEGMENTAL REPORTING

The application of FRS 108 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operation decision maker ("CODM"), which is the Board of Directors, in order to allocate resources to segments and to assess their performance. The CODM's basis of organisation on the group is by its operating legal activities.

All entities under the group are involved in the manufacture of aluminium alloy wheels with similar production processes and target customers. In addition, there is no difference in the methods used to distribute the inventories and the nature of the regulatory environment among all entities under the group. Accordingly, the CODM considers that all existing products manufactured and held by the group has similar economic characteristic and therefore, no further analysis for segment reporting is presented.

### Geographical information

The group's activities are primarily based in People's Republic of China ("PRC"). Other Asian locations comprise mainly Japan and Korea.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

The group's revenue from external customers and information about its segment assets (non-current assets excluding investments in associates, finance lease receivables and "other" financial assets) by geographical location are detailed below:

	Revenue from external customers	
	2010	2009
	RMB'000	RMB'000
PRC	1,189,381	788,551
Other Asian locations	174,656	71,835
Europe	236,933	135,327
America	4,957	4,526
Others	4,110	1,089
Total	1,610,037	1,001,328

The group's non-current assets are all located in PRC.

Information about major customers

Included in revenues arising from sales to PRC of RMB1,189,381,000 (2009 : RMB788,551,000) are revenues of approximately RMB593,842,000 (2009 : RMB424,277,000) which arose from sales to the group's largest customer, which is the non-controlling shareholder of two subsidiaries.

**37 CONTINGENT LIABILITIES**

As at end of reporting period, the company and the group has the following contingent liabilities:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Corporate guarantees for credit facilities given to a subsidiary	-	-	-	90,796

## STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2011

Class of equity securities	Number of equity securities	Voting Rights
Ordinary	235,025,550	One vote per share

There are no treasury shares held in the issued capital of the Company.

## STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 999	2	0.23	900	0.00
1,000 – 10,000	541	61.62	3,092,000	1.31
10,001 – 1,000,000	317	36.10	25,518,275	10.86
1,000,001 and above	18	2.05	206,414,375	87.83
	878	100.00	235,025,550	100.00

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Li Zhong Investment Ltd.	100,956,250	42.96	50,000,000 <sup>(1)</sup>	21.27
Zang Liguao	–	–	150,956,250 <sup>(2)</sup>	64.23

## Notes:

- (1) Charged to a financial institution to secure the Company's obligation for the redemption of convertible bonds issued by the Company which bear interest at the rate of 3% per annum and which are due in 2012.
- (2) Zang Liguao holds 23.3% shareholdings in the issued and paid-up share capital of Li Zhong Investment Ltd. Accordingly, he is deemed interested in the 150,956,250 shares held by Li Zhong Investment Ltd. in the Company.

## STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2011

## TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Li Zhong Investment Ltd	100,956,250	42.96
2.	UOB Kay Hian Pte Ltd	51,834,000	22.05
3.	HSBC (Singapore) Nominees Pte Ltd	13,524,000	5.75
4.	Low Geok Lin Judith	8,996,000	3.83
5.	Kim Eng Securities Pte. Ltd.	4,818,000	2.05
6.	Lim & Tan Securities Pte Ltd	4,036,000	1.72
7.	Zhang Jian Liang	3,950,500	1.68
8.	DBS Nominees Pte Ltd	3,367,000	1.43
9.	BNP Paribas Nominees Singapore Pte Ltd	3,086,000	1.31
10.	Zang Xiu Fen	2,183,250	0.93
11.	Quek Huiling Joanne	1,562,000	0.66
12.	Li Lin He	1,310,125	0.56
13.	Zhao Qinghua	1,250,250	0.53
14.	Kan Mun Green	1,229,000	0.52
15.	Hong Leong Finance Nominees Pte Ltd	1,206,000	0.51
16.	Bank of Singapore Nominees Pte Ltd	1,069,000	0.45
17.	Lee Seak Sung @ Lee Seak Song	1,036,000	0.44
18.	Choy Wee Chiap	1,001,000	0.43
19.	Tan Sheau Yen Helen	1,000,000	0.43
20.	OCBC Securities Private Limited	989,000	0.42
<b>Total:</b>		<b>208,403,375</b>	<b>88.66</b>

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

34.94% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Lizhong Wheel Group Ltd. ("the Company") will be held at Meeting Room 207, Level 2, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard Suntec City, Singapore 039593 on Friday, 29 April 2011 at 10:00 a.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2010 together with the Auditors' Report thereon. (Resolution 1)
2. To declare a final one-tier tax exempt dividend of RMB5.0 cents (equivalent to approximately 0.971 Singapore cents) per share for the financial year ended 31 December 2010 (2009: nil). (Resolution 2)
3. To re-elect the following Directors of the Company retiring pursuant to Article 89 of the Articles of Association of the Company:-

Mr Zang Liguao

(Resolution 3a)

Mr Zhao Qinghua

(Resolution 3b)

Mr Zhao Qinghua will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent.

4. To approve the payment of Directors' Fees of RMB562,162 (equivalent to S\$109,408) for the year ended 31 December 2010 (2009: RMB 538,789 (equivalent to S\$110,575)). (Resolution 4)
5. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. (Resolution 5)
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

#### 7. Authority to Issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50, and Rule 806 of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit, and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

## NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

(Resolution 6)

**8. Renewal of Shareholders' Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual:

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in the on pages 3 to 7 of the Company's Letter to Shareholders dated 13 April 2011 (the "Letter") with any party who is of the class of Interested Persons described in the Letter, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such Interested Person Transactions as set out in the Letter (the "Shareholders' Mandate");
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit.

[See Explanatory Note (ii)]

(Resolution 7)

## NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

Ng Peishi Loseana  
Secretary

Singapore, 13 April 2011

### Explanatory Notes:

- (i) The Ordinary Resolution 6 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares in the capital of the Company, of which up to 20% may be issued other than on a *pro rata* basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will authorise the Interested Person Transactions as described in the Letter and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

### Notes:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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**LIZHONG WHEEL GROUP LTD.**Company Registration No. 200407196C  
(Incorporated In The Republic of Singapore)**PROXY FORM**

(Please see notes overleaf before completing this Form)

**IMPORTANT:**

- For investors who have used their CPF monies to buy Lihong Wheel Group Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, \_\_\_\_\_

of \_\_\_\_\_  
being a member/members of Lihong Wheel Group Ltd. (the "Company"), hereby appoint

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 29 April 2011 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2010		
2	Approval of one-ber tax exempt dividend of RMB5.0 cents (equivalent to approximately 0.971 Singapore cents) per share in respect of the financial year ended 31 December 2010		
3a	Re-election of Mr Zang Ligu as a Director		
3b	Re-election of Mr Zhao Qinghua as a Director		
4	Approval of Directors' Fees amounting to RMB562,162 (equivalent to S\$109,408)		
5	Re-appointment of Messrs Deloitte & Touche LLP as Auditors		
6	Authority to issue new shares		
7	Renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

Total number of shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

## Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the share registrar of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

## General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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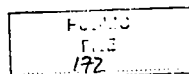
LIZHONG WHEEL ROTATE THE WORLD



REGISTERED OFFICE  
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AIA Tower Singapore 048542

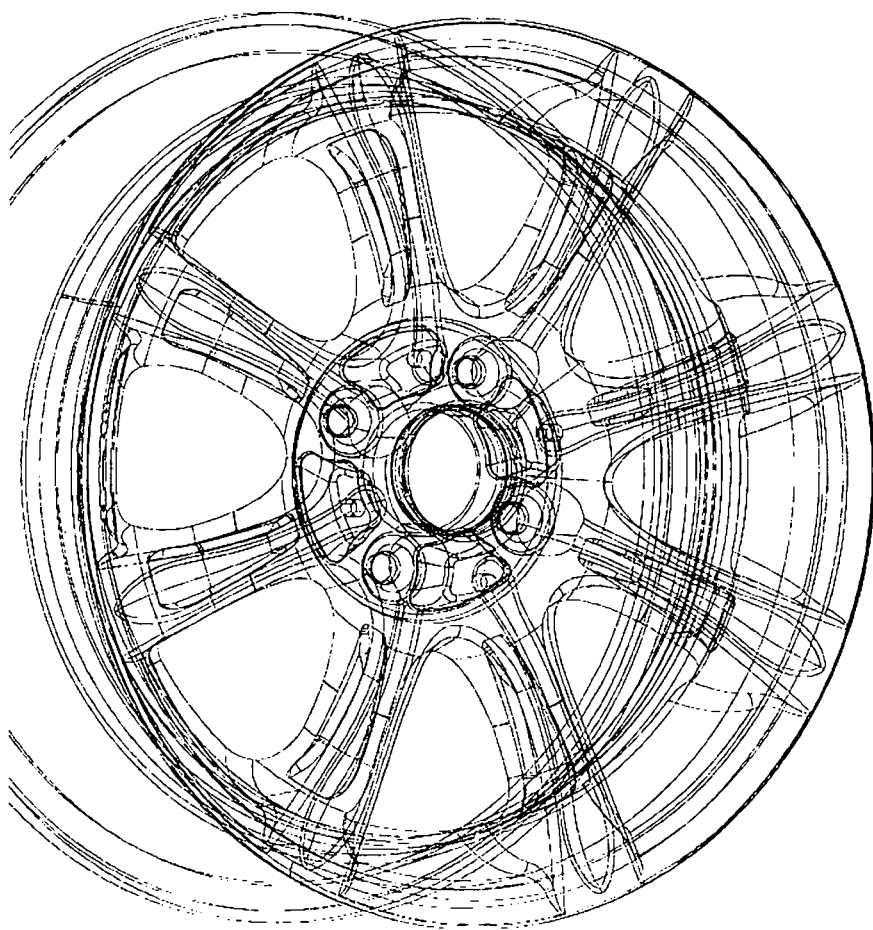


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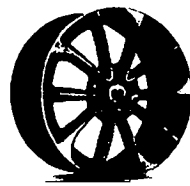
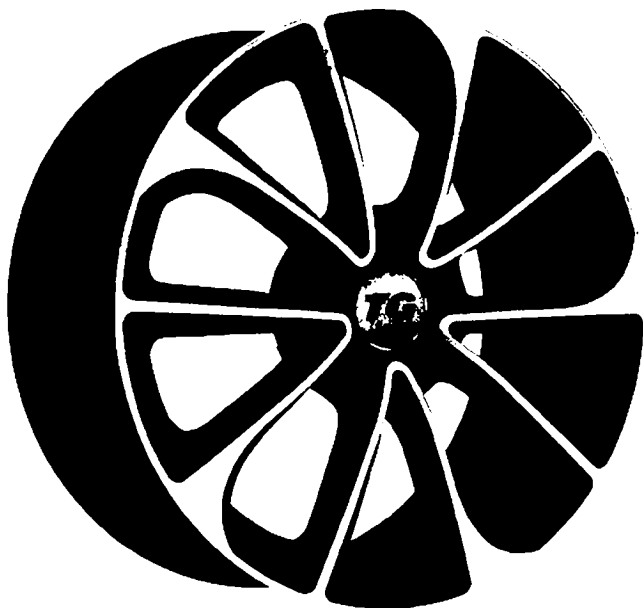
# LIZHONG WHEEL GROUP LTD.

ANNUAL REPORT 2009

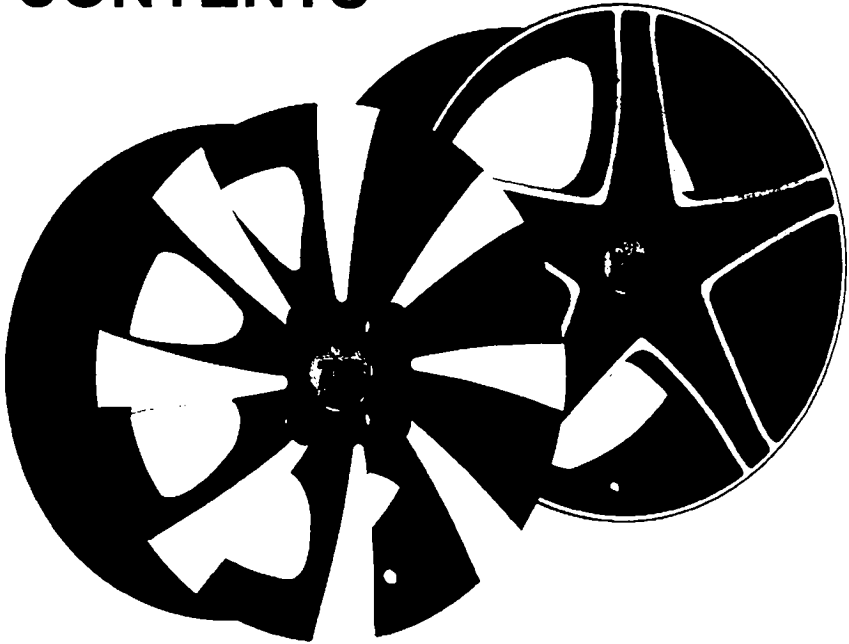


## CORPORATE PROFILE

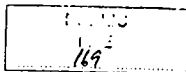
Strategically located in the Pan Bohai Sea region - an important automobile manufacturing base in the PRC, China Wheel, listed on the main board of SGX, is a specialist in the design, manufacture and sale of aluminum alloy wheels, with manufacturing facilities in Qinhuangdao and Baoding cities. China Wheel is committed to research and development of new models of wheels, as well as improvement in product quality, production process, and optimization of material utilization to improve cost efficiency. China Wheel meets strict international quality standards such as QS9000, ISO/TS16949, TUV (Germany), SFI (USA) and VIA (Japan). China Wheel manufactures and sells more than 300 models ranging from 12 to 24 inches in diameter, many of which are designs patented by China Wheel. These are sold via a multi-channel sales strategy that includes OEM sales to local automobile manufacturers and established wheel manufacturers, Retail sales to consumers through its nation-wide network of 40 distributors covering major provinces in the PRC and Export sales to international wheel distributors in USA, Europe, Japan and South Korea. With world-wide demand for automobile wheels in the OEM and retail markets at no less than 330 million wheels per year, China Wheel is set to benefit from this significant demand.



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# CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of Lizhong Wheel Group for the financial year ended 31 December 2009.

## Rising to the challenge

Having started writing my previous Chairman Statement amidst one of the worst financial crisis in a generation, it gives me great pride to say that the Group has risen to the challenge and has come out even stronger this past year.

Our three pronged strategic approach of:

1. Improving utilization rate while implementing cost cutting measures;
2. Focusing on domestic Original Equipment Manufacturer ("OEM") and after sales markets;
3. Emphasizing on R&D to produce lighter yet affordable wheels with greater fuel efficiency, without compromising on safety;

has provided an ideal foil against the adverse economic conditions, allowing the Group to further strengthen its market leading position.

Aided by PRC Government measures to stimulate automotive demand in the first quarter of 2009, we have also seen sales of passenger cars reach 10.0 million units in 2009. This phenomenal growth has resulted in China edipsing the United States to become the number 1 automotive market in the world.

Buoyed by the improving economic outlook and the success of our strategic measures, we have managed to push sales pass the 1 billion RMB mark; a major milestone in the Group's history.

## The Year In Review

Our turnover increased by 9.2% from RMB916.6 million in FY2008 to RMB1,001.3 million, as we recorded double digit growth in our OEM and retail segments. Gross profit margins are also gradually returning to pre-crisis levels, as we continued to experience improving utilization rates and a lower average aluminum price of RMB13,765 per tonne over the course of the year. Gross margins improved to 15.0% in 2009 versus 14.1% in 2008.

Through this and stringent cost control measures, we were able to arrest the severe profit deterioration experienced in the first half of 2009, to post a net profit of RMB43.3 million for the whole year. Of this, a substantial 87.5% was recorded only in the second half of 2009, a clear testament to the improving business outlook.

## Investing in the future

Following our beneficial move upstream into the manufacture of moulds in 2008, we have continued to invest in new technologies and processes that will ensure the long term sustainability of Lizhong Wheel.

This past year, we have made inroads in two new process technologies namely, flow forming and low-pressure bilateral casting. With the incorporation of these new processes we will be able to offer lighter, stronger and overall better quality products to our customers, bringing our range of value added services to another level.

To date, we are able to offer over 1,000 different models of aluminum alloy wheels to our customers, providing a diverse product set for all their needs.

#### Positioned for growth

Sensing the improving consumer sentiments across the globe, we have also restarted our production capacity expansion plans.

In November 2009, we began production at our Inner Mongolia plant with an initial output of 1 million wheels per year. With its stable production and increasing orders, we plan to add a capacity of another 500,000 wheels by year end to bring its total capacity to 1.5 million wheels per year.

The expansion work at our Tianjin Plant Phase II project is also on track to begin in 2010 and we expect to add another 1.0 million capacity line by the end of May. This will bring the capacity of our Tianjin plant to 3.0 million wheels.

The addition of these two facilities along with our existing base in Qinhuangdao and Baoding, will boost our total production capacity to 8.1 million wheels from the current 6.6 million wheels per annum by the end of 2010. Depending on market conditions, we look to further increase capacity to 9.8 million wheels by 2011.

#### Meeting challenges head on

According to figures released by the China Association of Automobile Manufacturers, total vehicle sales soared by 84% from a year earlier to 2.87 million units in the first 2 months of 2010. Despite the robust sales figures from China's domestic automotive market, challenges still remain for the Group. In particular, the ongoing inquiry on the dumping of aluminum alloy wheels by the European Union could have some impact on the Group's export sales.

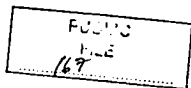
Although the findings of the European commission will only be announced in November 2010, we have already started to implement measures to mitigate its potential impact. These include the opening up of new markets, the strengthening of relationships with existing customers and forming new partnerships.

On the geographic expansion front, we have already expanded our footprint into Australia and have established partnerships with a major automaker there. Encouraged by this development, we will continue to strengthen our market presence in major automotive markets like Japan, Korea and the United States.

We will also look towards diversifying our customer base. This year saw the addition of a few new automotive brands to our staple of customers, the good mix of international and domestic brands should help us spread out our exposure towards any one market. Having signed the necessary contractual agreements, we have already started shipping to these new customers.

#### Dividend

Given the opportunities available for growth and the Group's expansion plans, the Board of Lizhong has decided to refrain from issuing dividends for FY2009. We believe the ultimate benefit from our investments in capacity expansion, will start to flow in shortly and hope to reward shareholders for their support when it comes to fruition.



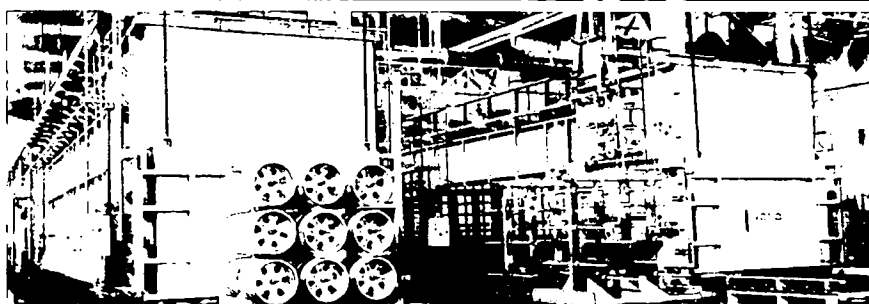
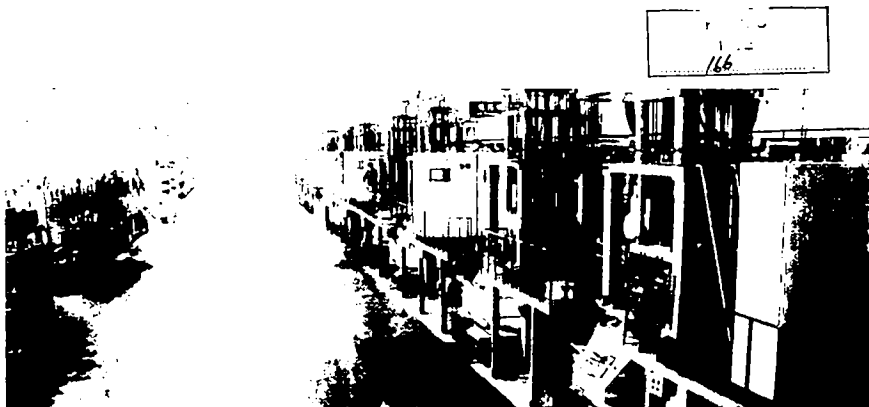
#### Appreciation

On behalf of the Board, I would like to extend my utmost appreciation to our customers, directors and business associates for your support and belief through these challenging times. I would also like to thank the management and staff for your dedication and commitment. Without your professionalism, loyalty and understanding family members, Lishong would not be able to achieve what it has done so far.

Last but not least, I would like to extend my thanks to our shareholders, I appreciate the confidence and loyalty you have shown towards Lishong Wheel. I look forward to meeting you at the forthcoming Annual General Meeting to be held on 30th April 2010.

Yours faithfully

Zang Ligen  
Executive Chairman  
4<sup>th</sup> April 2010



# OPERATION'S REVIEW

The following discussion is based upon, and should be read in conjunction with the audited consolidated financial statements of Lihong Wheel Group Ltd. ("Lihong Wheel" or "the Group"), including the notes thereto.

Except as otherwise noted, financial and statistical information presented in this report for Lihong Wheel is on a consolidated basis.

## Operating Results

Revenue	Year ended 31 Dec 2009		Year ended 31 Dec 2008		Change + / (-)
	RMB' Million	%	RMB' Million	%	%
OEM	653.5	65.3	573.9	62.6	13.9
Retail	118.5	11.8	84.5	9.2	40.2
Export	212.8	21.2	253.1	27.6	-15.9
Others	16.5	1.7	5.0	0.6	230.0
Total	1,001.3	100.0	916.5	100.0	9.2

The Group's decision to focus on the more China centric Original Equipment Manufacturer ("OEM") and Retail segments of its business rather than the depressed export market has borne fruit this past year. Boosted by higher revenue from the OEM segment of approximately RMB79.6 million and the Retail segment of approximately RMB34.0 million, the Group was able to push its total revenue past the 1 billion RMB mark for the first time ever.

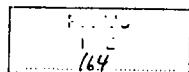
Revenue increased by RMB84.8 million from RMB916.5 million for the year ended 31 December 2008 to RMB1,001.3 million for this year. Adding to the healthy growth from the OEM and retail segments was the Group's others segment, which saw an increase in revenue of RMB11.5 million. The increase was able to offset the approximately RMB40.3 million decrease in revenue from the export business segment.

Depreciation and amortization increased by RMB8.4 million in 2009 as a result of additional property, plant, and equipment from the Group's new Tianjin plant.

In line with the higher revenue, gross profit increased by 15.9% from RMB129.3 million in 2008 to RMB149.9 million in 2009. Gross profit margin also improved by 0.9 percentage points to 15.0%, due to the non-recurrence of a loss on aluminum futures of RMB10.8 million incurred in 2008 and the better apportion of fixed costs from an improvement in the utilization rate of production facilities.

Other operating income decreased by RMB20.1 million and other operating expenses increased by RMB2.9 million in 2009. This was largely due to the change of fair value on embedded derivatives and a foreign exchange loss arising from the depreciation of RMB against US dollars. The foreign exchange loss was largely due to the revaluation of US dollar liabilities.





Distribution costs rose by RMB7.0 million to RMB25.7 million, mainly due to the increase in credit insurance premium, agency fee and delivery expenses resulting from the higher sales. Administrative expenses increased by RMB0.7 million to RMB5.8 million, as the Group incurred higher research and development expenses of RMB2.6 million and social insurance premiums of RMB1.1 million. The increase was partially offset by the decrease in other miscellaneous expenses.

Finance costs increased by approximately RMB0.5 million to RMB17.1 million in 2009 as compared with RMB16.6 million in 2008. Of this approximately RMB11.0 million of net borrowing costs was capitalized as part of the cost of the asset in accordance with the FRS 23 accounting standard, instead of being recognized as finance costs in 2009.

Income tax expense amounted to RMB 5.5 million in 2009.

All in, profit attributable to equity holders of the Group amounted to RMB43.3 million.

#### **Financial Position**

Property, plant and equipment increased by approximately RMB14.3 million to RMB449.3 million as at 31 December 2009 as compared with RMB435.0 million as at 31 December 2008. This was largely due to the acquisition of machinery and production equipment of RMB45.3 million and the capitalization of finance costs of RMB10.7 million, partially offset by depreciation of RMB43.2 million.

Prepayment for construction in progress decreased by RMB4.9 million as part of prepayment was transferred to property, plant, and equipment. This was due to further progress made on its new Tianjin plant.

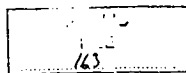
Inventories increased by approximately RMB27.2 million to RMB153.7 million as at 31 December 2009 as compared to RMB126.5 million as at 31 December 2008. The increase was mainly due to an increase in finished goods.

Trade receivables increased by RMB186.0 million to RMB435.9 million as at 31 December 2009, mainly due to the higher sales recorded in the fourth quarter. Improvement in customer sentiment resulted in the Group recording 35.4% of its total sales in the fourth quarter.

Other receivables decreased by RMB15.6 million to RMB34.4 million. The decrease was mainly due to a decrease in value-added tax refund of RMB10.9 million.

Trade payables increased by approximately RMB141.6 million to RMB289.5 million as at 31 December 2009 as compared to RMB147.9 million as at 31 December 2008, mainly due to higher aluminum prices and more material purchases in the fourth quarter of 2009 to meet increasing customer orders.

The Group's convertible bonds have been reclassified from non-current liabilities to current liabilities due to its redemption by the Group. Proceeds of US\$24.4 million raised from the issue of the convertible bonds have been fully invested in Tianjin plant at the end of December 2009. On 10th February 2010, the Group entered into an agreement with the Bondholder for the full redemption of its outstanding convertible bonds for US\$15.0 million.



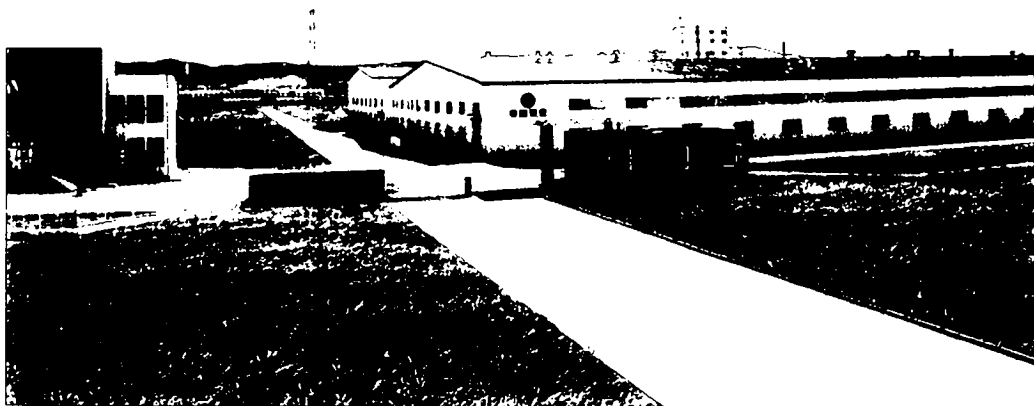
### Liquidity and Capital Resources

The Group's business continues to demonstrate its steady cash generating capabilities, as it continued to record strong net cash from operating activities of RMB56.5 million for the year ended 31 December 2009.

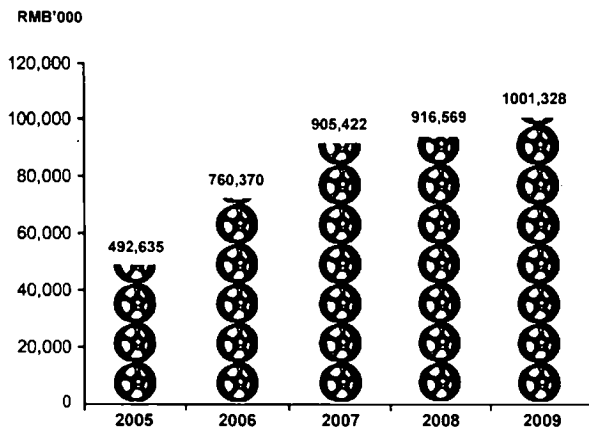
Net cash used in investing activities amounted to RMB63.4 million and was mainly for the purchase of new equipment.

Net cash used in financing activities of RMB64.2 million was mainly due to the repayment of borrowings.

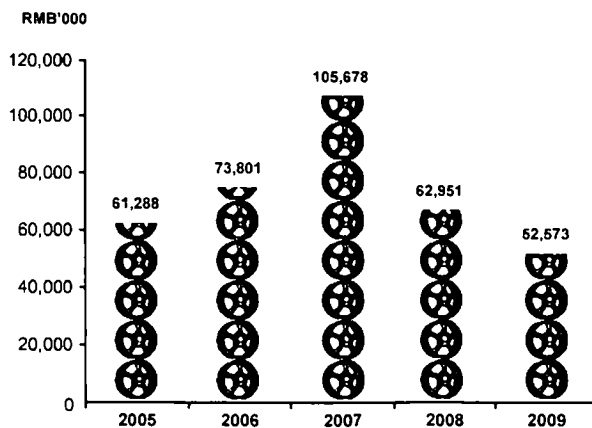
Overall, the Group's cash and cash equivalents remains at a healthy RMB62.1 million as at 31 December 2009.



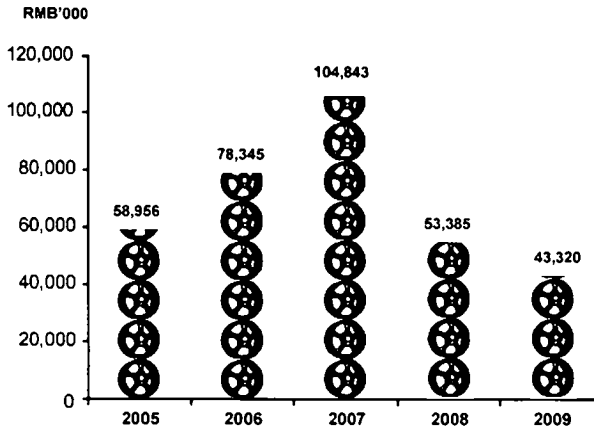
## Revenue



## Profit Before Income Tax



## Profit Attributable to Equity Holders of the Company



RMB'000	Actual				
	FY2005	FY2006	FY2007	FY2008	FY2009
Revenue	492,635	760,370	905,422	916,569	1,001,328
Profit Before Income Tax	61,288	73,801	105,678	62,951	52,573
Profit Attributable to Equity Holders of the Company	58,956	78,345	104,843	53,385	43,320
Total Assets	510,332	692,556	1,051,098	1,106,448	1,243,526
Total Liabilities	280,070	400,508	658,084	677,717	767,722
Equity Attributable to Equity Holders of the Company	225,578	287,941	376,332	412,795	456,115
Cash and Cash Equivalents	47,482	84,657	154,863	133,249	62,102
Earnings Per Share (RMB cents)	30.15	33.33	44.61	22.71	18.43
Net Operating Cash Flow	33,643	64,933	24,967	122,362	56,451

# BOARD OF DIRECTORS



**Mr Zang Ligen**  
**Executive Chairman**

Mr Zang Ligen, one of the founders of our Group, is our Executive Chairman and is responsible for the overall management of our Group. He has approximately 22 years of relevant experience in the manufacture and processing of aluminium alloy and more than nine years of relevant experience in the manufacture of aluminium alloy wheels.

Mr Zang Ligen, together with our other Executive Directors, established Qingyuan County Joint Supply and Marketing Co., Ltd in 1984 (now known as Hebei Lizhong), a company principally engaged in the manufacture and processing of aluminium alloy. In 1995, Mr Zang, together with our other Executive Directors, established Baoding Wheel to undertake the manufacture of aluminium alloy wheels and was its chairman from 1995 to 2000 and from 2004 to date. In 1996, he was appointed deputy chairman of Baoding Longda Aluminium Co., Ltd, a company principally engaged in manufacture and processing of aluminium alloy, and remains as its deputy chairman to date. In 1997, he became chairman of Hebei Lizhong and remains as its chairman to date. In 2001, he was appointed chairman of Chongqing Lizhong, a company principally engaged in the sale of aluminium alloy wheels, and Meilu Alloy, a company principally engaged in the manufacture and processing of aluminium alloy, and remains as their chairman to date. In 2002, he was appointed chairman of Qinhuangdao Dicamry and remains as its chairman to date. In 2003, he was appointed chairman of Guangzhou Lizhong Jishan Alloy Co., Ltd, a company principally engaged in the manufacture and processing of aluminium alloy, and remains as its chairman to date. He has held several notable positions such as deputy to the 10th People's Congress of Hebei Province (since 2003), deputy head of China Non-ferrous Metals Industry Association, Recycled Metals Division (since 2002), and committee member of Hebei Provincial Township Enterprise Association (1996-2001).

Mr Zang was awarded a certificate for being the main contributor in relation to the A356 aluminium, silicon, magnesium and titanium alloy products of high purity in 1999 by Hebei Provincial Science and Technology Committee and a certificate to recognise him as outstanding factory head of Township Enterprise in Hebei Province in 1999.



**Mr Zang Lizhong**  
**Executive Director**

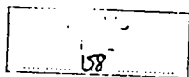
Mr Zang Lizhong, one of the founders of our Group, is our Executive Director and assists our Executive Chairman in the management, supervision and co-ordination of the business of the Group. Mr Zang Lizhong, together with our other Executive Directors, established Qingyuan County Joint Supply and Marketing Co., Ltd in 1984 (now known as Hebei Lizhong), a company principally engaged in the manufacture and processing of aluminium alloy. In 1995, Mr Zang, together with our other Executive Directors, established Baoding Wheel to undertake the manufacture of aluminium alloy wheels and was appointed its deputy general manager, where he was responsible for production and technological development. In 1997, he became deputy chairman of Hebei Lizhong and remains as its deputy chairman to date. From 2000 to 2004, he was appointed chairman of Baoding Wheel. Mr Zang Lizhong was appointed visiting professor of Baoding Junior College of Finance in 2004. He was appointed deputy president of the 2nd Standing Committee of the Federation of Industry and Commerce of the North District of Baoding (General Chamber of Commerce) in 2003.



**Mr Zang Ligu**  
**Executive Director**

Mr Zang Ligu, one of the founders of our Group, is our Executive Director and assists our Executive Chairman in the management, supervision and coordination of the business of the Group.

Mr Zang Ligu, together with our other Executive Directors, established Qingyuan County Joint Supply and Marketing Co., Ltd in 1984 (now known as Hebei Lizhong), a company principally engaged in the manufacture and processing of aluminium alloy. In 1995, Mr Zang, together with our other Executive Directors, established Baoding Wheel to undertake the manufacture of aluminium alloy wheels. From 1996 to 1997, he was appointed as deputy general manager of Baoding Longda Aluminium Co., Ltd, a company principally engaged in the manufacture and processing of aluminium alloy. In 1998, he was appointed chairman of Sitong Aluminium, a company principally engaged in the processing of scrap aluminium alloy into reusable aluminium alloy ingots. In 2001, he was appointed deputy chairman cum general manager of Pioneer, a company principally engaged in the provision of electroplating services, and remains its deputy chairman to date.



## **Mr Zhao Qinghua Independent Director**

Mr Zhao Qinghua is our Independent Director .



He was a teacher at the Faculty of Economics Management of Hebei Geological College (now known as Economic University of Shijiazhuang) from 1978 to 1984 and at Baoding Junior College of Finance from 1984 to 1988. From 1989 to 1995, he was an economics adviser to Baoding Nonferrous Metals Processing Factory (now known as Hebei Lizhong) and Baoding Lizhong Nonferrous Metals Co., Ltd. He was concurrently a lawyer of Baoding City Economics Law Firm and Baoding City Jinfang Law Firm from 1988 to 1991 and from 1991 to 1994 respectively. From 1996 to 1997, he was appointed general manager of Baoding Longda Aluminium Co., Ltd, a company principally engaged in the manufacture and processing of aluminium alloy. From 1998 to 2002, he was appointed general manager of Hebei Lizhong, a company principally engaged in the manufacture and processing of aluminium alloy.

Currently, he is an associate professor of Baoding Junior College of Finance. He holds a Diploma in Economics Management (Geology) from Hebei Geology College. He also holds a Diploma in Accountancy from the Renmin University of China. He is concurrently the research fellow of China Township Enterprise Research Institute. He also holds various positions such as committee member of the Chinese People's Political Consultative Conference of Hebei Provincial Committee, deputy head of the Taiwan, Hong Kong, Macau Compatriots Commission of Chinese People's Political Consultative Conference Baoding, committee member of the Chinese People's Political Consultative Conference of Baoding and member of Jiu San Society Baoding Municipal Committee.



**Mr Ong Tiew Siam**  
**Independent Director**

Mr Ong Tiew Siam is our Independent Director

He obtained his Bachelor of Commerce (Accountancy/ Honours) from the Nanyang University in Singapore in 1974. He is presently a fellow member of the Institute of Certified Public Accountants, Singapore and Australia, and a member of Singapore Institute of Directors. Mr Ong has wide and varied business experience in different industries. Mr Ong started his career with Arthur Andersen as an audit assistant in 1978. After he left Arthur Andersen, he joined Singapore Automotive Engineering Pte Ltd as a finance officer. From 1982 to 1983, he was the finance manager of Acmil S.E. Asia Pte Ltd (a subsidiary of ACI International Ltd, which was then listed on the Australian Stock Exchange). He joined Tat Hong Holdings Ltd in 1983 as the finance and administration manager and was appointed group financial controller and company secretary in 1997 and executive director in 1999. He has resigned as executive director with effect from 1 January 2010 and remained as non-executive director of the company.

Mr Ong is also the independent director of several listed companies.



**Mr Chua Hung Meng**  
**Independent Director**

Mr Chua Hung Meng is our Independent Director.

In the early part of his banking career, Mr Chua worked in various domestic and international banks including Industrial and Commercial Bank, Singapore, AMRO Bank (Singapore Branch), Credit Suisse (Singapore Branch). He was Head of Placement in London Forfaiting Asia Pacific Ltd in Hong Kong from 1995 to 1997. From 1997 to 1999, he was Head of Placement in SouthQuay Global Markets Ltd in Hong Kong and from 1999 to 2001, he held a number of positions at Vickers Ballas & Co Pte Ltd. Mr Chua currently holds a senior position with a Singapore branch of a European Bank, a position he has held since 2002.

He attained his Bachelor of Business Administration from the National University of Singapore in 1981, and received a Masters for Professional Accounting from The University of Southern Queensland in 2003.



# KEY MANAGEMENT



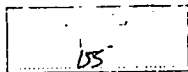
**Mr Zhang Jianliang**  
Group Chief Executive Officer

Mr Zhang Jianliang is CEO of the Group. He is responsible for assisting the Board to formulate and implement the business strategies of the Group, and oversees the day-to-day operations of our Group. From 1987 to 1988, he was a technical officer of CITIC Bohai Aluminium Co. Ltd. From 1988 to 1995, he was the head of machining and sales department of Dicastal Wheel. He was seconded by Dicastal Wheel to Baoding Wheel from 1995 to 1999. He was the general manager of Baoding Wheel from 1995 to 2001 and from 2004 to date. He is concurrently the general manager of Qinhuangdao Dicastal from 2002 to date. He is currently also a professor of Baoding Junior College of Finance and a technology consultant of GIMA GmbH (located in Goeppingen, Germany). He holds a Bachelor Degree in Mechanical Engineering from the Faculty of Machinery from Beijing Institute of Chemical Technology (now known as Beijing University of Chemical Technology).



**Mr Zhang Jinli**  
Group Chief Financial Officer

Mr Zhang Jinli is Chief Financial Officer of the Group. He is responsible for the financial management of our Group. From 1991 to 1996, he was a product design personnel of Baoding Transformer Factory (now known as Tianwei Baobian Co., Ltd) where he was responsible for product design and development. From 1999 to 2000, he was an auditor with Shenzhen Zhonghua Accounting Firm, where he was responsible for the audit of listed companies in the PRC. From 2000 to 2004, he was an investment manager of Guangdong Hualong Group Company Limited. He holds a bachelor degree in electric machinery studies and a Bachelor Degree in Technological Economics from Tianjin University and obtained a Masters in Management from Renmin University of China. He is currently a non-practising member of the PRC Certified Public Accountants' Association and a fellow member of the Association of Chartered Certified Accountants.



### **Mr Wei Jijian**

Vice-President

Mr Wei Jijian is Vice-President of the Group, and he also serves as standing Deputy General Manager of Baoding Wheel, having been with our Group since February 2003. He is in charge of production management in Baoding Wheel. From 1970 to 1996, he was a production worker and was subsequently promoted to head one of the production workshops of Tianjin Car Engine Factory. From 1996 to 2002, he was in charge of casting operations of Tianjin Fengtian Car Engines Co. Ltd. From 2003 to 2004, he was the production manager and assistant to the general manager of Qinhuangdao Dicastal. He was appointed the deputy general manager of Baoding Wheel in 2004. He holds a Diploma in Business Management from School of Communist Party of China (CPC) Tianjin Committee.

### **Mr Liu Baoxing**

Deputy General Manager of Procurement and Sales

Mr Liu Baoxing is Deputy General Manager of Baoding Wheel and has been with our Group since 1996. He is responsible for the procurement and sales of our Group. From 1991 to 1996, he was a sales personnel of Hebei Province Qingyuan County Foreign Trade Integrated Processing Factory where he was responsible for sales. In 1996, he joined Baoding Wheel as a sales executive, and has since held various positions of deputy sales manager, sales manager, assistant to general manager and deputy general manager. He holds a Diploma in Industrial Economics (Management of Rural Enterprises) from the Department of Economics of Hebei University.

### **Mr Ji Guofu**

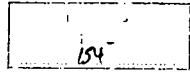
Deputy General Manager of R&D and Quality Control

Mr Ji Guofu is Deputy General Manager of Baoding Wheel and Qinhuangdao Dicastal, and has been with our Group since 1998. He is in charge of R&D and Quality Control and responsible for our Group's technology systems, development of new products and quality control. Prior to joining our Group, he served as a technician of Nanchang Hongdu Machinery Factory from 1986 to 1992. From 1992 to 1998, he was the head of Xiamen City Chengdong Machinery Factory. He was appointed as deputy general manager and chief engineer of Baoding Wheel in 1998. He obtained a Diploma in Machine-Building Technology and Equipment from Nanchang Airplane Manufacturing Company Polytechnic Institute in 1990.

### **Mr Song Zhao Yi**

General Manager

Mr Song Zhao Yi is General Manager of Tianjin Dicastal and has been with our Group since April 2006. From 1992 to 1995, he was an engineer with the Manufacture & Repair Branch Factory of Fushun Aluminum Plant. From 1995 to 2005, he joined Fushun Shunhua Aluminium Wheel Manufacturing Co., Ltd. and rose through the ranks to the position of general manager. From 2005 to 2006, he was the general manager of CAM Automotive Manufacturing (Fushun) Co., Ltd. In 2007, he was appointed General Manager of Tianjin Dicastal. He obtained his professional training in the areas of casting techniques and equipment at the Jinzhou Institute of Technology.



### **Mr Liu Bin**

General Manager

Mr Liu Bin is General Manager of Inner Mongolia Lizhong Huomei and has been with our Group since March 2004. Prior to joining our Group, he served as an engineer and subsequently manager of Shenyang Aerospace Xinguang Power Machine Corporation from 1992 to 1996. From 1997 to 2004, he held the position of section leader and subsequently supervisor of Shenyang Aerospace Mitsubishi Co. In 2007, he was appointed General Manager of Inner Mongolia Lizhong Huomei. He graduated from the Nanchang Institute of Aeronautical Technology in 1992 and has a Master's in Business Administration from Central State University in the United States.

### **Mr Cao Weize**

General Manager

Mr Cao Weize is General Manager of Qinhuangdao Dicamry and has been with our Group since March 2005. From 1988 to 1990, he held the position of journalist at the Baoding Radio Station in the Hebei province. From 1990 to 2001, he served as a clerk, and various judiciary positions in the Intermediate People's Court in Baoding city. In the period of 1997 to 2000, he studied law at Renmin University of China. From July 2001 to March 2005, he served as the Secretary of the Board at Hebei Lizhong. From March 2005 to October 2007, he held the position of operations manager within Lizhong Wheel Group Ltd and subsequently appointed to be the deputy general manager of Qinhuangdao Dicamry in November 2007. He holds a degree in Master of Law from the Renmin University of China.

### **Mr Tian Baoji**

Deputy General Manager

Mr Tian Baoji is Deputy General Manager of Tianjin Lizhong Wheel and has been with our Group since 1995. From 1990 to 1994, he worked at the Baoding Machine Tool Plant. From 1995 to 2002, he was the supervisor of the plant at Baoding Lizhong. From 2002 to March 2005, he was appointed as the assistant to the general manager and head of operations in Qinhuangdao Dicamry. Heand was later promoted to deputy general manager of Tianjin Lizhong Wheel in November 2007. He holds a degree in Economics from the Hebei University of Technology and professional certifications as an assistant engineer.

### **Mr Zhao Qishan**

Deputy General Manager

Mr Zhao Qishan is Deputy General Manager of Tianjin Dicastal and has been with the company since 2001. From 1996 to 2000, he was a production worker at Hebei Lizhong and was subsequently promoted to the head of the facility. Between June 2000 and February 2001, he was the head of production at Baoding Longda Aluminium Ltd. From 2001 to 2007, he held various positions including head of casting, heat treatment, production and deputy head of quality control. From 2007, he has been serving in the position of deputy general manager of Tianjin Dicastal. He holds professional certifications as an assistant engineer.

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### **Mr Bai Jiuli**

Deputy General Manager

Mr Bai Jiuli is Deputy General Manager of Inner Mongolia Lizhong Huomei, and is responsible for overseeing production and quality control. He joined the Group in 2007. From 1982 to 1999, he worked for the Huolin River Mining Bureau, holding various positions as technician, engineer, section leader, senior engineer and director. From 1999 to 2001, he served as the manager for the assembly facility in Inner Mongolia Huomei Group. From 2001 to 2007, he held the position of assistant general manager of logistics and technical safety at the Shenzhen Gong Suda logistics Municipal Corporation. In October 2007, he was appointed as the deputy general manager of Inner Mongolia Lizhong Huomei. He holds a diploma in automotive studies and engineering from the Anhui College.

### **Mr Duan Wentan**

Deputy General Manager

Mr Duan Wentan is Deputy General Manager of Inner Mongolia Lizhong Huomei, and is responsible for procurement and sales, having been with our Group since 1995. From 1982 to 1987, he was running his personal business. From 1987 to 1994, he worked at Zhongli Eiderdown Facility. From 1994 to 1995, he worked at the Baoding aluminium alloy plant. From 1995 to 2007, he was appointed the head of the heat treatment workshop and subsequently the head of the procurement department. He holds professional certifications as an assistant engineer.

### **Mr Wang Xianbin**

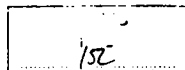
Deputy General Manager

Mr Wang Xianbin is Deputy General Manager of Tianjin Nano Machinery Manufacturing Co., Ltd.. From July 1995 to March 2000, he worked as a technician in Hebei Tianye Automobile Group Co., Ltd. From March 2000 to October 2008, he had been with Baoding Lizhong Wheel Manufacturing Co., Ltd, and served as head of production department. In November 2008, he was appointed as the current position, in charge of the overall management. He attained Bachelor degree of machine manufacturing in Hebei University of Electromechanics.

### **Mr Hou Junfeng**

Deputy General Manager

Mr Hou Junfeng is the Deputy General Manager of Inner Mongolia Lizhong Huomei and has been with our Group since November 2007. Prior to joining our Group, he served as a technician and subsequently engineer and technology section leader of Tongliao Forging Machine Tool Plant from August 1983 to May 1994. From June 1994 to August 2007, he successively held the position of Deputy Chief Engineer in Tongliao Tongshun Aluminium Co., Ltd, the Chief Engineer of the aluminium plant of Zhengzhou Faxiang Aluminium Co., Ltd and the branch factory manager and branch secretary in Zhongdian Huomei-Hongjun Aluminium Co., Ltd. Then, he joined Huomei Group and was appointed as the Deputy General Manager of Inner Mongolia Lizhong Huomei Wheel Manufacturing Co., Ltd in November 2007. He graduated from Jilin University of Technology in 1983.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive:

Mr Zang Ligen (Executive Chairman)

Mr Zang Liguo (Executive Director)

Mr Zang Lizhong (Executive Director)

### Non-Executive:

Mr Zhao Qinghua (Independent Director)

Mr Chua Hung Meng (Independent Director)

Mr Ong Tiew Siam (Independent Director)

## AUDIT COMMITTEE

Mr Ong Tiew Siam (Chairman)

Mr Zhao Qinghua

Mr Chua Hung Meng

## NOMINATING COMMITTEE

Mr Zhao Qinghua (Chairman)

Mr Chua Hung Meng

Mr Ong Tiew Siam

## REMUNERATION COMMITTEE

Mr Chua Hung Meng (Chairman)

Mr Ong Tiew Siam

Mr Zhao Qinghua

## SECRETARY

Ms Wong Yoen Har

## REGISTERED OFFICE

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

## BUSINESS OFFICE

No. 948 East Qiyi Road, Baoding City Hebei, China 071000

Tel : 86- 312- 599 7688

Fax : 86- 312- 599 7666

Email : sunjiewu@lzwheel.com

Website : www.lzwheel.com

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place #32-01 Singapore Land Tower

Singapore 048623

Tel : 65- 6536 5355

Fax : 65- 6536 1360

## AUDITORS

Deloitte & Touche LLP

6 Shenton Way,

#32-00 DBS Building Tower Two

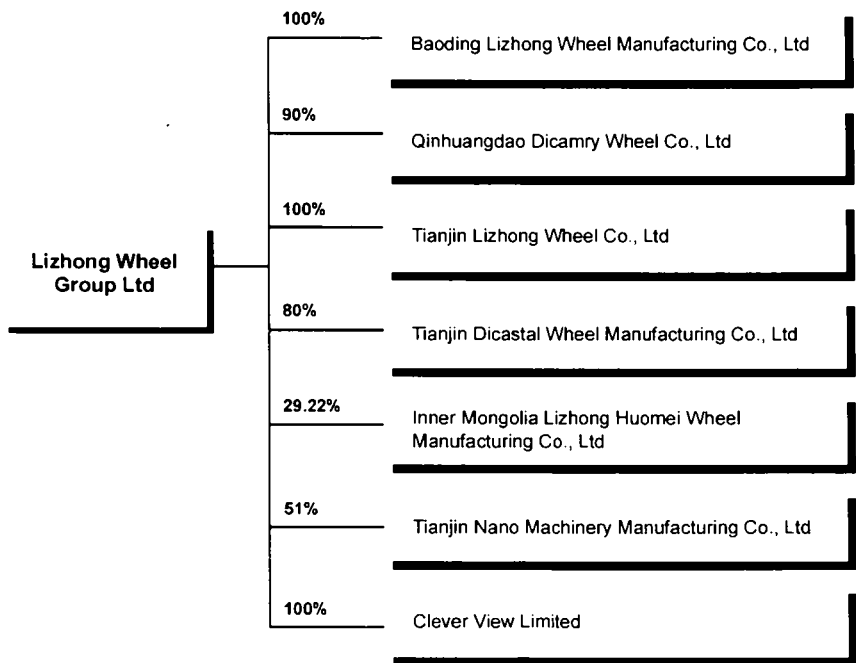
Singapore 068809

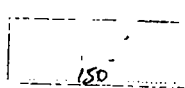
## AUDIT PARTNER-IN-CHARGE

Name: James Xu Jun

Date of Appointment: 30 April 2009

# CORPORATE STRUCTURE





## CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Lizhong Wheel Group Ltd. (the "Company" or "Lizhong Wheel") is committed to high standards of corporate governance by complying with the benchmark set by the Code of Corporate Governance 2005 (the "Code").

This report outlines Lizhong Wheel's corporate governance framework in place with specific reference to the revised Code issued by the Singapore Exchange Securities Trading Limited ("SGX-ST").

In July 2005, the Singapore Council on Corporate Disclosure and Governance issued a revised Code of Corporate Governance (the "2005 Code") that superseded and replaced the Code of Corporate Governance that was issued in March 2001 (the "2001 Code"). Companies are required to disclose their corporate governance practices and explain deviations from the 2005 Code in their annual reports for annual general meetings held from 1 January 2008 onwards. The Board has adhered to the principles and guidelines set out in the 2005 Code as set out in this report.

### (A) BOARD MATTERS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this, and Management remains accountable to the Board.

The Board of Directors as at the date of this Report comprises:-

		Date of Appointment	Date of last re-election	CG Guideline
				4.6
Mr Zang Ligen	(Executive Chairman)	10 June 2004	30 April 2009	
Mr Zang Lizhong	(Executive Director)	24 August 2005	30 April 2007	
Mr Zang Liguao	(Executive Director)	24 August 2005	30 April 2008	
Mr Zhao Qinghua	(Independent Director)	24 August 2005	30 April 2008	
Mr Ong Tiew Siam	(Independent Director)	30 May 2005	30 April 2009	
Mr Chua Hung Meng	(Independent Director)	24 August 2005	30 April 2007	

The detail profiles of the directors are set out on pages 11 to 14 of this Annual Report.

The Board's role is to:

1. provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives; CG Guideline 1.1
2. establish a framework of prudent and effective controls which enables risk to be assessed and managed;
3. review Management performance; and
4. set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met.

The Board regularly reviews the business plans and the financial performance of the Group. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct.

The Board has identified a number of areas for which the Board has direct responsibility for decision-making. The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisition and disposal, corporate or financial restructuring, mergers and acquisitions, share issuance, dividends policy and major corporate policies on key areas of operation, the release of quarterly, half yearly and full year results and interested person transactions of a material nature.

CG  
Guidelines  
1.5, 1.6 and  
1.7

The Board also ensures that incoming new Directors are familiarized with the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties.

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations.

To assist the Board in the discharge of its responsibilities, the Board has established Audit Committee (AC), Remuneration Committee (RC), Nominating Committee (NC) and Management Committee (MC). These Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis by the Board. The Board also constantly reviews the effectiveness of each Committee.

CG Guideline  
1.3

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. Ad hoc meetings will be convened to deliberate on urgent substantive matters when necessary. Attendance by means of telephone and conference via audio-visual communications at Board meetings is allowed under the Company's Article of Association.

CG Guideline  
1.4

#### Management Committee (MC)

The MC has the responsibilities in assisting our Board in coordinating, supervising and managing the operations of the Group. As at the date of this Report, the MC comprises the following members:-

Mr Zang Lizhong (Chairman and Executive Director)  
Ms Zang Xiufen (Nominee of Zang Ligen)  
Ms Shi Hui (Manager, Finance Department)

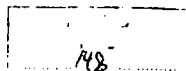
The MC has adopted its own terms of reference that describes the responsibilities of the members.

The number of Board and Board Committee meetings held during the financial year 31 December 2009 and the attendance of directors during these meetings is set out as follows:

CG Guideline  
1.4

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee		Management Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Zang Ligen	4	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Zang Lizhong	4	4	N/A	N/A	N/A	N/A	N/A	N/A	1	1
Mr Zang Liguo	4	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Zhao Qinghua	4	3	4	3	1	1	1	1	N/A	N/A
Mr Ong Tiew Siam	4	4	4	4	1	1	1	1	N/A	N/A
Mr Chua Hung Meng	4	4	4	4	1	1	1	1	N/A	N/A





Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises three executive directors and three independent non-executive directors.

Principle 2,  
CG  
Guidelines  
2.1 and 4.3

There is presently a good balance between the executive and non-executive Directors and a strong and independent element on the Board. The Board, through the delegation of its authority to the Nominating Committee ("NC"), has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, legal, finance and management skill critical to the Group's business to enable the Board to make sound and well-considered decisions.

The NC considers an "independent" Director as one who has no relationship with the Company, its related companies or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the conduct of the Group's affairs and is not a substantial shareholder, or a partner in (with 5% or more stake) or as executive officer of, any for-profit business organization to which the Company made or from which the Company received significant payments (aggregated over any financial year in excess of S\$200,000) in the current or immediate past financial year.

As a result of the NC's review of the independence of each Director for financial year 2009, the NC is of the view that the independent Directors are independent of the Company's management as contemplated by the Code, and further, that no individual or small group of individuals dominate the Board's decision making process.

As a group, the directors bring with them a broad range of industry knowledge, expertise and experience. Each director has been appointed on the strength of his calibre, experience and potential to contribute to the Company and its businesses. The directors bring valuable insights from different perspectives vital to the strategic interests of the Company. The Board and NC have strived to ensure that members possess the background, experience, knowledge and skills necessary to promote Lishong Wheel's business and governance process, so as to enable the Board to make balanced and well-considered decisions. The Board and the NC is of the view that its directors as a group possess the necessary competencies necessary to lead and govern the Company effectively.

CG Guideline  
2.4

Although all the directors have an equal responsibility for the Group's operations, the role of these independent non-executive directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The non-executive directors help to develop proposals on strategy. The non-executive directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

CG Guideline  
2.5

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

There is a clear division of responsibilities at the top management with clearly defined lines of responsibility between the Board and executive functions of the management of Lishong Wheel's business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of executive management performance on a periodic basis.

CG  
Guidelines  
3.1 and 3.2

There is a distinctive separation of responsibilities between the Chairman and Chief Executive Officer ("CEO") to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. Zang Ligen, the Executive Chairman, is consulted on the Group's strategic direction and formulation of policies. The daily operation of the Groups is lead by the CEO, Zhang Jianliang. He is assisted by a team of experienced and qualified executive officers of the Group.

CG  
Guidelines  
3.1 and 3.2

The Chairman's primary function is to manage the business of the Board and the Board committees, and to promote harmonious relations with the shareholders. The Chairman's role with regard to the Board proceedings is as follows:

CG Guideline  
3.2

1. Schedules meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
2. Prepares meeting agenda;
3. Exercises control over quality, quantity and timeliness of the flow of information between management and the Board;
4. Assists in ensuring compliance with the Group's guidelines on corporate governance; and
5. Monitors communications and relations between the Company and its shareholders, between the Board and Management, and between executive and non-executive directors and independent and non-independent directors, with a view to encouraging constructive relations and dialogue amongst them.

Principle 4. There should be a formal and transparent process for the appointment of new directors to the Board

#### Nominating Committee

The Nominating Committee ("NC") comprises the following independent directors:

CG Guideline  
4.1

Mr Zhao Qinghua (Chairman)  
Mr Ong Tiew Siam  
Mr Chua Hung Meng

The NC meets at least once annually during the last financial year ended 31 December 2009. The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

CG Guideline  
4.1

The NC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members. Amongst them, the NC is responsible for making recommendations to the Board on all board appointments.

CG Guideline  
4.1

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to consider how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:

CG Guideline  
4.2

1. to make recommendations to the Board on the appointment of new executive and non-executive Directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board;

2. to regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
3. to be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent. A description of the process for the selection and appointment of new Directors to the Board shall be disclosed in the annual report. This should include disclosure on the search and nomination process;
4. to make plans for succession, in particular for the Chairman and Chief Executive;
5. to determine, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company should disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. Conversely, the NC has the discretion to determine that a Director is non-independent even if the circumstances set forth in Guideline 2.1 of the Code do not apply to him;
6. to make recommendations to the Board for the continuation (or not) in services of any Director who has reached the age of seventy (70) years;
7. to recommend Directors who are retiring by rotation to be put forward for re-election having regard to the Director's contribution and performance (eg. attendance, preparedness, participation and candour) including, if applicable, as an independent Director;
8. to decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;
9. the NC shall recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards;
10. to be responsible for assessing the effectiveness of the Board as a whole via a performance evaluation conducted based on performance criteria set by the NC and approved by the Board and for assessing the contribution of each individual Director to the effectiveness of the Board; and
11. the Chairman of the NC should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors, in consultation with the NC

The NC reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations. CG Guideline  
2.3

Under the Company's Articles of Association, at least one third of the Company's Directors are required to retire from office at every annual general meeting of the Company. Every Director must retire from office at least once every three years and are eligible for re-election. CG Guideline  
4.5

In its search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached.

The Chairman of the Board will give feedback to the NC on the appointment of new directors or retirement or resignation of existing directors, following the outcome of an annual performance evaluation of individual directors, and the NC will take into consideration his views in this regard. CG Guideline 5.4

The NC is also responsible for determining annually, the independence of directors. In doing so, the NC takes into account the circumstances set forth in Guideline 2.1 of the 2005 Code and any other salient factors. Following its annual review, the NC has endorsed the following independence status of Mr Ong Tiew Siam, Mr Chua Hung Meng and Mr Zhao Qinghua. CG Guideline 4.3

The NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the NC. CG Guideline 4.4

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Board has implemented a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. For the year under review, the NC has evaluated and discussed the results of individual directors' assessment of the Board's performance and effectiveness as a whole and carried out a review of the independence of Directors. CG Guidelines 5.1 and 5.2

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis

The Board has separate and independent access to senior management of the Company, the Company Secretary, the internal auditors and the external auditors at all times. Requests for information from the Board are dealt with promptly by management. The Board is informed of all material events and transactions as and when they occur. Directors are given Board papers in advance of meetings for them to be adequately prepared for meetings and senior management are, where necessary, in attendance at the Board meetings. The Company Secretary attends all Board meetings and meetings of the Audit, Nominating and Remuneration Committees. The Company Secretary administers, attends and prepares minutes of Board and Board Committee meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed in accordance with the Company's Articles of Association so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. CG Guidelines 6.1, 6.2 and 6.3

Each director has the right to seek independent legal and other professional advice, where necessary, in order to fulfill their duties and responsibilities as directors. Any expense incurred in this aspect shall be borne by the Group. CG Guideline 6.5

The Board receives from the Management regular updates and financial information which present a balanced and understandable assessment of the company's performance, position and prospects. The Chief Financial Officer circulates monthly reports to the AC which includes the profit and loss statement, balance sheet and cash flow statement of the Group, transactions between the Group and any interested person (namely, the Directors of the Company or any of the Controlling Shareholders or their Associates) and latest corporate developments. CG Guideline 10.2

Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole. CG Guideline 6.4

## (B) REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration

The Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual directors and senior management

Principle 7

### Remuneration Committee

The Remuneration Committee ("RC") comprises the following independent directors

CG Guideline  
7.1

Mr Chua Hung Meng (Chairman)  
Mr Ong Tiew Siam  
Mr Zhao Qinghua

The principal responsibilities of the RC are

1. recommending to the Board for endorsement, a framework of computation of directors' fees of the Board, as well as remuneration of executive directors, CEO and senior management. For executive directors, CEO and such senior management, the framework covers all aspects of executive remuneration (including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind); and
2. recommending the specific remuneration packages for each director, CEO and senior management

CG Guideline  
7.2

The RC meets at least once annually during the last financial year ended 31 December 2009. The RC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members

Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It would provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

In structuring a compensation framework for executive Directors and key executives, the RC seeks to link a proportion of executive compensation to the Group's performance. The RC's recommendation are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board

CG Guideline  
8.1

An appropriate and attractive level of remuneration has been set to attract, retain and motivate Directors and staff. The remuneration package is made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. Annual increments and adjustments to remuneration are reviewed and approved taking into account the results of the annual review made by the Executive Directors and the various heads of department. All Non-Executive Directors are paid Directors' fees that are subject to shareholders' approval at the Annual General Meetings.

CG Guideline  
8.2

The service contracts for executive directors are for fixed appointment periods which are not excessively long and they do not contain onerous removal clauses. Notice periods are generally six months or less in service contracts for executive directors and in the terms of employment of senior management. The RC is responsible for reviewing the compensation commitments, if any, that the directors' contracts of service entail in the event of early termination.

Guideline 8.3  
Commentary  
8.6

#### DISCLOSURE ON REMUNERATION

Principle 9,  
Guidelines  
9.1, 9.2 and  
9.4

Directors	Salary %	Bonus %	Benefits %	Director Fees %	Total %
Below \$250,000					
Zang Ligen	95.69	4.31			
Zang Lizhong	97.12	2.88			
Zang Liguo	100				
Key Executives	Salary %	Bonus %	Benefits %	Director Fees %	Total %
Below \$250,000					
Zhang Jianliang	93.79	6.21			
Zhang Jinli	100				
Liu Baoxing	100				
Ji Guofu	100				
Wei Jijian	100				

#### Immediate Family members of Directors or CEO

CG Guideline  
9.3

There are no immediate family members of Directors or CEO in employment with the Group and whose remuneration exceeds S\$150,000 during FY2009.

#### (C) ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position, prospects, operations and financial position and updates shareholders through the quarterly, half yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

CG Guideline  
10.1

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference, which clearly set out its authority and duties.

#### Audit Committee

The Audit Committee ("AC") comprises the following independent directors

CG  
Guidelines  
11.8 and 11.1

Mr Ong Tiew Siam (Chairman)  
Mr Zhao Qinghua  
Mr Chua Hung Meng

The AC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of the members.

The AC held four meetings during the financial year. These meetings were attended by the Chief Financial Officer. The CEO, Internal Auditors and External auditors were also present at the relevant junctures during these meetings. The AC has also met the external auditors, without the presence of the management during the financial year.

CG Guideline  
11.5

The Board is of the view that the AC members are appropriately qualified in that they have sufficient accounting or related financial management expertise and experiences to discharge the AC's function.

CG Guideline  
11.2

The AC has written Terms of Reference endorsed by the Board, setting out their duties and responsibilities. The AC is authorised by the Board to investigate any matter within its Terms of Reference and has full access to, and co-operation of Management, with full discretion to invite any director or executive officer to attend its meetings. It has reasonable resources to enable it to discharge its functions properly. During the meetings of the AC held during the financial year, the Committee performed its functions and responsibilities as set out in its Terms of Reference, which include the following:

Principle  
11 and CG  
Guideline 11.3  
CG  
Guidelines  
11.4, 11.6,  
11.8 and 12.1

1. reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
2. reviewing the nature and extent of the external auditors' non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money;
3. reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
4. reviewing the adequacy of the Group's internal financial controls, operational and compliance controls, and risk management policies and systems (hereinafter referred to collectively as "internal controls");
5. reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
6. making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
7. reviewing the external auditors' audit plan, audit report and the evaluation of the system of internal accounting controls with the external auditors, as well as the assistance given by Management to the external auditors;
8. reviewing the quarterly, half-yearly and full year financial statements of the Group, prior to their submission to the Board;

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9. reviewing the co-operation given by our management to our auditors;
  10. reviewing and approving interested person transactions;
  11. reviewing any potential conflict of interests;
  12. reviewing regularly all hedging policies, all types of instruments used for hedging and foreign exchange policies and practices of the Group; and
  13. to generally undertake such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations in to matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position.

Management has put in place, and the AC has endorsed, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

CG Guideline  
11.7

The AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of the external auditors for re-appointment. The AC has conducted an annual review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

CG  
Guidelines  
11.6 and  
11.4(a)

Pursuant to Listing Rule 716, the Board and the AC are satisfied that the appointment of different auditors for the subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The details of the auditors are outlined in Notes 12 & 13 to the financial statements.

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Principle 13: The company should establish an internal audit function that is independent of the activities it audits

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

CG Guideline  
12.1

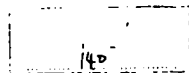
The Company has appointed Messrs UHY Lee Seng Chan & Co an internal auditor and has implemented internal reviews, to ensure that the system of internal controls maintained by the Company is sufficient to provide reasonable assurance that the Company's assets are safeguarded against loss from unauthorised use or disposal, transactions are properly authorised and proper financial records are being maintained.

Principle 11  
and 13  
CG  
Guidelines  
13.1 and 13.2

The Internal Auditor has a direct and primary reporting line to the AC and assists the Board in monitoring and managing risks and internal controls of the Group. The AC approves the internal audit plan and ensures the adequacy of internal audit resources during the first AC meetings each year.

CG Guideline  
13.1





The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company. CG Guideline 13.3

The AC and the Board have reviewed the Company's risk assessment based on the reports of the internal auditor and external auditors and are assured that adequate internal controls, including financial, operational and compliance control and risk management, are in place. CG Guidelines 12.1 and 12.2

#### (D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders

Principle 15: Companies should encourage greater shareholder participation at Annual General Meetings and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Lizhong Wheel recognizes the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis so that it can discharge its duties effectively. The Company also believes in timely, fair and adequate disclosure of relevant information to shareholders and investors so that they will be apprised of developments that may have a material impact on the Company's securities. Lizhong Wheel does not practice selective disclosure. All information of the Company is published through the SGXNet and where appropriate, through media releases. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure. Information is also available on the Company's website [www.lzhwheel.com](http://www.lzhwheel.com). CG Guidelines 14.1 and 14.2

All shareholders of the Company receive the annual report and notice of Annual General Meeting ("AGM"). At general meetings of shareholders, shareholders are given the opportunity to voice their views and ask Directors or management questions regarding the Company's affairs. The Chairmen of the Audit, Remuneration, Nominating and Management Committees will normally be present at AGM to answer any questions relating to the work of these Committees. The external auditors are also present at the AGM to assist the Directors in answering questions from shareholders. CG Guidelines 15.1 and 15.3

The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or two proxies (who can either be named individuals nominated by the shareholder to attend the meeting or the Chairman of the meeting as the shareholder may select). CG Guideline 15.1

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. CG Guideline 15.2

#### DEALINGS IN SECURITIES

The Company has adopted its own internal Code of Conduct to provide guidance to all directors and officers of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with the rule 1207 (18) of the Listing Manual of the SGX-ST. SGX 1207 (18)

Directors and all officers are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

## MATERIAL CONTRACTS

The following contract, not being contract entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries during the period up to the date of this Report:-

The Company has entered into a Redemption Agreement (the "Agreement") with Lehman Brothers Commercial Corporation Asia Limited (in Liquidation) ("the Bondholder"), the joint and several liquidators of the Bondholder, Li Zhong Investment Ltd. and Mr Zang Ligen for the full redemption of 3.0 per cent. per annum Convertible Bonds ("CB") ["the Redemption"].

The CB will be redeemed using the internal fund of the Company.

Pursuant to the terms of the Agreement, in consideration for the surrender of the CB by the Bondholder, the Company shall:

- (1) pay the Bondholder USD15,000,000 (the "Fix Amount") no later than the date falling three months after the date of the Agreement or such date as may be agreed between the Bondholder and the Company; and
- (2) if, at any time from the date of the Agreement to the date falling the second anniversary of the Agreement:
  - (a) the volume-weighted average price of a share in the Company reaches for the first time SGD0.60 or above but less than SGD0.80 for 20 consecutive trading days, pay the Bondholder an additional USD1,500,000;
  - (b) after the payment described in paragraph (a) above, if the volume-weighted average price of a share in the Company reaches for the first time SGD0.80 or above for 20 consecutive trading days, pay the Bondholder an additional USD1,500,000; or
  - (c) as an alternative to the payment described in paragraphs (a) and (b) above, if the volume-weighted average price of a share in the Company reaches or rises for the first time to SGD0.80 or above from less than SGD0.60 for 20 consecutive trading days, pay the Bondholder a single payment of USD3,000,000;

provided the aggregate additional consideration payable by the Company to the Bondholder shall not at any time exceed USD3,000,000. The Company shall promptly give notice to the Bondholder of the date of any additional amount described in paragraphs (a) to (c) above become payable and pay to such amount to the Bondholder on the business day falling 60 days after such date.

The Company's obligation under the Agreement is guaranteed by the Shareholder and Mr. Zang Ligen on a joint and several basis.

The Shareholder has agreed to charge 50,000,000 shares in the Company held by it in favour of the Bondholder to secure the Company's obligation under the Agreement.

Upon confirmation by the Bondholder of receipt of the Fixed Amount and the creation and perfection of the share charge by the Shareholder in favour of the Bondholder, the Bondholder will surrender all such right, title and interest (if any) the Bondholder may have in the CB to the Company (including any accrued but unpaid interest and premium) and return the bond certificate in respect of the CB to the Company.

The Board, having considered the terms and the rationale for the Redemption, is of the view that the Redemption is in the interest of the Company and its shareholders.

As at the date of this announcement, all the net proceeds from the issuance of CB had been fully utilised and invested in Tianjin plant in accordance with the purpose of the issue of CB.

#### INTERESTED PERSON TRANSACTIONS

The shareholders' mandate obtained on 23 August 2005 for the Company to enter into categories of interested person transactions with the interested persons ("IPs") in respect of recurrent transactions of revenue or trading nature or those necessary for the day-to-day operations of the Company was renewed during the Annual General Meeting of the Company on 30 April 2009.

The shareholders' mandate was expressed to take effect until the conclusion of the 2010 AGM and the board of directors of Lizhong Wheel has proposed that the shareholder's mandate be renewed during the Annual General Meeting of the Company on 30 April 2010 to take effect until the conclusion of the next following Annual General Meeting of the Company.

The aggregate value of interested person transactions entered into for the financial year from 1 January 2009 to 31 December 2009 is as follows: -

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RMB'000)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (RMB'000)
Hebei Lizhong			
- Lease of properties and equipment	-		2,635
- Purchase of aluminum alloy ingots	-		20,539
- Supply of molten aluminum alloy	-		253,126
- Purchase of auxiliary raw materials	-		3,833
- Payment of staff social insurance premiums	-		698
- Sale of scraps	-		554
Meilu Alloy			
- Lease agreement	-		1,191
- Supply of molten aluminum alloy	-		95,646
- Processing and recycling of rejects and scraps	-		4,349
- Supply of water and electricity	-		4,702
Tianjin Lizhong			
- Supply of molten aluminum alloy	-		206,713
- Processing and recycling of rejects and scraps	-		10,573

The risks factors relating to the Group and risks relating to the PRC were disclosed under "Risk Factors" (pages 31 to 39 of the Prospectus dated 10 October 2005).

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The financial risk management objectives and policies are outlined in the financial statements.

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## DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2009

### 1 DIRECTORS

The directors of the company in office at the date of this report are

Zang Ligen  
Zang Lizhong  
Zang Liguo  
Zhao Qinghua  
Ong Tiew Siam  
Chua Hung Meng

### 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate

### 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

Names of directors and companies in which interests are held	Shareholdings registered in names of directors		Shareholdings in which directors are deemed to have interests	
	At beginning of year	At end of year	At beginning of year	At end of year
<u>The company</u>				
(Ordinary shares)				
Zang Lizhong	-	-	150,956,250	150,956,250
Zang Liguo	-	-	150,956,250	150,956,250
Zhao Qinghua	1,250,250	1,250,250	-	-
<u>Holding company</u>				
- <u>Lizhong Investment Ltd</u>				
(Ordinary shares)				
Zang Ligen	1,130	1,130	2,210	2,210
Zang Lizhong	1,130	1,130	2,200	2,200
Zang Liguo	2,330	2,330	1,000	1,000

By virtue of Section 7 of the Singapore Companies Act, Mr Zang Lizhong and Mr Zang Liguo are deemed to have an interest in the subsidiaries held by the company.

The directors' interests in the shares of the company and related corporations at January 21, 2010 were the same at December 31, 2009

## DIRECTORS' REPORT

### 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements

### 5 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the company or any corporation in the group were granted

(b) *Options exercised*

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

### 6 AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises three non-executive and independent directors:

Ong Tiew Siam (Chairman)  
Zhao Qinghua  
Chua Hung Meng

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board of Directors acting through the Audit Committee.

During the financial year, the Audit Committee has met four times and has reviewed the following, where relevant, with the executive directors, and the internal and external auditors when appropriate, of the company.

- (a) the audit plan and results of the internal auditors' examination and evaluation of the group's systems of internal accounting controls;
- (b) the external auditors' audit plan;
- (c) the group's financial and operating results and accounting policies;
- (d) the statement of financial position and statement of changes in equity of the company and the consolidated financial statements of the group before submission to the Board of Directors and external auditors' report on those financial statements;
- (e) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the group.

## DIRECTORS' REPORT

- (f) the co-operation and assistance given by the management to the external auditors,
- (g) interested person transactions; and
- (h) the re-appointment of the external auditors.

The Audit Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its function properly. It has also full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors at the forthcoming Annual General Meeting of the company.

### 7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Ong Tiew Siam

Zang Ligen

March 26, 2010



## STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 42 to 87 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2009, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

.....  
Ong Tiew Siam

.....  
Zang Ligen

March 26, 2010

## INDEPENDENT AUDITORS' REPORT

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

#### LIZHONG WHEEL GROUP LTD.

We have audited the accompanying financial statements of Lizhong Wheel Group Ltd. (the "company") and its subsidiaries (the "group") which comprise the statements of financial position of the group and the company as at December 31, 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 87

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion,

- a) the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2009 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date, and
- b) the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act

Deloitte & Touche LLP  
Public Accountants and  
Certified Public Accountants  
Singapore

March 26, 2010

## STATEMENTS OF FINANCIAL POSITION December 31, 2009

		Group		Company	
	Note	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	7	75,492	142,332	507	22,077
Trade receivables	8	435,927	249,951	-	-
Other receivables and prepayments	9	34,350	49,970	-	-
Amount due from subsidiaries	10	-	-	38,610	29,354
Inventories	11	153,699	126,504	-	-
Total current assets		699,468	568,757	39,117	51,431
<b>Non-current assets</b>					
Investment in subsidiaries	12	-	-	339,315	339,315
Investment in associate	13	22,184	22,211	-	-
Amount due from subsidiaries	14	-	-	149,010	142,684
Prepaid lease payments	9	65,087	67,750	-	-
Prepayment for construction in-progress	9	577	5,488	-	-
Property, plant and equipment	15	449,294	435,021	-	-
Intangible assets	16	6,916	7,221	-	-
Total non-current assets		544,058	537,691	488,325	481,999
Total assets		1,243,526	1,106,448	527,442	533,430
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Short-term loans	18	141,500	101,500	-	-
Current portion of long-term loans	18	95,796	80,926	-	-
Amount due to subsidiaries	19	-	-	85,651	25,926
Trade payables	20	289,503	147,851	-	-
Other payables	21	46,659	67,283	5,389	6,013
Derivative financial liabilities	22	2,198	10,909	2,198	198
Income tax payable		2,337	262	-	-
Convertible loan notes	23	180,607	-	180,607	-
Deferred income	24	347	-	-	-
Dividend payable to minority shareholder of a subsidiary		859	1,370	-	-
Total current liabilities		759,806	410,101	273,845	32,137
<b>Non-current liabilities</b>					
Deferred income	24	3,122	-	-	-
Long-term loans	18	-	95,740	-	-
Amount due to subsidiaries	19	-	-	-	82,119
Convertible loan notes	23	-	169,590	-	169,590
Deferred tax liability	17	4,794	2,286	-	-
Total non-current liabilities		7,916	267,616	-	251,709
<b>Capital, reserves and minority interests</b>					
Share capital	26	140,500	140,500	140,500	140,500
Capital reserve	32	32,544	26,792	-	-
Retained earnings		283,071	245,503	113,097	109,084
Equity attributable to owners of the company		456,115	412,795	253,597	249,584
Minority interests		19,689	15,936	-	-
Total equity		475,804	428,731	253,597	249,584
Total liabilities and equity		1,243,526	1,106,448	527,442	533,430

See accompanying notes to financial statements

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2009

	Note	Group	
		2009	2008
		RMB'000	RMB'000
Revenue	27	1,001,328	916,569
Cost of sales		(851,417)	(787,231)
Gross profit		149,911	129,338
Other operating income	28	7,016	27,128
Distribution and selling costs		(25,732)	(18,736)
Administrative expenses		(58,021)	(57,236)
Other operating expenses		(3,517)	(613)
Share of loss of associate	13	(27)	(290)
Finance costs	29	(17,057)	(16,640)
Profit before tax		52,573	62,951
Income tax	30	(5,500)	(11,710)
Profit for the year	31	47,073	51,241
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		47,073	51,241
Profit for the year and other comprehensive income attributable to:			
Owners of the company		43,320	53,385
Minority interests		3,753	(2,144)
		47,073	51,241
Earnings per share (in RMB cents):			
Basic	33	18.43	22.71
Diluted	33	18.11	19.66

See accompanying notes to financial statements



# STATEMENTS OF CHANGES IN EQUITY Year ended December 31, 2009

	Note	Share capital RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Attributable to owners of the company RMB'000	Minority interests RMB'000	Total RMB'000
Group							
Balance at January 1, 2008		140,500	17,831	218,001	376,332	16,682	393,014
Dividends paid	38	-	-	(16,922)	(16,922)	-	(16,922)
Appropriation to statutory reserve		-	8,961	(8,961)	-	-	-
Arising from incorporation of a subsidiary		-	-	-	-	1,398	1,398
Total comprehensive income for the year		-	-	53,385	53,385	(2,144)	51,241
Balance at December 31, 2008		140,500	26,792	245,503	412,795	15,936	428,731
Appropriation to statutory reserve		-	5,752	(5,752)	-	-	-
Total comprehensive income for the year		-	-	43,320	43,320	3,753	47,073
Balance at December 31, 2009		140,500	32,544	283,071	456,115	19,689	475,904

	Note	Share capital RMB'000	Retained earnings RMB'000	Total RMB'000
Company				
Balance at January 1, 2008		140,500	108,772	249,272
Dividends paid	38	-	(16,922)	(16,922)
Total comprehensive income for the year		-	17,234	17,234
Balance at December 31, 2008		140,500	109,084	249,584
Total comprehensive income for the year		-	4,013	4,013
Balance at December 31, 2009		140,500	113,097	253,597

See accompanying notes to financial statements

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## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2009

	<u>Group</u>	
	2009	2008
	RMB'000	RMB'000
<b>Operating activities</b>		
Profit before income tax	52,573	62,951
Adjustments for:		
Share of losses of associate	27	290
Depreciation of property, plant and equipment	43,219	34,846
Interest income	(1,277)	(862)
Finance costs	17,057	16,640
Allowance for doubtful debts	-	50
Inventories written off	1,375	762
Amortisation of intangible assets	305	306
Loss on disposal of property, plant and equipment	203	81
Prepaid lease payments released to the profit or loss	1,425	1,409
Unrealised foreign exchange loss (gain) of convertible loan notes	205	(11,051)
Fair value loss on derivative instruments	-	10,711
Net realised (gain) loss from the settlement of derivative financial instrument	(2,967)	7,441
Fair value loss (gain) on embedded option of convertible loan notes	2,000	(9,447)
Operating cash flows before movements in working capital	114,145	114,127
Trade receivables	(185,976)	85,132
Other receivables and prepayments	19,230	(43,813)
Inventories	(28,570)	(53,118)
Trade payables	141,652	(15,867)
Other payables (Note A)	(4,985)	31,964
Cash generated from operations	55,496	118,425
Interest received	1,277	862
Income tax recovered	2,545	5,653
Income taxes paid	(2,867)	(2,578)
Net cash from operating activities	56,451	122,362
<b>Investing activities</b>		
Sale of patent to an associate	3,469	-
Prepaid lease payments	-	(1,571)
Proceeds from disposal of property, plant and equipment (Note A)	197	100
Net cash realised from disposal of an associate	-	129
Investment in associate	-	(22,501)
Property, plant and equipment purchased and paid (Note A)	(67,097)	(127,434)
Net cash used in investing activities	(63,431)	(151,277)

	<u>Group</u>	
	2009	2008
	RMB'000	RMB'000
<b>Financing activities</b>		
Dividends paid	-	(16,922)
Dividend paid to minority shareholders	(511)	-
Repayments of borrowings	(250,464)	(114,625)
New bank loans raised	209,594	158,940
Interest paid	(18,479)	(26,866)
Pledged cash placed with banks	(4,307)	5,376
Receipt of investment from minority shareholders	-	1,398
Net cash from financing activities	(64,167)	7,301
Net decrease in cash and cash equivalents	(71,147)	(21,614)
Cash and cash equivalents at beginning of year	133,249	154,863
Cash and cash equivalents at end of year (Note 7)	62,102	133,249

Note A:

In 2009, total additions of property, plant and equipment was RMB58,025,000 (2008: RMB107,005,000), including interest of RMB11,046,000 (2008: RMB18,323,000) capitalised as costs of construction and an amount of RMB3,446,000 (2008: RMB17,429,000) remaining unpaid as at end of the reporting period. The group had also prepaid RMB577,000 (2008: RMB 5,488,000) construction-in-progress at the end of the year.

In 2009, plant and equipment with net book value amounting to RMB533,000 was sold for RMB325,000. Of this amount, RMB128,000 has not been received at December 31, 2009.

See accompanying notes to financial statements



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## NOTES TO FINANCIAL STATEMENT

Year ended December 31, 2009

### 1 GENERAL

The company (Registration No. 200407196C) is incorporated in Singapore with its registered office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 and its principal place of business at No. 948 Qiyi Dong Road, Baoding, Hebei 071000, The People's Republic of China. The company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Renminbi ("RMB").

The principal activity of the company is that of investment holding.

The principal activities of the subsidiaries and associates are disclosed in Notes 12 and 13 to the financial statements respectively.

The consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the year ended December 31, 2009 were authorised for issue by the Board of Directors on March 26, 2010.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

**ADOPTION OF NEW AND REVISED STANDARDS** - In the current financial year, the group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2009. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

#### FRS 1 – Presentation of Financial Statements (Revised)

FRS 1 (2008) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position at the beginning of the earliest comparative period presented if the entity applies new accounting policies retrospectively or makes retrospective restatements or reclassifies items in the financial statements.

#### Amendments to FRS 107 Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments

The amendments to FRS 107 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional relief offered in these amendments.

## FRS 108 – Operating Segments

The group adopted FRS 108 with effect from January 1, 2009. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (FRS 14 Segment Reporting) required an entity to identify two sets of segments (Business and Geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

Following the adoption of FRS 108, the chief operating decision maker considers that all existing products manufactured and held by the group has similar economic characteristics and accordingly, there is no separate reporting segment required (Note 36).

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the group and the company were issued but not effective:

- FRS 24 (Revised) Related Party Disclosures
- FRS 27 (Revised) Consolidated and Separate Financial Statements
- FRS 103 (Revised) Business Combinations
- Improvements to Financial Reporting Standards (issued in June 2009)

Consequential amendments were also made to various standards as a result of these new/revised standards.

FRS 24 (Revised) is effective for annual periods beginning on or after January 1, 2011. The revised Standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity. In addition, the revised Standard provides partial exemption for government-related entities, in relation to the disclosure of transactions, outstanding balances and commitments. Where such exemptions apply, the reporting entity has to make additional disclosures, including the nature of the government's relationship with the reporting entity and information on significant transactions or group of transactions involved. In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

FRS 27 (Revised) is effective for annual periods beginning on or after July 1, 2009. FRS 103 (Revised) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

Apart from matters of presentation, the principal amendments to FRS 27 that will impact the group concern the accounting treatment for transactions that result in changes in a parent's interest in a subsidiary. It is likely that these amendments will significantly affect the accounting for such transactions in future accounting periods, but the extent of such impact will depend on the detail of the transactions, which cannot be anticipated. The changes will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

Similarly, FRS 103 is concerned with accounting for business combination transactions. The changes to the Standard are significant, but their impact can only be determined once the detail of future business combination transactions is known. The amendments to FRS 103 will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

Other than as discussed above, the management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial adoption.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses

In the company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss

**BUSINESS COMBINATIONS** - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated profit or loss

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised

**FINANCIAL INSTRUMENT** - Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument

#### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those financial instruments 'at fair value through profit or loss'

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#### Financial assets

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets in the group and company are classified into the following specified categories: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

#### Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 4.

#### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### Financial liabilities and equity instruments

#### Classification as debt or equity

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

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables when the recognition of interest would be immaterial.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

#### Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 4.

#### Convertible loan notes

Convertible bonds are regarded as compound instruments, consisting of a liability component and an embedded derivative component. The component parts of compound instruments are classified separately as financial liabilities and derivative financial instruments in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The embedded derivative components are recorded at fair value at the date of the issue and are subsequently remeasured to their fair value at each end of the reporting period. The resulting gain or loss is recognised in the profit or loss immediately.

#### Derivative financial instruments and hedge accounting

The group enters into a variety of derivative financial instruments to manage its exposure to aluminum prices, including aluminum futures contracts.

The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value at the date the derivative contract is entered, and are subsequently remeasured to their fair value at each end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of hedging relationship is more than 12 months and as a current asset or current liability if the remaining maturity of the hedging relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

#### Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the profit or loss.

**LEASES** – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Consideration paid for land use rights are recorded as prepaid lease payments and are charged to the profit or loss on a straight-line basis over the term of relevant land use right acquired.

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**INVENTORIES** – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**PROPERTY, PLANT AND EQUIPMENT** – Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Buildings and plant and machinery in the course of construction ("construction-in-progress") for production, rental or administrative purposes, or for purpose not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than construction-in-progress, over their estimated useful lives and taking into account their residual value of 5%, except for computer software which has no residual value, using the straight-line method, on the following bases per annum:

Buildings	-	10 to 20 years
Plant and machinery	-	10 years
Computer software	-	3 years
Motor vehicles	-	5 years
Furniture and fittings	-	5 years

Depreciation is not provided on construction-in-progress.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

## INTANGIBLE ASSETS

### Intangible assets acquired separately

Intangible assets acquired separately include expenditure on trademarks and brand names and are reported at cost less accumulated amortisation and accumulated impairment losses. Trademarks are amortised on a straight-line basis over their estimated useful lives of 19 years. Brand names are amortised on a straight-line basis over their estimated useful lives of 30 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Such assets are tested for impairment in accordance with the policy below.

### Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

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



**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL** - At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

**ASSOCIATES** - An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105. **Non-current Assets Held for Sale and Discontinued Operations** - Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised, unless the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

**PROVISIONS** - Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**GOVERNMENT GRANTS** - Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attached to them and the grants will be received. Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are presented as a deduction from the carrying amount of the related assets and recognised as income over the useful lives of the assets by way of a reduced depreciation charge.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**REVENUE RECOGNITION** - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### Financial guarantee income

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight line basis.

**BORROWING COSTS** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly to equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each group entity are measured and presented in Renminbi ("RMB"), which is the currency of the primary economic environment in which each entity operates (its functional currency). The consolidated financial statements of the group and the statement of financial position of the company are presented in RMB, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the hedge accounting policies above.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**CASH AND CASH EQUIVALENTS** - Cash and cash equivalents comprise cash on hand and at banks and time deposits less pledged cash placed with bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Critical judgements in applying the entity's accounting policies*

Management is of the opinion that there is no critical judgement involved that has a significant effect on the amounts recognised in the financial statements apart from those involving estimations which are dealt with below:

#### Going concern assumption

The global financial and capital markets continue to be volatile. The group has reported a profit of RMB47,073,000 for the year. The ability of the group's customers to maintain operations and profitability and to pay their debts as they mature may be dependent to a large extent on the effectiveness of the fiscal measures and other actions, beyond their control, undertaken to achieve economic recovery. Nevertheless, the group maintains considerable financial resources.

The management has a reasonable expectation that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

At December 31, 2009, the group is in net current liabilities position of RMB60,338,000, and this is primarily due to the classification of the convertible loan notes of RMB180,607,000 as current liability (Note 23). On February 10, 2010, the company entered into a redemption agreement (the "Agreement") with the bondholders, the joint and several liquidators of the bondholders, the ultimate holding company (Note 5) and Mr Zang Ligen, a director of the company, for the full redemption of the convertible loan notes ("the Redemption"), and in consideration for the surrender of the convertible loan notes, the company shall pay the bond holders US\$15,000,000 (equivalent to RMB102,000,000) no later than the date falling three months after the date of the Agreement or such date as may be agreed between the bondholders and the company, and potential addition payment as disclosed in Note 23.

Management believes that the group has ready credit facilities to fund the above redemption and the company and the group will be able to meet the obligation as and when it falls due.

In addition, the management believes that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### *Key sources of estimation uncertainty*

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

#### Allowance for doubtful debts

The policy for allowance for doubtful debts of the group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. Allowance for doubtful debts as at December 31, 2009 are disclosed in Notes 8 and 9 to the financial statements.

#### Allowance for inventories obsolescence

The policy for allowance for inventories obsolescence of the group is based on the aging analysis of inventories and on management's judgement on the saleability of the inventories. As at December 31, 2009, management is of the opinion that no allowance for inventories is required. The carrying amount for inventories as at December 31, 2009 is disclosed in Note 11.

#### Impairment of property, plant and equipment and intangible assets

As described in Note 2, at each end of the reporting period, the group reviews the carrying amounts of its property, plant and equipment, including construction-in-progress, and intangible assets to determine whether there is any indication of impairment. As at December 31, 2009, management is of the opinion that there did not exist any indication of impairment, and accordingly no impairment is required for property, plant and equipment and intangible assets. The carrying amount of property, plant and equipment, including construction-in-progress, and intangible assets are disclosed in Notes 15 and 16 respectively.

#### Useful lives and residual values of property, plant and equipment

As described in Note 2, the group reviews the estimated useful lives and the residual values of the property, plant and equipment at the end of each annual reporting period. During the financial year, management determined that the estimated useful lives and residual values of the property, plant and equipment are appropriate and no revision is required.

#### Fair value of embedded derivatives

The group is required to assess the fair values of the embedded derivatives which involve the input of certain variables and accordingly, require significant estimates and assumptions. Details of the embedded derivatives are provided in Note 22 to the financial statements.

#### Fair value of financial guarantee contracts

The company is required to assess the fair value of the financial guarantee contracts provided to a bank in respect of credit facilities provided to a subsidiary which require significant management estimates and assumptions. Fair value of the financial guarantee contracts are estimated based on the interest differential that the subsidiary has to incur in the event that there is no financial guarantee provided.

#### 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

##### (a) Categories of financial instruments

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Loans and receivables (including cash and bank balances)	536,544	421,920	188,127	194,115
<b>Financial liabilities</b>				
Amortised cost	732,487	648,886	267,705	280,562
Derivative financial liabilities	2,198	10,909	2,198	198

##### (b) Financial risk management policies and objectives

The group does not have written risk management policies and guidelines. However, the Board of Directors meet periodically to analyse and formulate measures to manage the group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the group employs a conservative strategy regarding its risk management.

The group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

##### (i) Price risk management

The group is exposed to fluctuations in the prices of aluminium it requires for the production of the group's products and purchases its raw materials at market prices. The group currently does not significantly hedge against price risk arising from the purchase of aluminium. As at December 31, 2008, the total notional amount of outstanding hedging contracts to which the group was committed amounted to RMB50,396,000. The group did not have any outstanding hedging contract at December 31, 2009.

##### (ii) Foreign currency risk management

The group's foreign currency exposures arose mainly from the exchange rate movements of the Singapore dollars, Euro and the United States dollars against Renminbi.

At the reporting date, the carrying amounts of significant foreign currency denominated monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2009	2008	2009	2008	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	821	-	1,830	3,945	821	-	499	3,712
Euro	-	-	4,869	3,003	-	-	-	-
United States dollars	277,240	289,283	18,382	68,789	271,819	280,193	38,610	161,008

#### Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Renminbi against the relevant foreign currencies. 10% is the sensitivity rate representing management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower

If the Renminbi strengthens by 10% against the relevant foreign currency, profit or loss will increase (decrease) by

	Singapore dollars impact		Euro impact		US dollars impact	
	2009	2008	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>						
Profit or loss	101	(395)	(487)	(300)	25,886	22,049
<u>Company</u>						
Profit or loss	32	(371)	-	-	23,321	11,919

If the Renminbi weakens by 10% against the relevant foreign currency, the above will have a vice-versa effect.

Other than the convertible loan notes and certain bank loans which are denominated in the US\$, majority of the group's transactions are denominated in Renminbi. The group does not use derivative financial instruments to hedge its foreign currency risk.

The company has investments in foreign subsidiaries, whose net assets are recorded in Renminbi, which is also the subsidiaries' functional currency. As such, the company's investments are not exposed to foreign exchange translation risk.

#### (iii) Interest rate sensitivity

The group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The group's interest rate exposure is related primarily to the time deposits and bank loans as disclosed in Notes 7 and 18 to the financial statements. The group borrows at both fixed and floating interest rates to manage interest rate risk.

#### Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year in the case of bank borrowings that bear interest at floating rates. A range of 25 to 75 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.



If interest rates have been higher or lower and all other variables were held constant, the group's profit for the current year would decrease or increase accordingly. This is mainly attributable to the group's exposure to interest rates on its floating rate borrowings which is not hedged. The following analysis shows the group's sensitivity to interest rate exposure:

Increase in interest rate basis points by:

25 basis points  
50 basis points  
75 basis points

Decrease in group's profits	
2009	2008
RMB'000	RMB'000
373	542
746	1,084
1,119	1,626

A decrease in interest rate basis points will have the same vice-versa effect.

The company's profit and loss are not affected by the changes in interest rates as the interest-bearing instruments carry fixed interest and are measured as amortised cost. The group's time deposits carry fixed interest rates and are not affected by changes in interest rates.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The group's principal financial assets are cash and bank balances, trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables. The amounts in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

As at December 31, 2009, approximately 41% (2008: 29%) of the group's trade receivables is concentrated in one customer, which is the minority shareholder of two subsidiaries.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 respectively.

Cash and bank balances are held with creditworthy financial institutions.

The group's maximum exposure to credit risk is the carrying amount of the financial assets. The company's maximum exposure to credit risk is the carrying amount of the financial assets, including forced settlement under the financial guarantee contracts (Note 21), if there is a default.

(v) Liquidity risk management

The group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities.

Liquidity and interest rate risk analysis

### Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the balance sheet

Group	Weighted average effective interest rate	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	After 5 years RMB'000	Adjustment RMB'000	Total RMB'000
<b>2009</b>						
Non-interest bearing	-	314,584	-	-	-	314,584
Fixed interest rate instruments	4.65%	89,533	-	-	(1,533)	88,000
Variable interest rate instruments	4.88%	153,271	-	-	(3,975)	149,296
Convertible loan	9.30%	189,239	-	-	(8,632)	180,607
		<u>746,627</u>	<u>-</u>	<u>-</u>	<u>(14,140)</u>	<u>732,487</u>
<b>2008</b>						
Non-interest bearing	-	201,130	-	-	-	201,130
Fixed interest rate instruments	7.51%	63,292	-	-	(1,792)	61,500
Variable interest rate instruments	5.37%	130,029	101,247	-	(14,610)	216,666
Convertible loan	9.30%	5,512	243,438	-	(79,360)	169,590
		<u>399,963</u>	<u>344,685</u>	<u>-</u>	<u>(95,762)</u>	<u>648,886</u>
<b>Company</b>						
<b>2009</b>						
Interest bearing	4.59%	93,658	-	-	(8,007)	85,651
Financial guarantee contract	0.5%	1,447	-	-	-	1,447
Convertible loan notes	9.30%	189,239	-	-	(8,632)	180,607
		<u>284,344</u>	<u>-</u>	<u>-</u>	<u>(16,639)</u>	<u>267,705</u>
<b>2008</b>						
Interest bearing	4.59%	26,700	88,597	-	(6,478)	108,819
Financial guarantee contract	0.50%	2,153	-	-	-	2,153
Convertible loan notes	9.30%	5,512	243,438	-	(79,360)	169,590
		<u>34,365</u>	<u>332,035</u>	<u>-</u>	<u>(85,838)</u>	<u>280,562</u>

The maximum amount that the company could be forced to settle under the financial guarantee contract in note 37, if the full guaranteed amount is claimed by the counterparty to the guarantee, is RMB224,937,000 (2008: RMB224,937,000). The earliest period that the guarantee could be called is as and when the guarantee is claimed by the counterparty.

### Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group and the company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the balance sheet.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>						
<b>2009</b>						
Non-interest bearing	-	461,052	-	-	-	461,052
Fixed interest rate instruments	1.17%	75,492	-	-	-	75,492
		<u>536,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,544</u>
<b>2008</b>						
Non-interest bearing	-	279,588	-	-	-	279,588
Fixed interest rate instruments	3.66%	142,332	-	-	-	142,332
		<u>421,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>421,920</u>
<b>Company</b>						
<b>2009</b>						
Non-interest bearing	-	38,610	-	184,255	(35,247)	187,618
Fixed interest rate instruments	0.24%	509	-	-	-	509
		<u>39,119</u>	<u>-</u>	<u>184,255</u>	<u>(35,247)</u>	<u>188,127</u>
<b>2008</b>						
Non-interest bearing	-	29,354	-	180,305	(37,621)	172,038
Fixed interest rate instruments	2.35%	22,077	-	-	-	22,077
		<u>51,431</u>	<u>-</u>	<u>180,305</u>	<u>(37,621)</u>	<u>194,115</u>

The liquidity risk analysis relating to the derivatives of the group and of the company are disclosed in notes 22 and 23 of the financial statements.

#### (vi) Other risk management

The financial statements include derivative financial asset and liabilities which are measured at fair value (Note 22). The fair value of the derivative asset is measured using binomial model which involve some assumptions into the valuation model. The group currently do not hedge against the risk arising from the fair value of the derivative financial asset. Management has determined that if inputs to the valuation model changed by 20%, the impact to the group's net profit for both 2009 and 2008 is not significant.

(vii) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of the derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow model is used, based on applicable yield curve of the duration of the derivative instruments

The group classifies fair value measurements using a fair value hierarchy that reflect the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- c. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The group has derivatives liabilities that fall under level 2 as disclosed in Note 22(c).

(c) **Capital risk management policies and objectives**

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in Notes 18 and 23 and equity attributable to owners of the company, comprising share capital, reserves and retained earnings. The group has complied with externally imposed capital requirements which requires the ratios of consolidated total liabilities to consolidated total tangible net assets and consolidated total borrowings to consolidated total tangible net assets not to exceed certain thresholds.

The group's Board of Directors ("Board") reviews the capital structure on a quarterly basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on decisions of the Board, the group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The group's overall strategy remains unchanged from 2008.

**5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS**

The company is a subsidiary of Lizhong Investment Ltd, incorporated in British Virgin Islands, which is also the company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between the company and its subsidiaries, which are related companies of the company, have been eliminated on consolidation

During the financial year ended December 31, 2008 and 2009, there were no other transactions with other related companies

## 6 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions

Some of the transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and are repayable on demand unless otherwise stated

Significant related party transactions, all of which were entered into with companies in which certain directors of the company have financial interests, other than those disclosed elsewhere in the financial statements, are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Sales of goods	(852)	(802)
Purchases of goods and services	599,540	564,933
Rental expense	3,827	8,271

Significant related party transactions, entered into with a minority shareholder of subsidiaries are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Sales of goods	(424,277)	(408,147)
Purchases of goods	1,483	2,616

### **Compensation of directors and key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Short-term benefits	3,032	3,333
Post-employment benefits	37	35
	3,069	3,368

The remuneration of directors and key management is determined by the Remuneration Committee of the company having regard to the performance of the individuals and market trends.

## 7 CASH AND BANK BALANCES

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	35,361	132,662	422	22,040
Cash on hand	741	587	85	37
Fixed deposits	26,000	-	-	-
Cash and cash equivalents	62,102	133,249	507	22,077
Pledged cash placed with banks	13,390	9,083	-	-
Cash and bank balances	75,492	142,332	507	22,077

Bank balances and cash comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear average interest rate of 1.17% per annum and have a tenure of approximately 7 days.

Cash amounting to RMB13,390,000 (2008: RMB9,083,000) has been pledged to banks as security for bills payable (Note 20) and letter of credit facilities provided to the group.

The group's and company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	1,830	3,945	499	3,712
Euro	12	1,848	-	-
United States dollars	8,230	25,250	-	18,324

## 8 TRADE RECEIVABLES

	Group	
	2009	2008
	RMB'000	RMB'000
Amounts receivable from the sale of goods:		
Third parties	134,201	65,236
Bills receivables	122,686	112,706
Minority shareholder of a subsidiary (Note 6)	179,101	72,070
	435,988	250,012
Allowance for doubtful debts – third parties	(61)	(61)
	435,927	249,951

The average credit period on sales of goods is 90 days (2008: 90 days). No interest is charged on the trade receivables from the date of the invoice. The group has provided fully for all receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable. Trade receivables between 91 days and 365 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

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Before accepting any new customer, the group uses a scoring system to assess the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers are reviewed annually.

Included in the group's trade receivable balance are debtors with a carrying amount of RMB44,740,000 (2008 : RMB27,068,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables (excluding bills receivables) are 116 days (2008 : 117 days).

Aging of receivables that are past due but not impaired:

	Group	
	2009	2008
	RMB'000	RMB'000
91-180 days	44,715	25,713
180 days to 1 year	25	1,355
	44,740	27,068

The group has not made any allowance for the above balances as the management is of the view that these receivables are recoverable.

Movement in the allowance for doubtful debts:

Balance at beginning of year	61	11
Increase in allowance to profit or loss	-	50
Balance at end of year	61	61

The group's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
United States dollars	9,777	16,523
Euro	4,857	1,155

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group	
	2009	2008
	RMB'000	RMB'000
Advances to suppliers	4,830	392
Deposits for aluminium futures trading	21,780	17,533
Prepaid lease payments (Note a)	66,325	67,903
Prepayment for construction-in-progress	577	5,488
Prepayments	509	5,697
Value added tax recoverable	2,648	13,496
Income tax recoverable	-	595
Amount due from an associate (Note b)	-	10,210
Others	3,345	1,894
	100,014	123,208
Less: Non-current portion of prepaid lease payments (shown under non-current assets)	(66,087)	(67,750)
Less: Non-current portion of prepayment for construction- in-progress (shown under non-current assets)	(577)	(5,488)
	34,350	49,970

Note:

- (a) The prepaid lease payments are made for land use rights on which the group's buildings are situated or construction is in progress.
- (b) The amount due from an associate (Note 13) was unsecured, interest free and repayable on demand. The amount was received in 2009.

The group's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
United States dollars	375	27,016



## 10 AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Dividend income receivable from subsidiaries (Note 12)	7,433	7,733
Recoverable from a subsidiary (Note 12)	31,163	21,602
Others	14	19
	38,610	29,354

The non-trade amount due from subsidiaries, all denominated in RMB, is unsecured, interest-free and repayable on demand.

## 11 INVENTORIES

	Group	
	2009	2008
	RMB'000	RMB'000
Raw materials	33,023	23,387
Work-in-progress	15,780	9,508
Finished goods	104,896	93,609
	153,699	126,504

The cost of inventories recognised as an expense includes RMB1,375,000 (2008 : RMB762,000) in respect of write-downs of inventories to net realisable value.

## 12 INVESTMENT IN SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Unquoted equity shares, at cost	304,443	304,443
Deemed investment arising from interest-free loan granted to a subsidiary (Note 14)	44,178	44,178
Deemed investment arising from financial guarantees provided to a bank for a subsidiary (Note 21)	2,668	2,668
Deemed distribution arising from interest-free loan obtained from a subsidiary (Note 19)	(11,974)	(11,974)
	339,315	339,315

Details of all the company's subsidiaries at December 31, 2008 are as follows:

Subsidiaries/ Country of registration and operations	Proportion of ownership interest and voting power held		Principal activities
	2009	2008	
	%	%	
Baoding Lizhong Wheel Manufacturing Co., Ltd. People's Republic of China <sup>(1)</sup>	100	100	Manufacture and sale of aluminium alloy wheels and its related fittings
Qinhuangdao Dicamry Wheel Co., Ltd. People's Republic of China <sup>(1)</sup>	90	90	Manufacture and sale of aluminium alloy wheels and its related fittings and production of non-ferrous metals, composite materials and alloyed metals
Tianjin Luzhong Wheel Limited People's Republic of China <sup>(1)</sup>	100	100	Manufacture and sale of aluminium alloy wheels and its related fittings and production of non-ferrous metals, composite materials and alloyed metals
Tianjin Dicastal Wheel Manufacturing Co., Ltd. People's Republic of China <sup>(1)(3)</sup>	80	80	Manufacture and sale of aluminium alloy wheels and its related fittings and production of non-ferrous metals, composite materials and alloyed metals
Tianjin Nano Machinery Manufacturing Co., Ltd. People's Republic of China <sup>(1)(4)</sup>	51	51	Manufacture and sale of related fittings of aluminium alloy wheels
Clear View Limited British Virgin Islands <sup>(2)</sup>	100	100	Provision of group treasury functions

(1) Audited by an overseas practice of Deloitte Touche Tohmatsu for consolidation purposes

(2) Not required to be audited by law in its country of incorporation. Audited by Deloitte & Touche LLP Singapore for consolidation purposes

(3) Shares are 15% held by Luzhong Wheel Group Ltd. and 65% held by Tianjin Luzhong Wheel Limited.

(4) Shares are held by Tianjin Luzhong Wheel Limited

### 13 INVESTMENT IN ASSOCIATES

Unquoted equity shares, at cost

Share of post-acquisition loss, net of dividend received

Group	
2009	2008
RMB'000	RMB'000
22,501	22,501
(317)	(290)
<b>22,184</b>	<b>22,211</b>

Details of the associates at December 31, 2009 are as follows:

Associate/ Country of registration and operations	Proportion of ownership interest and voting power held		Principal activities
	2009	2008	
	%	%	
Inner Mongolia Lizhong Huomei Wheel Manufacturing Co., Ltd People's Republic of China <sup>(1)(2)</sup>	29	45	Manufacture and sale of aluminum alloy wheels and its related fittings. Currently dormant.

(1) Not required to be audited by law in its country of incorporation. The entity is at construction stage and the operating result is not significant to the group.

(2) Shares are 13% (2008: 20%) held by Tianjin Lizhong Wheel Limited and 16% (2008: 25%) held by Clear View Limited.

Summarised financial information in respect of the group's associate are set out below:

	Group	
	2009	2008
	RMB'000	RMB'000
Total assets	265,157	116,967
Total liabilities	(188,661)	(67,611)
Net assets	76,496	49,356
Group's share of associate's net assets	22,184	22,211
Revenue	-	-
Loss for the year	(93)	(644)
Group's share of associate's loss profit for the year	(27)	(290)

#### 14 AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Nominal value	184,255	180,305
Less: Future finance charges	(35,245)	(37,621)
	<u>149,010</u>	<u>142,684</u>
Future finance charges is represented by:		
Excess of nominal value over the fair value of intercompany loan at loan inception (Note 12)	44,178	44,178
Notional interest income deemed earned using amortised cost method	(8,933)	(6,557)
Total	<u>35,245</u>	<u>37,621</u>

The loan agreement between a company and the subsidiary specifies that the amount is interest-free, unsecured and with full repayment on August 31, 2013. The loan is denominated in United States dollars and its carrying amount approximates its fair value

15 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Plant and machinery	Computer software	Motor vehicles	Furniture and fittings	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At January 1, 2008	54,302	239,466	2,746	10,083	4,517	113,894	425,008
Additions	-	4,028	884	1,627	815	118,558	125,912
Reclassifications	-	132,049	-	515	-	(132,564)	-
Disposals	-	(85)	-	(294)	(169)	-	(548)
At December 31, 2008	54,302	375,458	3,630	11,931	5,163	99,888	550,372
Additions	389	3,365	95	194	443	53,539	58,025
Reclassifications	30,574	39,559	-	-	164	(70,297)	-
Disposals	-	(680)	(25)	(453)	(131)	-	(1,289)
At December 31, 2009	85,265	417,702	3,700	11,672	5,639	83,130	607,108
Accumulated depreciation:							
At January 1, 2008	7,837	67,541	1,179	2,463	1,852	-	80,872
Depreciation for the year	2,741	28,859	631	1,812	803	-	34,846
Disposals	-	(62)	-	(165)	(140)	-	(367)
At December 31, 2008	10,578	96,338	1,810	4,110	2,515	-	115,351
Depreciation for the year	3,279	36,632	400	1,961	947	-	43,219
Disposals	-	(390)	(24)	(225)	(117)	-	(756)
At December 31, 2009	13,857	132,580	2,186	5,846	3,345	-	157,814
Carrying amount:							
At December 31, 2009	71,408	285,122	1,514	5,826	2,294	83,130	449,294
At December 31, 2008	43,724	279,120	1,820	7,821	2,648	99,888	435,021

Note:

Construction-in-progress has been determined after charging net borrowing and related costs of RMB11,046,000 (2008 : RMB18,323,000). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 10.2% (2008 : 10.1%)

In 2008, the group had pledged plant and machinery, motor vehicles, furniture and fittings having a total carrying amount of approximately RMB35,059,000 to secure banking facilities granted to the group [Note 18(v)]. No property, plant and equipment was pledged at end of the current reporting period.

## 16 INTANGIBLE ASSETS

### Group

#### Cost:

At January 1, 2008, December 31, 2008  
and December 31, 2009

Trademarks	Brand name	Total
RMB'000	RMB'000	RMB'000
2,000	6,000	8,000

#### Accumulated amortisation

At January 1, 2008  
Amortisation for the year  
At December 31, 2008  
Amortisation for the year  
At December 31, 2009

456	17	473
105	201	306
561	218	779
105	200	305
666	418	1,084

#### Carrying amount:

At December 31, 2009

1,334	5,582	6,916
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At December 31, 2008

1,439	5,782	7,221
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The intangible assets included above have finite useful lives, over which the assets are amortised. Trademarks are amortised over their estimated useful lives, which is 19 years. The remaining amortisation period for these trademarks is approximately 13 years. Brand names are amortised over their estimated useful lives, which is 30 years. The remaining amortisation period for the brand names is approximately 27 years.

The amortisation expense has been included in the line item "administrative expenses" in profit or loss.

## 17 DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the group and the movements thereon, during the current and prior reporting periods

	Group	
	2009	2008
	RMB'000	RMB'000
Deferred tax (liability)/asset at beginning of year	(2,286)	9,077
Reversal of prior years' overprovision of deferred tax asset	-	(9,077)
Charged to profit and loss	(2,508)	(2,286)
Deferred tax liability at end of year	(4,794)	(2,286)

Subject to the agreement by the tax authorities, at end of the reporting period, the group has unutilised tax losses of RMB4,442,800 (2008: RMB15,991,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

Pursuant to the new income tax laws in the People's Republic of China, profits earned from January 1, 2008 when distributed to the company in future will be subjected to a withholding tax rate of 5%. Accordingly, the group has set up a deferred tax liability amounting to RMB4,794,000 (2008: RMB2,286,000) as at December 31, 2009.

## 18 LOANS

	Group	
	2009	2008
	RMB'000	RMB'000
<u>Short-term loans</u>		
Short-term bank loans	141,500	101,500
<u>Long-term loans</u>		
Long-term bank loans	90,796	171,666
Long-term loan from a third party	5,000	5,000
	95,796	176,666
Amount due for settlement after twelve months	-	95,740
Amount due for settlement within twelve months	95,796	80,926

- i) Short-term bank loans amounting to RMB88,000,000 (2008: RMB61,500,000) are unsecured, bear fixed interest at rates ranging from 3.43% to 5.31% per annum and are repayable within the next twelve months.
- ii) Short-term bank loans amounting to RMB53,500,000 (2008: RMB40,000,000) are unsecured, bear interest at 1.5% plus LIBOR per annum and are repayable within the next twelve months.
- iii) Loan from a third party was raised on December 15, 2007 and bears interest at 5.4% (2008: 7.47%) per annum and is unsecured and repayable on November 21, 2010. The interest rate is determined at every annual period based on the then prevailing market interest rates.
- iv) One of the long-term bank loans amounting to RMB90,796,000 (2008: RMB116,666,000) is guaranteed by the company, bears interest at 1.5% plus LIBOR (2008: 1.5% plus LIBOR) and is denominated in United States dollars. Repayments commenced on July 15, 2008 and will continue until July 15, 2010. The first four installments are based on 10% of the loan amount, each payable on a half-yearly basis and the remaining balance is repayable on July 15, 2010.
- v) In 2008, long-term bank loans amounting to RMB55,000,000 bore interest at rates ranging from 6.75% to 7.74% per annum. The interest rates were determined at every annual period based on the then prevailing market interest rates. Of the RMB55,000,000, loans amounting to RMB40,000,000 were secured by a charge over certain of the group's property, plant and equipment (Note 15) and guaranteed by a related party (Note 6). The loans were fully repaid during the financial year.
- vi) Other than the bank loan mentioned in (iv) above, all the other bank loans are denominated in Renminbi.
- vii) The management is of the opinion that the carrying amounts of these loans approximate their fair values.

## 19 AMOUNT DUE TO SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Nominal value	88,653	114,523
Less: Future finance charges	(3,002)	(6,478)
	85,651	108,045
Less: Amount due for settlement within twelve months (shown under current liabilities)	(85,651)	(25,926)
		82,119
Future finance charges is represented by:		
Excess of nominal value over the fair value of intercompany loan at loan inception (Note 12)	11,974	11,974
Notional interest expense deemed distributed using amortised cost method	(8,972)	(5,496)
Total	3,002	6,478

The loan between the company and its subsidiary is interest-free, unsecured, and repayable in five instalments with full repayment on July 15, 2010. The first four instalments are based on 10% of the loan amount, payable on a half-yearly basis and the balance is repayable on July 15, 2010. The loan is denominated in United States dollars and its carrying amount approximates its fair value.

## 20 TRADE PAYABLES

	Group	
	2009	2008
	RMB'000	RMB'000
Amount payable for trade purchases from:		
Third parties	74,868	47,851
Bills payables	32,601	37,450
Minority shareholder of a subsidiary (Note 6)	-	346
Related parties (Note 6)	182,034	62,204
	289,503	147,851

The average credit period on purchases of goods is 60 to 90 days (2008: 70 to 100 days). No interest is charged on the trade payables. The group has financial risk management policies in place to ensure that all payables are within the credit timeframe. All trade payables are denominated in Renminbi.

Bills payables are secured by pledged cash placed with banks (Note 7).



21 OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	22,350	15,374	3,491	3,086
Retroirement benefit obligations (Note 25)	87	64	-	-
Advances/Deposits from customers (Note a)	974	1,638	-	-
Deposits from suppliers (Note a)	7,643	12,248	-	-
Payable to an associate (Note 13 and b)	-	12,000	-	-
Payable to a related party (Note 6)	-	147	-	-
Value added tax payable	2,478	6	-	-
Other taxes payable	321	207	451	-
Financial guarantee contracts (Note c)	-	-	1,447	2,153
Payables relating to construction-in-progress	3,446	17,429	-	-
Others	9,360	8,170	-	774
	46,659	67,283	5,389	6,013

Note

- (a) The advances/deposits from customers and suppliers and security and tender deposits are unsecured, interest free and repayable on demand.
- (b) The amount payable to an associate is unsecured, interest free and repayable on demand.
- (c) The company is a party to a financial guarantee contract where the company has provided a financial guarantee to a bank in respect of credit facilities provided to a subsidiary (Note 12).

The group and company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	821	-	821	-
United States dollars	5,837	3,028	2,560	2,558

## 22 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Derivative liabilities:				
- Arising from convertible loan notes (Note 23 and a)	(2,198)	(198)	(2,198)	(198)
- Hedging for aluminum purchases (Note b)		(10,711)		
Total	(2,198)	(10,909)	(2,198)	(198)

### Note

- (a) The derivative liabilities of RMB2,198,000 in 2009 (2008: RMB198,000) represent the embedded derivative components of the convertible loan notes (Note 23) and were revalued at end of the reporting period by Vigers Appraisal & Consulting Limited ("Vigers"), independent valuers not connected with the group, by using binominal model to approximate the fair value of the embedded derivatives.

During the year, the group recognised loss of RMB2,000,000 (2008: gain of RMB9,447,000) relating to a change in fair value of the embedded derivatives in the profit or loss. The loss of RMB2,000,000 has been included as part of other operating expenses in the profit or loss.

- (b) In 2008, the derivative liability of RMB10,711,000 represented the fair value of hedging instruments for aluminum purchases recognised in the profit or loss. The hedging instrument was realised in 2009.
- (c) The fair value of the derivative liabilities falls under level 2 of the fair value hierarchy as specified under FRS 107 and is measured based on inputs other than quoted prices.

## 23 CONVERTIBLE LOAN NOTES

The company issued US\$25,000,000 convertible loan notes on August 29, 2007. The notes are convertible into Singapore dollars ordinary shares of the company at any time between the date of issue of the notes and their settlement date at the option of the holder. The loan notes are convertible at S\$1.045 per share from the issue date.

The company may redeem some or all of the loan notes at 125% during the period from August 29, 2010 to August 28, 2012, subject to adjustments provided in the conditions of the convertible loan notes agreement.

The bondholders may redeem some or all of the loan notes at 115% on August 29, 2010, subject to adjustments provided in the conditions of the convertible loan notes agreement.

If the notes are not converted, they will be redeemed on August 29, 2012 at 125%. Interest of 3% will be paid semi-annually in arrears on June 30 and December 30 in each year until settlement date.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and the embedded derivative components, representing the fair value of the embedded derivatives.

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Convertible loan notes	171,788	168,847
Embedded derivative components (Note 22a)	(2,198)	(198)
Liability component at beginning of the year	169,590	168,649
Exchange rate realignment	205	(10,343)
Interest charged	16,038	15,900
Interest paid	(5,226)	(4,616)
Liability component at end of the year	180,607	169,590

The interest charged for the year is calculated by applying an effective interest rate of 9.30% (2008: 9.30%) per annum to the liability component.

Taking into consideration the revaluation report issued by Vigers, management believes that the carrying value of the liability component of the convertible loan notes at December 31, 2009 approximate its fair value.

On February 10, 2010, the company entered into a redemption agreement (the "Agreement") with the bondholders, the joint and several liquidators of the bondholders, the ultimate holding company (Note 5) and Mr Zang Ligen, a director of the company, for the full redemption of the convertible loan notes ("the Redemption").

Pursuant to the terms of the Agreement, in consideration for the surrender of the convertible loan notes by the bondholders, the company shall:

- (1) pay the bondholders US\$15,000,000 no later than the date falling three months after the date of the Agreement or such date as may be agreed between the Bondholder and the company, and
- (2) if, at any time from the date of the Agreement to the date falling the second anniversary of the Agreement
  - (a) the volume-weighted average price of a share in the company reaches for the first time S\$0.60 or above but less than S\$0.80 for 20 consecutive trading days, pay the bondholders an additional US\$1,500,000,
  - (b) after the payment described in paragraph (a) above, if the volume-weighted average price of a share in the company reaches for the first time S\$0.80 or above for 20 consecutive trading days, pay the bondholders an additional US\$1,500,000.

The company's obligation under the Agreement is guaranteed by the ultimate holding company and a director on a joint and several basis

The ultimate holding company has agreed to charge 50,000,000 shares in the company held by it in favour of the bondholders to secure the company's obligation under the Agreement.

## 24 DEFERRED INCOME

	Group	
	2009	2008
	RMB'000	RMB'000
Deferred income	3,469	-
Current portion	(347)	-
Non-current portion	3,122	-

The deferred income relates to the group's share of the unrealized profit from the sale of patents on moulds to an associate. The deferred income will be amortised over the remaining useful life of the patent against the results of the associate in the profit or loss.

## 25 RETIREMENT BENEFIT OBLIGATIONS

As at December 31, 2009, contributions of RMB87,000 (2008: RMB64,000) due in respect of current financial year had not been paid over to the state-managed retirement benefit plans (Note 21). The amounts were paid subsequent to the end of the current reporting period.

## 26 SHARE CAPITAL

	Group and Company			
	2009	2008	2009	2008
	Number of ordinary shares		RMB'000	RMB'000
Issued and paid up:				
At beginning and end of financial year	235,025,550	235,025,550	140,500	140,500

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

## 27 REVENUE

	Group	
	2009	2008
	RMB'000	RMB'000
Sale of goods	1,001,328	916,569

## 28 OTHER OPERATING INCOME

	Group	
	2009	2008
	RMB'000	RMB'000
Government grant income	5,733	1,064
Interest income	1,277	862
Fair value gain in embedded derivatives (Note 22)	-	9,447
Foreign currency exchange adjustment gain	-	15,745
Others	6	10
	7,016	27,128

## 29 FINANCE COSTS

	Group	
	2009	2008
	RMB'000	RMB'000
Interest expense on:		
Convertible loan notes (Note 23)	16,038	15,900
Bank loans	11,847	18,450
Bills payable	218	613
Total borrowing costs	28,103	34,963
Less: Amount capitalised as costs of construction (Note 15)	(11,046)	(18,323)
	17,057	16,640

## 30 INCOME TAX

	Group	
	2009	2008
	RMB'000	RMB'000
On profit for the year:		
- Current tax	2,992	347
- Overprovision of deferred tax asset in prior years (Note 17)	-	9,077
- Deferred tax arising on 5% withholding tax on undistributed PRC earnings (Note 17)	2,508	2,286
	5,500	11,710

Domestic income tax of the company is calculated at 17% (2008 : 18%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions as explained below.

In accordance with the tax legislations applicable to foreign investment enterprises ("FIE"), the enterprises are entitled to exemptions from People's Republic of China ("PRC") income tax for two years commencing from their first profit-making year of operation and thereafter, entitled to a 50% relief from PRC enterprise income tax for the next three years. The following group companies are entitled to these tax benefits:

- Baoding Lizhong Wheel Manufacturing Co., Ltd obtained the FIE licence in August 2004 and is exempted from income tax commencing from the financial year ended December 31, 2005. The prevailing tax rate applicable to the FIE is 25% (2008 : 25%).
- Qinhuangdao Dicamry Wheel Co., Ltd obtained the FIE licence in September 2005 and is exempted from income tax commencing from the financial year ended December 31, 2005. As Qinhuangdao Dicamry Wheel Co., Ltd is established in the economic zones of PRC, it is entitled to a preferential tax rate of 18% (2008 : 18%); and
- Tianjin Lizhong Wheel Co., Ltd obtained the FIE licence in 2008 and is exempted from income tax commencing from the financial year ended December 31, 2008. The prevailing tax rate applicable to the FIE is 25% (2008 : 25%).

In 2007, pursuant to a Circular dated January 14, 2000 jointly issued by the Ministry of Finance and the State Tax Bureau and subsequently approved by the local tax authorities, Baoding Lizhong Wheel Manufacturing Co., Ltd and Qinhuangdao Dicamry Wheel Co., Ltd were entitled to tax benefits calculated at 40% of the additions of PRC produced plant and equipment used for production each year. The tax benefits were, however, limited to the amount of increase in enterprise income tax for the year in which the plant and equipment were acquired as compared with the tax amount of the preceding year. The portion of the tax benefits not utilized can be carried forward for a period of not more than five years. Accordingly, a deferred tax asset amounting to RMB9,077,000 was recorded as of December 31, 2007.

Pursuant to a Statement dated May 16, 2008 issued by Chinese National Tax Authority, on a going forward basis, the 40% tax benefit was rescinded from January 1, 2008. Accordingly, management wrote off the deferred tax asset amounting to RMB9,077,000 in 2008.

The tax for the year can be reconciled to the accounting profit as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Income tax expense at PRC statutory rate of 25% (2008: 25%)	13,143	15,738
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,796)	(1,764)
Non-deductible items	1,750	3,516
Deferred tax asset written off	-	9,077
5% Withholding tax on undistributed PRC earnings	2,509	2,286
Tax exempt income	(9,106)	(17,143)
	5,500	11,710

### 31 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2009	2008
	RMB'000	RMB'000
Directors' remuneration:		
Directors of the company	539	528
Directors of the subsidiaries	1,491	1,629
Total Directors' remuneration	2,030	2,157
Employee benefits expense (including directors' remuneration):		
Defined contribution plans	9,674	8,688
Others	71,444	80,640
Total employee benefits expense	81,118	89,328
Research and development costs	11,723	9,125
Net realised (gain) loss from the settlement of derivative financial instruments (Note)	(2,967)	7,441
Fair value loss on derivative financial instruments (Note)	-	10,711
Fair value loss (gain) on embedded option of convertible loan notes	2,000	(9,447)
Foreign currency exchange adjustment loss (gain), net	1,002	(15,745)
Inventories written off	1,375	762
Loss on disposal of property, plant and equipment	203	81
Cost of inventories recognised as expense	738,030	684,597
Non-audit fees		
Paid to auditors of the company	18	18

#### Note:

In 2008, the group utilised aluminum futures contracts to hedge against the aluminum prices. The instruments purchased were primarily denominated in the currencies of the group's principal markets. The group did not designate any derivative as hedging instrument.

As of December 31, 2009, there is no outstanding aluminum futures contract for the group.

## 32 CAPITAL RESERVE

Pursuant to relevant laws and regulations in the People's Republic of China ("PRC") and the Articles of Association of the subsidiaries, the subsidiaries are required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to statutory reserve fund at an amount subject to the approval of the board of directors. The statutory reserve fund may be used to make up losses incurred and, with approval from relevant government authority, to increase capital for expansion of production.

## 33 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the company is based on the following data:

	Group	
	2009	2008
	RMB'000	RMB'000
<u>Earnings (RMB'000)</u>		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the company)	43,320	53,385
Effect of dilutive potential ordinary shares: inherent on convertible loan notes	5,857	-
Earnings for the purpose of diluted earnings per share	49,177	53,385

### Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	235,025,550	235,025,550
Effect of dilutive potential ordinary shares: Convertible loan notes	36,519,139	36,519,139
Weighted average number of ordinary shares for the purpose of diluted earnings per share	271,544,689	271,544,689
Basic earnings per share (in RMB cents)	18.43	22.71
Diluted earnings per share (in RMB cents)	18.11	19.66

## 34 CAPITAL EXPENDITURE COMMITMENTS

	Group	
	2009	2008
	RMB'000	RMB'000
Commitments for acquisition of property, plant and equipment authorised but not contracted for	38,309	160,000

### 35 OPERATING LEASE COMMITMENTS

Minimum lease payments under operating leases recognised as an expense in the year

Group	
2009	2008
RMB'000	RMB'000
6,452	5,927

At the end of the reporting period, the group has outstanding commitments under non-cancellable operating leases, which fall due as follows.

Future minimum lease payments payable:

Within one year  
In the second to fifth year inclusive  
After five years

Group	
2009	2008
RMB'000	RMB'000
3,751	3,612
6,575	7,309
2,885	4,585
13,211	15,506

Operating lease payments represent rentals payable by the group for certain of its office premises. Leases are negotiated for either an average of one to ten years or twenty years.

### 36 SEGMENTAL REPORTING

The application of FRS 108 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operation decision maker ("CODM"), which is the Board of Directors, in order to allocate resources to segments and to assess their performance. The CODM's basis of organisation on the group is by its operating legal activities.

All entities under the group are involved in the manufacture of aluminium alloy wheels with similar production processes and target customers. In addition, there is no difference in the methods used to distribute the inventories and the nature of the regulatory environment among all entities under the group. Accordingly, the CODM considers that all existing products manufactured and held by the group has similar economic characteristic and therefore, no further analysis for segment reporting is presented.

#### Geographical information

The group's activities are primarily based in People's Republic of China ("PRC"). Other Asian locations comprise mainly Japan and Korea.

The group's revenue from external customers and information about its segment assets (non-current assets excluding investments in associates, finance lease receivables and "other" financial assets) by geographical location are detailed below.

	Group	
	Revenue from external customers	
	2009	2008
	RMB'000	RMB'000
PRC		
Other Asian locations	788,551	663,665
Europe	71,835	73,543
America	135,327	166,170
Others	4,526	13,165
	1,089	26
Total	1,001,328	916,569

The group's non-current assets are all located in PRC.



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Information about major customers

Included in revenues arising from sales to PRC of RMB788,551,000 (2008: RMB663,665,000) are revenues of approximately RMB424,277,000 (2008: RMB408,147,000) which arose from sales to the group's largest customer

**37 CONTINGENT LIABILITIES**

As at end of reporting period, the company and the group has the following contingent liabilities:-

	<u>Group</u>		<u>Company</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Corporate guarantees for credit facilities given to a subsidiary			90,796	116,666

**38 DIVIDENDS**

In 2008, a first and final one tier tax exempt dividend of RMB7.2 cents per ordinary share in respect of the financial year ended December 31, 2007 amounting to approximately RMB16,922,000 was paid to shareholders. In 2009, no dividend was declared

## STATISTICS OF SHAREHOLDINGS as at 23 MARCH 2010

Class of equity securities	Number of equity securities	Voting Rights
Ordinary	235,025,550	One vote per share

There is no treasury shares held in the issued capital of the Company

### STATISTICS OF SHAREHOLDINGS

Size of Shareholding		Number of Shareholders	%	Number of Shares	%
1 -	999	2	0.22	906	0.00
1,000 -	10,000	581	62.95	3,320,000	1.41
10,001 -	1,000,000	323	34.99	25,660,525	10.92
1,000,001 and above		17	1.84	206,044,119	87.67
		923	100.00	235,025,550	100.00

### SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Li Zhong Investment Ltd	50,956,250	21.68	<sup>(1)</sup> 100,000,000	42.55
Zang Lizhong	0	0	<sup>(2)</sup> 150,956,250	64.23
Zang Liguao	0	0	<sup>(2)</sup> 150,956,250	64.23

#### Notes -

- (1) The 100,000,000 shares were transferred to a financial institution to be used as collateral for credit facilities involving no change in beneficial ownership.
- (2) By virtue of Section 7 of the Companies Act, Chapter 50, Zang Lizhong and Zang Liguao are deemed to be interested in 150,956,250 shares held by Li Zhong Investment Ltd in the Company.

**TWENTY LARGEST SHAREHOLDERS**

No.	Name of Shareholders	Number of Shares	%
1.	DB Nominees (S) Pte Ltd	100,000,000	42.55
2.	UOB Kay Hian Pte Ltd	53,572,000	22.79
3.	Teo Cheng Tuan Donald	11,700,000	4.98
4.	Low Geok Lin Judith	8,664,000	3.69
5.	United Overseas Bank Nominees Pte Ltd	5,628,994	2.40
6.	Zhang Jian Liang	4,950,500	2.11
7.	Kim Eng Securities Pte Ltd	4,753,000	2.02
8.	BNP Paribas Nominees Singapore Pte Ltd	3,086,000	1.31
9.	Lim & Tan Securities Pte Ltd	2,389,000	1.02
10.	Zang Xiu Fen	2,183,250	0.93
11.	DBS Nominees Pte Ltd	1,574,000	0.67
12.	Quek Hui Ling Joanne	1,562,000	0.66
13.	Li Lin He	1,310,125	0.56
14.	Zhao Qinghua	1,250,250	0.53
15.	Loong Chay Wan	1,206,000	0.51
16.	Kan Mun Green	1,179,000	0.50
17.	Lee Seak Sung @ Lee Seak Song	1,036,000	0.44
18.	Li Zhong Investment Ltd	956,250	0.41
19.	Du Yong Li	910,650	0.39
20.	HSBC (Singapore) Nominees Pte Ltd	824,000	0.35
Total:		208,735,019	88.82

**PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS**

35.24% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Lishong Wheel Group Ltd ("the Company") will be held at Meeting Room 205, Level 2, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard Suntec City, Singapore 039593 on Friday, 30 April 2010 at 10.00 a.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2009 together with the Auditors' Report thereon. (Resolution 1)
  
2. To re-elect the following Directors of the Company retiring pursuant to Article 89 of the Articles of Association of the Company:-  
  

Mr Zang Lishong	(Resolution 2)
Mr Chua Hung Meng	(Resolution 3)

Mr Chua Hung Meng will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent
  
3. To approve the payment of Directors' Fees of RMB 538,789 (equivalent to S\$110,575) for the year ended 31 December 2009 (2008: RMB 528,088 (equivalent to S\$111,153)). (Resolution 4)
  
4. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. (Resolution 5)
  
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

#### 6. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares.
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit, and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that.

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent consolidation or subdivision of shares.
- (3) (until 31 December 2010 or such other expiration date as may be determined by Singapore Exchange Securities Trading Limited), the limit on the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) of fifty per cent (50%) of the total number of issued shares in the capital of the Company set out in sub-paragraph (1) above, shall be increased to 100%, for purposes of enabling the Company to undertake pro-rata renounceable rights issues;
- (4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and
- (5) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (i)]

**(Resolution 6)**

**7 Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid share issue mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST**

That subject to and pursuant to the aforesaid share issue mandate being obtained, the Directors of the Company be hereby authorised and empowered to issue shares (other than on a pro-rata basis to the shareholders of the Company) at a discount ("the Discount") not exceeding ten per centum (10%) to the weighted average price ("the Price") for trades done on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement or subscription agreement is executed), provided that in exercising the authority conferred by this Resolution -

- (a) the Company complies with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST); and
- (b) the Company may, until 31 December 2010 or such other expiration date as may be determined by SGX-ST increase the Discount to an amount exceeding ten per cent (10%) but not more than twenty per cent (20%) of the Price for shares to be issued.

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unless revoked or varied by the Company in general meeting, such authority shall continue in force until (a) the conclusion of the next Annual General Meeting of the Company, or (b) the date by which the next Annual General Meeting of the Company is required by law to be held whichever is earlier. [See Explanatory Note (ii)]

(Resolution 7)

#### 8. Renewal of Shareholders' Mandate for Interested Person Transactions

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited:

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in the on pages 3 to 8 of the Company's Letter to Shareholders dated 15 April 2010 ("Letter") with any party who is of the class of Interested Persons described in the Letter, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such Interested Person Transactions as set out in the Letter (the "Shareholders' Mandate");
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit [See Explanatory Note (iii)]

(Resolution 8)

By Order of the Board

Wong Yoen Har  
Secretary

Singapore, 15 April 2010

#### Explanatory Notes:

- (i) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues subject to timeline stated below.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.



The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009 until 31 December 2010. The effectiveness of these measures will be reviewed by the SGX-ST at the end of the period. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

- (ii) The Ordinary Resolution 7 in item 7 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009 until 31 December 2010. The effectiveness of these measures will be reviewed by SGX-ST at the end of the period. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders' approval be obtained in a separate resolution (the "Resolution") at a general meeting to issue new shares on a non pro-rata basis at discount exceeding 10% but not more than 20%, and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro-rata basis is not conditional upon the Resolution.

It should be noted that under the Listing Manual of the SGX-ST, shareholders' approval is not required for placements of new shares, on a non pro-rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

- (iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will authorise the Interested Person Transactions as described in the Letter and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

**Notes:**

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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**LIZHONG WHEEL GROUP LTD.**  
 Company Registration No. 200407196C  
 (Incorporated in The Republic of Singapore)

**IMPORTANT:**

- For investors who have used their CPF monies to buy Lishong Wheel Group Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them
- CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF-Approved Nominees within the time frame specified to enable them to vote on their behalf

**PROXY FORM**

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_  
 of \_\_\_\_\_  
 being a member/members of Lishong Wheel Group Ltd. (the "Company"), hereby appoint

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 30 April 2010 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please Indicate your vote "For" or "Against" with a tick [v] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2009		
2	Re-election of Mr Zang Lishong as a Director		
3	Re-election of Mr Chua Hung Meng as a Director		
4	Approval of Directors' Fees amounting to RMB538,789 (equivalent to S\$110,575)		
5	Re-appointment of Messrs Deloitte & Touche LLP as Auditors		
6	Authority to issue new shares		
7	Authority to issue new shares up to discount of 20%		
8	Renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Signature of Shareholder(s)  
 or, Common Seal of Corporate Shareholder

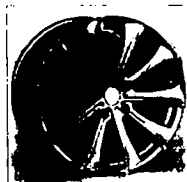
Total number of Shares in:	No of Shares
(a) CDP Register	
(b) Register of Members	

N 1:

- 1 Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
- 2 A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
- 3 Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- 4 Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
- 5 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.
- 6 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
- 7 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.





REGISTERED OFFICE

50 Raffles Place #32-01

Singapore Land Tower Singapore 048623

**浙江万丰奥威汽轮股份有限公司**

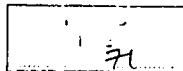
**ZHEJIANG WANFENG AUTO WHEEL CO.,LTD**

# 2010 年年度报告

证券代码：002085

证券简称：万丰奥威

披露日期：2011年3月19日



## 重要提示

本公司董事会、监事会及董事、监事、高级管理人员保证本报告所载资料不存在任何虚假记载、误导性陈述或者重大遗漏，并对其内容的真实性、准确性和完整性承担个别及连带责任。

没有董事、监事、高级管理人员对本报告内容的真实性、准确性、完整性无法保证或存在异议。

安永华明会计师事务所为本公司出具了标准无保留意见的审计报告。

公司董事长陈爱莲女士、总经理陈滨先生、财务总监丁锋云先生：保证年度报告中财务报告的真实、完整。

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## 第一节 公司基本情况简介

- (一) 中文名称：浙江万丰奥威汽轮股份有限公司  
英文名称：ZHEJIANG WANFENG AUTO WHEEL CO.,LTD  
中文简称：万丰奥威  
英文简称：WANFENG AUTO WHEEL

- (二) 公司法定代表人：陈爱莲

- (三) 公司董事会秘书及证券事务代表

	董事会秘书	证券事务代表
姓 名	徐晓芳	陈冬尔
联系地址	浙江省新昌县工业区	浙江省新昌县工业区
电 话	0575-86298339	0575-86298339
传 真	0575-86298339	0575-86298339
电子信箱	xuxf@wfjt.com	chender@wfjt.com

- (四) 公司注册地址：浙江省新昌县工业区  
公司办公地址：浙江省新昌县工业区  
邮政编码：312500  
网 址：<http://www.wfaw.com.cn>  
电子邮箱：[wfir@wfjt.com](mailto:wfir@wfjt.com)

- (五) 公司选定的信息披露报纸：《证券时报》

登载年度报告的网站网址：<http://www.cninfo.com.cn>  
公司年度报告备置地点：深圳证券交易所  
浙江省新昌县工业区公司董事会办公室

- (六) 公司股票上市交易所：深圳证券交易所

股票简称：万丰奥威



股票代码：002085

(七) 其它有关资料

公司首次注册登记日期：2001 年 9 月 30 日

公司最近一次变更登记日期：2007 年 7 月 19 日

注册登记地点：浙江省工商行政管理局

公司企业法人营业执照注册号：3300001008193 号

公司税务登记证号码：330624732406567

公司聘请的会计师事务所：安永华明会计师事务所

会计师事务所的办公地址：上海市浦东新区世纪大道环球金融中心 50 楼

## 第二节 会计数据和业务数据摘要

### 一、2010 年度的主要财务数据

项 目	金 额 (元)
营业利润	177,926,676.86
利润总额	186,127,931.99
归属于上市公司股东的净利润	132,760,543.72
归属于上市公司股东的扣除非经常性损益的净利润	123,056,073.31
经营活动产生的现金流量净额	233,676,020.63

#### 扣除非经常性损益的项目和涉及金额:

非流动资产处置损益	1,121,272.89
计入当期损益的政府补助, 但与公司正常经营业务密切相关, 符合国家政策规定、按照一定标准定额或定量持续享受的政府补助除外	7,173,072.30
除同公司正常经营业务相关的有效套期保值业务外, 持有交易性金融资产、交易性金融负债产生的公允价值变动损益, 以及处置交易性金融资产、交易性金融负债和可供出售金融资产取得的投资收益	4,588,154.62
单独进行减值测试的应收款项减值准备转回	273,548.86
除上述各项之外的其他营业外收入和支出	-93,090.06
所得税影响额	-2,111,261.93
少数股东权益影响额	-1,247,226.27
合计	9,704,470.41

### 二、 近三年的主要会计数据

单位: (人民币) 元

项 目	2010 年	2009 年	本年比上年增减 (%)	2008 年
营业总收入	1,895,360,956.52	1,354,783,147.60	39.90	1,444,689,110.85
利润总额	186,127,931.99	95,041,334.33	95.84	27,133,029.38
归属于上市公司股东的净利润	132,760,543.72	67,393,125.62	96.99	21,542,995.86

项 目	2010 年末	2009 年末	本年末比上年末增 减(%)	2008 年末
归属于上市公司股东的扣除非 经常性损益的净利润	123,056,073.31	61,485,175.34	100.14	10,247,396.29
经营活动产生的现金流量 净额	233,676,020.63	124,832,973.85	87.19	161,697,169.77
总资产	1,557,300,279.28	1,542,799,823.48	0.94	1,492,498,489.51
归属于上市公司股东的所有 者权益	927,420,016.57	837,350,065.68	10.76	798,232,787.62
股本(股)	284,350,000.00	284,350,000.00	0.00	284,350,000.00

### 三、 近三年的主要财务指标

单位：(人民币)元

项 目	2010 年	2009 年	本年比上年增减 (%)	2008 年
基本每股收益(元/股)	0.47	0.24	95.83	0.08
稀释每股收益(元/股)	0.47	0.24	95.83	0.08
扣除非经常性损益后的基本 每股收益(元/股)	0.43	0.22	95.45	0.04
加权平均净资产收益率(%)	15.05	8.29	6.76	2.68
扣除非经常性损益后的加权 平均净资产收益率(%)	13.95	7.56	6.39	1.28
每股经营活动产生的现金流 量净额(元/股)	0.82	0.44	86.36	0.57
归属于上市公司股东的每股 净资产(元/股)	3.26	2.94	10.88	2.81

### 四、 扣除非经常性损益前后的净资产收益率及每股收益

项目	加权平均净资产收益率(%)	每股收益(元)	
		基本	稀释
归属于公司普通股股东的 净利润	15.05	0.47	0.47
扣除非经常性损益后归 属于公司普通股股东的 净利润	13.95	0.43	0.43

### 第三节 股本变动及股东情况

#### 一、变动情况

##### (一) 股份变动情况表

单位：股

	本次变动前		本次变动增减(+、-)					本次变动后	
	数量	比例	发行新股	送股	公积金转股	其他	小计	数量	比例
一、有限售条件股份	170,858,602	60.09%	0	0	0	-148,387,638	-148,387,638	22,470,964	7.90%
1、国家持股	0	0.00%	0	0	0	0	0	0	0.00%
2、国有法人持股	0	0.00%	0	0	0	0	0	0	0.00%
3、其他内资持股	169,842,750	59.73%	0	0	0	-169,842,750	-169,842,750	0	0.00%
其中：境内非国有法人持股	127,627,500	44.88%	0	0	0	-127,627,500	-127,627,500	0	0.00%
境内自然人持股	42,215,250	14.85%	0	0	0	-42,215,250	-42,215,250	0	0.00%
4、外资持股	0	0.00%	0	0	0	0	0	0	0.00%
其中：境外法人持股	0	0.00%	0	0	0	0	0	0	0.00%
境外自然人持股	0	0.00%	0	0	0	0	0	0	0.00%
5、高管股份	1,015,852	0.36%	0	0	0	21,455,112	21,455,112	22,470,964	7.90%
二、无限售条件股份	113,491,398	39.91%	0	0	0	148,387,638	148,387,638	261,879,036	92.10%
1、人民币普通股	113,491,398	39.91%	0	0	0	148,387,638	148,387,638	261,879,036	92.10%
2、境内上市的外资股	0	0.00%	0	0	0	0	0	0	0.00%
3、境外上市的外资股	0	0.00%	0	0	0	0	0	0	0.00%
4、其他	0	0.00%	0	0	0	0	0	0	0.00%
三、股份总数	284,350,000	100.00%	0	0	0	0	0	284,350,000	100.00%

##### (二) 限售股份变动情况表

单位：股

股东名称	年初限售股数	本年解除限售股数	本年增加限售股数	年末限售股数	限售原因	解除限售日期
万丰奥特控股集团有限公司	127,627,500	127,627,500	0	0	大股东解禁	2010-05-14
陈爱莲	28,470,750	7,117,688	0	21,353,062	大股东解禁	2010-05-14
吴良定	13,744,500	13,744,500	0	0	大股东解禁	2010-05-14
朱训明	1,015,852	0	100,000	1,115,852	换届离任卸任	2011-03-23
李 华	0	0	2,050	2,050	离任后6个月内购入股份	2011-03-31

合计	170,858,602	148,489,688	102,050	22,470,964	--	--
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注：

- (1) 万丰奥特控股集团有限公司、陈爱莲、吴良定作为公司控股股东及实际控制人，所持股份自公司公开发行上市之日起锁定三年，控股股东及实际控制人的限售股份于 2010 年 5 月 14 日上市流通，此次可上市流通股份的总数 169,842,750 股，占公司股份总数的 59.73%。
- (2) 陈爱莲所持限售股份为现任高管限售股份，每年锁定股份为上年所持全部股份的 75%。
- (3) 朱训明经 2010 年 9 月 23 日召开的四届一次董事会换届选举离任董事，其所持所有股份 6 个月内全部锁定，6 个月后解禁锁定股份的 50%，12 个月所持股份全部解除。

## 二、股票发行和上市情况

1、到报告期末为止的前 3 年内未发行包括股票、可转换公司债券、分离交易的可转换公司债券等证券及其他衍生证券：

2、报告期内无送股、转增股本、配股、增发新股、非公开发行股票、权证行权、实施股权激励计划、企业合并、可转换公司债券转股、减资、内部职工股上市、债券发行或其他原因引起公司股份总数及结构的变动、公司资产负债结构的变动的情况：

3、公司无内部职工股。

## 三、股东数量及主要股东持股情况

单位：股

股东总数		19,106			
前 10 名股东持股情况					
股东名称	股东性质	持股比例	持股总数	持有有限自 条件股份数量	质押或冻结 的股份数量
万丰奥特控股集团有限公司	境内非国有法人	45.10%	128,230,536	0	0
陈爱莲	境内自然人	10.01%	28,470,750	21,353,062	0
吴良定	境内自然人	4.83%	13,744,500	0	0
全国社会保障基金理事会 转持二户	国有法人	3.09%	8,800,000	0	0
夏越璋	境内自然人	1.04%	2,945,250	0	0
中国银行－工银瑞信核心 价值股票型证券投资基金	境内非国有法人	0.77%	2,183,677	0	0
俞林	境内自然人	0.60%	1,703,500	0	0
吕永新	境内自然人	0.56%	1,600,000	0	0
朱训明	境内自然人	0.39%	1,115,852	1,115,852	0
唐芳英	境内自然人	0.39%	1,100,000	0	0
前 10 名无限售条件股东持股情况					
股东名称		持有无限售条件股份数量		股份种类	
万丰奥特控股集团有限公司		128,230,536		人民币普通股	
吴良定		13,744,500		人民币普通股	
全国社会保障基金理事会转持二户		8,800,000		人民币普通股	
陈爱莲		7,117,688		人民币普通股	
夏越璋		2,945,250		人民币普通股	
中国银行－工银瑞信核心 价值股票型证券投资基金		2,183,677		人民币普通股	
俞林		1,703,500		人民币普通股	
吕永新		1,600,000		人民币普通股	
唐芳英		1,100,000		人民币普通股	
中国汽车技术研究中心		1,017,500		人民币普通股	
上述股东关联关系或一致 行动的说明	前 10 名股东中万丰奥特控股集团有限公司持有公司 45.10% 的股份，是公司的控股股东，陈爱莲女士持有公司 10.01% 的股份，吴良定先生持有公司 4.83% 的股份；陈爱莲女士和吴良定先生分别持有万丰集团 39.60% 和 22.50% 的股权，吴良定先生和陈爱莲女士为夫妻关系，为公司的实际控制人。其他股东中夏越璋、俞林、朱训明为控股股东万丰奥特控股集团有限公司的董事；中国汽车技术研究中心是公司的发起人股东，该中心法定代表人赵航为公司董事，未知其他股东之间是否存在关联关系。				

#### 四、 控股股东及实际控制人情况介绍

##### （一）控股股东情况

公司名称：万丰奥特控股集团有限公司

企业性质：股份制企业

法人代表：陈爱莲

成立日期：1998年3月4日

注册资本：12000万元人民币

主营业务：汽车、摩托车铝轮、机械装备制造领域的实业投资，金融证券投资。

万丰奥特控股集团有限公司现持有公司 128,230,536 万股，持股比例为 45.10%，为公司的控股股东。

## （二）实际控制人简介

万丰奥特控股集团有限公司持有公司 45.10%的股份，是公司的第一大股东；陈爱莲女士持有公司 10.01%股权，吴良定先生持有公司 4.83%股权；陈爱莲女士和吴良定先生分别持有万丰奥特控股集团 39.6%和 22.5%的股权。吴捷先生持有万丰奥特控股集团 3.76%股权；吴良定先生和陈爱莲女士为夫妻关系，吴良定先生和吴捷先生为父子关系，共同直接或间接持有公司 59.94%股权，共同构成公司的实际控制人。

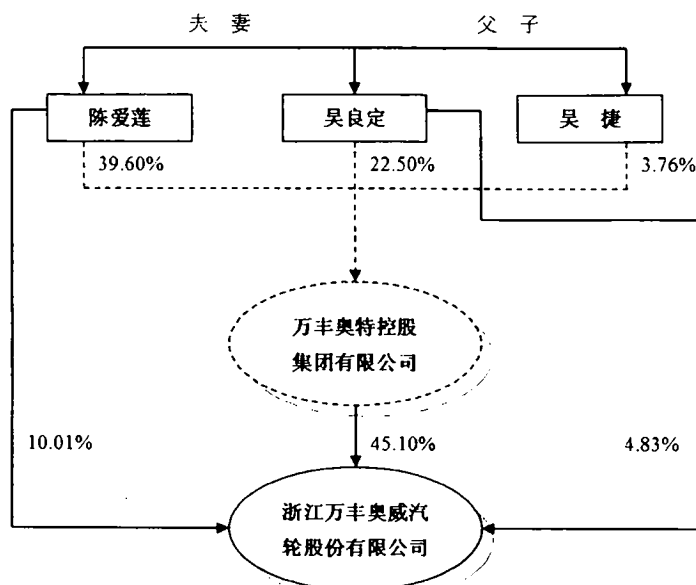
实际控制人情况如下：

陈爱莲女士：中国国籍，未拥有永久境外居留权；身份证号码：33062419580120076X，住所：浙江省新昌县城关镇西街 24 号。

吴良定先生：中国国籍，未拥有永久境外居留权；身份证号码：330624194609096996；住所：浙江省新昌县城关镇西街 24 号。

吴捷先生：中国国籍，未拥有永久境外居留权；身份证号码：330624671024701；住所：浙江省新昌县城关镇江南路 5 号 405 室。

## (三) 公司与实际控制人之间的产权及控制关系



## 五、其它持股在10%以上（含10%）的法人股东情况

公司无其它持股在 10%以上（含 10%）的法人股东情况。



#### 第四节 董事、监事和高级管理人员和员工情况

##### 一、董事、监事和高级管理人员情况

##### (一) 董事、监事和高级管理人员持股变动及报酬情况

姓名	职务	性别	年龄	任期起始日期	任期终止日期	年初持股数	年末持股数	变动原因	报告期内从公司领取的报酬总额(万元)(税前)	是否在股东单位或其他关联单位领取薪酬
陈爱莲	董事长	女	52	2010-09-23	2013-09-22	28,470,750	28,470,750	-	200.57	否
陈滨	董事	男	31	2010-09-23	2013-09-22	0	0	-	93.28	否
张锡康	董事	男	41	2010-09-23	2013-09-22	0	0	-	0.00	是
梁赛南	董事	女	34	2010-09-23	2013-09-22	0	0	-	55.33	否
李赞	董事	男	33	2010-09-23	2013-09-22	0	0	-	29.95	否
赵航	董事	男	55	2010-09-23	2013-09-22	0	0	-	0.00	是
李若山	独立董事	男	61	2010-09-23	2013-09-22	0	0	-	10.00	否
张书林	独立董事	男	70	2010-09-23	2013-09-22	0	0	-	6.00	否
孙大建	独立董事	男	56	2010-09-23	2013-09-22	0	0	-	1.00	否
吕雪莲	监事会主席	女	39	2010-09-23	2013-09-22	0	0	-	0.00	是
赵亚红	监事	男	40	2010-09-23	2013-09-22	0	0	-	0.00	是
俞光耀	监事	男	39	2010-09-23	2013-09-22	0	0	-	8.71	否
童胜坤	监事	男	40	2010-09-23	2013-09-22	0	0	-	16.06	否
吴少英	监事	男	36	2010-09-23	2013-09-22	0	0	-	11.22	否
吴兴忠	副总经理	男	42	2010-09-23	2013-09-22	0	0	-	18.10	否
余登峰	副总经理	男	35	2010-09-23	2013-09-22	0	0	-	17.22	否
徐晓芳	董事会秘书	女	29	2010-09-23	2013-09-22	0	0	-	11.26	否
丁锋云	财务总监	男	36	2010-09-23	2013-09-22	0	0	-	9.70	是

合计	-	-	-	-	28,470,750	28,470,750	-	488.4	-
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## (二) 报告期内，董事、监事、高级管理人员的变动情况

### 1、董事、监事变动情况

因公司第三届董事会、监事会任期届满，2010年9月23日，经2010年第一次临时股东大会、第四届董事会第一次会议、第四届监事会第一次会议审议批准，公司董事、监事发生变动如下：

#### (1) 董事变动情况：

经2010年第一次临时股东大会审议批准，选举陈爱莲女士、陈滨先生、张锡康先生、赵航先生、梁赛南女士、李赞先生为公司第四届董事会董事，李若山先生、张书林先生、孙大建先生为公司独立董事，以上九人组成公司第四届董事会董事，任期三年。原公司董事朱训明先生不再担任董事职务，原独立董事徐兴尧先生不再担任独立董事职务。

经四届一次董事会审议，选举陈爱莲女士为第四届董事会董事长。

#### (2) 监事变动情况：

经2010年第一次临时股东大会审议批准，选举吕雪莲女士、赵亚红先生、童胜坤先生为公司第四届监事会股东代表监事，与公司职工代表大会选举的职工代表监事俞光耀先生、吴少英先生组成公司第四届监事会，任期三年。原公司监事盛晓方先生、杨志军先生不再担任监事职务。

经四届一次监事会审议，选举吕雪莲女士为公司第四届监事会主席。

### 2、高级管理人员变动情况

(1) 2010年3月28日，经第三届董事会第二十一次会议批准，公司高管发生变动如下：

聘任吴兴忠先生为公司副总经理，负责营销工作；聘任余登峰先生为公司副总经理，负责生产工作。

(2) 2010年6月26日，吴延坤先生因个人原因申请辞去公司董事会秘书、副总经理职务。

(3) 2010年7月28日，经第三届董事会第二十四次会议批准，公司高管发生变动如下：

聘任徐晓芳女士担任公司副总经理兼董事会秘书，任职期限至本届董事会届满之日止。

(4) 2010 年 9 月 23 日, 经第四届董事会第一次会议批准, 公司高管发生变动如下:

聘任陈滨先生为公司总经理, 聘任余登峰先生、吴兴忠先生为公司副总经理, 聘任徐晓芳女士为公司副总经理兼董事会秘书, 聘任丁锋云先生为公司财务总监, 任期三年, 从董事会通过之日起计算。

### (三) 公司董事、监事、高级管理人员最近 5 年的主要工作经历及在其它单位的任职或兼职情况

1、陈爱莲: 女, 1958 年出生, 硕士研究生, 高级经济师; 现任本公司董事长、万丰奥特控股集团有限公司董事长、上海万丰奥特投资股份有限公司董事长; 荣获中国经营大师、全国优秀创业企业家、全国优秀中国特色社会主义建设者、全国“三八”红旗手、中国十大杰出女性、华夏巾帼“爱心使者”、风云浙商等称号, 当选为中共十七大代表, 浙江省第十一届、第十二届党代表, 并担任中国企业联合会副会长、上海市浙江商会执行副会长、上海浙江商会女企业家联谊会会长、浙江省商会副会长等社会职务。

2、陈 滨: 男, 1979 年出生, 毕业于英国赫尔大学, 获得工商管理硕士学位; 现任公司董事、总经理、宁波奥威尔轮毂有限公司董事长, 曾任威海万丰奥威汽轮股份有限公司董事长、浙江万丰车业有限公司经理, 公司副总经理。

3、张锡康: 男, 1969 年出生, 在读 EMBA; 现任公司董事, 浙江万丰摩轮有限公司董事长、广东万丰摩轮有限公司董事长; 万丰奥特控股集团有限公司董事、上海万丰奥特投资股份有限公司董事。曾任浙江万丰摩轮有限公司总经理。

4、梁赛南: 女, 1976 年出生, 在读 EMBA, 高级经济师; 现任公司董事、浙江万丰摩轮有限公司总经理、威海万丰奥威汽轮有限公司董事长; 曾任威海万丰奥威汽轮有限公司总经理、上海万丰客车公司营销中心主任, 万丰集团上海工作部部长, 浙江万丰摩轮有限公司副总经理, 上海万丰铝业有限公司总经理。

5、李 赟: 男, 1977 年出生, 复旦大学在读 EMBA; 现任公司董事、宁波奥威尔轮毂有限公司董事、总经理; 曾任万丰奥特控股集团总裁办主任、新昌县城东新区管委会办公室主任、党组成员、办公室主任; 新昌县沙溪镇政府副镇长。

6、赵 航: 男, 1955 年出生, 中欧国际工商学院 EMBA, 研究员级高级工程师; 现任中国汽车技术研究中心主任, 兼任博士后科研工作站站长, 中国汽车工业协会副理事长、中国汽车工程学会常务理事、武汉理工大学博士生导师, 同时担任同济大学、吉林大学、重庆交通学院等高校兼职教授。

7、李若山: 男, 1949 生, 审计学博士, 复旦大学教授、博士生导师; 现任公司独立董事、复旦大学校务委员会委员、复旦大学金融期货研究所所长、上海证

券交易所上市公司专家委员会委员，兼任宁波广博股份有限公司独立董事、上海中能集团股份有限公司独立董事、太平洋保险公司独立董事。曾任复旦大学管理学院财务与金融系主任。

8、张书林：男，1940 年出生，研究员级高级工程师，1965 年 4 月清华大学自动控制系本科毕业；现任公司独立董事，中国汽车工程学会、中国汽车技术研究中心主任顾问，国家发改委汽车专家组组长，兼任辽宁曙光汽车集团股份有限公司独立董事。历任河北邢台红星汽车厂工程师、京津冀汽车工业联营公司处长、中国汽车工业总公司规划部副处长、机械工业部汽车工业司处长、副司长、中国汽车工业协会常务副理事长兼秘书长。

9、孙大建：男，1954 年出生，中大学毕业，高级会计师、注册税务师、注册会计师；现任公司独立董事、上海耀华皮尔金顿玻璃股份有限公司总会计师。曾任上海财经大学会计系教师、大华会计师事务所业务二部经理、上海耀华皮尔金顿玻璃股份有限公司副总会计师。

10、吕雪莲：女，1971 年出生，大专文化，现任公司监事会主席、万丰奥特控股集团审计部部长、万丰奥特控股集团有限公司、浙江万丰摩轮有限公司、威海万丰镁业科技发展有限公司监事。曾任浙江万丰摩轮有限公司财务部经理。

11、赵亚红：男，1970 年出生，本科学历，现任公司监事，万丰奥特控股集团财务中心总监，曾任中国银行新昌支行营业部主任、兴业银行绍兴支行营业部总经理助理职务。

12、童胜坤：男，1970 年出生，大学文化，现任公司监事、总工程师；曾负责制订修订国家行业标准多项，负责实施多项国家级创新项目及省级创新项目，多项新产品通过省级鉴定。

13、吴少英：男，1974 年出生，大专学历；现任公司监事、三工厂厂长。历任浙江万丰奥威汽轮股份有限公司制造部经理、宁波奥威尔轮毂有限公司副总经理、总经理、浙江万丰奥威汽轮股份有限公司二工厂厂长职务。

14、俞光耀：男，1971 年生，大专学历；现任公司监事、总经办主任兼公司工会主席；1994 年 1 月参加工作，曾任浙江万通中宝铝轮有限公司总经理秘书、浙江万丰奥威汽轮股份有限公司总经办副主任兼工会主席、党支部书记、万丰奥特控股集团党委办主任、浙江万丰奥威汽轮股份有限公司制造中心内务部经理、外协部经理、厂长等职务。

15、吴兴忠：男，1968 年出生，大学文化，高级工程师；现任浙江万丰奥威汽轮股份有限公司副总经理，分管营销工作。曾任万丰奥特控股集团技术中心

总监、浙江万丰科技开发有限公司涂料部总经理、浙江万丰奥威汽轮股份有限公司总经理助理职务。

16、余登峰：男，1975 年出生，大学文化；现任浙江万丰奥威汽轮股份有限公司副总经理，分管生产工作。曾任浙江万丰摩轮有限公司技术部经理、制造部经理、常务副总经理以及浙江万丰奥威汽轮股份有限公司总经理助理职务。

17、徐晓芳：女，1981 年出生，本科学历；现任浙江万丰奥威汽轮股份有限公司副总经理、董事会秘书，兼任宁波奥威尔轮毂有限公司、威海万丰奥威轮毂有限公司董事会秘书。曾任浙江万丰奥特控股集团总裁办秘书、浙江万丰科技有限公司采购部经理、上海万丰铝业有限公司总经办主任、浙江万丰奥威汽轮股份有限公司证券事务代表职务。

18、丁锋云：男，1974 年出生，大专文化；现任浙江万丰奥威汽轮股份有限公司财务总监。曾任浙江三花股份有限公司财务科科长、万丰奥特控股集团有限公司预算管理部副部长、浙江万丰科技开发有限公司财务部经理、万丰奥特控股集团有限公司资金管理部部长、财务副总监、财务总监职务，浙江万丰奥威汽轮公司副总监。

## 二、员工情况

截止2010年12月31日，公司员工人数为2720人。

### 1、现有员工专业结构、受教育程度

分类类别	类别项目	人数(人)	占公司总人数比例
专业构成	生产人员	2208	81.45%
	销售人员	45	1.66%
	技术人员	122	4.50%
	财务人员	22	0.81%
	行政及管理人员	314	11.58%
教育程度	研究生及以上	6	0.22%
	大专、本科学历	417	15.23%
	高中、中专及以下	2297	84.54%

### 2、公司有需要承担费用的退休职工人数为5人。

## 第五节 公司治理结构

### 一、公司治理的现状

报告期内，公司严格按照《公司法》、《证券法》、《上市公司治理准则》、《深圳证券交易所股票上市规则》和中国证监会有关法律法规的要求，进一步完善了公司法人治理结构，规范公司运作。公司治理状况符合中国证监会发布的有关上市公司治理的规范性文件。

#### 1、关于股东与股东大会

公司严格按照《股东大会议事规则》等的规定和要求，召集、召开股东大会，能够确保全体股东特别是中小股东享有平等地位，充分行使自己的权力。

#### 2、关于公司与控股股东

公司拥有独立的业务和自主经营能力，在业务、人员、资产、机构、财务上独立于控股股东，公司董事会、监事会和内部机构独立运作。公司控股股东能严格规范自己的行为，没有超越公司股东大会直接或间接干预公司的决策和经营活动的行为。

#### 3、关于董事与董事会

公司严格按照《公司章程》规定的选聘程序选举董事；公司目前有独立董事三名，占全体董事的三分之一，董事会的人数及人员构成符合法律法规和《公司章程》的要求。公司全体董事能够依据《董事会议事规则》、《独立董事工作制度》、《中小企业板块上市公司董事行为指引》等制度开展工作，按时出席董事会和股东大会，积极参加相关知识的培训，熟悉有关法律法规。

#### 4、关于监事与监事会

公司监事会设监事5名，其中职工代表监事2名，监事会的人数和构成符合有关法律、法规的要求；监事会严格按照《公司章程》、《公司监事会议事规则》的规定召集、召开监事会会议；公司监事能够本着对股东负责的态度，认真履行职责，对公司提供的对外担保、非公开发行股票、重大投资等事项，以及募集资金使用情况、财务状况、董事和高级管理人员的履职情况进行有效的监督。

#### 5、关于绩效评价和激励约束机制

公司逐步建立了公正、透明的董事、监事和经理人员的绩效评价标准和激励约束机制，建立了完善的绩效考评机制，高级管理人员的薪酬与公司经营业绩指标挂钩，经理人员的聘任公开、透明，符合法律法规的规定。

#### 6、关于相关利益者

公司充分尊重和维护相关利益者的合法权益，实现社会、股东、公司、员工等各方利益的协调平衡，共同推动公司持续、稳健发展。

#### 7、关于信息披露与透明度

公司已指定董事会秘书为公司的投资者关系管理负责人，负责公司的信息披露、投资者关系的管理，接待股东的来访和咨询；指定《证券时报》和巨潮网为公司信息披露的报纸和网站，严格按照有关法律法规的规定真实、准确、及时地披露信息，并确保所有股东有获得信息的公平机会。

### 二、公司董事长、独立董事及其他董事履行职责的情况

报告期内，公司董事长能够积极推动公司内部各项制度的制订和完善，加强董事会建设，使董事会会议依法正常运作；能够严格坚持董事会集体决策机制，不存在个人意见代替董事会决策及影响其他董事独立决策的现象；在其职责范围内能够审慎行使权力，无超越其职权范围的行为；能够积极督促董事会决议的执行，保证独立董事和董事会秘书的知情权，为其履行职责创造良好的工作条件。

2010 年度，公司全体独立董事能够独立公正地履行职责，对公司重大关联交易、对外担保、募集资金使用、聘用会计师事务所、聘任解聘高级管理人员、公司董事、高级管理人员的薪酬等方面发表了独立意见，对公司重大生产经营活动进行了有效监督，提高了公司的科学决策能力、降低了经营风险、维护了公司全体股东，特别是中小股东的利益。

报告期内，公司全体董事均能积极参加董事会会议，客观、公正地审议会议事项，勤勉尽责，公平对待所有股东、认真执行董事会和股东大会决议，维护公司及全体股东的整体利益。

报告期内，公司董事出席董事会会议情况如下：

董事姓名	具体职务	应出席次数	现场出席次数	以通讯方式参加会议次数	委托出席次数	缺席次数	是否连续两次未亲自出席会议
陈爱莲	董事长	11	2	9	0	0	否
陈 滨	董事	11	2	9	0	0	否
张锡康	董事	11	2	9	0	0	否
梁登南	董事	11	2	9	0	0	否
李 贤	董事	4	1	3	0	0	否
赵 航	董事	11	2	9	0	0	否
李若山	独立董事	11	1	9	1	0	否
张书林	独立董事	11	2	9	0	0	否
徐兴尧	独立董事	7	1	6	0	0	否
孙大建	独立董事	4	1	3	0	0	否

### 三、公司与控股股东在业务、人员、资产、机构、财务等方面的情况

公司在业务、人员、资产、机构、财务等方面与控股股东相互独立，公司具有独立完整的业务及自主经营能力。

1、业务：公司业务独立于控股股东及其下属企业，拥有独立完整的供应、生产和销售系统，独立开展业务，不依赖于股东或其它任何关联方。

2、人员：公司人员、劳动、人事及工资完全独立。公司董事长、总经理、副总经理、董事会秘书、财务负责人等高级管理人员均在公司工作并领取薪酬，除董事长外均未在控股股东及其下属企业担任除董事、监事以外的任何职务和领取报酬。

3、资产：除部分办公用房为公司向关联方以租赁方式使用之外，公司拥有独立于控股股东的生产经营场所，拥有独立完整的资产结构，拥有独立的生产系统、辅助生产系统和配套设施、土地使用权、房屋所有权等资产，拥有独立的采购和销售系统。

4、机构：公司设立了健全的组织机构体系，独立运作，不存在与控股股东或其职能部门之间的从属关系。

5、财务：公司有独立的财务会计部门，建立了独立的会计核算体系和财务管理制度，独立进行财务决策。公司独立开设银行账户，独立纳税。

### 四、公司内部控制情况

(一)内部审计制度的建立情况以及内审工作指引落实情况

1. 公司股票于 2006 年 11 月 28 日完成公开发行并正式上市，2007 年 3 月



公司建立了内部审计制度,《内部审计工作制度》经公司第二届董事会第十四次会议审议通过。

2. 公司董事会设立了审计委员会,自 2007 年起设立了独立于公司财务部门及其它经营管理部门的内部审计机构,公司审计部直接对审计委员会负责,向审计委员会报告工作。

### 3. 人员安排

(1) 2010 年 9 月 23 日,公司召开四届一次董事会进行换届选举,四届审计委员会成员三人,全部由董事组成,其中独立董事两人,占半数以上,独立董事李若山先生担任审计委员会召集人,李若山先生为审计学博士;(2) 公司审计部配备专职审计人员 3 人;(3) 内部审计负责人沈春妃女士专职负责公司内部审计工作,内部审计部门负责人由审计委员会提名,并经公司董事会正式任免。

### (二) 年度内部控制自我评价报告披露相关情况

1. 审计委员会根据内部审计部门出具的评价报告及相关资料,对与财务报告和信息披露事务相关的内部控制制度的建立和实施情况出具年度内部控制自我评价报告。

2. 本年度内部控制自我评价报告包括以下内容:

(1) 公司建立内部控制制度的目标和遵循的原则;(2) 内部控制制度建立和实施;(3) 内部控制存在的缺陷及改进计划;(4) 内部控制自我评估结论。

### 3. 内部控制自我评价报告结论

公司现有内部控制制度体系基本建立、健全并得到有效执行,公司的内控体系与相关制度能够适应公司管理的要求和发展的需要,能够对编制真实公允的财务报表提供合理的保证,能够对公司各项业务的健康运行及公司经营风险的控制提供保证。随着公司未来经营发展的需要,公司将不断深化管理,进一步完善内部控制制度,使之始终适应公司发展的需要和国家有关法律法规的要求。

4. 独立董事、监事会审查并同意了公司提交的《公司内部控制自我评价报告》,认为公司现有的内部控制制度符合我国有关法规和证券监管部门的要求,在所有重大方面保持了与企业业务及管理相关的有效的内部控制;公司《2010 年度内部控制自我评价报告》真实、客观地反映了其内部控制制度的建设及运行情况。

5. 公司《内部控制自我评估》报告经公司董事会、监事会审核通过后于 2011

年 3 月 19 日披露于公司指定信息披露巨潮资讯网 ([www.cninfo.com.cn](http://www.cninfo.com.cn)) 上。

### (三) 审计委员会和内部审计部门本年度的主要工作内容与工作成效

#### 1. 审计委员会的主要工作内容与工作成效

(1) 每季度均及时听取、审阅公司业绩快报和募集资金使用情况专项报告。

(2) 2010 年 7 月 8 日, 审阅了公司审计部提交的半年度内部审计工作报告。

(3) 2010 年 7 月 22 日, 公司因重大资产重组事项实行紧急停牌, 提议聘任本次重大资产重组事项服务的审计机构和资产评估机构名单。

(4) 2011 年 3 月 12 日审阅了公司审计部提交的 2010 年度公司累计及当期对外担保情况、重要的关联交易以及重大合同情况。

#### 2. 内部审计的主要工作内容与工作成效

2010 年度审计部门严格按照财政部、证监会、深交所有关法规要求, 及时审核公司募集资金使用、收购与出售资产、重大关联交易、重大诉讼与仲裁事项及重大合同及其履行等公司重要事项, 并出具了相关审核报告。

除上述与上市公司信息披露有关的常规审核项目外, 2010 年度计划审计项目 10 个, 实际完成 10 个, 其中制度执行检查项目 3 个, 专项审计调查项目 3 个, 经营管理审计项目 1 个, 经营业绩审计项目 3 个, 审计计划完成率 100%, 提出审计建议 45 条, 被审计单位采纳 43 条, 审计建议采纳率为 96%, 完成公司年度计划目标。

#### 1、公司募集资金使用情况审核

根据公司募集资金管理制度及深交所的有关规定要求, 每季度对公司募集资金使用和项目进度情况进行审核, 督促公司加强对募集资金的管理, 维护公司及股东的合法权益, 特别是对募集资金使用的合理性和及时性进行评价, 同时对募集资金项目进行跟踪, 做到资金使用规范、公开和透明。

截止 2010 年 12 月 31 日, 公司募集资金专户存款余额为 4402.31 万元。2010 年度募集资金使用情况如下:

- (1) 直接投入募集资金款项 3045.63 万元;
- (2) 闲置募集资金暂时补充公司流动资金归还 4000 万元;
- (3) 募集资金存款利息收入等 38.9 万元。

#### 2、公司高管报酬发放情况审核

根据 2010 年 3 月 25 日薪酬委员会审议通过的《浙江万丰奥威汽轮股份有限公司高管人员 2010 年薪酬考核办法》及 2010 年度公司经营计划,公司审计、财务及人力资源部门对 2010 年度公司高管就以下指标进行了薪酬综合考核,包括销售完成率、利润完成率、四项资金周转率、总资产报酬率、劳动效率及生产和采购成本控制等指标。

### 3、对外担保情况审核

除了对控股子公司提供担保之外,公司不存在其他对外担保事项,对控股子公司提供担保情况如下:

截止 2010 年 12 月 31 日,为两控股子公司提供担保的期末余额 3 亿元,占公司最近一期经审计 2010 年 12 月 31 日净资产 87995 万元的 34.09%,占总资产的 25.31%。两子公司在上述担保项下实际发生借款 10036.3 万元。接受担保的控股子公司威海公司最近一期经审计的资产负债率为 22.38%,宁波公司最近一期经审计的资产负债率为 57.25%。公司对外担保均依照中国证监会的相关规定经过了董事会及股东大会的审批,同时独立董事发表了意见,接受担保的子公司经营正常,目前不存在承担连带还款责任的风险。

### 4、重大的关联交易进行审计

(1) 本公司以公开招标的形式购入浙江日发数码精密机械股份有限公司 6 台数控立式车床,购入的公允价格为 420 万元;

(2) 本公司以公开招标的形式购入浙江万丰科技开发有限公司购入 10 台低压铸造机,3 台毛刺机,购入的公允价格分别为 734 万元、81 万元。

上述二项关联交易的发生及相关协议的签署,均按照有关规定经股东大会或董事会的审批,遵循公平、公正、公开的原则,定价公允、合理,交易双方的权利和义务及法律责任明确,符合公司和全体股东的利益。

### 5、重大合同进行审计

公司 2010 年度发生的重大合同,浙江日发数码精密机械股份有限公司、浙江万丰科技开发有限公司和浙江万丰奥威汽轮股份有限公司签订的《设备采购合同》,经公司 2010 年第四届董事会第一次会议审议,同意以向第三方交易价格的方式确定公允价格采购各项设备,合同签订前经过内部合同评审和内部审计审核、独立董事审查并签署意见和对外公告等程序,程序合法,采购的设备将用来满足本公司的生产需要,确保公司稳定生产,符合公司利益,有利于公司的长期

发展。

#### 6、内部控制与风险管理审计

审计部本年度将内控检查、评价与改善贯穿于财务收支、会计核算、信息披露、专项调查等审计业务之中，审计部门对发现的业务环节内部控制缺陷，均提出了具体的建议。其中部分问题在 2011 版管理制度中得以完善，或在现有业务中得以改进。

公司内部控制体系的建立和完善是一个不断持续改进的过程，随着审计人员素质的提高，审计部门必将在公司治理、内部控制与风险管理方面发挥越来越重要的作用。

#### 7、经营管理审计与专项审计调查

根据公司实际经营管理需要，审计部完成经营管理类审计与专项审计调查项目 9 个，其中制度执行检查项目 3 个，专项审计调查项目 3 个，经营管理审计项目 1 个，经营业绩审计项目 3 个。

2010 年一季度审计部联合财务部、法务部等相关专业人员对公司实施了各项制度执行情况，对公司首次实施的年度激励措施进行了专项审计。二季度对各公司财务收支权限进行了专项审计。三季度联合集团人力资源部、设备科、财务部等相关专业人士对 45 万件设备投资情况进行了专项审计，对各公司的经营管理进行了审计；四季度分别对宁波公司、威海公司和汽轮公司进行了 2010 年经营业绩审计。上述审计业务覆盖了三家公司财务及产供销业务的主要环节，又针对突出问题的专项审计调查，促进了公司经营管理和业务绩效的改善。

## 第六节 股东大会情况简介

报告期内，公司共召开股东大会三次，会议的召集、召开与表决程序符合《公司法》、公司《章程》及公司《股东大会议事规则》等法律、法规及规范性文件的规定。具体如下：

（一）2010年4月26日，召开2009年度股东大会，会议审议通过了如下八项议案：

- 1、《2009年度董事会工作报告》
- 2、《2009年度监事会工作报告》
- 3、《2009年度报告全文及摘要》
- 4、《2009年财务决算报告》
- 5、《2009年度利润分配议案》
- 6、《关于2010年度对外担保事项的议案》
- 7、《关于2010年度贷款计划的议案》
- 8、《关于聘请2010年度审计机构的议案》

会议决议公告刊登在巨潮资讯网www.cninfo.com.cn上。

（二）2010年9月23日，召开2010年第一次临时股东大会，会议审议通过了如下四项议案：

- 1、《关于公司董事会换届选举的议案》
- 2、《关于公司监事会换届选举的议案》
- 3、《关于公司第四届董事、监事津贴的议案》
- 4、《关于45万件锻造汽车铝轮毂固定资产投资项目新增涂装生产线及调整投资总额的议案》

会议决议公告刊登在巨潮资讯网www.cninfo.com.cn上。

（三）2010年10月25日，召开2010年第二次临时股东大会，会议审议通过了如下十一项议案：

- 1、《关于公司符合重大资产重组条件的议案》

- 2、《关于公司非公开发行股份购买资产暨关联交易的议案》
  - 3、《关于浙江万丰奥威汽轮股份有限公司发行股份购买资产暨关联交易报告书（草案）及摘要的议案》
  - 4、《关于签署〈浙江万丰奥威汽轮股份有限公司非公开发行股份购买资产之协议书〉的议案》
  - 5、《关于签署〈浙江万丰奥威汽轮股份有限公司非公开发行股份购买资产协议之补充协议〉的议案》
  - 6、《关于签署〈浙江万丰奥威汽轮股份有限公司与万丰奥特控股集团有限公司、张锡康、蔡竹妃、倪伟勇之补偿协议〉的议案》
  - 7、《关于浙江万丰摩轮有限公司25%股权相关事宜安排的议案》
  - 8、《关于批准万丰奥特控股集团有限公司及其一致行动人免于以要约收购方式增持公司股份的议案》
  - 9、《关于签署〈关于中外合资经营企业浙江万丰摩轮有限公司之修订并重述的合资经营合同〉的议案》
  - 10、《关于修改公司章程的议案》
  - 11、《关于授权董事会办理本次重大资产重组相关事项的议案》
- 会议决议公告刊登在《证券时报》巨潮资讯网www.cninfo.com.cn上。

## 第七节 董事会报告

### 一、公司经营情况

#### (一) 报告期内公司经营情况的回顾

##### 1、公司总体经营情况

2010 年度,公司坚持“以经营质量为中心、以人为本作保证”的指导思想,借助全球经济复苏的平台,夯实实业经营的基础,通过公司全员的努力拼搏,各项工作稳步推进,生产效率得到大幅提升,较好的完成了年度经营目标。

##### 1)、营业收入、营业利润、净利润的同比变化情况

单位:(人民币)元

	2010 年度	2009 年度	同比增减(%)
营业收入	1,895,360,956.52	1,354,783,147.60	39.90
营业利润	177,926,676.86	88,417,936.91	101.23
净利润	166,605,758.87	86,208,059.86	93.26
归属于母公司股东的净利润	132,760,543.72	67,393,125.62	96.99

##### 2)、与前期披露的公司经营计划的差距

2010 年 3 月 30 日,公司在《2009 年年度报告》中披露了公司 2010 年的经营目标为年销售收入 18 亿元;公司 2010 年实际实现销售收入 18.95 亿元,年度计划完成率为 105.3%。

##### 3)、2010 年度主要工作开展如下:

2010 年,公司通过提产能、破技术、抓成本、建队伍等 9 个方面 20 个要点措施的实施,通过各级干部的努力拼搏,各项工作稳步推进,内容体系、预算体系、调度体系等得到大幅提升。

①通过全员军训、专项计划推进、人才梯队建设,强化了团队执行力。

★公司组织了全员严格军训。通过对干部、员工的强化训练,员工的精神风貌和纪律素养得到有效提升,更形成了良好的团队协作能力,为年度计划的完

成发挥了积极作用。

★通过九个方面 20 个专项计划的稳步推进，使年度计划得到有效实施，计划下达、目标跟踪、问题改进体系逐步建立。

★对于干部队伍进行了优化，调整；并建立了从领班到部门负责人的后备人才梯队

### ③产能得到明显提升，高要求产品的技术工艺得到有效突破

公司通过严抓过程控制、技能培训等措施不仅有效提升了劳动效率，促使月产量不断突破历史水平。同时，公司通过技术引进与人员引进等方式提升了高档产品模具开制的工艺技术，新品项目的开发成功率取得明显提高，高性能要求产品的 X 光、机械性能亦在量产中获得突破。

### ③优化市场布局

公司经过二年的市场布局调整，清晰了市场结构，初步形成了“253”的客户结构，客户集中度明显提高，市场订单不但满足了满负荷生产，还呈现了供不应求的局面。

### ④子公司发展情况

2010 年以来，公司强化了本部、子公司威海公司、子公司宁波公司在市场、采购、设备、人员等方面的统一调配，通过统一的协调，有效地提高了资源利用率，降低了成本，实现了生产的全面提高。

## 2、主营业务及其经营状况

### (1) 主营业务

公司的主营业务是汽车铝合金车轮的生产与销售。

### (2) 主营业务收入及主营业务利润构成情况

单位:(人民币)万元

分类标准	类型	主营业务收入	占本期比例 (%)	主营业务利润	占本期比例 (%)
地区	国内	95,920.95	51.91	20,360.93	59.93
	国外	88,876.70	48.09	13,615.23	40.07
	合计	184,797.65	100.00	33,976.16	100.00
客户类型	AM	59,336.21	32.11	11,842.80	34.86
	OEM	125,461.44	67.89	22,133.36	65.14
	合计	184,797.65	100.00	33,976.17	100.00
产品	电镀轮	15,084.52	8.16	2,269.51	6.68



	抛光轮	6,399.97	3.46	1,324.31	3.90
	涂装轮	162,248.66	87.80	30,237.72	89.00
	毛坯轮	988.49	0.53	140.21	0.41
	锻造轮	76.01	0.04	4.41	0.01
	合计	184,797.65	100.00	33,976.17	100.00

## (3) 分地区的经营情况

单位:(人民币)万元

地区	营业收入			营业成本			营业利润率(%)		
	本期	上期	增减	本期	上期	增减	本期	上期	增减
国内	95,920.95	65,346.88	46.79%	75,560.02	52,764.25	43.20%	21.23	18.8	2.43
国际	88,876.70	66,138.27	34.38%	75,261.47	58,571.49	28.50%	15.32	11.89	3.43
合计	184,797.65	131,485.15	40.55%	150,821.49	111,335.74	35.47%	18.39	15.32	3.07

## (4) 分产品的经营情况

单位:(人民币)万元

产品	营业收入			营业成本			营业利润率(%)		
	本期	上期	增减(%)	本期	上期	增减(%)	本期	上期	增减(%)
电镀轮	15,084.52	18,432.83	-18.16	12,815.01	16,455.33	-22.12	15.05	10.73	4.32
抛光轮	6,399.97	5,570.08	14.90	5,075.65	4,501.94	12.74	20.69	19.18	1.51
涂装轮	162,248.66	107,073.51	51.53	132,010.94	89,989.46	46.70	18.64	16.02	2.62
毛坯轮	988.49	408.73	141.84	848.28	389.01	118.06	14.18	4.83	9.35
锻造轮	76.01	-	-	71.60	-	-	5.80	-	-
合计	184,797.65	131,485.15	40.55	150,821.49	111,335.74	35.47	18.39	15.32	3.07

## (5) 主营业务成本变化情况

报告期内，公司主营业务成本的结构未发生重大变化，具体情况如下：

单位：(人民币)万元

项目	2009 年度		2010 年度	
	金额	比例	金额	比例
直接材料成本	62,036.27	55.72%	102,025.35	67.65%
人工成本	8,906.86	8.00%	9,094.95	6.03%
折旧及易耗品	17,401.78	15.63%	17,756.73	11.77%
燃料动力成本	14,373.44	12.91%	16,057.78	10.65%
外协加工成本	8,617.39	7.74%	5,886.67	3.90%
合计	111,335.74	100.00%	150,821.49	100.00%

#### (6) 主营业务盈利能力变化分析

报告期内，国内和国际市场的主营业务收入占公司全部主营业务收入分别为 51.91%和 48.09%，其主营业务利润贡献占比分别为 59.93%和 40.07%。可见，公司整体业绩的侧重点依然是国内市场，市场结构调整成效突出。

主营业务盈利能力提升的一个重要原因是成本控制的成功，主要体现在两个方面：一是产品产销量大幅增加，生产效率的提高有效降低了单位产品的固定费用分摊；二是劳动效率的提升有效的降低了人工成本；三是工艺改进、轻量化技术的突破及节能降耗的有效推进降低了单位产品的其它综合耗用。

#### (7) 五大供应商及五大客户情况

为降低材料供应的风险（包括质量风险和价格风险），公司采购部门对主要生产物资都开发了两个以上的供应商，在采购过程中依据市场变化情况灵活确定对供应商的采购量。与 09 年相比，2010 年公司对前五大供应商的采购比例有所下降，不存在依赖单一供应商的风险，公司对主要原材料——电解铝的主要供应商一直保持三家进行采购。

基于市场形势变化、公司战略布局和提高盈利能力的需要，公司进行了一系列的市场结构、客户结构调整，美国 GM 以及欧美主要 AM 大客户销量下降，日本、欧洲 OEM 新客户及国内 OEM 销量增加，淘汰了部分客户，客户集中度有所提高。

年 份		2008	2009	2010
五大 供应商	采购金额（万元）	64,673.77	71,099.25	68,979.28
	占年度采购 总额比例	59.68%	64.96%	53.76%

五大客户	销售金额（万元）	63,563.86	53,521.70	80,644.66
	占公司销售总额的比例	44.00%	39.50%	42.55%

2010年12月31日，公司对前五大供应商的预付账款余额总计1761.84万元，占公司预付账款总余额的80.18%，均为铝锭购买预付款；公司在前五大客户的应收账款总额为24100.33万元，占公司应收账款总余额的比例62.26%。

前五名供应商、客户与本公司不存在关联关系，公司董事、监事、高级管理人员、核心技术人员、持股5%以上股东、实际控制人和其他关联方在主要客户、供应商中无直接或间接拥有权益。单一供应商及客户的采购、销售比例均未超过30%，不存在过度依赖单一客户或供应商的风险。

### 3、报告期公司资产构成情况

单位：（人民币）元

项目	报告期末		报告期初		增减百分比
	金额	占总资产的比例（%）	金额	占总资产的比例（%）	
应收账款	390,942,022.74	25.10%	290,652,907.31	18.84	34.50%
存货	143,324,702.51	9.20%	182,217,206.00	11.81	-21.34%
投资性房地产	0.00	0.00%	0	0	0
长期股权投资	0.00	0.00%	0	0	0
固定资产	567,588,543.30	36.45%	567,057,626.90	36.75	0.09%
在建工程	39,070,598.14	2.51%	95,921,547.68	6.22	-59.27%
短期借款	109,634,707.59	7.04%	210,080,956.09	13.62	-47.81%
长期借款	0.00	0.00%	80,000,000.00	5.18	-100.00%
总资产	1,557,300,279.28	100.00%	1,542,799,823.48	100	0.94%

变动原因：

（1）应收账款从期初的2.91亿元增加到3.87亿元，增加33.18%，主要由于报告期增加了国内销售，而内销的回款周期普遍高于外销所致；

（2）存货减少21.34%，主要因为报告期公司加强了对存货管理，以销定产、严格按订单组织生产，减少了存货资金的占用；

（3）短期借款减少47.81%，因为报告期内公司加强了流动资金管理，及公司盈利的增加使现金流充裕，偿还了部分银行贷款；

（4）长期借款期末减少了8000万元，是由于期末长期借款按规定转为一年内到期的非流动负债所致。

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#### 4、报告期公司销售费用、管理费用、财务费用及所得税情况

(单位:人民币元)

项目	本期	上年同期	增减百分比
销售费用	54,973,770.08	40,584,135.83	35.46%
管理费用	87,444,277.31	63,873,279.30	36.90%
财务费用	17,760,018.03	9,895,371.95	79.48%
所得税	19,522,173.12	8,883,274.47	119.76%

变动主要原因:

(1) 销售费用的增加主要是由于公司销售上升使得一些随销售变化而变化的运费、仓储费等费用的增加。

(2) 管理费用增加主要是公司在新工艺及新产品开发方面的费用在 2010 年增加所致。

(3) 财务费用增加 79.48%，主要是公司在报告期内由于人民币汇率波动较大，汇兑损益由 2009 年的收益 264.12 万元变化为 2010 年损失 780.01 万元所致。

(4) 所得税增加 119.76%，主要是本期利润总额增加所致。

#### 5、公司现金流量的变动情况

单位：(人民币)元

项目	本期	上年同期	增减百分比
经营活动产生的现金流量净额	233,676,020.63	124,832,973.85	87.19%
投资活动产生的现金流量净额	-66,869,248.39	-67,678,593.01	-1.20%
筹资活动产生的现金流量净额	-157,384,291.64	-94,250,953.16	66.98%

变动主要原因:

(1) 经营活动产生的现金流量增加主要是由公司销售增加引起经营性应收项目增加所致；

(2) 投资活动的净现金支出同比减少 1.2%，主要是公司 2010 年度外汇远期结汇交割产生的投资损益支出比上期减少 579.67 万元所致；

(3) 筹资活动产生的现金流量净额同比增加 66.98%，主要原因是公司盈利增长较大，借款减少从而使本期偿还银行借款所支付的现金比上期减少 10759 万元所致。

## 6、外汇远期结汇业务

为规避人民币大幅升值给公司外币应收账款带来损失，公司自 2007 年起开展了外汇远期结汇业务。2010 年度，公司继续实施人民币 NDF 业务，以减少远期结汇业务可能带来的风险，由于人民币汇率趋向稳定，公司远期结汇业务已经交割部分出现亏损 138.74 万元，比上年大幅减少 80.69%。未交割部分的浮动盈利为 597.56 万元，总体的盈亏情况为盈利 458.82 万元，详细情况见下表：

年份	2009 年	2010 年	
	金额	金额	比上年增减
已经交割部分实现盈亏	-7,184,127.00	-1,387,445.40	-80.69%
未交割合约的期末浮动盈亏	7,284,399.98	5,975,600.02	-17.97%
盈亏合计	100,272.98	4,588,154.62	4475.66%

## 7、资产营运能力

原材料、在制品、产成品和应收账款等四项资产的资金占用一直是公司改善内部运营效率、提高经营质量以及薪酬考核中的关注重点。2010 年公司的应收账款和存货的周转效率有所升高，主要原因是公司年初制定了详细的四项资产的控制计划，并纳入相应责任人的薪酬考核中。通过以销定产，按定单组织生产，进行月初预算、月中跟踪、月底总结，严格控制积压品及逾期账款的产生等措施所致。详情见下表：

年份	2008	2009	2010
营业收入（元）	1444689110.85	1354783147.60	1895360956.52
应收帐款（元）	200571486.89	290652907.30	390942022.74
应收帐款周转率	7.2	4.66	5.56
存货（元）	175,100,924.33	182,217,206.00	143324702.51
存货周转率	8.25	7.43	10.80

## 8、存货变动情况

报告期内，公司存货由期初的 1.82 亿元减少到期末的 1.43 亿元，减少了 21.43%。存货减少主要是公司加强了对存货资金占用的管理，公司根据客户的

周生产计划及运输周期，制定了科学的存货控制计划，并将其纳入相应责任人的薪酬考核，使得存货数量得到有效控制。

公司依据存货期末可变现净值与账面值的差额计提存货跌价准备，处置存货时转回存货跌价准备。本年的存货及减值准备情况如下：

单位：元人民币

项 目	2010 年末 余额	占 2010 年 末总资产 的%	跌价准备 期初余额	本期计提 跌价准备	本期 转回	跌价准备 期末数
原材料	19,849,990.36	1.27	93,018.48	46,219.78	-	139,238.26
在产品	24,916,397.36	1.60	-	-	-	0.00
半成品	4,268,654.77	0.27	-	-	-	0.00
低值易 耗品	434,729.50	0.03	-	-	-	0.00
产成品	98,424,920.47	6.32	9,392,516.16	211,871.77	5,173,636.24	4,430,751.69
合 计	147,894,692.46	9.50	9,485,534.64	258,091.55	5,173,636.24	4,569,989.95

## 9、债务变动情况

报告期内，公司加强了流动资金管理，减少了银行贷款，使负债水平不断下降，利息费用减少；应收账款增加主要是由于内销产品增加，回款周期延长所致。详细情况见下表：

单位：人民币万元

年份	2008	2009 年		2010 年	
	金额	金额	增减(%)	金额	增减(%)
短期借款	239.90	210,08.10	-12.43	10,963.47	-47.81
年内到期的 非流动负债	100.00	0	-100	8,000.00	-
长期借款	0.00	80.00	-	0.00	-100.00
借款合计	339.90	290,08.10	-14.66	18,963.47	-34.63
应收账款	200,57.15	290,65.29	44.91	38,710.45	33.18

## 10、偿债能力

报告期内,由于公司经营的改善以及流动资金管理的加强,流动比率和速动比率均明显提高;盈利能力的提高使资产负债率得到降低,利息保障倍数显著提高。详细情况见下表:

年份	2008 年	2009 年	2010 年
流动比率	1.09	1.51	1.73
速动比率	0.81	1.16	1.44
资产负债率	41.08%	39.35%	32.19%
利息保障倍数	2.06	7.85	17.38

### 11、高管薪酬情况

公司高管薪酬考核办法由薪酬考核委员会拟订,董事会审批执行。薪酬考核的主要指标是年度经营计划完成情况,因此高管的年度薪酬总额与公司经营业绩直接相关。2009 及 2010 年的高管薪酬及公司年度净利润情况如下:

年 份	2009 年	2010 年	
	金额	金额	比上年增长(%)
高管薪酬总额(万元)	360.82	488.4	35.36
年度净利润(万元)	6739.31	13276.05	96.99
高管薪酬占公司 年度净利润的比例	5.35	3.68	-1.67
年度销售收入(万元)	135,030.76	189,536.10	39.90
高管薪酬占公司 销售收入(%)	0.27	0.26%	-0.01

### 12、研发情况

公司 2010 年的研发投入在总额上与上年相比增加 915.28 万元,研发投入占营业收入的比例从 2009 年的 3.57%下降到 3.04%,主要是由于营业收入增长所致;获得专利数量从 2009 年的 18 个增加到 44 个,开发新产品数量虽较 2009 年有所下降,但主要原因是所开发的新产品均是高端市场产品,开发周期较长所致,2010 年,公司整体的技术实力呈上升趋势。

年份	2009 年	2010 年
研发投入(万元)	4838.98	5677.98
营业收入(万元)	135478.31	189536.10
研发投入占营业收入的比例	3.57%	3.00%
开发新产品(个)	319	156
获得专利(项)	18	44

### 13、主要控股公司及参股公司的经营情况及业绩

#### (1) 控股子公司-威海万丰奥威汽轮有限公司

威海万丰奥威汽轮有限公司成立于 2001 年 10 月，主营汽车铝合金车轮的生产与销售，注册资本人民币 5000 万元，本公司持股 65%。

截止 2010 年 12 月 31 日，公司总资产 369,416,903.98 元，净资产 286,723,049.62 元；2010 年度，公司实现销售 583,291,715.58 元，实现净利润 93,909,781.27 元，较上年度增加 4,466 万元。公司盈利的改善主要因为威海三期扩建项目建成投产之后使公司产能大幅增加，进入良性循环阶段，10 年整体经济形势和国内市场的回暖使公司的产销量上升，公司技术与管理水平不断提高，各项成本费用得到良好控制。

#### (2) 控股子公司-宁波奥威尔轮毂有限公司

宁波奥威尔轮毂有限公司于 2004 年 3 月成立，主营汽车铝合金车轮的生产与销售，注册资本 2000 万美元，本公司拥有其 75% 的权益。

截止 2010 年 12 月 31 日，公司总资产 264,159,999.83 元，净资产 112,932,853.18 元；2010 年度，公司实现销售收入 298,278,221.20 元，实现净利润 3,907,166.85 元，较上年度增加 292 万元，自公司 2009 年首次扭亏为盈以来，2010 年利润得到大幅增加。宁波公司经历经营的瓶颈期，公司经营状况得到不断的改善，主要是因为市场结构和产品结构的适时调整，国内市场 OEM 市场份额增大；同时公司加大了生产现场管理和工艺技术的提升，生产效率和成本控制能力得到提高。

#### (3) 全资子公司-万丰奥威（英国）有限公司

万丰奥威（英国）有限公司于 2006 年 4 月 25 日在英国赫尔市约克郡注册成立，主营汽车零部件销售、设计研发和售后服务。本公司出资 100 万美元，拥有其 100% 的权益。

截止 2010 年 12 月 31 日，公司总资产 3,714,144.56 元，净资产 1,645,212.67 元；2010 年度实现销售 4,514,365.08 元，实现净利润-2,911,596.10 元。

#### (4) 全资子公司-万丰北美有限责任公司



万丰北美有限责任公司于 2006 年 4 月 3 日在美国密歇根州注册成立，主营汽车零部件销售、设计研发和售后服务，主要负责公司在北美 OEM 市场上的技术支持、物流管理及售后服务工作。本公司出资 10 万美元，拥有其 100% 的权益。

截止 2010 年 12 月 31 日，公司总资产 5,518,278.49 元，净资产 510,895.55 元；2010 年度实现销售收入 10,050,410.37 元，净利润 -42,406.14 元。

## （二）对公司未来发展情况的展望

### 1、行业发展状况

#### （1）市场需求状况

2010 年全球车市销量涨声一片，全球轿车销量比上一年猛增 12%，总数超过 6170 万辆，去年全球家用小汽车交易火爆，但发达国家和发展中国家的销售市场发展不均衡，绝大多数保持着正增长，其中南非、韩国、西班牙、日本、巴西增长幅度都达 10% 以上，美国是近 4 年来首次止跌。未来潜在的市场会在亚洲的中国、印度、欧洲的俄罗斯，南美的马西，以及即将起步的非洲。

虽然欧洲市场疲软，但亚洲市场由尽显繁荣，中国的汽车销量在 2009 年一路上升的基础上更是独占鳌头，2010 年销量高达 1800 万辆，超过美国，雄居世界第一，随着各主机厂产能的释放，2011 年中国估计仍能超 10% 的增长，突破 2000 万台，自主品牌也开始发力。

从中国在 2010 年汽车销售中可看出，全年各月汽车的销量处于稳定状态，中国工业已进入中后期，工业化和城镇化并举，并且逐渐向城镇化发展是长远之势，汽车下乡扶农政策将会继续实施，故 2011 年的汽车销量将不会受到大的影响，还有可能上涨 10%-15% (来源华商网-华商报)，但是如果各国政策松动，可能会出现再次衰退。

总体而言，2011 年整个汽车市场将还继续于涨声一片之中，对于具有核心竞争力的公司来说无疑又是一个机遇大于挑战的一年。

#### （2）中国汽车铝轮行业发展状况

2010 年影响中国汽车铝轮企业的两件大事：一是 2010 年 10 月欧盟公布了对于原产于中国的进口铝制轮毂（不含摩托车）最终裁定：反倾销税按 22.3% 计算；二是中国汽车销量高达 1800 万辆，雄居全球第一。

2010 年 10 月 28 日欧盟委员会公布了原产于中国的进口铝制轮毂（不含摩托车）最终裁定：决定在采取最终反倾销措施的同时，最终收取的保证金形式缴纳的临时反倾销税，最终反倾销税税率按 22.3% 计算。

中国成为全球第一大汽车销售市场和汽车生产国,使中国汽车铝轮企业将竞争的重心由单纯的国际市场转为国际市场和国内市场并重,国内市场的有效提升可以抵御人民币汇率波动及国际贸易保护主义对中国汽车铝轮企业的不利影响。

由于2008年的金融危机影响及2010年的欧盟对原产于中国的进口铝制轮毂反倾销税的裁定,中国众多的中小汽车铝轮企业从国际市场转向国内市场,虽然2009年8月以来,国际市场出现了回稳甚至上升势头,同时国内汽车需求开始快速上升,中国汽车铝轮企业的经营环境迅速改观,一部分前期经营困难的企业也逐渐走出了困境;但是仍有一部分企业因为资金、技术或者市场的原因仍未走出生存困境,2011汽车铝轮行业进行重新洗牌的和重组的大趋势依然存在,缺乏核心竞争力的企业将面临退出市场的危险。

## 2、机遇、挑战与公司战略目标

### (1) 机遇

国际 OEM 市场供应链变化带来的市场机遇仍然巨大,欧、日汽车 OEM 巨头加快了向中国市场采购的力度,开发进度明显加快,将给有竞争力的中国铝轮制商带来机遇;国内汽车市场将继续保持快速增长,将在较长时间内提供充足的增量订单;随着汽车行业要求的快速提高,有利于具有行业领先地位的企业整合资源,低成本扩大产能的机遇仍然存在。

### (2) 挑战

订单增长较快,产能提升需要同步的发展;要充分解决锻造工厂批量产销实现的压力;国际市场上来看,原材料铝锭市场价格变化带来的降成本压力。且汇率波动给盈利水平带来的影响;欧洲市场受到欧盟反倾销事件带来的不确定性。

### (3) 公司的战略目标

公司的战略目标是成为全球顶级的汽车铝轮供应商,使“ZCW”品牌成为全球汽车零部件行业的知名品牌。

成为“全球汽车零部件行业领跑者”公司的战略定位,“技术能力全球领先、产销量全球领先、成本全球领先”是公司的规划目标。在09、10年基础上,公司将继续通过技术上的不断创新、盈利能力上的不断提升、精益生产上的不断深入、优化体系建设上的不断强化,建设企业核心竞争力,走更加理性的发展道路。

公司将继续遵从提升产品品质促品牌、强调团队执行力、优化市场布局、优化体系建设、实现技术和生产工艺的突破等几方面来努力以确保战略计划的顺利实施。

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### 3、公司 2011 年的经营计划和主要目标

2011 年公司要紧紧围绕“以经营质量为中心、以人为本作保证、实业经营为基础，资本平台为翅膀，投资经营为提升，拓展领域为发展”的核心指导思想，抓住机遇做精、做强、做大汽轮产业。继续强化整个团队的执行力，实现技术开发与生产工艺从量变到质变的突破；继续把优化市场布局、加强优化管理体系建设、实施技术领先发展规划执行到底，坚持走短期目标和长期可持续发展目标相结合的发展之路。不断地提高公司的产能利用效率，实现产销量的不断提升，通过产销量的提升不断提高整体盈利能力，计划实现销售收入 25 亿元。

### 4、资金需求和使用计划

公司将按照计划进行募集资金投资项目的建设，并结合自身发展状况，合理筹集、安排、使用资金，对暂时闲置的募集资金按照相关规定合理使用，提高资金使用效率；利用公司银行信贷信誉良好的优势，力争使银行借款从数量和结构上得到优化。

### 5、风险因素

#### (1) 国际贸易保护主义带来的海外市场拓展风险

2010 年 10 月 28 日，欧盟发布原产于中国铝合金轮毂反倾销税的最终裁定，最终反倾销税税率按 22.3% 计算。这无疑也会助长其他国家对中国出口贸易的保护，也提出类似的调查与立案。直接影响了全球贸易的增长能否持续下去，这都将形成未来海外市场开拓的潜在风险。

针对这一情况，公司需要一方面将加大国内市场的销售比重，通过扩大内销来稳定公司的总体销售；另一方面，在外国市场的竞争中一定要保持健康、有序竞争，合理选择目标客户和目标市场，避免不合理的价格竞争造成对方的报复性行动。

#### (2) 政策因素风险

中国的汽车销售消费市场，基本上一个政策性的市场，即政策的鼓励和支持决定了汽车市场的兴衰。2009 年到 2010 年汽车销售市场发展最快的两年，完全可以证明这一点。但是由于从目前大趋势看，国内汽车相关政策尤其是促进汽车销售的政策，很有可能在 2011 年做出重大调整，鼓励汽车消费的政策减少，调控性的政策增多。例如增设交通拥堵费、增加停车费以及限制购买第二辆车等一系列的限制性措施舆论越来越强，这也给汽车市场的发展形成了不利影响。

#### (3) 高端市场供应的技术风险

公司已进入全球主流整车制造企业的高端 OEM 产品配套体系, 高端 OEM 市场对零部件供应商的供货及时性及产品品质有很高的要求, 供货不及时或者产品质量的细微缺陷都有可能带来巨大的经济损失。

针对这一情况, 一方面要通过强化先期设计对接, 专业化试制设备匹配, 提前量产来保证产品开发的效率; 另一方面要继续加大技术研发投入, 不断改进生产工艺与技术, 在保证产品品质的基础上提高生产效率, 实现对高端市场的顺利供货。再者, 公司中基层管理层要多深入现场, 共同讨论解决生产中的疑点, 以提高产品的综合制成率, 提高产品竞争力。

#### (4) 人民币汇率和铝锭价格波动风险

2010 年以来, 铝锭价格一直处于较大幅度波动状态, 而铝锭成本又是产品的主导成本, 其价格的大幅变动会直接影响到公司主要经营目标的实现。

针对这一情况, 一方面公司与客户签订供货协议时, 应明确因人民币汇率或价格波动超出一定范围而自动调整销售价格的条款; 另一方面公司开源节流部门要有市场的敏锐性, 合理做好原材料安全库存量及承兑管理工作。

#### (5) 用工风险

近年来, 全国各地有关民工荒问题不断突出, 特别是制造行业, 经济快速复苏后, 用工荒现象更加严重。根据相关调查, 许多农村务工人员已经倾巢而出, 在经济复苏后用工需求上升而供给潜力已挖尽的情况下, 用工荒难题注定短期之间难以破解。

公司作为劳动密集型企业, 用工问题提上日程, 人员流失率逐年增长, 招工难已成为现实, 在此因素影响下, 公司人员成本势必有所上升。

## 二、公司投资情况

### (一) 募集资金投资项目情况

#### 1、募集资金使用情况

公司在 2006 年 11 月通过首次发行, 募集资金净额人民币 434,279,900.00 元。截至 2010 年 12 月 31 日, 募集资金使用情况如下:

单位:(人民币)万元

募集资金总额		43,427.99		本年度投入募集资金总额		3,045.63			
报告期内变更用途的募集资金总额		-							
累计变更用途的募集资金总额		-		已累计投入募集资金总额		39,623.44			
累计变更用途的募集资金总额比例		-							
是否已变更项目(含部分变更)	募集资金承诺投资总额(1)	调整后投资总额(1)	本年度投入金额	截至期末累计投入金额(2)	截至期末投资进度(%) (3) = (2)/(1)	项目达到预定可使用状态日期	本年度实现的效益	是否达到预计效益	项目可行性是否发生重大变化
承诺投资项目									
否	22,740.00	22,740.00	1,012.86	21,782.98	95.79%	2008年03月	6,220	否	否
否	27,930.00	22,443.00	2,032.77	17,840.47	79.49%	2009年3月 锻造车间主体完工	4	否	否
-	50,670.00	45,183.00	3,045.63	39,623.45	-	-	6,224	-	-
超募资金投向									
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	50,670.00	45,183.00	3,045.63	39,623.45	-	-	6,224	-	-
未达到计划进度或预计收益的情况和原因(分具体项目)									
报告期内200万件募集资金投资项目的累计投入金额未达到计划进度,主要原因系公司尚有部分质保金和尾款按合同约定尚未支付; 报告期内45万件锻造投资项目未达到计划进度主要因为本期公司变更了45万件锻造投资项目投资总额,后续投入尚在执行。									

	新增200万件汽车铝轮毂技术改造项目报告期实现毛利6,220万元,未达到预期收益,系市场竞争激烈导致产品售价偏低所致;年产45万件半圆态锻造汽车铝轮毂固定资产投资项目报告期实现毛利4万元,未达到预期收益,主要原因是锻造车轮用于高端汽车,客户对产品投放市场相对谨慎,需较长的研发与论证周期,目前公司锻造轮均在大批送样阶段,尚未形成量产。
项目可行性发生重大变化的情况说明	报告期内不存在此情况。
超募资金的金额、用途及使用进展情况	报告期内不存在此情况。
募集资金投资项目实施地点变更情况	报告期内不存在此情况。
募集资金投资项目实施主体变更情况	报告期内不存在此情况。
募集资金投资项目先期投入及进展情况	报告期内不存在此情况。
用闲置募集资金暂时补充流动资金情况	根据本公司2009年11月26日第三届董事会第十九次会议决议,本公司于2009年11月27日使用4,000万元闲置募集资金补充流动资金,并于2010年5月24日归还该笔募集资金。 根据本公司2010年5月24日第三届董事会第二十三次会议决议,本公司于2010年5月25日使用4,000万元闲置募集资金补充流动资金,并于2010年11月24日归还该笔募集资金。
项目实施出现募集资金结余的金额及原因	报告期内,工程及设备款项尚未到支付日期,出现暂时节余。
尚未使用的募集资金用途及去向	经第三届董事会第二十七次会议审议通过,同意新增45万件锻造汽车铝轮毂固定资产投资项目的涂装生产线,在原有20,883万元投资总额的基础上,调整为22,443万元,新增涂装线的投资款1,560万元。
募集资金使用及披露中存在的问题或其他情况	报告期内不存在此情况。

## 2、募集资金专户存储制度的执行情况

报告期内,公司严格按照《募集资金专项管理办法》的规定和要求,对募集资金的存放和使用进行有效的监督和管理,以确保用于募

集资金投资项目的建设。在使用募集资金时候，严格履行相应的申请和审批手续，同时及时知会保荐机构，随时接受保荐代表人的监督。

公司募集资金用于实施“新增 200 万件汽车铝轮毂技术改造项目”和“年产 45 万件半固态锻造汽车铝轮毂固定资产投资项目”两个项目，在募集资金到位并实际使用前，公司已利用银行贷款 5,138.99 万元先期启动“新增 200 万件汽车铝轮毂技术改造项目”。

2009年年底公司募集资金余额为3409.04万元,2010年利用募集资金补充流动资金归还4000万元，直接投入募集资金项目资金3045.63万元。产生利息收入等38.9万元。截止年底，公司募集资金专户存款余额为4402.31万元。截止2010年12月31日，公司募集资金收支情况如下：

29  
单位：人民币万元

项 目	金 额
募集资金净额	43427.99
减：归还项目先期投入资金	5138.99
闲置暂时补充流动资金	0.00
直接投入募集资金项目	34484.45
加：利息收入等其他项目	597.77
尚未使用的募集资金余额	4402.31

## 2、会计师事务所对募集资金使用情况的专项审核意见

安永华明会计师事务所出具了安永华明(2011)专字第 60468741\_BO1 号《募集资金年度使用情况专项鉴证报告》，认为：

我们认为，贵公司的上述募集资金年度使用情况报告已按照深圳证券交易所《关于发布〈中小企业板上市公司募集资金管理细则〉(2008 年修订)及〈中小企业板上市公司临时报告内容与格式指引第 9 号：募集资金年度使用情况的专项报告〉的通知》(深证上[2008] 21 号)编制，并在所有重大方面反映了贵公司募集资金于 2010 年度内的使用情况。

报告期内，无其他重大非募集资金投资项目。

## 二、会计师事务所审计报告意见及会计政策、会计估计变更

(一) 公司会计报表经安永华明会计师事务所审计，出具了标准无保留意见的审计报告。

(二) 公司会计政策、会计估计变更情况及对公司的影响

报告期内，公司无重大会计政策、会计估计变更事项。

## 四、董事会日常工作情况

### (一) 董事会召开情况

报告期内，公司董事会共召开十一次会议，具体情况如下：

一、2010 年 3 月 28 日，公司召开了第三届董事会第二十一次会议，会议决议公告刊登在 2010 年 3 月 31 日的《证券时报》上。



二、2010年4月19日，公司召开了第三届董事会第二十二次会议，会议决议内容刊登在2010年4月21日的《证券时报》上。

三、2010年5月24日，公司召开了第三届董事会第二十三次会议，会议决议公告刊登在2010年5月25日的《证券时报》上。

四、2010年7月28日，公司召开了第三届董事会第二十四次会议，会议决议公告刊登在2010年7月30日的《证券时报》上。

五、2010年8月19日，公司召开了第三届董事会第二十五次会议，会议决议公告刊登在2010年8月21日的《证券时报》上。

六、2010年8月24日，公司召开了第三届董事会第二十六次会议，会议决议公告刊登在2010年8月25日的《证券时报》上。

七、2010年9月4日，公司召开了第三届董事会第二十七次会议，会议决议公告刊登在2010年9月8日的《证券时报》上。

八、2010年9月23日，公司召开了第四届董事会第一次会议，会议决议公告刊登在2010年9月28日的《证券时报》上。

九、2010年9月29日，公司召开了第四届董事会第二次会议，会议决议公告刊登在2010年10月8日的《证券时报》上。

十、2010年10月19日，公司召开了第四届董事会第三次会议，会议决议公告刊登在2010年10月21日的《证券时报》上。

十一、2010年12月27日，公司召开了第四届董事会第四次会议，会议决议公告刊登在2010年12月28日的《证券时报》上。

## （二）董事会对股东大会决议的执行情况

报告期内公司董事会严格执行股东大会决议，执行情况如下：

（1）根据公司2009年年度股东大会决议，公司2009年度的利润分配方案为：以2009年末总股本284,350,000股为基数，向全体股东每10股派发现金红利1.50元（含税）。董事会于2010年6月7日通过《证券时报》及巨潮资讯网刊登了《2009年度权益分派实施公告》，于2010年6月17日完成2009年度利润分配工作。

（2）2010年9月23日，公司召开2010年第一次临时股东大会，审议通过了董事会、监事会换届选举的议案。董事会根据相关规定，在网上更新了高层管理人员资料，录入新任董事、监事、高级管理人员资料，并在股东大会后一个月内签署了《声明与承诺》和《持股登记表》，已报送深圳证券交易所备案。

(3) 2010 年 10 月 25 日, 公司召开 2010 年第二次临时股东大会, 审议通过《关于授权董事会办理本次重大资产重组相关事项的议案》。董事会于此次股东大会 2 日后将相关重大资产重组资料上报至中国证监会, 公司分别于 2010 年 11 月 15 日和 12 月 25 日收到证监会的《申请材料的补正通知》和《审查一次反馈意见通知书》, 已在规定时间内将相关材料准备完善提交审核。

#### (一) 审计委员会履行职责情况

董事会审计委员会在每个季度均及时听取、审阅公司审计部提交的《内部审计工作报告》, 在年报审计中按照中国证监会的相关要求充分与公司审计部、财务部及年审会计师沟通, 合理确定年审工作计划、及时审阅公司未经审计财务报表及会计师审计报告初稿, 切实履行了审计委员会职责。

1、2010 年 12 月 5 日, 根据公司财务部和审计部提交的《2010 年度审计工作计划》, 审计委员会与会计师协商确定了 2010 年度财务报告审计工作时间安排, 双方确认:

审计小组于 2010 年 11 月 18 日成立, 12 月 5 日于管理层沟通审计计划会议, 2010 年 12 月 31 日到 2011 年 1 月 3 日对公司进存货全面盘点及监盘, 2010 年 1 月 7 日-28 日审计师完成审计外勤工作; 3 月 6 日审计师提交审计报告初稿, 公司财务部、审计部与审计师初步沟通; 3 月 10 日审计委员会审阅审计报告初稿; 3 月 12 日公司将审计委员会审阅之后审计报告提交全体董事; 3 月 17 日董事会审议审计报告; 3 月 19 日审计报告及年报正式对外披露。

2、2011 年 1 月 6 日, 审计委员会审阅了公司财务部提交的 2010 年度财务报表, 审阅意见为: 公司会计报表的编制符合《企业会计准则》和其他相关规定的要求, 会计政策和会计估计基本合理, 基本反映了公司的资产情况、经营情况及现金流量情况, 同意提交会计师事务所审阅。

3、2011 年 3 月 10 日, 审计委员会审阅了安永华明会计师事务所出具的审计报告初稿, 审阅意见为: 审计报告初稿及其相关财务报表符合《企业会计准则》的要求, 收入、费用和利润的确认合理, 真实、准确、完整地反映了公司的财务状况、经营成果和现金流量情况, 同意提交公司董事会审议。

4、2011 年 3 月 12 日, 审计委员会审议了公司审计部提交的《对安永华明会计师事务所 2010 年度审计工作的总结报告》, 报告中认为安永华明会计师事务所 2010 年度工作中的业务能力、服务质量、收费等方面已达到了公司的要求。

## （二）薪酬与考核委员会履行职责情况

2011年3月17日，第四届董事会薪酬与考核委员会召开2011年第一次工作会议。会议对2010年度董事、监事及高管薪酬及2011年薪酬考核办法进行了审查，薪酬与考核委员会认为：

公司2010年度能够严格按照董事、监事及高级管理人员的薪酬考核及激励制度执行，激励考核制度及薪酬发放程序符合有关法律、法规及公司《章程》的规定。薪酬考核委员会同意由公司财务、审计及人力资源部门组成的薪酬考核组提交的《管理层2010年薪酬考核结果及2011年薪酬考核办法》。

## 五、 董事会本次利润分配预案

根据安永华明会计师事务所的审计结果，2010年度公司实现税后净利润132,760,543.72元，提取法定盈余公积7,444,446.84元，加上前期滚存未分配利润96,538,372.27元，本期可供股东分配利润221,854,469.15元。

因公司重组事项尚未完成，决定2010年度不分配，留待以后年度分配。

公司前三年的现金分红情况如下：

年份	净利润	利润分配方案	现金分红额	现金分配占利润的比率
2009	6739.31 万元	每 10 股派发现金红利 1.50 元(含税)	4265.25 万元	63.29%
2008	2154.30 万元	每 10 股派送现金红利 1.00 元（含税）	2843.50 万元	131.99%
2007	6363.84 万元	每 10 股派发现金红利 1.50 元(含税)	4265.25 万元	67.02%
三年累计	15257.45 万元	-	11374 万元	74.55%

## 六、其它需要披露的事项

### （一）投资者关系管理情况

公司一直非常重视投资者关系管理，在报告期内对相关人员进行培训，对相

关制度进行完善，主要包括以下工作：

1、指定由董事会秘书为投资者关系管理负责人，负责投资者来电、邮件、留言、来访等回复和接待工作，认真听取投资者的意见和建议，保证沟通过程中的良性互动。

2、要求所有来访投资者签署《承诺书》，建立投资者关系活动档案，及时上报深交所备案。

3、2010年4月7日，公司在投资者关系互动平台上举办2009年度报告网上业绩说明会。

（二）报告期，公司指定信息披露媒体为《证券时报》及巨潮资讯网 [www.cninfo.com.cn](http://www.cninfo.com.cn)，2011年度公司将继续选择《证券时报》和巨潮资讯网 [www.cninfo.com.cn](http://www.cninfo.com.cn)作为指定信息披露媒体。

## 第八节 监事会报告

### 一、监事会 2010 年度会议召开情况

报告期内公司监事会共召开九次会议：

（一）2010 年 3 月 28 日，于公司会议室召开第三届监事会第十八次会议，会议通过了以下议案：

- 1、审议通过《2009 年年度报告全文及摘要》；
- 2、审议通过《2009 年公司内部控制自我评价报告》；
- 3、审议通过《2009 年度公司募集资金存放及使用情况的专项报告》；
- 4、审议通过《关于向浙江万丰摩轮有限公司供应煤气的议案》；
- 5、审议通过《2009 年度监事会工作报告》。

（二）2010 年 4 月 19 日，以通讯方式召开第三届监事会第十九次，会议审议通过《公司 2010 年度第一季度季度报告全文及正文》。

（三）2010 年 5 月 24 日，以通讯方式召开第三届监事会第二十次会议，会议审议通过《关于使用暂时闲置募集资金补充流动资金的议案》。

（四）2010 年 7 月 28 日，以通讯方式召开第三届监事会第二十一次会议，会议通过以下议案：

- 1、审议通过了《关于筹划公司重大资产重组的议案》；
- 2、审议通过了《关于聘请公司重大资产重组事宜相关中介机构的议案》。

（五）2010 年 8 月 24 日，以通讯方式召开第三届监事会第二十二次会议，会议审议通过《公司 2010 年半年度报告》及《摘要》。

（六）2010 年 9 月 4 日，于公司会议室召开第三届监事会第二十三次会议，会议审议通过以下议案：

- 1、审议通过了《关于公司监事会换届选举的议案》；
- 2、审议通过了《关于 45 万件锻造汽车铝轮毂固定资产投资项目新增涂装生产线及调整投资总额的议案》。

（七）2010 年 9 月 23 日，于公司会议室召开第四届监事会第一次会议，会议审议通过以下议案：

- 1、审议通过《关于选举公司第四届监事会主席的议案》；
- 2、审议通过《关于与浙江日发数码精密机械股份有限公司签署<设备采购合同>的议案》；
- 3、审议通过《关于与浙江万丰科技开发有限公司签署<设备采购合同>的议案》。

(八) 2010年9月29日，于公司会议室召开第四届监事会第二次会议，会议审议通过以下议案：

- 1、审议通过了《关于浙江万丰奥威汽轮股份有限公司发行股份购买资产暨关联交易报告书（草案）及摘要的议案》；

- 2、审议通过《关于公司重大资产重组有关财务报告及盈利预测报告的议案》。

(九) 2010年10月19日，以通讯方式召开第四届监事会第三次会议，会议审议通过《公司2010年度第三季度季度报告全文及正文》。

## 二、 监事会对 2010 年度公司有关事项的独立意见

2010年度公司监事会及全体监事严格按照《公司法》、《证券法》、《公司章程》等有关规定，通过参加公司股东大会、列席公司董事会会议、审查业务资料等多种形式，认真履行监督及其他各项职能。监事会就公司2010年度经营运作情况发表如下意见：

### 1、公司依法运作情况

监事会认为2010年度公司董事会能严格按照《公司法》、《证券法》、《公司章程》及其他法律、法规规范运作，在职权范围内，准确、全面地履行了股东大会的各项决议，决策程序科学、合法。

### 2、财务状况

监事会对2010年度公司的财务状况进行了认真细致的检查，认为：公司财务管理制度严格规范，未发生违反国家财经法规和制度的情况。2010年度的财务会计报告真实地反映了公司的财务状况和经营成果，安永华明会计师事务所对公司2010年年度财务报告出具了标准无保留意见的审计报告，我们认为是客观公正的。

### 3、公司募集资金使用情况

报告期内，公司严格按照法定程序批准并披露的投向使用募集资金，报告期内未发生其他募集资金项目变更事项。

#### 4、收购、出售资产交易情况

报告期内,公司根据生产经营需要及资产运行状态,进行了相应的资产收购、出售等处置行为。经审查,监事会认为,2010年度公司收购、出售资产的程序合法,交易价格合理,无内幕交易,未损害股东权益,亦未造成公司资产流失。

#### 5、关联交易

监事会审查了公司及其下属控股子公司 2010 年度与关联方发生的关联交易,认为关联交易价格公正、公允,决策程序符合《公司章程》和《关联交易公允决策制度》的规定,未损害公司及非关联股东利益。

## 第九节 重要事项

### 一、重大诉讼、仲裁事项

#### (一) 欧盟对中国汽车铝轮出口企业的反倾销调查案

欧洲轮毂制造商协会(EUWA)代表欧盟6家铝合金轮毂生产商于2009年6月向欧委会递交了对中国铝合金轮毂产品发起反倾销调查的申诉书,2009年8月13日,欧委会正式立案。公司于2009年8月13日成立以公司总经理为组长的“欧盟反倾销调查案应对小组”,聘请北京锦天城律师事务所作为应诉顾问机构,及时向欧委会提交了应诉材料。2009年12月,欧委会完成了对公司的现场核查。公司于2010年8月30日接到欧盟委员会对中国铝合金轮毂终裁披露:欧委会将对中国出口欧盟的汽车铝合金轮毂统一征收最终反倾销税,税率预计为22.3%,预计终裁时间是2010年11月12日。

2010年10月28日欧盟委员会公布了对原产于中国的进口铝制轮毂(不含摩托车铝制轮毂)最终裁定:肯定了初裁中关于源自于中国的被调查产品进口构成倾销、欧盟产业受到实质损害和倾销与损害之间存在因果关系的裁定,决定在采取最终反倾销措施的同时,最终收取以保证金形式缴纳的临时反倾销税,最终反倾销税税率按22.3%计算。上述税率自2010年10月29日起执行,按照欧盟反倾销条例,最终反倾销措施的有效期为自执行之日起五年。

### 三、收购及出售资产

2010年7月22日,公司实施停牌,筹划重大资产重组事项,本次非公开发行股份购买资产暨关联交易事项系万丰奥威向控股股东万丰集团、自然人张锡康、自然人蔡竹妃、自然人倪伟勇非公开发行股份购买其合计持有的万丰摩轮75%的股权。本次重大资产重组事项具体进展如下:

(1) 2010年7月22日公司向深圳证券交易所申请了股票停牌。

(2) 2010年7月23日刊登了《关于重大资产重组停牌的公告》。

(3) 2010年7月28日公司召开了第三届董事会二十四次会议,审议通过了《关于筹划公司重大资产重组的议案》、《关于聘请公司重大资产重组事宜相关中介机构的议案》。

(4) 2010年8月19日公司召开了第三届董事会二十五次会议,审议通过了《浙江万丰奥威汽轮股份有限公司发行股份购买资产暨关联交易预案》等议案。



(5) 2010年8月23日万丰奥威股票复牌交易。

(6) 2010年9月5日万丰集团召开股东会，同意签署《关于浙江万丰奥威汽轮股份有限公司非公开发行股份购买资产协议之补充协议》及《利润补偿协议》。

(7) 2010年9月29日万丰奥威召开第四届董事会第二次会议，审议通过了《浙江万丰奥威汽轮股份有限公司发行股份购买资产暨关联交易的议案》、《浙江万丰奥威汽轮股份有限公司发行股份购买资产暨关联交易报告书(草案)》。

(8) 2010年10月8日公司刊登发行股份购买资产暨关联交易报告书等文件。

(9) 2010年10月25日公司召开股东会，审议通过了《关于公司符合重大资产重组条件的议案》、《关于公司非公开发行股份购买资产暨关联交易的议案》、《关于公司发行股份购买资产暨关联交易报告书(草案)及摘要的议案》、《关于签署〈浙江万丰奥威汽轮股份有限公司非公开发行股份购买资产之协议书〉的议案》等议案。

(10) 2010年10月26日向中国证监会报送本次重大资产重组申请文件。

(11) 2010年11月4日收到中国证监会出具的《中国证监会行政许可申请材料补正通知书》(101826号)。

(12) 2010年11月15日向中国证监会报送本次重大资产重组申请补正材料。

(13) 2010年11月19日收到中国证监会出具的《中国证监会行政许可申请受理通知书》(101826号)。

(14) 2010年12月24日收到中国证监会出具的《中国证监会行政许可项目审查一次反馈意见通知书》(101826号)。

(15) 2010年12月30日向中国证监会报送了一次反馈意见的反馈回复材料。

不存在其他重大资产收购及出售事项。

### 三、重大关联交易

公司具有独立、完整的产供销体系，对控股股东及其他关联企业不存在依赖关系，报告期内公司主要关联交易如下：

### **(一) 与日常经营相关的关联交易**

2010年9月23日,经公司第四届董事会第一次会议批准,公司从浙江日发数码精密机械股份有限公司购入6台数控立式车床,以浙江日发机械向第三方交易价格协商确定价格为420万元;从浙江万丰科技开发有限公司购入10台低压铸造机,3台毛刺机,以万丰科技向第三方交易价格协商确定价格分别为734万元、81万元。

报告期内不存在其他与日常经营相关的重大关联交易,其他非重大与日常经营相关的关联交易事项详见会计报表附注。

### **(二) 资产收购、出售发生的关联交易**

见本节内容“二、收购及出售资产”。

### **(三) 报告期,公司未发生与关联方共同对外投资的关联交易**

### **(四) 与关联方的债权、债务往来及担保事项**

#### **1、与关联方的债权、债务往来**

报告期内,除控股子公司之外,公司与控股股东及其它关联方之间未发生非经营性资金占用情况,安永华明会计师事务所出具了《于浙江万丰奥威汽轮股份有限公司2010年度非经营性资金占用及其他关联资金往来情况的专项说明》。

全文如下:

#### **关于浙江万丰奥威汽轮股份有限公司 控股股东及其它关联方占用资金情况的专项说明**

安永华明(2011)专字第60468741\_B01号

浙江万丰奥威汽轮股份有限公司全体股东:

我们接受委托,审计了浙江万丰奥威汽轮股份有限公司(“贵公司”)及其子公司的财务报表,包括2010年12月31日合并及公司的资产负债表,2010年度合并及公司的利润表、股东权益变动表和现金流量表以及财务报表附注,并于2011年3月17日出具了无保留意见的审计报告。我们的审计是按照中国注册会计师审

计准则进行的。

现根据贵公司2010年度财务会计资料，对2010年度贵公司控股股东及其它关联方占用资金的情况作出如下专项说明。如实编制和对外披露这些情况并对其真实性、合法性、完整性负责是贵公司的责任。下列资料和数据均完全摘自贵公司的2010年度财务会计资料，除了为出具上述年度财务报表审计报告而实施的审计程序外，我们并未对其实施其他额外审计程序。

2010年度控股股东及其他关联方资金占用情况请参见附件“浙江万丰奥威汽轮股份有限公司2010年度控股股东及其他关联方资金占用情况汇总表”。

本专项说明仅供贵公司向中国证券监督管理委员会内有关机构和证券交易所报送之用；未经我所书面同意，不得作任何形式的公开发表或公众查阅，或作其他用途使用。

安永华明会计师事务所

中国注册会计师 汪 阳

中国 北京

中国注册会计师 施 瑾

2011年3月17日

## 附件

## 浙江万丰奥威汽轮股份有限公司2010年度控股股东及其他关联方资金占用情况汇总表

单位：人民币万元

资金占用方类别	资金占用方名称	占用方与上市公司 的关联关系	上市公司核扣 的会计科目	2010 年期初占 用资金余额	2010 年度占用 累计发生金额	2010 年度偿还 累计发生金额	2010 年期末占 用资金余额	占用形成原因	占用性质
控股股东、实际控制人及其 附属企业	万丰奥特控股集团 有限公司	母公司	其他应收款	-	19	19	-	代垫水电费	经营性占用
	浙江万丰奥威 有限公司	同属子公司	其他应收款	-	229	229	-	销售材料和自制燃气	经营性占用
			其他应收款	-	60	60	-	办公费用	经营性占用
			其他应收款	-	3,307	3,307	-	代垫水电费	经营性占用
	威海万丰奥威 科技发展有限公司	同属子公司	其他应收款	244	161	21	384	销售燃气、材料和模具	经营性占用
			预付账款	46	-	46	-	采购设备	经营性占用
	浙江万丰科技 开发有限公司	同属子公司	其他应收款	-	4	4	-	销售原材料	经营性占用
			其他应收款	-	34	34	-	代垫水电费	经营性占用
				290	3,814	3,720	384		
			其他应收款	-	382	382	-	代收代付房租	非经营性占用
上市公司及其附属 企业	威海万丰奥威 汽轮有限公司	子公司	其他应收款	-	17	17	-	销售材料和模具	经营性占用
			其他应收款	-	26	26	-	预付福利费	非经营性占用
			其他应收款	-	309	309	-	销售材料和模具	经营性占用
	宁波威尔特 有限公司	子公司	其他应收款	-	39	39	-	设备租赁费	经营性占用
			其他应收款	-	60	60	-	预付福利费	非经营性占用
				-	833	833	-		
小计				290	4,647	4,553	384		
总计									

此表已于2011年3月17日获以下人士批准：

主管会计工作负责人：

会计机构负责人：

17

## 2、公司与关联方的担保情况

报告期内，不存在本公司及控股子公司为关联方提供担保的情况，发生的担保行为均为关联方为本公司及本公司的控股子公司提供的担保，具体情况如下：

(1) 2009年12月29日，万丰奥特控股集团有限公司与中国农业银行新昌县支行签署编号为33905200900065920《最高额保证合同》，合同约定由万丰奥特控股集团有限公司为本公司自2009年12月29日至2010年12月28日在中国农业银行新昌县支行所产生的全部债务提供担保，本金不得超过人民币1.5亿元。

(2) 2009年3月12日，万丰奥特控股集团有限公司与中国工商银行股份有限公司新昌支行签订编号为2009年新昌保字0004号《最高额保证合同》，合同约定由万丰奥特控股集团有限公司为万丰奥威于2009年3月12日至2010年3月12日期间和中国工商银行股份有限公司新昌支行签订的最高债权余额在7000万元内的债务履行提供连带保证担保，保证期间为债务到期日之次日起两年。

(3) 2009年1月3日，万丰奥特控股集团有限公司与中国银行股份有限公司新昌支行签订编号为新昌2009人保104号《最高额保证合同》，合同约定由万丰奥特控股集团有限公司为万丰奥威于2008年1月1日至2012年12月31日期间和中国银行股份有限公司新昌支行签订的最高债权余额在7000万元内的债务履行提供连带保证担保，保证期间为债务到期日之次日起两年。

### (五) 其他重大关联交易

报告期内，除前述事项外，不存在其他重大关联交易。

## 四、重大合同及履行情况

(一) 报告期内，公司未发生且以前期间发生但延续到报告期的重大托管、承包、租赁等事项。

### (二) 重大担保

1、2009年8月19日，本公司与交通银行威海分行签订了编号为4010012009AM00005800的《最高额保证合同》，为威海公司在2009年8月19日至2010年8月19日内签订的全部借款合同提供担保，担保的最高本金金额为人民币8000万元；保证期限为主合同履行期届满之日起两年。

上述担保合同到期之后，2009年8月19日，本公司与交通银行威海分行签订了《最高额保证合同》，为威海公司在2009年7月30日至2011年7月30日内签订的

全部借款合同提供担保,担保的最高本金金额为人民币8000万元;保证期限为主合同履行期届满之日起两年。

截止2010年12月31日,在此担保项下有借款余额1000万元。

2、2009年4月22日,公司与中国银行威海高新支行签署2009高保004号《最高额保证合同》,为子公司威海公司自2009年4月14日起至2011年4月13日止与中国银行威海高新支行之间所产生的全部债务提供担保,担保的最高本金金额为人民币8000万元;保证期限为主合同履行期届满之日起两年。

截止2010年12月31日,在此担保项下有借款余额1000万元。

3、2009年10月15日,公司与光大银行宁波分行签署编号Sx2009445的《最高额保证合同》,为子公司宁波公司自2009年10月15日至2010年10月14日在光大银行宁波分行所产生的全部债务提供担保,本金不得超过人民币6000万元;保证期限为主合同履行期届满之日起两年。

上述担保合同到期之后,2010年12月20日,公司与光大银行宁波分行签署编号SX2010732的《最高额保证合同》,为子公司宁波公司自2010年12月20日至2011年12月19日在光大银行宁波分行所产生的全部债务提供担保,本金不得超过人民币6000万元;保证期限为主合同履行期届满之日起两年。

截止2010年12月31日,此担保项下有借款余额500万元。

4、2010年4月30日公司与中国银行股份有限公司北仑支行签署北仑(保税)2010人保007《最高额保证合同》,为子公司宁波奥威尔在2010年4月30日至2011年12月18日在中国银行股份有限公司北仑支行所产生的全部债务提供担保,本金不得超过人民币4000万元。

截止2010年12月31日,在此担保项下有借款余额3000万元。

5、2010年8月27日,公司与中国民生银行股份有限公司宁波分行签署编号为公高保字第2010001号《最高额保证合同》,为子公司宁波奥威尔2010年6月25日至2011年6月24日在中国民生银行股份有限公司宁波分行所产生的全部债务提供担保,本金不得超过人民币4000万元;保证期限为主合同履行期届满之日起两年。

截止2010年12月31日在此担保项下有借款余额为零。

2010年12月31日,本公司净资产89741.10万元,为两控股子公司累计提供担保30000万元,为两控股子公司提供担保的期末余额为5500万元,占公司净资产

的6.13%，两子公司在上述担保项下实际发生借款16,690.94万元，占公司净资产的19.93%；接受担保的控股子公司威海公司资产负债率22%，宁波公司资产负债率57%。

报告期内，公司所有对外担保均履行了严格的审批程序，不存在为控股股东及持股50%以下的其它关联方、任何非法人单位提供担保和违规担保的情况。

（三）报告期内，公司未发生且以前期间发生但延续到报告期的重大委托他人进行现金资产管理的事项。

#### （四）其他重大合同

1、2007年12月30日，本公司子公司威海万丰与交通银行威海分行签订合同编号为：40100122008AF0000100 的《最高额抵押合同》，威海万丰将其所有的位于威海市火炬路218-2号（房产证号为威房权证字第00007445号）的综合楼及位于火炬路218-3号（房产证号为威房权证字第00007444号）的厂房抵押给交通银行威海分行，为其在2007年12月30日至2010年12月30日期间签署的最高额为3085万元人民币的短期借款提供担保。

2、2009年12月22日，本公司与中国进出口银行签订编号为：（2009）进出银（浙最信抵）字第2-034号的《房地产最高额抵押合同》，合同约定将公司拥有位于浙江省新昌县城关镇后溪的建筑面积为69804.91平方米的幢房产和面积为149555平方米之土地使用权设置抵押，以保证在2009年12月22日至2011年12月22日期间公司在8000万元人民币内与中国进出口银行签定的具体业务合同得到切实履行。

### 五、公司或持股5%以上股东在报告期内或持续到报告期的承诺事项

公司股票上市发行时所作承诺：

公司控股股东万丰奥特控股集团有限公司及实际控制人陈爱莲、吴良定、吴捷承诺在作为公司第一大股东及实际控制人期间，不设立从事与浙江万丰奥特汽车股份有限公司有相同或类似业务的子公司。报告期内，未发生同业竞争的情况。

公司发行股份购买万丰奥特控股集团有限公司、张锡康、蔡竹妃、倪伟勇合计持有浙江万丰摩轮有限公司75%股权（以下简称“本次重组”）时所作承诺：

#### 一）股份锁定或转让承诺

1、万丰奥特控股集团有限公司承诺在本次重组完成后其持有的万丰奥特股票的限售

期为自本次股份发行结束之日起 36 个月。

2、万丰集团承诺：如过渡期内万丰集团、张锡康、蔡竹妃和倪伟勇持有的万丰摩轮股权需发生变化的，应当事先告知万丰奥威，并就股权变化对万丰奥威未来权益的影响与万丰奥威协商，以保证万丰奥威未来权益不受侵害。

### 二）利润承诺

1、万丰奥特控股集团承诺：在浙江万丰摩轮之实际盈利数未达到利润预测数时，由万丰集团、张锡康、蔡竹妃和倪伟勇根据本协议第三条约定的计算方式计算补偿股份，并将补偿股份赠送给万丰奥威之其他股东。

2、2010 年 9 月，万丰奥特控股集团出具《承诺函》，如 DEG 在万丰摩轮将合资公司从内资企业转为中外合资经营企业的首份修订后营业执照（即 2006 年 8 月 29 日）签发后十年内将其持有的 25%股权出让，造成万丰摩轮须补缴因税收优惠减免的税款的，万丰集团同意就万丰摩轮补缴税款造成的损失，由万丰集团全额承担。

### 三）避免同业竞争的承诺：

1、控股股东关于避免同业竞争的承诺：本次重组完成后，万丰集团摩托车铝合金车轮业务已全部注入上市公司，为避免与上市公司产生同业竞争，万丰集团已出具了《关于避免同业竞争和规范关联交易的承诺函》，作出如下承诺：

“本公司及本公司的全资子公司、控股子公司或本公司拥有实际控制权或重大影响的其他公司（以下简称“本公司控制的公司”）将不会从事任何与万丰奥威本次重组完成后或未来所从事的业务发生或可能发生竞争的业务。如本公司及本公司控制的公司经营活动中可能在将来与万丰奥威发生同业竞争或与万丰奥威发生利益冲突，本公司将行使否决权，或本公司将放弃或将促使本公司控制的公司放弃可能发生同业竞争的业务，以确保与万丰奥威不进行直接或间接的同业竞争，或将本公司和本公司控制的公司产生同业竞争的业务以公平、公允的市场价格，在适当时机全部注入万丰奥威。如有在万丰奥威经营范围内相关业务的商业机会，本公司将优先让与或介绍给万丰奥威。对万丰奥威已进行建设或拟投资兴建的项目，我公司在投资方向与项目选择上，避免与万丰奥威相同或相似，不与万丰奥威发生同业竞争，以维护万丰奥威的利益。”

### 2、实际控制人关于避免同业竞争的承诺

本次重组完成后，为避免同业竞争，万丰奥威实际控制人陈爱莲、吴良定、吴捷出具了《关于避免同业竞争和规范关联交易的承诺函》，作出如下承诺：

“我们控制的公司及单位将不会从事任何与万丰奥威本次交易完成后或未来所



从事的业务发生或可能发生竞争的业务。如我们控制的公司及单位在经营活动中可能与万丰奥威发生同业竞争或与万丰奥威发生利益冲突，我们将行使否决权，或将放弃或将促使我们控制的公司或单位放弃可能发生同业竞争的业务，以确保与万丰奥威不进行直接或间接的同业竞争，或将我们控制的公司或单位产生同业竞争的业务以公平、公允的市场价格，在适当时机全部注入万丰奥威。如有在万丰奥威经营范围内相关业务的商业机会，我们将优先让与或介绍给万丰奥威。对万丰奥威已进行建设或拟投资兴建的项目，我们将在投资方向与项目选择上，避免与万丰奥威相同或相似，不与万丰奥威发生同业竞争，以维护万丰奥威的利益。”

## 六、公司聘任会计师事务所情况

报告期内，经公司2009年年度股东大会批准，公司继续聘请安永华明会计师事务所为公司2010年度审计机构，2010年公司支付给该所的报酬为70万元人民币，该所已为公司连续服务八年。

根据相关法规规定：签字注册会计师连续为某一相关机构提供审计服务，不得超过五年；我公司签字会计师为汪阳和施瑾，分别为我公司签字服务5年和1年。

七、报告期内，公司及其董事、监事、高级管理人员、公司股东、实际控制人等在报告期内没有受到过有权机关调查、司法纪检部门采取强制措施、被移送司法机关或追究刑事责任、中国证监会稽查、中国证监会行政处罚、证券市场进入、认定为不适当人选被其他行政管理部门处罚及证券交易所公开谴责的情形。

## 八、报告期内已披露的重要信息索引

公告编号	披露日期	公告内容	信息披露报纸
2010-001	2010-01-30	2009年度业绩预告修正公告	《证券时报》
2010-002	2010-02-10	2009年度业绩快报	《证券时报》
2010-003	2010-03-30	第三届董事会第二十一次会议决议公告	《证券时报》
2010-004	2010-03-30	第三届监事会第十八次会议决议公告	《证券时报》
2010-005	2010-03-30	2009年年度报告摘要	《证券时报》
2010-006	2010-03-30	关于2009年度募集资金使用情况的专项报告	《证券时报》

2010-007	2010-03-30	关联交易公告	《证券时报》
2010-008	2010-03-30	关于 2010 年度对外担保事项的公告	《证券时报》
2010-009	2010-03-30	关于开展外汇远期结售汇业务的公告	《证券时报》
2010-010	2010-03-30	关于开展铝锭套期保值业务的公告	《证券时报》
2010-011	2010-03-30	关于召开 2009 年年度股东大会的通知	《证券时报》
2010-012	2010-03-30	独立董事关于公司累计和当期对外担保等 事项独立意见的公告	《证券时报》
2010-013	2010-03-31	更正公告	《证券时报》
2010-013	2010-04-01	关于举行 2009 年年度报告网上说明会的 公告	《证券时报》
2010-014	2010-04-01	关于更换保荐代表人的公告	《证券时报》
2010-015	2010-04-21	第三届董事会第二十二次会议决议公告	《证券时报》
2010-016	2010-04-21	2010 年第一季度报告正文	《证券时报》
2010-017	2010-04-27	2009 年年度股东大会决议公告	《证券时报》
2010-018	2010-05-06	关于控股股东及一致行动人获得中国证 监会核准豁免要约收购义务批复的公告	《证券时报》
2010-019	2010-05-12	关于控股股东及实际控制人限售股份上市 流通的提示性公告	《证券时报》
2010-020	2010-05-12	关于欧盟对中国出口的铝合金轮毂反倾销 调查初裁结果公告	《证券时报》
2010-021	2010-05-25	关于流动资金归还募集资金公告	《证券时报》
2010-022	2010-05-25	关于使用暂时闲置募集资金补充流动资金 的公告	《证券时报》
2010-023	2010-05-25	第二届董事会第二十二次会议决议公告	《证券时报》
2010-024	2010-05-25	第二届监事会第二十次会议决议公告	《证券时报》
2010-025	2010-06-07	2009 年度权益分派实施公告	《证券时报》
2010-026	2010-06-18	关于欧盟征收临时反倾销税导致公司欧洲 业务严重下滑的提示性公告	《证券时报》
2010-027	2010-07-23	关于重大资产重组停牌公告	《证券时报》
2010-028	2010-07-27	关于公司董事会秘书辞职的公告	《证券时报》
2010-029	2010-07-30	第三届董事会二十四次会议决议公告	《证券时报》
2010-030	2010-07-30	第三届监事会二十一次会议决议公告	《证券时报》
2010-031	2010-07-30	关于重大资产重组事项的进展公告	《证券时报》

2010-032	2010-08-06	关于重大资产重组事项的进展公告	《证券时报》
2010-033	2010-08-13	关于重大资产重组事项的进展公告	《证券时报》
2010-034	2010-08-20	关于重大资产重组事项的进展公告	《证券时报》
2010-035	2010-08-21	第三届董事会第二十五次会议决议公告	《证券时报》
2010-036	2010-08-25	2010 年半年度报告摘要	《证券时报》
2010-037	2010-08-26	股票交易异常波动公告	《证券时报》
2010-038	2010-08-31	关于欧盟对中国出口的铝合金轮毂征收反倾销税调查终裁披露公告	《证券时报》
2010-039	2010-09-08	第三届董事会第二十七次会议决议公告	《证券时报》
2010-040	2010-09-08	万丰奥威：第三届监事会第二十三次会议决议公告	《证券时报》
2010-041	2010-09-08	关于 45 万件锻造汽车铝轮毂固定资产投资项目新增涂装生产线及调整投资总额的公告	《证券时报》
2010-042	2010-09-08	关于召开 2010 年第一次临时股东大会的通知	《证券时报》
2010-043	2010-09-28	第一次临时股东大会决议公告	《证券时报》
2010-044	2010-09-28	关于选举职工代表监事的公告	《证券时报》
2010-045	2010-09-28	第四届董事会第一次会议决议公告	《证券时报》
2010-046	2010-09-28	第四届监事会第一次会议决议公告	《证券时报》
2010-047	2010-09-28	关联交易公告	《证券时报》
2010-048	2010-09-29	关于重大资产重组事项的进展公告	《证券时报》
2010-049	2010-10-08	第四届二次董事会会议决议公告	《证券时报》
2010-050	2010-10-08	第四届监事会第二次会议决议公告	《证券时报》
2010-051	2010-10-08	关于召开 2010 年第二次临时股东大会的通知	《证券时报》
2010-052	2010-09-30	关于欧盟对中国出口的铝合金轮毂征收反倾销税影响修正公告	《证券时报》
2010-053	2010-10-08	简历更正公告	《证券时报》
2010-054	2010-10-20	关于召开 2010 年第二次临时股东大会的提示性公告	《证券时报》
2010-055	2010-10-21	2010 年第三季度报告正文	《证券时报》
2010-056	2010-10-26	2010 年第二次临时股东大会决议公告	《证券时报》

2010-057	2010-10-30	关于欧盟对中国出口的铝合金轮毂征收反倾销税终裁结果的公告	《证券时报》
2010-058	2010-11-25	关于流动资金归还募集资金公告	《证券时报》
2010-059	2010-12-28	第四届董事会第四次会议决议公告	《证券时报》

注：上述公告同时刊登于“巨潮资讯”网站（[www.cninfo.com.cn](http://www.cninfo.com.cn)）。

## 第十节 财务报告

### 审计报告

安永华明(2011)审字第60468741\_B01号

浙江万丰奥威汽轮股份有限公司全体股东:

我们审计了后附的浙江万丰奥威汽轮股份有限公司(“贵公司”)及其子公司(统称“贵集团”)的财务报表,包括2010年12月31日的合并及公司的资产负债表,2010年度合并及公司的利润表、股东权益变动表和现金流量表以及财务报表附注。

#### 一、管理层对财务报表的责任

编制和公允列报财务报表是贵公司管理层的责任。这种责任包括:(1)按照企业会计准则的规定编制财务报表,并使其实现公允反映;(2)设计、执行和维护必要的内部控制,以使财务报表不存在由于舞弊或错误导致的重大错报。

#### 二、注册会计师的责任

我们的责任是在执行审计工作的基础上对财务报表发表审计意见。我们按照中国注册会计师审计准则的规定执行了审计工作。中国注册会计师审计准则要求我们遵守中国注册会计师职业道德守则,计划和执行审计工作以对财务报表是否不存在重大错报获取合理保证。

审计工作涉及实施审计程序,以获取有关财务报表金额和披露的审计证据。选择的审计程序取决于注册会计师的判断,包括对由于舞弊或错误导致的财务报表重大错报风险的评估。在进行风险评估时,注册会计师考虑与财务报表编制和公允列报相关的内部控制,以设计恰当的审计程序,但目的并非对内部控制的有效性发表意见。审计工作还包括评价管理层选用会计政策的恰当性和作出会计估计的合理性,以及评价财务报表的总体列报。

我们相信,我们获取的审计证据是充分、适当的,为发表审计意见提供了基础。

审计报告(续)

安永华明(2011)审字第60468741\_B01号

三、审计意见

我们认为,上述财务报表在所有重大方面按照企业会计准则的规定编制,公允反映了浙江万丰奥威汽轮股份有限公司2010年12月31日的合并及公司的财务状况以及2010年度的合并及公司的经营成果和现金流量。

安永华明会计师事务所

中国注册会计师 汪 阳

中国 北京

中国注册会计师 施 瑾

2011年3月17日

## 浙江万丰奥威汽轮股份有限公司

## 合并资产负债表

2010年12月31日

人民币元

资产	附注五	2010年	2009年
流动资产：			
货币资金	1	220,860,735.83	210,193,154.21
交易性金融资产	2	3,797,401.80	-
应收票据	3	74,664,757.44	70,104,984.52
应收账款	4	390,942,022.74	290,652,907.31
其他应收款	5	8,764,366.17	3,276,599.89
预付款项	6	21,973,531.05	35,122,209.51
存货	7	143,324,702.51	182,217,206.00
流动资产合计		864,327,517.54	791,567,061.44
非流动资产：			
固定资产	8	567,588,543.30	567,057,626.90
在建工程	9	39,070,598.14	95,921,547.68
无形资产	10	55,528,355.75	57,264,575.33
长期待摊费用	11	26,653,475.65	27,281,990.25
递延所得税资产	12	4,131,788.90	3,707,021.88
非流动资产合计		692,972,761.74	751,232,762.04
资产总计		1,557,300,279.28	1,542,799,823.48

## 浙江万丰奥威汽轮股份有限公司

## 合并资产负债表(续)

2010年12月31日

人民币元

负债和股东权益	附注五	2010年	2009年
流动负债:			
短期借款	14	109,634,707.59	210,080,956.09
交易性金融负债	15	-	2,425,600.02
应付票据	16	120,724,805.00	132,529,657.47
应付账款	17	115,258,130.73	115,490,521.09
预收款项	18	2,072,876.04	4,323,122.60
应付职工薪酬	19	20,020,424.19	17,643,604.67
应交税费	20	7,868,169.38	(5,366,310.42)
应付利息	21	247,918.25	300,640.42
其他应付款	22	43,690,248.91	47,736,903.09
一年内到期的非流动负债	23	80,000,000.00	-
流动负债合计		499,517,280.09	525,164,695.03
非流动负债:			
长期借款		-	80,000,000.00
递延所得税负债	12	733,500.00	-
其他非流动负债	24	1,025,161.45	1,850,956.75
非流动负债合计		1,758,661.45	81,850,956.75
负债合计		501,275,941.54	607,015,651.78



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载于第18页至第136页的附注为本财务报表的组成部分

浙江万丰奥威汽轮股份有限公司

合并资产负债表(续)

2010年12月31日

人民币元

负债和股东权益	附注五	2010年	2009年
股东权益：			
股本	25	284,350,000.00	284,350,000.00
资本公积	26	348,171,225.43	348,171,225.43
盈余公积	27	73,565,447.86	66,121,001.02
未分配利润	28	221,854,469.15	139,190,872.27
外币报表折算差额		(521,125.87)	(483,033.04)
归属于母公司股东权益合计		927,420,016.57	837,350,065.68
少数股东权益		128,604,321.17	98,434,106.02
股东权益合计		1,056,024,337.74	935,784,171.70
负债和股东权益总计		1,557,300,279.28	1,542,799,823.48

载于第18页至第136页的附注为本财务报表的组成部分

第3页至第136页的财务报表由以下人士签署：

法定代表人：陈爱莲

主管会计工作负责人：陈滨

会计机构负责人：丁锦云

浙江万丰奥威汽轮股份有限公司

合并利润表

2010年度

人民币元

	附注五	2010年	2009年
营业收入	29	1,895,360,956.52	1,354,783,147.60
减：营业成本	29	1,547,442,300.01	1,142,129,654.02
营业税金及附加	30	8,260,961.58	6,255,406.43
销售费用	31	54,973,770.08	40,584,135.83
管理费用	32	87,444,277.31	63,873,279.30
财务费用	35	17,760,018.03	9,895,371.95
资产减值损失	36	6,141,107.27	3,727,636.14
加：公允价值变动收益	33	5,975,600.02	7,284,399.98
投资收益	34	(1,387,445.40)	(7,184,127.00)
营业利润		177,926,676.86	88,417,936.91
加：营业外收入	37	11,835,067.41	8,418,958.49
减：营业外支出	38	3,633,812.28	1,795,561.07
其中：非流动资产处置损失		441,072.70	256,412.79
利润总额		186,127,931.99	95,041,334.33
减：所得税费用	39	19,522,173.12	8,833,274.47
净利润		166,605,758.87	86,208,059.86
归属于母公司股东的净利润		132,760,543.72	67,393,125.62
少数股东损益		33,845,215.15	18,814,934.24
每股收益	40		
基本每股收益		0.47	0.24
稀释每股收益		0.47	0.24
其他综合收益	41	(38,092.83)	334,152.44
综合收益总额		166,567,666.04	86,542,212.30
其中：			
归属于母公司股东的综合收益总额		132,722,450.89	67,552,278.06
归属于少数股东的综合收益总额		33,845,215.15	18,989,934.24

载于第18页至第136页的附注为本财务报表的组成部分

浙江万丰奥威汽轮股份有限公司

合并股东权益变动表

2010年度

人民币元

	股本	资本公积	盈余公积	归属于母公司股东权益			外币折算 折算差额	小计	少数股东 权益	所有者权益 合计
				未分配利润						
一、上年年末余额	284,350,000.00	348,171,225.43	66,121,001.02	139,190,872.27			(483,033.04)	837,350,065.68	98,434,106.02	935,784,171.70
二、本年增减变动金额										
(一) 净利润	-	-	-	132,760,543.72			-	132,760,543.72	33,845,215.15	166,605,758.87
(二) 其他综合收益	-	-	-	-			(38,092.83)	(38,092.83)	-	(38,092.83)
综合收益总额	-	-	-	132,760,543.72			(38,092.83)	132,722,450.89	33,845,215.15	166,567,666.04
(三) 利润分配										
1. 提取盈余公积	-	-	7,444,446.84	(7,444,446.84)			-	-	-	-
2. 对股东的分配	-	-	-	(42,652,500.00)			-	(42,652,500.00)	(3,675,000.00)	(46,327,500.00)
四、本年年末余额	284,350,000.00	348,171,225.43	73,565,447.86	221,854,469.15			(521,125.87)	927,420,016.57	128,604,321.17	1,066,024,337.74

载于第18页至第136页的附注为本财务报表的组成部分

浙江万丰奥威汽轮股份有限公司

合并股东权益变动表(续)

2009年度

人民币元

	股本	资本公积	盈余公积	未分配利润	外币报表 折算差额	小计	少数股东 权益	所有者权 益合计
归属于母公司股东权益								
一、上年年末余额	284,350,000.00	347,846,225.43	62,485,413.86	103,868,333.81	(317,185.48)	798,232,787.62	81,194,171.78	879,426,959.40
二、本年增减变动金额								
(一) 净利润	-	-	-	67,393,125.62	-	67,393,125.62	18,814,934.24	86,208,059.86
(二) 其他综合收益	-	325,000.00	-	-	(165,847.56)	159,152.44	175,000.00	334,152.44
综合收益总额	-	325,000.00	-	67,393,125.62	(165,847.56)	67,552,278.06	18,989,934.24	86,542,212.30
(三) 利润分配								
1. 提取盈余公积	-	-	3,635,587.16	(3,635,587.16)	-	-	-	-
2. 对股东的分配	-	-	-	(28,435,000.00)	-	(28,435,000.00)	(1,750,000.00)	(30,185,000.00)
本年年末余额	284,350,000.00	348,171,225.43	66,121,001.02	139,190,872.27	(483,033.04)	837,350,065.68	98,434,106.02	935,784,171.70

载于第18页至第136页的附注为本财务报表的组成部分