

Dupré Analytics is short China Zhongwang, the laargest and most complex China fraud ever uncovered.

Since their troubled listing in 2009, Chairman Liu and his family have systematically defrauded investors, fabricating at least 62.5% of revenue since 2011 (HK\$38.5 billion) and likely skimming HK\$ billions of CAPEX from the delayed Tianjin facility.

We will show you how the Lius have used secretly controlled trading companies and a network of front men (including close family members) to move tens of billions of HK\$ of Zhongwang aluminum to Mexico, Vietnam, the US and Malaysia. In the process the Lius' secretly controlled entities have racked up HK\$36.5 billion in undisclosed borrowing, which we believe is recourse to Zhongwang.

We take you on a tour of the Lius' secretly controlled aluminum reprocessing plants in Vietnam and Mexico where fraudulently obtained Zhongwang aluminum is reprocessed into billet.

The Lius are going to have a hard time hiding this. Because they have hardly sold any of the fraudulently obtained Zhongwang aluminum, it's currently sitting in enormous stockpiles in California and Mexico, showing that Zhongwang's previously reported revenue is fraudulent.

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People have long suspected Zhongwang is a fraud and that major customers were fake – particularly because Zhongwang never disclosed their identity. We’ve confirmed Zhongwang is a fraud, and discovered that this fraud is much larger and more complex than any previous Chinese stock fraud. For investors who are aficionados of Chinese frauds, you’ll find some things familiar here, but you’ll also find a lot of new ways Chairman Liu and his family produce Zhongwang’s fraudulent financials. The first big difference with Zhongwang is the fraud’s purpose. The usual Chinese stock fraud inflates the stock price on the back of fraudulent financials, presumably so the chairman can exit the stock. In Zhongwang’s case, the purpose of the fraud is to take tens of billions of HK\$ out of PRC banks and likely the company, and launder it by turning the money into aluminum and then ship it to overseas facilities secretly owned by the Liu family.

Zhongwang’s real revenues are much lower than reported. Since 2011, at least 62.5% (HK\$38.5 billion) of their reported revenue is fraudulent. The usual Chinese fraud uses undisclosed related parties to create fake purchase and sale transactions. Zhongwang uses this approach when they book some sales directly to undisclosed related parties, such as (Liu controlled) trading company Dalian Liwang. (Liwang is disclosed in Zhongwang’s 2013 bond prospectus as Zhongwang’s largest trade debtor). But Chairman Liu also uses apparent arms length parties, including at least one SOE, to buy aluminum from Zhongwang before transferring it to companies he controls, including Liaoyang Shunpeng, Liaoyang Xinhe and Liaoyang Nuoxin.

Another way the Zhongwang fraud is different from the usual Chinese fraud is that aluminum is really produced and shipped. Chairman Liu “pays” for the aluminum by having the undisclosed related party entities borrow tens of billions of HK\$ from PRC banks. We believe that these loans, which our research shows total at least HK\$36.5 billion in gross value, are really recourse to Zhongwang.<sup>1</sup> Our conclusion from our research is that Chairman Liu has no intention of repaying these loans, particularly because if he does, he’ll lose over 20% per ton of aluminum he received from Zhongwang. (We estimate he would have to absorb losses of approximately HK\$7.7 billion to repay these loans)<sup>2</sup>. If Zhongwang is on the hook for these loans as we believe, it could be insolvent. Even if Zhongwang isn’t really guaranteeing these loans, how much more money can the Lius really borrow through their network of shell companies?

We also conclude that Chairman Liu is diverting Zhongwang CAPEX to “pay” for the aluminum shipped to him (in addition to any loans recourse to Zhongwang). In other words, we believe that Zhongwang has overstated CAPEX expenses so the money can be sent back into Zhongwang to make it look like the sales are real. The HK\$25 billion credit facility Zhongwang just announced on 24<sup>th</sup> July 2015 seems to give him the ability to divert tens of billions more HK\$ to further this fraud.

The Zhongwang fraud is also non traditional because Zhongwang is paying taxes that correspond to their financial statements. That’s because it has taken several years to obtain and launder this much money.

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<sup>1</sup> Aside from one undisclosed guarantee of HK\$625 million to Zhongwang’s related party supplier, Cheng Wang Renhe (“CWRH”) our investigators have not received information about any explicit debt guarantees Zhongwang has issued. Our belief that Zhongwang is ultimately responsible for this debt is based on other research described in this report.

<sup>2</sup> This is based on the assumption that Chairman Liu would have to make up (at the very minimum) the 20% difference between the value of the extrusion and the billet.

To keep from having the government shut down the scam before the Lius hit their ultimate financial goal (whatever they are), Zhongwang have to pay taxes. Zhongwang's taxes are merely a cost to the Lius of their massively lucrative fraud, given they still have pocketed tens of billions of Hong Kong dollars in cash and assets. Besides, the Lius have also stolen an estimated HK\$6.5 billion in VAT rebates from Zhongwang and the PRC government, so paying taxes isn't as much of a dent to their profits as it would seem.<sup>3 4</sup> At the end of the day though, the Lius' greed with VAT rebates might catch up to them. They've greatly inflated the reported selling prices of the aluminum (in the PRC) in order to get bigger rebates. That's a serious crime in the PRC.

In this report, we use the word "embezzle" and "misappropriate" because of our conclusion that Chairman Liu has used Zhongwang's own money – either through diverted CAPEX and / or by having Zhongwang secretly guarantee the debts in his ecosystem of undisclosed related parties.<sup>5</sup> We think the chances that the Lius repay these loans out of their own pockets are miniscule particularly because we estimate they will lose over HK\$7.7 billion if they did. What is impossible to argue with though is that Zhongwang's historical revenues and profits are fraudulent, and that at best as soon as the Lius lose the ability to finance transfers of aluminum to themselves, Zhongwang's reported revenues and profits will crash. It is also impossible to argue with the evidence that the Lius are laundering tens of billions of HK\$ by converting it to aluminum and shipping it themselves in Mexico, the US, Vietnam, and likely Malaysia.

Zhongwang's chairman, Liu Zhongtian, and his family have also cultivated a network of proxies and intermediaries outside of China, and used them to secretly set up entities and aluminum processing facilities that span the globe. The Lius "purchase" aluminum from Zhongwang with fraudulently obtained funds.

The way this fraud works is that aluminum is extruded at Zhongwang's plant in Liaoyang, China. From there, the aluminum is transferred to entities that are set up to look like arms-length buyers, but are actually entities controlled by Chairman Liu. Sometimes China Aviation Engine Holdings Corporation ("China Aviation") an SOE that is apparently an arms length buyer, sits between Zhongwang and the Liu owned entities. In these instances China Aviation buys from Zhongwang and sells the aluminum extrusions to Liu controlled intermediaries.<sup>6 7</sup> Titles to the aluminum are then passed between the various Liu controlled entities until they end up at three PRC trading companies Chairman Liu secretly owns. From there, the extrusions are exported to his overseas operations.

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<sup>3</sup> Estimate based on publicly available Chinese customs data for Liu owned trading companies Qianxiang and Boruixin from 2011 - 2015 and assuming 13% export rebate.

<sup>4</sup> As VAT rebates the Lius have stolen are only achieved through fraudulent inflation of declared Zhongwang sales figures the Lius have stolen from the PRC tax bureau in addition to Zhongwang.

<sup>5</sup> Aside from one undisclosed guarantee of HK\$625 million to Zhongwang's related party supplier, Cheng Wang Renhe ("CWRH") our investigators have not received information about any explicit debt guarantees Zhongwang has issued. Our belief that Zhongwang is ultimately responsible for this debt is based on other research described in this report.

<sup>6</sup> We have found that China Aviation Engine Holdings Corporation has bought from Zhongwang and sold to Liu entities. It is entirely possible that China Aviation is unaware the entities are controlled by the Lius. We have no evidence they're knowingly complicit in the fraud.

<sup>7</sup> [http://stock.finance.sina.com.cn/bond/view/announcement\\_show.php?id=508257165](http://stock.finance.sina.com.cn/bond/view/announcement_show.php?id=508257165)

Once overseas, the Lius operations melt these extrusions into billets, which are a basic form of aluminum.<sup>8</sup> In effect, the Lius de-process the aluminum. It's like taking a new car, melting it down, and selling it as steel.<sup>9</sup> If the Lius were using their own money to pay for the Zhongwang aluminum they would be losing 20% on each ton.<sup>10</sup> Even though they're melting it into a basic form, the Lius still have been unable to sell the vast majority of the aluminum – which is what makes Zhongwang's reported revenue and profit largely fraudulent.

At the Lius' secretly owned remelt facility in Mexico the Lius have imported HK\$16.3 billion of Zhongwang aluminum since 2011. They have only been able to sell approximately HK\$7.5 billion which took about three years. At the Lius' operation in the US they have imported HK\$4.4 billion. A substantial amount of this has been stockpiled in two warehouses in California for years. The Lius' operations in Malaysia and Vietnam have received an estimated HK\$10.1 billion and HK\$20 billion of Zhongwang aluminum since 2011. After remelting the aluminum and turning the extrusions back into billets the Lius are selling the aluminum for less per ton than they bought them for, this doesn't even take into account the additional cost of transporting and remelting the aluminum.

Of the at least HK\$38.5 billion in Zhongwang aluminum the Lius have received over four years, they've only recently been able to make a dent in the huge stockpiles of Zhongwang aluminum in Mexico, California and likely Malaysia and Vietnam. The nice thing about Zhongwang is that if investors bought plane tickets today to verify our report, there's no way the Lius will be able to cover their tracks and get rid of these stockpiles quickly.



The above image is the Lius' secretly owned aluminum remelt facility in Mexico. The grey material is the (estimated) 850,000 tons stockpile of unsold Zhongwang aluminum.<sup>11</sup>

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<sup>8</sup> Aluminum extrusions are sometimes categorized as "semis" in trade publications and press articles.

<sup>9</sup> The following link explains how extrusion is further up the value chain than billets. [www.hydro.com/en/About-aluminum/How-its-made/](http://www.hydro.com/en/About-aluminum/How-its-made/)

<sup>10</sup> Based on the average price difference between extruded aluminum and billet from various customs data sets, not taking into account the cost of reprocessing, transport or interest on the gross debt of HK\$36.5 billion.

<sup>11</sup> AMM magazine July 2014 <http://www.amm.com/Article/3357701/Aluminicastes-850000T-stockpile-a-concern.html>

The truly remarkable thing about this fraud is that the Liu entities in China, including the undisclosed related party suppliers Chairman Liu secretly owns, have been able to secure over HK\$17.25 billion in net borrowings from PRC banks.<sup>12</sup> None of these entities are remotely creditworthy, and the clear implications are that the loans are ultimately recourse to Zhongwang. It's also clear the Lius have no intention of repaying them. Debt balances at Yingkou Qianxiang, Liwang and Boruixin dropped from December 2013 to December 2014, but we believe that's because the Lius are borrowing through other entities we haven't yet uncovered, and likely diversions of Zhongwang CAPEX could have been used to pay down these balances.

CAPEX inflation has likely taken place at Zhongwang. Of the HK\$30 billion in reported CAPEX since 2011, we believe roughly half has been diverted.<sup>13</sup> If left unchecked the Lius may ultimately be able to misappropriate an additional HK\$22 billion which they could use to "pay" for Zhongwang aluminum that will be sent to their remelt facilities.<sup>14</sup> On its own, Zhongwang's recent announcement of additional HK\$25 billion loan facilities for the Tianjin facility a few months shy of (alleged) production is suspicious. If Zhongwang had really been using its CAPEX for legitimate purposes, we don't see how a financing this large would have been necessary five minutes before kick-off. We also have strong suspicions that HK\$2.1 billion of land purchases over the past several years have been used to secure additional undisclosed borrowing.

Zhongwang's real revenues are much lower than reported. Since 2011, HK\$38.5 billion (62.5%) of their revenue has been fraudulent sales to Liu controlled undisclosed related parties.<sup>15</sup> For Zhongwang investors, at best, the Lius are stealing this money from PRC banks and laundering it by purchasing Zhongwang aluminum. At best this scam can't continue much longer. At worst, and what we think is really the case, the Lius have stolen tens of billions directly from Zhongwang and saddled Zhongwang with substantial undisclosed borrowings. Either way, Zhongwang shareholders are up the creek without a paddle because they either own equity in a company producing a product nobody besides the Lius wants, or Zhongwang could face a severe liquidity crisis and possibly be insolvent when banks call these loans.<sup>16</sup>

### **Chain of events - The real reason Zhongwang decided to IPO**

Zhongwang went public in 2009, which is among the most problematic vintages of Chinese listings. A stock market listing enabled the company to start raising some of the significant amounts of cash required to perpetrate the multi billion dollar scam. More important than the money raised from

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<sup>12</sup> Based on debt of the three Liu owned trading companies and three suppliers in SAIC filings.

<sup>13</sup> Source Capital IQ

<sup>14</sup> Estimate based on total company forecast CAPEX for the Tianjin facility

<sup>15</sup> Based on revenue of the three Liu owned trading companies in SAIC filings.

<sup>16</sup> Zhongwang's stated book equity is HK\$30.4 billion. We believe book equity should be adjusted to at most HK\$5.5 billion and possibly well below zero. Stated book value includes retained earnings of HK\$15 billion and gross fixed assets of HK\$34 billion. We believe that revenues have been overstated since 2011 and that in reality Zhongwang has been losing money. We conservatively believe that CAPEX inflation is at least HK\$9.3 billion since at least 2011. After Zeroing out retained earnings, impairing fixed assets by HK\$9.3 billion and taking into account the HK\$6.6 billion in net debt at the three trading companies Zhongwang would have a negative book value of at least (HK\$1 billion). We do not know if the recently announced HK\$25 billion facility can be used to make good on any undisclosed guarantees.

investors who purchased shares in the IPO, Zhongwang's status as a public company probably allowed Zhongwang and the undisclosed related parties easy access to credit from PRC banks and other financial institutions. Zhongwang has exploited its status as a public company to raise HK\$7.4 billion from bondholders over 4 years, having issued bonds in 2012, 2013, 2014 and 2015 as well as establishing (disclosed) unsecured loans from mainland banks in excess of HK\$5.4 billion. Zhongwang just announced a HK\$25 billion facility from PRC banks.

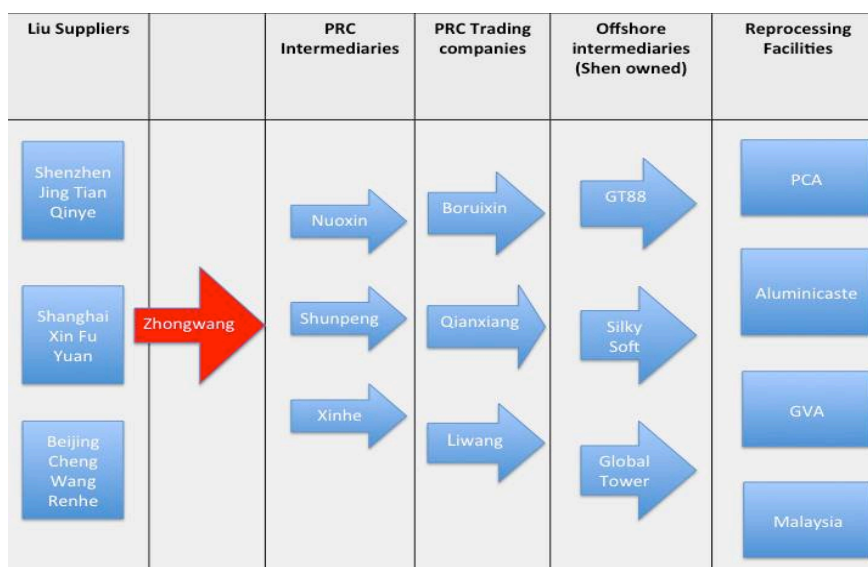
- By IPOing Zhongwang raised HK\$9.8 billion, issued bonds of HK\$7.4 billion and borrowed (disclosed) from banks HK\$5.4 billion.<sup>17</sup>
- The Lius' net borrowings in excess of HK\$17.25 billion are likely recourse to Zhongwang, and if so, were likely extended in part because Zhongwang is public.<sup>18</sup>
- If Zhongwang had to consolidate these secret Liu entities, Zhongwang's financial statements would show massive and unsustainable debt, enormous accounts receivable, huge inventory, and little revenue.
- Remelting aluminum extrusions into billet is a backward step in the value chain. The Lius would realize in excess of a 20% loss on each aluminum billet sold (If they really intended to repay the loans for the aluminum exported to their operation in Mexico, Vietnam, the US and Malaysia).
- Zhongwang's HK\$58 billion Tianjin facility has likely been used to siphon off at least HK\$9.3 billion which the Lius have used to purchase Zhongwang aluminum that can be sent to their secret remelt facilities. The recently announced HK\$25 billion facility seems to offer even more opportunity to divert Zhongwang Funds.

To make it easier to understand the scheme, the below diagram explains the flow of aluminum from Zhongwang's suppliers, which are undisclosed related party shell companies secretly owned by the Lius. The Liu's hand can be observed at every point along the chain. (The suppliers have HK\$10.6 billion in debt, most of which is guaranteed by entities in the Lius' PRC network.) Aluminum moves through the chain to the Lius' secretly owned overseas reprocessing facilities. For simplicity we have omitted the (Liu controlled) entities that guarantee the suppliers' debts, these will be discussed later.

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<sup>17</sup> Source Bloomberg

<sup>18</sup> Debt figures are based on net debt of the three Liu controlled trading companies and three undisclosed related party suppliers' SAIC filings.



Zhongwang appears to have made direct sales to at least one SOE customer, China Aviation. It seems most if not all of that aluminum was then sold to Liu entities Liaoyang Shunpeng and Liaoyang Xinhe Aluminum. In 2012 Zhongwang sold HK\$1.125 billion of aluminum to China Aviation.<sup>19,20</sup> China Aviation’s 2013 bond prospectus shows its two largest customers are Shunpeng and Xinhe Aluminum Company (“Liaoyang Xinhe”). Liaoyang Shunpeng and Liaoyang Xinhe purchased HK\$462 million and HK\$750 million respectively from China Aviation Engine Holdings Corporation in 2012 which totals HK\$1.21 billion.

We know Shunpeng is a Liu controlled company because it is part of the Lius PRC network of cross guarantees.<sup>21</sup> We also know China Aviation Engine Holdings Corporation’s largest customer Liaoyang Xinhe is a Liu controlled entity because it has the same contact details and address as Liaoyang Zhongwang Plastic Profile a company owned by Liu Zhongsuo, Chairman Liu’s brother.<sup>22</sup> Shunpeng and Xinhe are based in Liaoyang, where Zhongwang is a huge presence. If they were legitimate trading companies they would buy direct from Zhongwang. This clearly shows the entire chain is controlled by the Lius. When Zhongwang aluminum leaves the Liu ecosystem system, it’s then often inserted back in.<sup>23</sup>

We found one other PRC intermediary company called Liaoyang Nuoxin Trading Company (“Nuoxin”). As we explain later, Nuoxin is clearly an important Liu controlled intermediary.

<sup>19</sup> We know this from China Aviation Engine Holdings Corporation’s 2012 bond prospectus [http://stock.finance.sina.com.cn/bond/view/announcement\\_show.php?id=508257165](http://stock.finance.sina.com.cn/bond/view/announcement_show.php?id=508257165)

<sup>20</sup> It is entirely possible that China Aviation is unaware the entities are controlled by the Lius and we have no evidence they are knowingly complicit in the fraud.

<sup>21</sup> The guarantee information referenced in this report is widely available in the PRC banking system, and was related to our investigators by their contacts at PRC banks. We believe it is at least reasonably accurate because the guarantees often flowed to or from entities we had already determined were controlled by the Lius.

<sup>22</sup> Both Liaoyang Xinhe and Liaoyang Zhongwang Plastic Profile (a company controlled by Liu Zhongsuo, Chairman Liu’s brother) list 0419-4150046 as the contact number on the SAIC website

<sup>23</sup> We have no reason to suspect the SOE is knowingly complicit in the fraud. We have found one SOE, China Aviation Engine Holdings Corporation that has bought and sold from Liu entities, it is entirely possible that the SOE is unaware the entities are controlled by the Lius.



The Liu network operates across at least six countries and involves close to a dozen persons who control over 30 entities. We have broken down the most important persons, entities they control and their relationships to each other.

**Secretly Liu owned aluminum remelt facilities and aluminum stockpiles:**

**Aluminicaste Group** – Owns a Mexican remelt facility that turns fraudulently obtained Zhongwang extrusions back into billet. Mexican customs data show that 1.25 million tons of Zhongwang aluminum extrusions worth HK\$16.3 billion have been shipped to this entity between 2011 and 2014 via Liu controlled entities. Aluminicaste then reprocesses the aluminum into billets. Only approximately HK\$7.5 billion of this aluminum has been sold since early 2014.<sup>24</sup> Chairman Liu’s son Liu Zuopeng, owns 99% of Aluminicaste.

**Global Vietnam Aluminum** – Owns a Vietnamese remelt facility that turns fraudulently obtained Zhongwang extrusions back into billet. Our investigators have followed a shipment of containers of fraudulently obtained Zhongwang aluminum from Zhongwang, through the free trade zone in Yingkou (where the Lius have a secretly owned trading company called Yingkou Qianxiang) to GVA.<sup>25</sup> Two Liu proxies own GVA. GVA appears to be planning a factory in the Port Klang free trade zone (in Malaysia).<sup>26</sup> The Lius have exported HK\$10.1 billion of aluminum to Malaysia since 2011.

**Pencheng Aluminum Enterprise (“PCA/Perfectus”)** – US based entity that receives fraudulently obtained Zhongwang aluminum from the three Liu owned PRC trading companies. It has received 223,530 tons since 2007 (estimated value HK\$2.9 billion).<sup>27</sup> It was formerly owned by Chairman Liu’s son Liu Zuopeng and is now owned by Liu proxy Jacky Cheung, who also owns 10% of the Vietnam remelt facility GVA.

**Secretly Liu owned trading companies:**

**Yingkou Qianxiang** – Chairman Liu controlled PRC trading company which ships fraudulently obtained Zhongwang Aluminum to GVA, Aluminicaste and PCA/Perfectus. The company has HK\$5 billion in net debt and receivables of HK\$9.2 billion. Yingkou Qianxiang appears unable to collect cash for the aluminum it “sells” to Liu companies.<sup>28</sup>

**Dalian Liwang** – Chairman Liu controlled PRC trading company that ships fraudulently obtained Zhongwang aluminum to Liu controlled companies PCA/Perfectus and Aluminicaste. The company has receivables of HK\$2.6 billion. Liwang appears unable to collect cash for the aluminum it “sells” to Liu companies.<sup>29</sup>

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<sup>24</sup> Mexican import data for January 2011 - December 2014. Mexican export data January 2014 - March 2015

<sup>25</sup> Container numbers DFSU1282896, CSLU1948940, GLDU9373217 and CCLU3692178

<sup>26</sup> Former GVA employees have posted job applications for a number of roles at an aluminum facility.

<sup>27</sup> US import data from 2007 – present. Estimated value based on US\$1,666 per ton.

<sup>28</sup> 2014 SAIC filings for Yingkou Qianxiang

<sup>29</sup> 2014 SAIC filings for Dalian Liwang

**Boruixin** - Chairman Liu controlled PRC trading company that ships fraudulently obtained Zhongwang aluminum to Liu controlled companies PCA/Perfectus, Aluminicaste as well as Vietnam and Malaysia. The company has receivables of HK\$3.4 billion and net debt of HK\$2.3 billion.

#### **Secret Liu controlled overseas intermediaries**

**GT88 Capital PTE Ltd (“Singapore”)** - Liu controlled shell-company used to move fraudulently obtained Zhongwang aluminum from China to Liu controlled Aluminicaste in Mexico. Publicly available Mexican customs records show Aluminicaste has imported HK\$14.9 billion of aluminum from GT88 since 2011.<sup>30</sup> GT88’s financials show that the entity has outstanding payables in excess of HK\$13 billion as of 2013. We believe these are due to Yingkou Qianxiang as the amount almost exactly matches the revenues Qianxiang records in its SAIC filings.

**Global Tower** – An entity used to send at least HK\$2.87 billion fraudulently obtained Zhongwang aluminum from Yingkou Qianxiang in the PRC to GVA in Vietnam in 2014. Vietnamese import records show Global Tower ships significant amounts of aluminum to GVA. Global Tower can also be connected to several other entities under control of the same Liu proxy, Po-Chi “Eric” Shen.

#### **Persons involved in the fraud:**

**Chairman Liu Zhongtian (age 51)** – Founder, Chairman, and 74% owner of Zhongwang. He is the patriarch of the family that has defrauded Zhongwang out of HK\$38.5 billion of aluminum since 2011.

**Wang Zhijie (age 50)** – Chairman Liu’s wife – Disclosed in IPO prospectus as a related party. Her U.S. activities provide some of the links between PCA/Perfectus and Zhongwang.

**Po-Chi “Eric” Shen (age unknown)** – Key Liu family proxy. His offshore companies are intermediary companies in moving Zhongwang aluminum from the Lius’ PRC trading companies to the stockpiles and reprocessing facilities in Mexico, Vietnam, Malaysia, and the US. The company he controls that is most important in these movements is GT88 Capital Pte. Ltd (Singapore). He also links the Vietnam reprocessing company, Global Vietnam Aluminum (GVA), to the Liu network.

**Xiangchun “Johnson” Shao (age unknown)** – Key Liu family proxy. He was instrumental in setting up the Aluminacaste group (and its processing facility in Mexico) and PCA/Perfectus in the US.

**Wang Tong (age unknown)** – Liu family proxy in Vietnam. He is the 90% shareholder of Global Vietnam Aluminum, which owns a reprocessing facility in Vietnam. GVA has received at least 211,000 tons of Zhongwang aluminum (estimated value of HK\$2.7 billion) during 2014. Mr. Wang links to the Lius via Po-Chi “Eric” Shen.

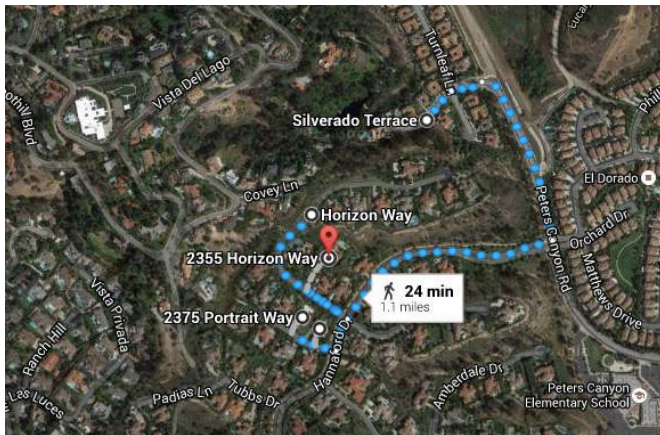
**Jacky Cheung (age 34)** – Liu family proxy in Vietnam. He is the 10% shareholder of Global Vietnam Aluminum, which owns a reprocessing facility in Vietnam. On 4<sup>th</sup> December 2014 he took over from Liu Zuopeng as the principal and registered agent of US based PCA/Perfectus.

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<sup>30</sup> GT88 exports directly to LEMSA which is the consignee for Aluminicaste and part of the Aluminicaste Group  
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**Zhang Chaoxin (age 32)** – Liu family proxy. Zhang is a proxy shareholder of Zhongwang “customer” Dalian Liwang.<sup>31</sup> Liwang’s primary customer is PCA/Perfectus, controlled at different times by Johnson Shao, Liu Zuopeng and Jacky Cheung. Zhang is a former Zhongwang employee.

**Liu Zuopeng (age 27)** – Chairman Liu’s son who has controlled two of the overseas groups that have stockpiled Zhongwang aluminum: the Aluminacaste group in Mexico and Pengcheng Aluminum (“PCA/Perfectus”, now Perfectus Aluminum Inc.) in California.<sup>32</sup> The Lius have since 2011 sent at least 1.25 million tons of Zhongwang aluminum to Aluminacaste and 223,530 tons to PCA/Perfectus (declared values of HK\$23.4 billion). Aluminacaste group has a reprocessing facility that melts extrusions into billets. PCA/Perfectus appears to mainly be a warehouse. Records of his business involvement with Liu Zhongtian can be traced back to February 4<sup>th</sup> 2007, when Liu Zhongtian granted Liu Zuopeng power of attorney over a residential property at 2 Garnet, Irvine CA, 92620.<sup>33</sup> Property records show that Liu Zuopeng, Liu Zhongtian and Liu Zhongsuo, Chairman Liu’s brother, all own residential properties located in very close proximity in Tustin California including a 6 bedroom 7,100 sqft mansion with tennis courts and a swimming pool at 2335 Horizon way.<sup>343536</sup>



## **How the report works**

1. Given the complexity of the fraud and significant number of moving parts we will first provide evidence that connects the reprocessing facilities and massive Zhongwang stockpiles in Mexico, the US and likely Vietnam and Malaysia to Chairman Liu Zhongtian, several of his family members and proxies. We show that aluminum shipped to these facilities originated from Zhongwang.

<sup>31</sup> AIC filings show Zhang Chaoxin owns 40% and Wang Xian Xue owns the remaining 60% of Dalian Liwang

<sup>32</sup> Liu Zuopeng’s first appearance in a corporate filing as a proxy for the Liu family is in October 2013 when he is the administrator and largest shareholder of Aluminacaste.

<sup>33</sup> See appendix A

<sup>34</sup> From property records we have identified the following addresses owned by the Lius: 2335 Horizon Way, Tustin, CA 92782 (Zuopeng Liu), 10925 Silverado Terrace, Tustin, CA 92782 (Zhongtian Liu), 2375 Portrait Way, Tustin, CA 92782 (Zhongtian Liu), 2395 Portrait Way, Tustin, CA 92782 (Zhongsuo Liu), 2355 Horizon Way, Tustin, CA 92782 (Cheng Cheng Liu)

<sup>35</sup> [www.zillow.com/homedetails/235-Horizon-Way-Tustin-CA-92782/2134551037\\_zpid/](https://www.zillow.com/homedetails/235-Horizon-Way-Tustin-CA-92782/2134551037_zpid/)

From there we will pick up in China and show how the Lius exported the fraudulently obtained Zhongwang aluminum to these facilities, via undisclosed related parties. We'll show that the Liu family brazenly pocketed HK\$6.5 billion of VAT rebates from the PRC that resulted from improperly inflating the declared values of the aluminum to PRC tax authorities, and should have gone to Zhongwang if anybody.

2. We peel back the layers of the Liu family's global network of undisclosed related parties, shell companies and front men who connect the PRC companies with the facilities in Mexico and Vietnam. The front men's connections to the Liu family run back to before the IPO. We do this by conducting surveillance of Zhongwang and Liu facilities, tracking containers, conducting interviews with former employees, a former high level Liu associate and careful searching of public databases that hold corporate information. We have detailed analysis that shows the Liu family controls the overseas intermediary companies. We show that the intermediary companies have no real business outside of their relationship with Zhongwang. They don't operate in an economic manner and seem never to collected any cash from the Liu controlled "customers".
3. We detail how the Lius finance the fraud, both by defrauding PRC banks (for loans that we believe are recourse to Zhongwang) and likely by diverting tens of billions of HK\$ of Zhongwang CAPEX.

### **History – Zhongwang's troubled past**

Zhongwang has aroused fraud suspicions since shortly after its 2009 IPO. A mainland newspaper, the Economic Observer, claimed that the top 10 customers named in Zhongwang's prospectus were not in fact sizeable Zhongwang customers.<sup>37</sup> (The Economic Observer later retracted these allegations)<sup>38</sup>. In 2009 the South China Morning Post ("SCMP") wrote that the sales volumes Zhongwang claimed in its prospectus from two customers (for the years 2007 and 2008) were 500% to 2,000% larger than those companies' reported revenues.<sup>39</sup>

The SCMP also wrote a 2009 article strongly suggesting that Zhongwang's rapidly growing US business was really due to sales to an undisclosed related party, Peng Cheng Aluminum ("PCA/Perfectus", now Perfectus Aluminum). We have confirmed that PCA/Perfectus is a related party and it still receives significant amounts of Zhongwang aluminum. The article mentioned that PCA/Perfectus shared an office with plastics trader Cheng Cheng Plastics ("CC Plastics"), wholly owned by Liu Zhongsuo, brother of Liu Zhongtian and Zhongwang VP at the time. The SCMP highlighted that it was further unlikely PCA/Perfectus was independent of Zhongwang as it had the same CEO as CC Plastics, Johnson Shao.<sup>4041</sup> (Note that Johnson Shao is still a key person in the Liu network of undisclosed related parties – he set up the Aluminacaste Group).

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<sup>37</sup> Originally published in the Economic Observer on 14<sup>th</sup> September 2009 reproduced at [news.chinaventure.com.cn/2/20090915/26658.shtml](http://news.chinaventure.com.cn/2/20090915/26658.shtml)

<sup>38</sup> Economic Observer website 16<sup>th</sup> September 2009

<sup>39</sup> SCMP "Zhongwang sales data raises doubts" 5<sup>th</sup> November 2009

<sup>40</sup> Zhongwang IPO prospectus p.18

<sup>41</sup> SCMP "The fall and fall of a stock market darling" 6<sup>th</sup> February 2010

Further concerns emerged after Zhongwang suspended their stock for a month in January 2010 to provide “additional clarification” in regard to Ernst & Young Hong Kong’s independent review of the IPO prospectus. The clarification refuted an earlier release from Zhongwang on January 5<sup>th</sup> 2010 which stated “Ernst & Young had found no material deficiencies in the prospectus” and instead claimed “Ernst & Young had encountered some external limitations in its verification procedures which require certain information of independent third parties.”<sup>42 43</sup> Soon after this investment banks began to drop coverage of the stock.

Zhongwang’s exports to the US caught the US government’s attention in a bad way. In March 2010, the Department of Commerce slapped an “adverse facts available” anti dumping duty rate of 374.15% ad valorem to imports of Zhongwang aluminum. At the same time supply in China was far outstripping demand after China added substantial capacity with its economic stimulus spending.

Against the backdrop of these questions, in 2011 Zhongwang announced a major expansion. They announced the development of a high-end aluminum flat-rolled project in Tianjin with an annual production capacity of 3 million tons. Zhongwang said that the new plant would commence production in the second half of 2014. As of July 2015 there is no production.<sup>44</sup>

In March 2012 Deloitte to “better comply with the relevant requirements of the Listing Rules” decided not to stand for re-election as auditor. However there is no mandatory audit firm rotation in Hong Kong. (There is only a requirement to rotate the partner). Given the controversy surrounding Deloitte’s China audit clients the previous year, the timing of the resignation is suspicious.

## **Mexico**

**The Lius have stockpiled an estimated HK\$11 billion of Zhongwang aluminum in Mexico.**

**The remelt facility (where Zhongwangs aluminum is stockpiled) in Mexico is owned by Liu Zuopeng, Chairman Liu’s son.**

“You can give your family members money but should not allow them to work with you” - Chairman Liu quoted in a Sina.com article published November 13<sup>th</sup> 2009.<sup>45</sup>

Aluminicaste is a group of six companies owned by the Lius. The group built a 32 hectare Aluminum reprocessing facility in San Jose Iturbide in September 2011.<sup>46</sup> Aluminicaste started to receive shipments of Zhongwang aluminum in 2011 and has received a total of 1.25 million tons (declared value of HK\$17.2 billion) through December 2014. Below is a breakdown of shipments received where Aluminicaste group

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<sup>42</sup> SEHK 5<sup>th</sup> January 2010 “Pursuant to rule 13.09(1) of the listing rules” announcement

<sup>43</sup> SEHK 8<sup>th</sup> February 2010 “Price-sensitive information and resumption of trading” announcement

<sup>44</sup> SEHK 17<sup>th</sup> March 2015 “Annual results for the year ended 31 December 2014” announcement p.17

<sup>45</sup> [www.worldofceos.com/dossiers/zhongtian-liu](http://www.worldofceos.com/dossiers/zhongtian-liu)

<sup>46</sup> Light Metal Age “Aluminicaste Greenfield remelt” February 2014

company Logistics Equipment Mat de Mexico, SA de CV (“LEMSA”) is the consignee and the shippers are Po-Chi “Eric” Shen companies Gt88 Capital Pte. Ltd and Silky Soft International Limited:

Shipper Name	Shipments	Tons	Value (HK\$)
Gt88 Capital Pte. Ltd.	1,316	1,152,268	14,896,966,594
Silky Soft International Limited	164	33.807	684,157,428

Aluminicaste has been slow to reprocess the aluminum, which created an enormous stockpile that caught the attention of the US aluminum industry. In July 2014 American Metal Market magazine (“AMM”) estimated the stockpile at the time at 850,000 tons (value of 850,000 tons = HK\$11 billion).<sup>47</sup> The Lius’ inability to sell the reprocessed aluminum, even at much lower prices than Zhongwang claims to have sold it for, show the sales booked on aluminum transfers to the Lius are fraudulent.

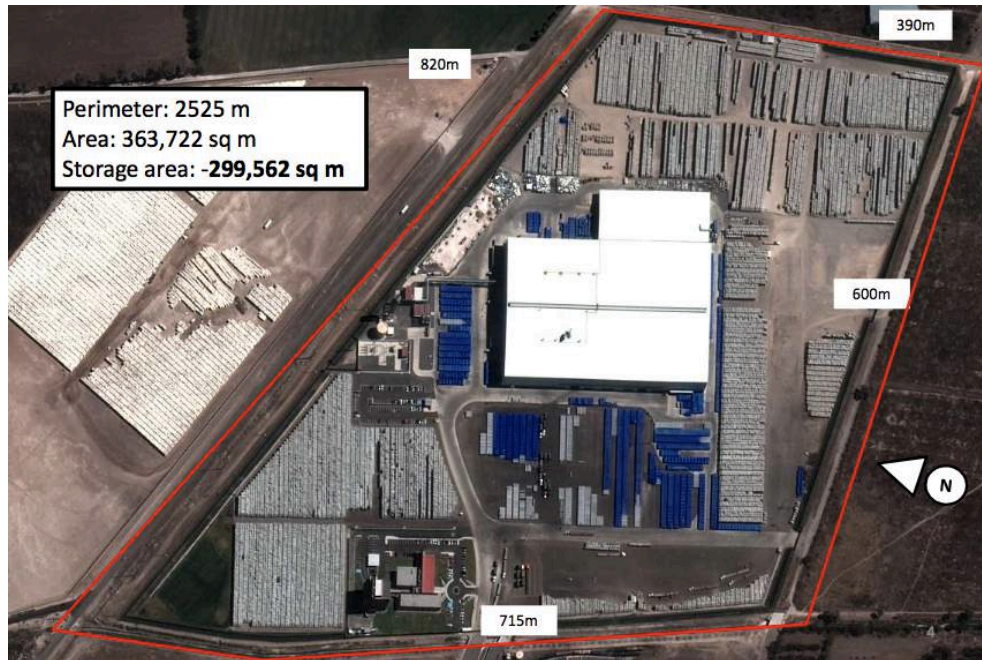
We have satellite imagery from 2014 and 2015 from publicly available databases that shows the stockpile is enormous and still growing.



Above is a satellite image of the Aluminicaste facility in June 2014. The below image is from February 2015. Even though publicly available Mexican customs data shows the Lius sold HK\$7.5 billion of aluminum between January 2014 and March 2015 Aluminicaste added a new storage area outside of the original perimeter of the facility during this time.

<sup>47</sup> American Metal Market “Aluminicaste’s 850,000T stockpile a concern” 2<sup>nd</sup> July 2014.





The satellite images show Aluminicaste has sold far less than it imported. According to publicly available customs data in Mexico during the 15 months ended March 2015 Aluminicaste exported HK\$7.5 billion. This money appears to have been pocketed by the Lius.

The Aluminicaste group was incorporated on 30<sup>th</sup> September 2010. It was originally established by Johnson Shao and Po-Chi “Eric” Shen. Johnson Shao is a key Liu associate, including having been the CEO of undisclosed related party customer PCA/Perfectus. Shen is the lynchpin of the offshore Liu network, including having been the principal of GT88 Capital Pte. Ltd (Singapore), which is the largest intermediary entity between the Lius’ PRC companies and Aluminicaste. Publicly available Mexican corporate records show that when Aluminicaste Group company Bauxita Holdings was incorporated Shen was the authorized signatory on the bank accounts.<sup>48</sup>

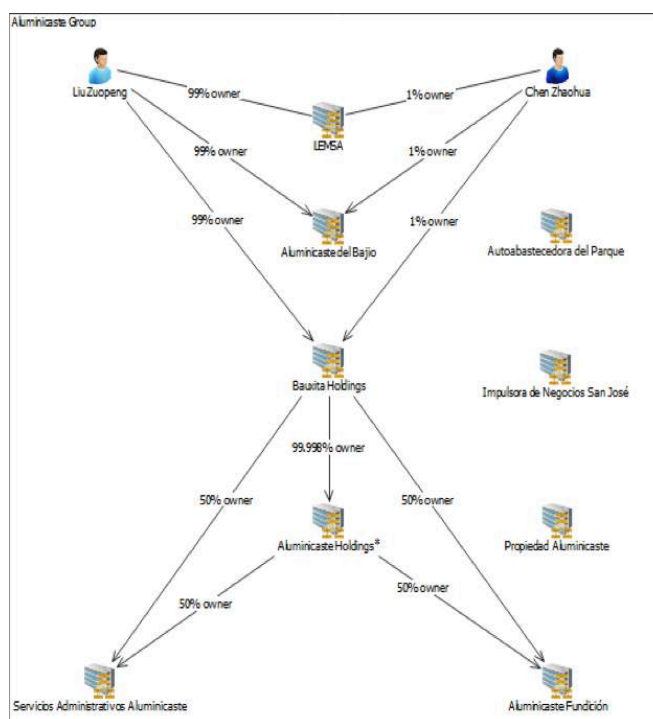
Chairman Liu’s son, Liu Zuopeng, is now the 99% owner of Aluminicaste. Another Liu associate, Chen Zhaohua (“Chen”) owns the remaining 1%.<sup>4950</sup> Publicly available Mexican corporate records show that since October 28<sup>th</sup> 2013 Liu Zuopeng has owned and controlled all six of the main companies within the Aluminicaste Group through his 99% direct ownership of three entities: LEMSA, Aluminicaste del Bajio and Bauxita Holdings. These entities in turn control Aluminicaste Holdings, Servicios Administrativos

<sup>48</sup> Foreign companies operating in Mexico typically appoint Mexican nationals to incorporate and open bank accounts on their behalf. On September 30<sup>th</sup> 2010 the Lius had a Mexican national named Abdon Mendez Zurita (“Mendez”) open bank accounts for Aluminicaste group companies

<sup>49</sup> Publicly available Aluminicaste corporate records

<sup>50</sup> Chen’s 100% owned Dragonlux Limited Hong Kong (source Dragonlux 2013 annual return) was the third largest supplier to PCA/Perfectus. Dragonlux Limited was named alongside Zhongwang Group Companies as a non-respondent in a March 29<sup>th</sup> 2010 Department of Commerce investigation into dumping and Subsidization of Aluminum extrusions from the PRC. Chen’s ties to the Liu family can also be identified through his interest in Hong Kong registered company Enrich Star Ltd, where he serves as a director. Enrich Star is a partner of Liu family controlled Liaoyang Magnesite Carbon Brick and Resin Chemical Factory. Liu Zhongtian is the legal representative of these companies.

Aluminicaste and Aluminicaste Fundicion de Mexico. Chen is an undisclosed related party that according to US customs records supplies Liu controlled PCA/Perfectus with Zhongwang aluminum.



Aluminicaste Fundicion de Mexico, S de RL de CV, is the owner of the remelt facility. The other important company in the Aluminicaste Group is Logistics Equipment Mat de Mexico, SA de CV ("LEMSA"). LEMSA is the primary importer of the aluminum.

The way to think about Aluminicaste is that it is de-processing aluminum. Zhongwang aluminum arrives as a finished product (extrusion) and comes out as a semi-finished product (billet). This is a backwards step in the value chain, but because billets are primary aluminum, they're presumably easier to sell than extrusions, which have specific uses. The Lius are selling these billets for roughly 20% less than their "purchase" price from Zhongwang. That calculation excludes the interest on the massive HK\$36.5 billion in gross debt in the ecosystem, transportation costs and depreciation on the reprocessing facilities.<sup>51</sup> The loss making economics of de-processing make clear that the Lius don't intend to repay the debt that funds the purchases from Zhongwang.<sup>52</sup>

Below we can see the prices that each entity is claiming to sell aluminum for:

<sup>51</sup> Includes HK\$15.9 billion at three related party Liu controlled suppliers and HK\$20.6 billion in debt at three related party Liu controlled trading companies.

<sup>52</sup> Aluminum extrusions receive a price premium to billet. Taking an aluminum extrusion with a higher selling price and processing it (which has a cost attached to it) to turn it into billet with a lower selling price is illogical.



Seller	Buyer	Price Per Ton (HK\$) January 2014 - December 2014	HK\$ LME Price
Zhongwang*	Not disclosed in AR	\$26,000	\$12,870 - \$16,000
Liwang (PRC)**	PCA/Perfectus	\$33,750	\$12,870 - \$16,000
Global Tower***	GVA	\$13,200 - \$14,000	\$12,870 - \$16,000
GT88****	Aluminicaste	\$16,140	\$12,870 - \$16,000
Aluminicaste*****	Assorted	\$19,800	\$12,870 - \$16,000

\*This is our most conservative estimate based on the disclosure on page 30 of Zhongwang's 2014 AR which explains 8.6% of aluminum was sold in the construction segment at an average price of RMB16,386 per ton and 82.9% of aluminum was sold in the industrial aluminum extrusion products segment with an average price of RMB21,277.

\*\*Based on the disclosure on page 30 of Zhongwang's 2014 AR which explains sales to the US comprise mostly deep-processed products and gives the average price for these sales. We have already confirmed that Liwang is the entity Zhongwang use and that Liwang shipped 27 tons to PCA/Perfectus in 2014, which is less than the 63 tons of deep processed aluminum Zhongwang disclose they shipped to foreign customers in 2014.

\*\*\*Based on publicly available import data from Vietnam

\*\*\*\*Based on publicly available Mexican customs data. The data shows LEMSA as the importer

\*\*\*\*\*Based on publicly available Mexican customs data showing exports to over 30 Aluminicaste Customers.

The Aluminacaste Group has likely never paid GT88 for **HK\$14.7 billion** in aluminum. GT88's Singapore financials show it has accounts payable of HK\$13.06 billion as of 31<sup>st</sup> December 2013, which almost exactly matches the value of aluminum exported to Mexico over that time by Yingkou Qianxiang ("Qianxiang").<sup>53</sup> Qianxiang is one of the Liu controlled PRC trading companies (discussed later). Qianxiang has HK\$5 billion net debt and HK\$9.2 billion accounts receivable. The Lius have likely not paid for any of this aluminum, we believe they never will.

The improper recording of liabilities at Aluminicaste further demonstrates that the Lius don't intend to pay for the Zhongwang aluminum. At the September 13<sup>th</sup> 2013 Aluminicaste Fundicion shareholder meeting, Aluminicaste's administrator Blanca Esthela Martínez Torres, requested Shao provide documents supporting various supposed loans the group received. She was replaced as administrator by Liu Zuopeng 45 days later.<sup>54</sup>

<sup>53</sup> Publicly available China customs data

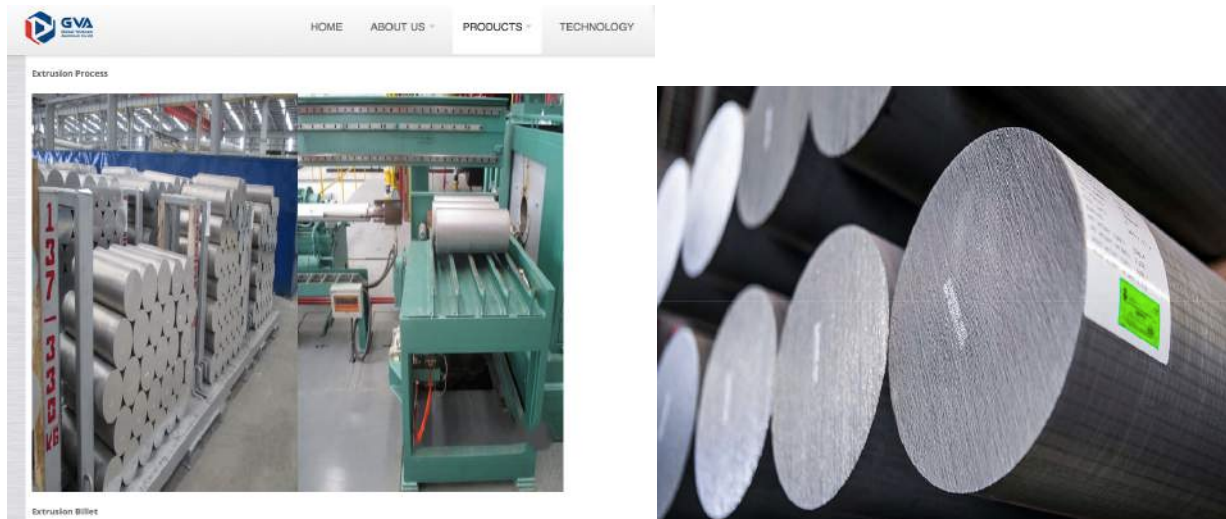
<sup>54</sup> Publicly available corporate records for Aluminicaste Fundicion, Aluminicaste Holdings and Bauxita Holdings (all held) on September 13<sup>th</sup>, 2013 state that the companies' sole administrator Martinez announced during those meetings that when she was appointed sole administrator on April 19<sup>th</sup>, she noticed the existence of liabilities with foreign entities and that those liabilities had not been properly recorded and documented. Martinez then requested Johnson Shao provide documents that would validate the liabilities such as bank statements accrediting transfers made to Aluminicaste Fundicion as loans worth a total of EUR30.78 million. Martinez requested the same from Shao in regards to Aluminicaste Holdings liabilities in the amount of CHF3.4 million and EUR 170,000. Martinez similarly requested the same from Shao in regards to Bauxia Holdings' liabilities in the amount of EUR84.219 million and

## Vietnam

### **The Liu's other secretly controlled aluminum reprocessing facility is in Vietnam**

“Zhongwang has built a 150,000 ton production line in Vietnam, a 200,000 ton line in Mexico and a 200,000 ton line in Yingkou.” – Chairman Liu on a local government website bragging in June 2013 to the mayor of Changde, PRC<sup>55</sup>

The Vietnam production line referenced above is Chairman Liu's other secretly owned aluminum reprocessing company, Global Vietnam Aluminum (“GVA”). Zhongwang's annual report has no mention whatsoever of GVA. GVA has a reprocessing facility located at My Xuan B1-Conac Industrial Zone, My Xuan Town, Tan Thanh District, BR-VT Province, Vietnam. This appears to be a carbon copy of the Mexico operation, and also focuses on producing billets. GVA's website says “We are producing and supplying about 200,000 metric tons per year of high quality aluminum billet.” We can see below pictures taken from GVA's website [www.gva.com.vn](http://www.gva.com.vn) of GVA's product that are uncannily similar to Aluminacaste's.



The picture below is taken from the Aluminacaste website [www.aluminacaste.com](http://www.aluminacaste.com)

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US\$5.15 million. At all three company meetings, the corporate records noted that the companies' shareholders acknowledged these loans, requesting Martinez to sign all the contracts and promissory notes related to the debt.

<sup>55</sup> [www.cdgz.gov.cn/art/2013/6/26/art\\_14563\\_1360223.html](http://www.cdgz.gov.cn/art/2013/6/26/art_14563_1360223.html)



# REDEFINING ALUMINUM

Aluminicaste is here to maximize your business and build a better future

We believe the Lius are transshipping through and stockpiling with plans to reprocess in Malaysia. Liu controlled Qianxiang has shipped (disclosed value) HK\$8.7 billion of aluminum to Malaysia since January 2011.<sup>56</sup> We believe the Lius might ultimately be planning a HK\$467 million plant in Port Klang, through Bright Series Sdn Bhd which (like GVA) is a 100% Australian Capital investment company that specializes in manufacturing and distributing aluminum products.<sup>57</sup> We have established that former GVA employees are also now working at Bright Series.<sup>58</sup>

On paper GVA is 10% owned by Mr. Jacky Cheung and 90% owned by Mr. Wang Tong, who are in reality Liu family proxies.<sup>59</sup> We have connected Wang to the Lius through Po-Chi “Eric” Shen. On 14<sup>th</sup> March 2014 Shen transferred his shares in GT88 Capital Limited (Hong Kong) (“GT88 HK”) to Wang Tong (see appendix C). (Note how the name of the company is identical to the Singapore registered GT88, also owned by Shen, which exported 1.15 million tons of Zhongwang aluminum to Aluminicaste). We have connected Cheung to the Lius through his ownership of PCA/Perfectus. On 4<sup>th</sup> December 2014 ownership of PCA/Perfectus transferred from Chairman Liu’s son Liu Zuopeng to Cheung. Our investigators have talked to a Zhongwang manager who while employed with Zhongwang was seconded to GVA. GVA’s service providers consider GVA to be the same company as Zhongwang - a sales representative at Shanghai based Bloom Engineering has told our investigators that Bloom have a relationship with GVA and that GVA is actually Zhongwang.

Below is the CV of a Zhongwang employee seconded to GVA.

<sup>56</sup> Chinese export data

<sup>57</sup> [www.business.asiaone.com/news/malaysias-port-klang-set-to-be-among-worlds-busiest-ports-2016](http://www.business.asiaone.com/news/malaysias-port-klang-set-to-be-among-worlds-busiest-ports-2016)

<sup>58</sup> [www.linkedin.com/in/vanhoan290131](http://www.linkedin.com/in/vanhoan290131)

<sup>59</sup> See appendix B

## 田胜龙

男 27岁(1988年3月) 4年工作经验 本科 未婚

现居住地: 国外 | 户口: 沈阳 | 中共党员(含预备党员) | 有海外工作经历/学习经验

身份证: [REDACTED]

手机: [REDACTED]

E-mail: [REDACTED]



### 求职意向

期望工作地区: 辽宁、越南、泰国、新加坡、其他

期望月薪: 2001-4000元/月

目前状况: 我对现有工作还算满意, 如有更好的工作机会, 我也可以考虑。(到岗时间另议)

期望工作性质: 全职

期望从事职业: 行政后勤/文秘, 签证业务办理, 英语翻译, 培训助理/助教, 客户服务专员/助理

期望从事行业: 大型设备/机电设备/重工业, 加工制造(原料加工/模具), 能源矿产/金属/冶炼, 房地产/建筑/建材/工程, 教育/培训/院校

### 自我评价

本人性格随和, 适应能力强, 工作严谨负责, 有合作精神, 希望与公司共同发展进步

### 工作经历

#### 2012.08 - 2015.02 越南环球铝业有限公司 (2年6个月)

生产办公室主任 | 8001-10000元/月

大型设备/机电设备/重工业 | 企业性质: 外商独资 | 规模: 500-999人

工作描述: 工作地点位于越南巴地头顿省, 负责整个项目后勤工作, 如文档起草, 合同起草, 食堂管理, 保安管理, 员工考勤, 保洁员管理, SAP系统(PP, HR)建立, 国内设备采购人员接待, 签证办理, 协调各部门工作等

管理经验: 汇报对象: 副总裁 | 下属人数: 90人

业绩描述: 负责公司以下科室日常管理:

1. 餐厅12人, 负责工厂内全部中国籍人员以及部分越南中层管理三餐
2. 保洁员10人, 负责办公室, 食堂日常卫生清扫
3. 工厂清洁绿化员工: 15人, 负责全厂绿化区域及公共区域维护保养及卫生工作
4. 保安50人, 负责公司安保工作

#### 2011.08 - 2012.08 辽宁忠旺集团 (1年)

英语类 | 2001-4000元/月

大型设备/机电设备/重工业 | 企业性质: 上市公司 | 规模: 10000人以上

工作描述: 集团各类资料文件的翻译和整理, 外宾接待, 领导出国签证代办, 合作项目洽谈翻译, 车间现场翻译以及其他各项办公室日常工作

### 教育经历

2007.09 - 2011.07 辽宁工程技术大学 英语 本科

Our investigators' surveillance confirms that Chairman Liu owns GVA and that GVA is receiving Zhongwang aluminum. In March and April 2015 our investigators tracked containers leaving Zhongwang's factory, and number of them ended up going to GVA.

Our investigators saw containers DFSU1282896, CSLU1948940, GLDU9373217 and CCLU3692178 leave Zhongwang on 2<sup>nd</sup> April 2015.







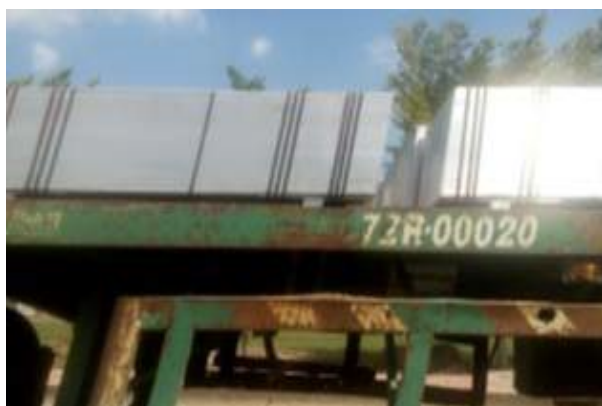
The same containers then arrived a few weeks later at Tan Cang Cai Mep port in Vietnam and went directly to GVA.



Containers CCLU3692178 and GLDU9373217 at the port in Vietnam on 21<sup>st</sup> May 2015.



Container MOAU0636238 being moved from the port in Vietnam to GVA on 23<sup>rd</sup> May 2015.<sup>60</sup>



Container MOAU0636238 arriving at GVA on 23<sup>rd</sup> May 2015

<sup>60</sup> According to official MOL website, container MOAU0636238 left Tianjin Five Continents International Central Terminal on 21<sup>st</sup> April 2015, and arrived at GVA on 23<sup>rd</sup> May 2015.



Container GLDU9373217 and CSLU1948940 on the road and arriving at GVA on 25<sup>th</sup> May 2015.

In Vietnam our investigators viewed the bill of lading for the shipment. We can see below the exporter is listed as Global Tower Worldwide and that the cargo is aluminum extrusions.

Sender: GLOBAL TOWER WORLDWID LTD. 9 TEMASECK BOULEVARD, #09-01 SUNTEC TOWER2, SINGAPORE 0398989

Receiver: GLOBAL VIETNAM ALUMINUM COMPANY LIMITE MY XUAN B1 – CONAC INDUSTRIAL ZONE, MY XUAN TOWN, THAN THANH DISTRICT, BR-VT PROVINCE.

Goods: SHIPPERS LOAD & COUNT & SEAL 712 PACKAGES ALLOYE ALUMINM EXTRUSIONS/PROFILE (HOLLOW)

Our investigators tracked containers from Zhongwang that were placed into another shipment from Yingkou (where Yingkou Qianxiang is located) to Tan Cang Cai Mep on the CSCL Callao 0116S.<sup>61</sup>

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<sup>61</sup> According to bill of lading information obtained on the CSSL website.  
Page **24** of **51**





1<sup>st</sup> April 2015 container number DFSU6905330 driving from Zhongwang factory in Liaoyang to the free trade zone in Yingkou.



1<sup>st</sup> April 2015 container number DFSU6905330 arriving at the Yingkou Port. Our investigators were unable to follow the container into the Yingkou free trade zone as they did not have a permit required for entry. This container was shipped to Tan Cang Cai, Vietnam, near GVA.

According to Chinese Customs data Qianxiang has exported HK\$17.04 billion of aluminum to Vietnam from January 2011 to January 2015. Through Vietnamese Customs data our investigators we have confirmed at least HK\$2.87 billion declared value aluminum imported by GVA with Global Tower Worldwide listed as shipper during 2014. Global Tower's office is in the same Singapore office complex as GT88 Capital Limited.<sup>62</sup>

<sup>62</sup> GT88 Capital Limited address is listed on its website as Penthouse Level & Level 42, Suntec Tower Three, 8 Temasek Boulevard. Global Tower's is at 9 Temasek Boulevard, 09-01 Suntec Tower 2.

## PCA/Perfectus

### **Secretly Liu owned US based customer**

According to US Customs data the Liu family has sent at least HK\$2.9 billion of Zhongwang aluminum to one of their companies in the US called Peng Cheng Aluminum (“PCA/Perfectus”, now Perfectus Aluminum Inc.)<sup>63</sup> As discussed earlier the SCMP have already established that PCA/Perfectus was an undisclosed related party by virtue of its former office address and CEO Johnson Shao. Prior to November 25<sup>th</sup> 2014 Xiangchun “Johnson” Shao was listed as the only principal on PCA’s corporate filings.<sup>64</sup>

From November 25<sup>th</sup> 2014 to December 4<sup>th</sup> 2014 Chairman Liu’s son Liu Zuopeng (who also owns 99% of Aluminicaste) was the principal and registered agent of PCA/Perfectus. From December 4<sup>th</sup> 2014 Jacky Cheung (the 10% owner of GVA) has been the principal and registered agent. Since January 2015 PCA/Perfectus has been registered at 1001 Doubleday Ave., Ontario California 91761. Chairman Liu’s wife, Wang Zhijie, purchased the office in October 2008 for HK\$252 million.<sup>65</sup> (The office was purchased by Doubleday LLC, which Wang Zhijie solely owns)<sup>66</sup>. PCA/Perfectus previously operated out of 19605 E Walnut Drive, which is the same address Liu Zhongtian’s Luckway USA Inc and CC Plastics were registered at.<sup>67</sup> In a 2010 civil case filed in Los Angeles County Superior Court (case #VC05530) PCA publicly acknowledged that it is an “affiliated” company of CC Plastics (CC Plastics is owned by Chairman Liu’s brother and former Zhongwang Vice President Liu Zhongsuo). (In December 2014 PCA was merged into Perfectus Aluminum Acquisitions LLC which was formerly owned by Liu Zuopeng and is now owned by Jacky Cheung, the documents detailing the ownership changes be found in appendix E and F).

According to US customs data, from 2009 PCA/Perfectus has received the following quantities and disclosed values of aluminum through secretly Liu owned intermediary companies.

- Estimated HK\$4.4 billion from Liu controlled Liwang. Liwang has a receivable balance of HK\$2.5 billion. This shows that the Lius don’t intend to pay for the aluminum with their own money.<sup>68</sup>
- Estimated HK\$424 million from Yingkou Qianxiang. Yingkou Qianxiang has a receivable balance of HK\$9.2 billion. This once again once again shows that the Lius don’t intend to pay for the aluminum with their own money.<sup>69</sup>
- Estimated HK\$136 million from Gran Cabrio Pte Ltd owned by Liu proxy Shen.<sup>70</sup>
- Estimated HK\$244 million from Dragonlux owned by Chen (1% owner of Aluminicaste).<sup>71</sup>

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<sup>63</sup> Based on US import data showing 223,530,522 kg imported and an average price assumption of US\$1,666

<sup>64</sup> See articles of incorporation for Pengcheng Aluminum Enterprise Inc USA in appendix D.

<sup>65</sup> Prospectus p.151.

<sup>66</sup> Source California property records

<sup>67</sup> Liu Zhongtian was the principal of Luckway USA Inc until it became inactive in 2009

<sup>68</sup> Based on PRC export data showing US\$915m declared value of exports of which 90% is exported to PCA/Perfectus. This value is larger than the total amount we believe has been exported to PCA and have estimated PCA’s real imports at HK\$2.9 billion.

<sup>69</sup> Based on US import data showing 32,772,000 kg imported and an average price assumption of US\$1,666

<sup>70</sup> Based on US import data showing 10,592,638 kg imported and an average price assumption of US\$1,666

<sup>71</sup> Based on US import data showing 18,889,874 kg imported and an average price assumption of US\$1,666

It's unclear as to whether PCA/Perfectus has sold any of the aluminum. In early 2015, our investigators have obtained photographic evidence that PCA/Perfectus have a sizable extrusion stockpile. Our investigators saw PCA/Perfectus relocating its aluminum stockpile from a warehouse in Fontana, CA to another warehouse in Riverside, CA.<sup>72</sup> These photos show that some of the Aluminum was at least five years old.



Surveillance image of aluminum stockpile located at 10681 Production Ave., Fontana, California. (January 2015)



PENG CHENG ALUMINUM ENTERPRISE INC. USA LIAONING ZHONGWANG GROUP CO., LTD			
Customer:			
COMBO			
Customer PO #	9664-1		
Sales Order #			
ZWP #	6103		
Description:	WATER RETURN BUMPER		
Customer Die #	342	Die #	PCA-D004882
Part Name/#		Item Code:	CAP-004882-ABZ-1206-25
Finish:	ANODIZING	Gross Weight:	380.28lbs
Heat#		Net Weight:	358.23lbs
Lot #		Piece:	24
Alloy		Length:	12.5'
Remark:		Mark:	0SO103
		Q.C.	
		Dimension	Finish
		ZW 04	ZW 04

21<sup>st</sup> January 2015 Open bed truck carrying Zhongwang aluminum departed 10681 Production Ave., Fontana, California and arrived at 14600 Innovation Dr. Riverside., California. Shipping labels attached to each pallet on the truck were clearly visible from the rear of the vehicle.

<sup>72</sup> The address of the Riverside warehouse is 14600 Innovation Drive, Riverside, California  
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PENG CHENG ALUMINUM ENTERPRISE INC. USA LIAONING ZHONGWANG GROUP CO., LTD			
Customer: PACIFIC COAST METALS			
Customer P.O. #	08188-0		
Order Order #			
ZW #	8031		
Destination	12112-00000		
Customer Dir #		On #	PCA-0001620
Part Name		on Code	PCM-001620-MIL-1200-43
Quantity		on Weight	676.22 lbs
Weight		Weight	664.16 lbs
Lot #			544
Lot #	0001-18-11	Lot #	018-119
RELEASE DATE 08.02.2010			
Barcode			
O.C.	ZW 01	Finish	ZW 01

21<sup>st</sup> January 2015 (Later that day) same truck arrives back at the 10681 Production Ave., Fontana, California location and transports aluminum to the 14600 Innovation Dr. Riverside., California address. Again Shipping labels attached to each pallet were clearly visible from the rear of the vehicle. As we can see from the picture, this aluminum has clearly been stockpiled for at least five years given the “release date” of 08/02/2010.

Investigators in July 2015 are still tracking Zhongwang aluminum being trucked from Fontana to Riverside.

### **Zhongwang aluminum leaving China via heavily indebted Liu owned trading companies**

**The Lius secretly own three trading companies in the PRC that export Zhongwang aluminum to their operations in Mexico, Vietnam, Malaysia and the US.**

The trading companies perform the following functions in the Lius’ scam:

- Borrowing from PRC banks. The total net debt at the three trading companies is HK\$6.6 billion, which accounts for 38% of the HK\$17.25 billion known undisclosed net debt in the Liu ecosystem. The total undisclosed gross debt is HK\$20.5billion. Yingkou Qianxiang has net borrowing of HK\$5.25 billion and Boruixin has net borrowing of HK\$2.3 billion. These companies are all thinly capitalized, have few tangible assets and enormous receivable balances (owed by the Lius who clearly have no intention of paying). In other words, these companies are not even close to being creditworthy.

We believe this debt is recourse to Zhongwang.<sup>73</sup> If we are correct the debt is recourse to Zhongwang, Zhongwang would face a significant near term liquidity squeeze should these loans be called. Based on our estimates of true book value Zhongwang may be insolvent.<sup>74</sup>

<sup>73</sup> Aside from one undisclosed guarantee of HK\$625 million to CWRH, our investigators have not received information about any explicit debt guarantees Zhongwang has issued. Our belief that Zhongwang is ultimately responsible for this debt is based on other research described in this report.

<sup>74</sup> Zhongwang’s stated book equity is HK\$30.4 billion. We believe book equity should be adjusted to at most HK\$5.5 billion and possibly well below zero. Stated book value includes retained earnings of HK\$15 billion and gross fixed assets of HK\$34 billion. We believe that revenues have been overstated since 2011 and that in reality Zhongwang has been losing money. We conservatively believe that CAPEX inflation is at least HK\$9.3 billion since at least 2011. After Zeroing out retained earnings, impairing fixed assets by HK\$9.3 billion and taking into account the HK\$6.6 billion in net debt at the three trading companies Zhongwang would have a negative book value of at least (HK\$1 billion).

- Fraudulently obtain HK\$6.6 billion VAT rebates that should belong to Zhongwang and the PRC tax bureau. Putting aside the issues of fraud and massive debt underpinning fake demand, Zhongwang is clearly entitled to much larger VAT rebates than the Lius have allowed it to collect. Zhongwang's true export volume since 2009 is HK\$59 billion versus a reported HK\$16.1 billion (17% of total revenue).<sup>75</sup> We know the Lius did not allow these rebates to flow to Zhongwang because if they did, the auditors would have caught the problem with the export volume disclosure.<sup>76</sup> Further the Lius' three trading companies are inflating the declared value of the Zhongwang aluminum they are exporting. By inflating the value the Lius collect larger VAT rebates. Chinese customs data shows that the Lius' trading companies are declaring per ton values approximately 67% higher than the declared values for the same goods imported into Mexico, Vietnam and the US.<sup>77</sup> This could get the Lius in serious trouble with the PRC tax authorities.

The three trading companies are Yingkou Qianxiang, Dalian Liwang and Boruixin. They are owned by proxies of Chairman Liu. We discovered Qianxiang after noticing that it was established in 2009 and immediately became one of the largest aluminum exporters in China.<sup>78</sup> Their first full year of business saw them export HK\$4.02 billion worth of aluminum. Since 2011 Qianxiang has shipped HK\$13.53 billion of aluminum to Mexico, HK\$14.46 billion to Vietnam, and HK\$8.07 billion to Malaysia. These are all places the Lius have or have planned secretly owned operations. Qianxiang's total exports to Mexico are almost identical to GT88's accounts payable and Aluminacaste's imports. Yingkou, (where Qianxiang is located) is a port within one and a half hours drive of Zhongwang's facility in Liaoyang.

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<sup>75</sup> Based on PRC export data for Liwang, Boruixin and Qianxiang from 2009 – present.

<sup>76</sup> In annual filings for 2011 and 2012 Zhongwang stated that certain sales were made to PRC companies which ultimately shipped product to the USA, these sales were recorded as sales made to the USA, not the PRC.

<sup>77</sup> Declared value of imports to Vietnam is slightly lower than to Mexico.

<sup>78</sup> Panjiva data from 2010 – present confirms Qianxiang is the largest exporter of aluminum in the PRC

	Dalian Liwang HK\$'000	Yingkou Qianxiang HK\$'000	Boruijin HK\$'000
Cash and Financial Assets	3,219,176	8,579,955	3,228,363
Accounts Receivable	2,633,306	9,241,551	3,409,263
Total	5,852,483	17,821,505	6,637,625
Bank Debt	2,547,408	9,444,984	1,963,363
Notes Payable		4,125,238	2,500,000
Payables			2,016,950
Total	2,547,408	9,444,984	1,963,363
Net	3,305,075	8,376,521	4,674,263

Note: There are inconsistencies in the summary balance sheets of the three Liu controlled trading companies however inquiries that our investigators made at banks showed the total level of borrowing at these entities to be consistent with the debt levels shown in the above table.

We next pulled Qianxiang's SAIC file and were astounded by Qianxiang's net debt, and accounts receivable, which are HK\$5.25 billion and HK\$9.2 billion. Qianxiang's balance sheet has never recorded any inventory at year end. HK\$850 million of Qianxiang's debt is guaranteed by Hong Cheng Plastics, which also guarantees HK\$5.9 billion of Zhongwang's debt and is owned by the Lius. Hong Cheng Plastics is owned by Chairman Liu and his wife.<sup>79</sup>

Our investigators then interviewed a former Qianxiang warehouse employee who provided irrefutable confirmation that Qianxiang is an undisclosed related party. The former Qianxiang employee said Qianxiang is a subsidiary of Zhongwang. He said Zhongwang was Qianxiang's only supplier, that Zhongwang provided Qianxiang's manager and accountant, and even that Qianxiang's forklift and other equipment belong to Zhongwang.

Zhongwang's 2013 bond prospectus shows Liwang as Zhongwang's largest trade debtor.<sup>80</sup> 40% of Liwang is owned by a former Zhongwang employee, Zhang Chaoxin.<sup>81</sup> Since 2011 Liwang has shipped HK\$4.8 billion of aluminum to the US, HK\$11.6 million of aluminum to Mexico, HK\$690 million to Vietnam, and HK\$1.39 billion to Malaysia. Of the 146,703 tons of aluminum shipped to the US, 90% was to

<sup>79</sup> Hong Cheng plastics is indirectly owned by the Lius through United Unicorn Investments Limited, a BVI company wholly owned by Liu Zhongtian that holds a 40% equity stake (Zhongwang Prospectus page 94). The other 60% of Hong Cheng Plastics is owned by Liaoyang Synthetic Resin Plant, Wang Zhijie currently serves as the company's legal representative, a position formerly held by Liu Zhongtian.

<sup>80</sup> Zhongwang 2013 Bond prospectus

<sup>81</sup> Zhang Chaoxin is either a current or former Zhongwang employee, he attended the 104<sup>th</sup> China import and Export Commodity Trading Exhibition as a representative from Liaoning Zhongwang's international business development in October 2008.

PCA/Perfectus.<sup>82</sup> Liwang has receivables of HK\$2.5 billion. Liwang's balance sheet has never recorded any inventory at year end. Liwang has HK\$250 million of its debt guaranteed by Liu family owned Cheng Cheng Plastics ("CC Plastics") and HK\$650 million of its debt guaranteed by Shenzhen Hong Xin Huasheng Trading company, a company owned by He Long, the same Liu proxy shareholder as Zhongwang undisclosed related party supplier, Shenzhen Jing Tian Qinye (discussed below).<sup>83</sup>

From 2011 Boruixin has shipped (declared value) HK\$5.08 billion of aluminum to Mexico, HK\$1.58 billion to Vietnam, and HK\$70 million to Malaysia. It has HK\$62.5m of its debt guaranteed by Qianxiang, who we know is a Liu owned trading company. Boruixin's balance sheet has never recorded any inventory at year end.

As standalone entities at least two of the three trading companies (Boruixin and Qianxiang) are insolvent. As we've explained the Lius clearly have no interest in repaying any of the borrowings. On their own the trading companies will never be able to pay down their debts. We believe Zhongwang is ultimately responsible for these loans. A former senior Liu associate described to us what he says is a typical borrowing scam involving well known manufacturers of exports in China, which we believe applies to Zhongwang.

In the described scam the chairman has proxy shareholders set up trading companies that take on substantial borrowings. The key is the banks consider the well known company to be the "parent" and the guarantor. We believe this is exactly what's happening with Zhongwang and these three trading companies. This is a logical conclusion because there's no other entity in the ecosystem of debt remotely creditworthy enough to get these loans. The HK\$25 billion credit facility Zhongwang announced on 24<sup>th</sup> July 2015 seems to give them the ability to divert tens of billions more HK\$ to further this fraud.

We have found three companies that we believe are Liu owned intermediaries between Zhongwang and the three trading companies called Liaoyang Shunpeng Trade Co., Ltd ("Shunpeng"), Liaoyang Xinhe Aluminum company ("Xinhe") and "Liaoyang Nuoxin Trading Company ("Nuoxin"). There could be more intermediaries. The purpose of the intermediaries is to obscure the relationship between Zhongwang, the Lius and the trading companies. The Shunpeng/Xinhe/Nuoxin layer also facilitates the HK\$6.6 billion in VAT rebates the Lius pocket. Chinese aluminum exporters receive 13% VAT rebate (based on the value of goods exported). Aluminum that is not exported does not generate this rebate. When Zhongwang "sells" aluminum to a domestic entity, Zhongwang does not receive a VAT rebate. When the domestic Liu controlled entity, such as Shunpeng, Nuoxin or Xinhe, sells the aluminum to Qianxiang, Liwang or Boruixin the domestic entity controlled by the Lius is able to claim the 13% VAT rebate.

We believe Shunpeng is a Liu controlled intermediary because its debts are guaranteed by Hong Cheng Plastics which Chairman Liu Zhongtian owns 40% of (HK\$1.6 billion) and Qianxiang (HK\$34.6 billion).<sup>84</sup> We

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<sup>82</sup> Some of the remaining 10% Liwang exports to the US is exported to Aluminum Shapes an entity purchased in December 2012 by Global Aluminum USA inc, Johnson Shao is CEO.

<sup>83</sup> SAIC filings confirm He Long is the largest shareholder for both Shenzhen Jing Tian Qinye Trading Company and Shenzhen Hong Xin Huasheng Trading Company

<sup>84</sup> Hong Cheng Plastics is 40% owned by United Unicorn Investments a BVI registered company whose ultimate beneficial owner is Liu Zhongitan.



know from an article on a government website that Shunpeng is one of the most important recipients of VAT recipient in Liaoyang.<sup>85</sup> We know Xinhe is also a Liu controlled entity because it has the same address as Shunpeng, and Xinhe's contact phone number (0419-4150046) is the same one used by Liu Zhongsuo, Chairman Liu's brother for the company he owns called Liaoyang Zhongwang Plastic Profile.<sup>8687</sup> Nuoxin is also one of the most important VAT rebate recipients in Liaoyang, and shares a contact number (0419-4155587) with both Shunpeng and Zhongwang. All three of these companies are in Hongwei district, Liaoyang, near Zhongwang.

### **Undisclosed related party suppliers**

**Jing Tian Qinye Trading Company, Xin Fu Yuan International Trading Company and Cheng Wang Renhe are the three largest suppliers, and all are undisclosed related parties.**

Zhongwang don't disclose the names of their top three suppliers but we know from Zhongwang's 2013 bond prospectus that they purchase over 90% of their inputs from their top three suppliers. Bank credit approval letters posed on [www.docin.com](http://www.docin.com) show that Jing Tian Qinye Trading Company, Xin Fu Yuan International Trading Company and Cheng Wang Renhe have all been shipping significant quantities of aluminum ingots to Zhongwang since 2011.<sup>88</sup> We therefore assume they're Zhongwang's top three suppliers. All three companies are also controlled by the Lius.

- Zhongwang's undisclosed related party supplier Shenzhen Jing Tian Qinye Trading Company ("JTQY") guarantees HK\$272 million of Shenzhen Hong Xin Huasheng Trading company's debt. Shenzhen Hong Xin Huasheng guarantees HK\$650 million of Liu trading company Liwang's and HK\$480 million of Liu trading company Boruixin's debt.<sup>89</sup>
- Zhongwang's undisclosed related party supplier Shanghai Xin Fu Yuan International Trading Company's ("XFYI") debt is guaranteed by Liaoning Yize Trading company, which has its debt guaranteed by Liu owned Hong Cheng Plastics. XFYI shares a legal representative (Sun Yaguang) with Shanghai Daye Yong Shun Trading Company, which guarantees HK\$37.5 million of Liu trading company Boruixin's debt and HK\$390 million of Liu trading company Yingkou Qianxiang's debt. XFYI is also connected to Zhongwang by Nie Lina. She is a former shareholder and supervisor of XFYI and one of the managers of Liaoning Zhongwang Special Carriages, which is owned by a subsidiary of Zhongwang.<sup>90</sup>
- Zhongwang's related party supplier, Cheng Wang Renhe ("CWRH") is 50% owned by Liu Zhongtian's likely brother-in law Zhao Xiaoming.<sup>91</sup> HK\$625 million of CWRH's debt is guaranteed by Zhongwang. This guarantee is not disclosed in Zhongwang's accounts. It also has a portion of its debt guaranteed by Liu owned Cheng Cheng Plastics and Hong Cheng Plastics. CWRH

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<sup>85</sup> [www.taxrefund.com.cn/html/2013/12/20131218131842.htm](http://www.taxrefund.com.cn/html/2013/12/20131218131842.htm)

<sup>86</sup> Both Xinhe and Liaoyang Zhongwang Plastic Profile list 0419-4150046 as the contact number on the SAIC website.

<sup>87</sup> SAIC filings show the address for both listed as Liaoyang City, Hongwei District, Xinghou, Street.

<sup>88</sup> [www.docin.com/p-768421357.html](http://www.docin.com/p-768421357.html)

<sup>89</sup> Records also show a HK\$625 million trade finance guarantee from Shenzhen Hong Xin Huasheng Trading company to Liwang and a HK\$8.3 billion of credit guarantees for Boruixin.

<sup>90</sup> In SAIC filings Nie Lina is referred to as a supervisor of Liaoning Zhongwang Special Carriage.

<sup>91</sup> Zhao Xiaoming is married to Wang Zhijing who we believe to be the sister of Liu Zhongtian's wife Wang Zhijie.



guarantees HK\$612 million of Dalian Huayuan Tian Cheng Trading companies' debt. Huayuan Tian Cheng guarantees Liu trading company Yingkou Qianxiang's debt.

The same Zhao Xiaoming (Liu Zhongtian's likely brother-in-law) that currently owns Zhongwang supplier Cheng Wang Renhe had previously set up an entity in February 1999 with Liu Zhongtian called Beijing Zhongwang Xing Ye. In 2003 this entity claimed on its website to have supplied Zhongwang with HK\$2 billion of aluminum. We believe this shows a pattern of behavior in which related party entities set up companies to supply Zhongwang.

Below is a screenshot from <http://1528897.atobo.com.cn> where you can find the claims made by Beijing Zhongwang Xing Ye's and its relationship as a former Zhongwang supplier



## The Lius' network of offshore intermediaries

The Lius' have used an expansive global network of offshore intermediaries and shell companies to connect their operations in the PRC with their reprocessing and storage facilities in Mexico, Vietnam, Malaysia and the US.

The key player in this network is Po-Chi "Eric" Shen (Shen). Johnson Shao and Chairman Liu's son, Liu Zuopeng, also have significant roles to play.

Shen's trading companies GT88 Capital PTE Ltd (Singapore) and Gran Cabrio Capital PTE Ltd (Singapore) have sent 1.25 million tons of aluminum to Aluminicaste alone. They have also sent 223,530 tons to PCA/Perfectus.<sup>92</sup> Shen was instrumental in establishing Aluminicaste. When the entities in the Aluminicaste group were incorporated in September 2010 he was the only person authorized to write

<sup>92</sup> Both GT88 and Gran Cabrio are 100% owned by Shen through his Eighty Eight Investments AG vehicle.

cheques on behalf of the accounts. Shen connects the Liu family to Wang Tong, one of GVA's owners. In March 2014 Shen transferred his ownership in GT88 Capital Limited (Hong Kong) to Wang Tong.<sup>93</sup>

Global Tower's Singapore office is in the same complex as GT88 (Singapore). Global Tower shows up in Vietnamese customs as the main exporter of fraudulently obtained Zhongwang aluminum to GVA. Through a web developer the Liu network has used several times, we were also able to solidify the connection between GT88 (Hong Kong) to Global Tower. We are currently unable to ascertain where Global Tower is registered.<sup>94</sup>



Web development company 128.in was used to design both GT88 Capital Limited and Global Towers' websites. Above and below are screenshots from 128.in where they are using the same text to describe the two businesses.

<sup>93</sup> Shen was formerly the owner of GT88 (Hong Kong) and signed over his interest in this entity to Wang Tong on 14<sup>th</sup> March 2014

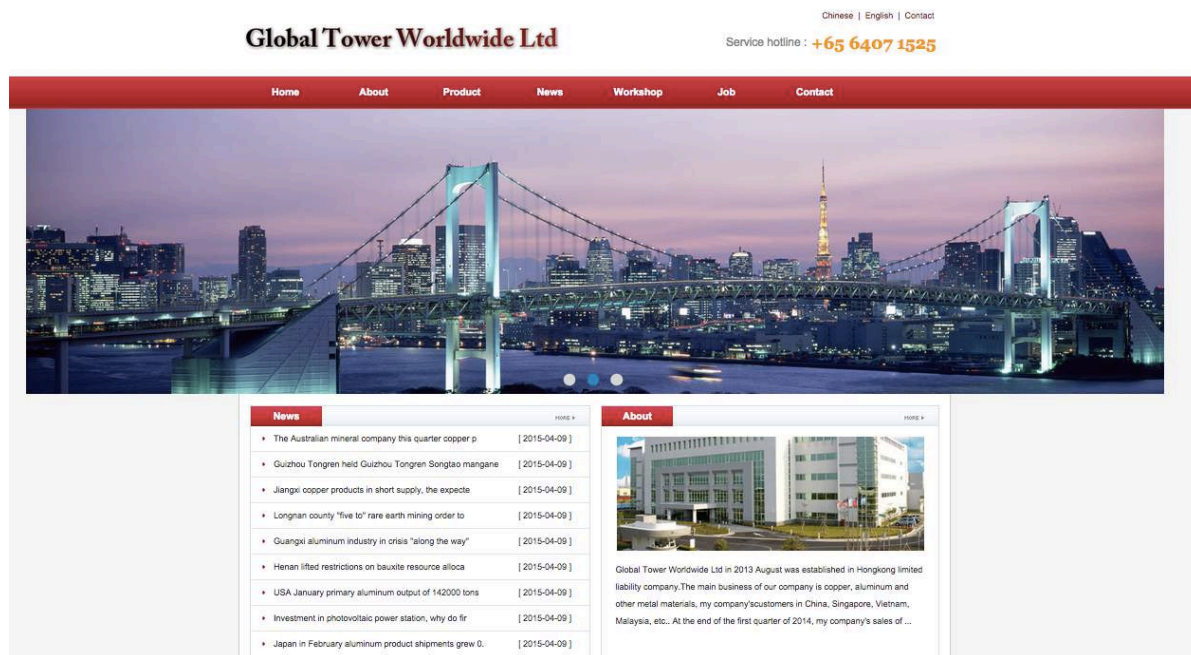
<sup>94</sup> There is a company named Global Tower International Limited (CR No 0659896) registered in Hong Kong. We have performed a search of its name in Chinese (Huandu International Limited) and found a trading company with the name Dalian Huandu International Trading Company, registered in Dalian. This has the same domain that other Liu companies have used "inpost.cn" in the SAIC filings. We suspect that this is the entity but have been unable to confirm that this is the same Global Tower exporting to GVA.

<sup>95</sup> The developer who designed the website used the same template (for Global Tower and GT88HK) almost verbatim, poorly translated text copied from a Sina blog (blog.sina.com.cn/s/blog\_7f60a6770102v082.html). On the developers homepage www.128.in they have used the same exact text to describe Global Tower and GT88HK.



Below are screenshots from the homepages of GT88 Capital and Global Tower Worldwide Ltd. Both websites have used the same template for the homepage. The newsfeeds and “About” section are identical. You can visit the websites to see for yourself at [www.gt88-capital.com](http://www.gt88-capital.com) and [www.global-tower.net](http://www.global-tower.net)





From Mexican and US customs data, we know Shen has helped the Liu family fraudulently obtain 1.25 million tons of Zhongwang aluminum shipped to Aluminacaste, in addition to the 223,530 tons shipped to PCA/Perfectus. In addition to this Shen is a director of two entities, Leadmax PTE Ltd and Alliance Jade Trading Ltd which are shipping aluminum to Liu controlled companies.<sup>96</sup> They have made 316 shipments totaling 51,199 tons of fraudulently obtained Zhongwang aluminum to Liu controlled Aluminum Source Inc.<sup>97</sup> Aluminum Source is now also part of PCA/Perfectus.<sup>98</sup> Alliance Jade has made an additional 133 shipments of fraudulently obtained Zhongwang aluminum totaling 23,600 tons to Liu controlled entities American Apex Aluminum Inc, and Century American Aluminum Inc. American Apex and Century are now also part of Perfectus.<sup>99</sup>

## **CAPEX fraud**

**The Lius have likely used CAPEX fraud to siphon off Zhongwang's cash to fund transfers of Zhongwang aluminum, which is sent to the secretly controlled remelt facilities.**

Our investigation has led us to conclude that the Tianjin facility under construction for almost four years is a likely a way for the Lius to divert billion dollars of CAPEX funds to fund their stockpiles of Zhongwang aluminum. We think it's reasonable to assume roughly half of Zhongwang's reported CAPEX has been

<sup>96</sup> Shen and Chong Yit Cheong are listed as directors for Silky Soft, Leadmax and Alliance Jade.

<sup>97</sup> Leadmax registered office address is 15 Engor Street (Singapore) the same address as GT88.

<sup>98</sup> Aluminum Source In was consolidated (alongside six other Liu entities) under the ownership of Liu Zuopeng on December 31<sup>st</sup> 2014.

<sup>99</sup> American Apex Aluminum Inc, and Century American Aluminum Inc were consolidated (alongside five other Liu entities) under the ownership of Liu Zuopeng on December 31<sup>st</sup> 2014.



diverted by the Lius. Our investigators received quotes on production equipment substantially lower than what Zhongwang disclosed paying, indicating significant inflation of reported CAPEX. We believe Zhongwang also inflated the value of prepayments they claim to have given machinery suppliers. The Tianjin facility is well behind schedule, despite having recorded approximately HK\$24.6 billion in CAPEX since 2011.<sup>100</sup> Zhongwang's project financing strategy in Tianjin is inconsistent to say the least with the way projects of this size are usually financed. Zhongwang only put the final touches to a HK\$25 billion debt facility for the Tianjin project on 24<sup>th</sup> July 2015, almost four years after the Tianjin facility was announced and a few months before production (is allegedly) going to commence. For multi billion dollar industrial projects financing is usually in place before construction starts. Zhongwang's approach is akin to jumping out a plane and then checking you have a parachute in your backpack. The Lius' main methods of siphoning off cash appear to be:

- Overstating the value of machinery purchases. Our investigators found in four cases sampled the true price of machinery purchased by Zhongwang is likely between 37% and 70% lower than the announced value. We know this because our investigators received quotes from two of the same Chinese suppliers, for two of the same presses Zhongwang purchased. Quotes from US and Italian suppliers of similar presses support substantial inflation.
- Inflating prepayments. Putting aside the fact that Zhongwang have inflated the declared value of machinery purchased, there are large discrepancies between balances of prepayments Zhongwang claims to have made to trading companies, and what the trading companies' financials show. Zhongwang claims to have made HK\$17.5 billion in prepayments for machinery to three trading companies since 2011. We can assume from the balance sheets of two (of the three) trading companies Zhongwang claim to have made prepayments to, that Zhongwang has not placed their claimed deposits for machinery. China Electronics Corp Holdings Co Ltd and China Machinery Engineering Corp (the two trading companies Zhongwang ordered machinery from) show less than HK\$432 million in "advances from customers" as of 2013. Per the payment schedule Zhongwang announced in October 2011 these trading companies should have shown prepayments of at least HK\$6.4 billion. 2013 would have been the highest year in cumulative prepayments to date as Zhongwang had placed significant orders, but not yet taken delivery of any machinery until the following year, at the earliest. Even taking into account the possibility that Zhongwang made 100 percent of the HK\$8 billion scheduled prepayments to Great Dynasty HK Co., Limited (which we have no reason to believe is the case),<sup>101</sup> Zhongwang can still not account for the HK\$9 billion discrepancy between prepayments received by suppliers and prepayments claimed by Zhongwang
- Ponzi Land financing. Since 2010 Zhongwang purchased HK\$2.1 billion of land parcels for which there is no obvious legitimate use. This land has been purchased away from existing and announced Zhongwang plants. As of January 2015 at least part of this land remains undeveloped. A former senior Liu associate described to our investigators a scheme that manufacturing

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<sup>100</sup> Zhongwang 2014 Annual report p.97

<sup>101</sup> Zhongwang announced the agreement of the "Great Dynasty Agreement" on 18<sup>th</sup> October 2011. For further details on the breakdown please see

[www.zhongwang.com/en/index.php?ctl=news&act=details&cid=78&infold=79&did=485](http://www.zhongwang.com/en/index.php?ctl=news&act=details&cid=78&infold=79&did=485)

companies use to fraudulently borrow from PRC banks. A company buys land, and has it corruptly revalued upwards. Then the company pledges the land at inflated values as collateral for further borrowing. We believe the pattern of land purchases in Daqing, Panjin and Yingkou bear similarities with the scheme described by the former senior Liu associate.

Zhongwang disclosed the amount spent on aluminum presses (by press type) in a 2013 bond prospectus. Based on the quantity of each type of aluminum press purchased we were able to break out Zhongwang's per unit prices for 125MN, 90MN and 75MN aluminum extrusion presses. Our investigators approached four equipment sellers for quotes on the disclosed specification of machinery Zhongwang have ordered. In the 2013 Chinese bond prospectus Zhongwang claim that they purchased various presses from Taiyuan Heavy and China Heavy at specified cost. However, both of these companies quoted our investigators prices that were 67% and 70% cheaper (for a 125MN press) than Zhongwang claimed to have paid. This is without our investigators having attempting to negotiate the prices lower.

To stress test the price inflation our investigators sourced quotes from a US based heavy equipment broker and a prominent European manufacturer. The quotes received support substantial price inflation. Our investigators asked the Italian manufacturer for a quote that would include full installation and servicing. The quote still came in 38% cheaper than the prices stated in the 2013 bond prospectus.<sup>102</sup> The prices our investigators received for the presses from the manufacturers can be seen below:

Aluminum Extrusion Press Specification	Zhongwang 2013 Bond Prospectus			
	Total Cost		Unit Cost RMB	Unit Cost
	Qty	RMB 10,000s	10,000s	HK\$ MM
125 MN	3	70,653	23,551	295.6
90 MN	4	38,040	9,510	119.4
75 MN	7	58,183	8,312	104.3

RMB:USD  
6.182

Aluminum Extrusion Press Specification	Taiyuan Heavy*		China Heavy**		China Presses, US Broker***		Extral Italy (press only)	
	Quoted Price HK\$MM	Difference %	Quoted Price HK\$MM	Difference %	Quoted Price HK\$MM	Difference %	Quoted Price HK\$MM	Difference %
125 MN	96.2	-67%	88.1	-70%	65.4	-78%	91.2	-69%
90 MN	75.4	-37%	73.4	-38%	43.1	-64%	62.8	-47%
75 MN	55.4	-47%	N/A	N/A	40.9	-61%	55.7	-47%
<p>*Quoted FOB Tianjing. The VAT rebate may be as high as 17% on aluminum extrusion presses.</p> <p>**quoted in RMB, assumes taxes are included</p> <p>***quoted for export by a US broker, presses only no auxillary equipment</p> <p>Price quoted in EUR 0.7659 was the EUR:USD exchange rate at</p>								

Note: All Quted prices are inclusive of 17% VAT.

<sup>102</sup> We are unaware of any service contracts that Zhongwang may have in place for the machinery purchased. We feel it is highly unlikely that servicing from either Taiyuan Heavy or China Heavy could be more expensive than a European manufacturer as Chinese labor is significantly cheaper than European labor.

Extrapolating CAPEX inflation across the HK\$30 billion Zhongwang claim they have spent on machinery since 2011, we believe the Lius may have diverted Zhongwang half of the HK\$30 billion in CAPEX since 2011.<sup>103</sup> This diverted CAPEX would likely have been used to fund transfers of Zhongwang aluminum with the aluminum to the Lius.

Between 2011 and 2014 Zhongwang claimed to have made prepayments to three Hong Kong machinery suppliers totaling HK\$17.5 billion, which also seems to be a substantial overstatement.

In October 2011 Zhongwang announced that it would buy a total of HK\$12.4 billion of machinery from China Machinery & Equipment (HK) Co Ltd (a subsidiary of China Machinery Engineering Corp “1829HK”) and HK\$9 billion from CEIEC (a subsidiary of China Electronics Corp Holdings Co Ltd “85HK”).<sup>104</sup> At least 30% of this consideration was payable within 10 days of the advance payment invoice. This would mean that the subsidiaries of 85HK and 1829HK would have recorded at least HK\$2.7 billion and HK\$3.7 billion of “advances from customers”. This is not the case. In 2013, 85HK’s balance sheet only shows HK\$37 million of “advances from customers”. In 2013 the subsidiaries of 1829HK only show HK\$395 million in “receipts in advance for sales of goods”. Even if we assume that all of these prepayments are from Zhongwang (which we have no reason to) it is still far short of the HK\$6.4 billion we would have expected to see on the balance sheets of 85HK and 1829HK. If 85HK and 1829HK were trading companies they would have to receive cash before making payments to the companies they purchased the machinery from. The balance sheets of the machinery suppliers provide further evidence that the prepayments we see in the footnotes to Zhongwang’s accounts on pages 111 and 113 of the 2014 and 2013 annual reports have been redirected to pay for aluminum that is ultimately sent to the Lius.

We believe Zhongwang is engaging in ponzi land financing. This practice is not uncommon in China. In it, companies buy land, have it corruptly revalued upward, then pledge it at the inflated values in order to secure borrowing (part of which is often used to buy more land and continue the scam). A former senior Liu associate who is familiar with this practice from firsthand experience has explained to our investigators how it works.

Zhongwang would be ideally positioned to exploit the PRC banking system through ponzi land financing. Banks are now restricted in lending to real estate developers to buy land, however loans to manufacturers who claim they want to buy land to expand capacity are not hard to make. (We have been unable to estimate the amount of additional debt that Zhongwang could be saddled with as a result of this practice.)

We believe that HK\$2.1 billion spent on 1,140 hectares of land in Yingkou, Panjin and Daqing is likely part of an undisclosed ponzi land finance scheme. Zhongwang has purchased a total of 2,381 hectares of land since 2010. Only 53% of this land is being used for the Tianjin project or located in Liaoyang where

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<sup>103</sup> Base case of HK\$9.3 billion based on excess prepayments for machinery since 2011. HK\$20.1 based on extrapolation of 67% across the HK\$30 billion announced in machinery spend for Tianjin in 2011.

<sup>104</sup> [www.zhongwang.com/en/index.php?ctl=news&act=details&cid=78&infold=79&did=485](http://www.zhongwang.com/en/index.php?ctl=news&act=details&cid=78&infold=79&did=485)

Zhongwang is based. 43% of the land was purchased before Zhongwang began to acquire land in Tianjin. These land purchases are highly suspicious.

In March 2015 our investigator visited the land in Yingkou, which remains undeveloped since it was purchased in 2012.<sup>105</sup>



Commercial land Zhongwang acquired in Yingkou that remains undeveloped since 2012.

The land purchased in Yingkou is zoned for commercial use. This makes it unlikely the land has been purchased to support a manufacturing operation.

Zhongwang purchased a total of 681 hectares in Daqing at a cost of HK\$1 billion. 578 hectares were purchased In May 2011. Zhongwang claimed the land was to be used for “construction of a new facility for the manufacturing of processed aluminum products.” But as of 2015 we can see the land has not been developed. Zhongwang no longer talks about a planned facility in Daqing.<sup>106 107</sup>

In November 2011, Zhongwang purchased two parcels of land in Panjin for HK\$802 million.<sup>108</sup> This time Zhongwang claimed the land was to be used for “construction of a new facility for the manufacturing of flat rolled products in connection with the implementation of the Group’s plan to enter into the market sector of high-end aluminum flat-rolled products.”<sup>109</sup> Zhongwang no longer talks about a planned facility in Panjin.

The three million ton HK\$58 billion Tianjin site seems to provide the Lius with the chance to divert substantial CAPEX.<sup>110</sup> In December 2014 Zhongwang claimed “Equipment installation and testing is now underway and trial operation will follow immediately”.<sup>111</sup> We question how Zhongwang could test equipment when our investigators verified that high voltage power transmission lines had not been connected as of 2<sup>nd</sup> March 2015.

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<sup>105</sup> West of Yuxiu road, East of Fengxian Road, South of Xinhua North Street and North of Xinjian Avenue

<sup>106</sup> SEHK 10<sup>th</sup> February 2012 “Discloseable transaction acquisition of land use right” announcement

<sup>107</sup> The remaining 103 hectares of land in Daqing were purchased in December 2013

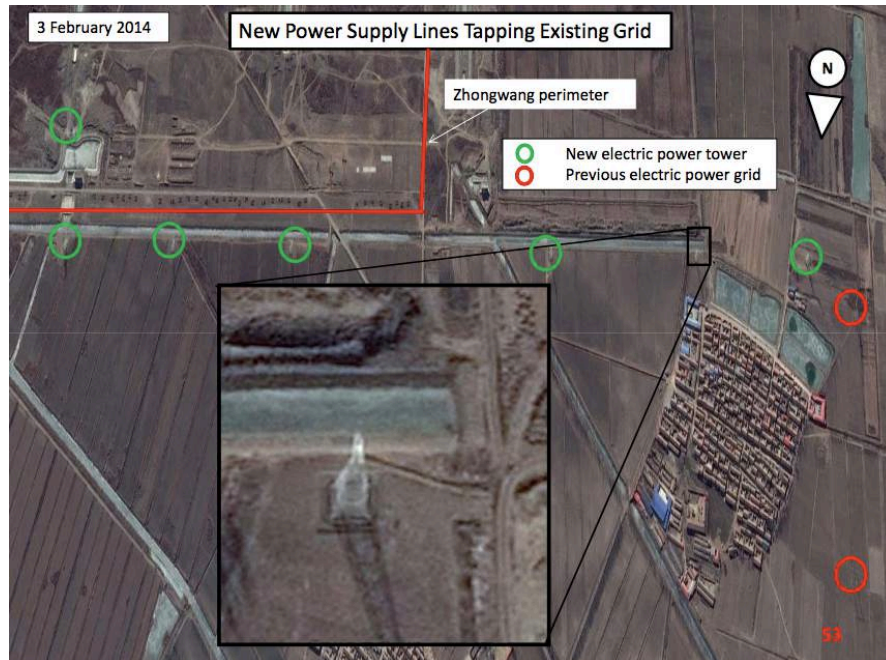
<sup>108</sup> We have been unable to find the exact location of the land in Panjin – likely due to changes of street names.

<sup>109</sup> SEHK 8<sup>th</sup> November 2011 “Discloseable transaction acquisition of land use right” announcement

<sup>110</sup> Zhongwang website, News Centre “Vice President of Novelis (China) Visits China Zhongwang

<sup>111</sup> SEHK 17<sup>th</sup> March 2015 “Annual results for the year ended 31 December 2014” announcement p.17





Satellite image of Tianjin facility power supply as of February 2014 showing a tower without any power lines.<sup>112</sup> Our investigators sent people to the site in March 2015 and verified that the power lines were still not connected to the facility. It appears as though the site has some power supply as of July 2015.

While investors might have a hard time redoing our work getting machinery quotes, Zhongwang's mistruth about its "new" Technical Centre shows the Lius habitually use CAPEX theatre. At the end of 2014 Zhongwang announced it had opened its new Technical Centre building. The problem with the new facility is that it looks a lot like the old Research & Development Center. Below is a picture of Zhongwang's "New Technical Center" (as of 4Q 2014) center taken from a 20<sup>th</sup> January 2015 announcement on Zhongwang's website.

<sup>112</sup> Recent analysis of Tianjin site shows power lines did not appear to be connected to any facilities inside the complex as of 2<sup>nd</sup> March 2015.



See below the old Technical Center (previously referred in some places as the Research & Development center) set up in 1998. Try counting the windows of each building and comparing.



We noticed that the sign has changed from Research and Development Center to Technical Center but hardly think that warrants a firework display.

Appendix

Appendix A – 16<sup>th</sup> March 2007 document granting Liu Zuopeng power of attorney over assets owned by Chairman Liu.

RECORDING REQUESTED BY FIRST AMERICAN TITLE COMPANY RESIDENTIAL DIVISION <b>2704655-KW</b> RECORDING REQUESTED BY:	Recorded in Official Records, Orange County Tom Daly, Clerk-Recorder \$15.00 2007000167499 08:00am 03/16/07 104 79 P14 4 6.00 11.00 0.00 0.00 0.00 0.00 0.00 0.00
--	--

WHEN RECORDED MAIL TO:  
Vesna Martin  
Hartford Escrow  
25910 Acero #330  
Mission Viejo, CA 92691

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**UNIFORM STATUTORY FORM POWER OF ATTORNEY**  
(California Probate Code Sec. 4401)

NOTICE: THE POWERS GRANTED BY THIS DOCUMENT ARE BROAD AND SWEEPING. THEY ARE EXPLAINED IN THE UNIFORM STATUTORY FORM POWER OF ATTORNEY ACT (CALIFORNIA CIVIL CODE SECTIONS 4400-4465, INCLUSIVE). IF YOU HAVE ANY QUESTIONS ABOUT THESE POWERS, OBTAIN COMPETENT LEGAL ADVICE. THIS DOCUMENT DOES NOT AUTHORIZE ANYONE TO MAKE MEDICAL AND OTHER HEALTH-CARE DECISIONS FOR YOU. YOU MAY REVOKE THIS POWER OF ATTORNEY IF YOU LATER WISH TO DO SO.

I, **Zhong Tian Liu**, of the County of Orange, State of California

does appoint **Zuo Peng Liu**

as my agent (attorney-in-fact) to act for me in any lawful way with respect to the following initiated subjects.

TO GRANT ALL OF THE FOLLOWING POWERS, INITIAL THE LINE IN FRONT OF (N) AND IGNORE THE LINES IN FRONT OF THE OTHER POWERS.  
TO GRANT ONE OR MORE, BUT FEWER THAN ALL, OF THE FOLLOWING POWERS, INITIAL THE LINE IN FRONT OF EACH POWER YOU ARE GRANTING.  
TO WITHHOLD A POWER, DO NOT INITIAL THE LINE IN FRONT OF IT. YOU MAY, BUT NEED NOT, CROSS OUT EACH POWER WITHHELD.

INITIAL

**ZTL** (A) Real property transactions.  
\_\_\_\_ (B) Tangible personal property transactions.  
\_\_\_\_ (C) Stock and bond transactions.  
\_\_\_\_ (D) Commodity and option transactions.  
\_\_\_\_ (E) Banking and other financial institution transactions.  
\_\_\_\_ (F) Business operating transactions.  
\_\_\_\_ (G) Insurance and annuity transactions.

THIS INSTRUMENT FILED FOR RECORD BY  
FIRST AMERICAN TITLE COMPANY AS AN ACCOMMODATION  
ONLY IT HAS NOT BEEN EXAMINED AS TO ITS EXECUTION  
OR ITS EFFECT UPON THE TITLE

**EXHIBIT "A"**  
**LEGAL DESCRIPTION**

YOU NEED NOT INITIAL ANY OTHER LINES IF YOU INITIAL LINE (N).

Document Number: 2007000167499 Page: 1 of 4

**Appendix B** - State bank of Vietnam Credit information confirming Wang Tong and Jacky Cheung as the the 90% and 10% owners of GVA.

**THE STATE BANK OF VIETNAM-CREDIT  
INFORMATION CENTER**  
*Address: No 10 Quang Trung Street, Ha Dong  
District, Ha Noi City*  
*Fax: (04) 33553996*  
*Telephone:  
(04)33553910/33553911*  
*Email: cicservice@creditinfo.org.vn Web:  
http://www.cic.net.vn*

Date: 05/02/2015

Code : S74

### COMPREHENSIVE REPORT

#### COMPANY PROFILE

CIC number : 7700006262  
 Company name: **GLOBAL VIETNAM  
ALUMINUM COMPANY  
LIMITED**  
 Native name: CONG TY TNHH NHOM  
TOAN CAU VIET NAM  
 Registered address: My Xuan B1 Conac Industrial  
Zone, My Xuan Town, Tan  
Thanh Dist, Ba Ria Vung Tau  
Province, Vietnam

#### BANKERS

1. Vietnam Joint Stock Commercial Bank for Industry and Trade -  
Dist 1 Branch
2. Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho  
Chi Minh Branch

#### SHAREHOLDERS

Shareholder	Nationality	Percentage of ordinary shares
Mr. Jacky Cheung	Australia	10 %
Mr. Tong Quang	Australia	90 %

#### BOARD OF MANAGEMENT

Name	Position	Born	Education	Nationality
Mr. Tong Quang	Chairman of the Board	1964	Bachelor Level	Australia
Mr. Jacky Cheung	General Director	1981	Bachelor Level	Australia
Mr. Nguyen Thong Thuong	Chief Accountant	1981	Bachelor Level	Vietnam

#### BRANCH/SUBSIDIARY



公司註冊處  
Companies Registry

秘書及董事更改通知書(委任/離任)  
Notification of Change of Secretary and Director  
(Appointment/Cessation)

(《公司條例》第158(4)、(4AA)及(9A)條)  
(Companies Ordinance s. 158(4), (4AA) & (9A))

表格  
Form D2A

存案 Filed

重要事項 Important Notes

- 填表前請參閱《填表須知》。
- 請用黑色墨水列印。
- Please read the accompanying notes before completing this form.
- Please print in black ink.

公司編號 Company Number

1861395

1 公司名稱 Company Name

GT88 CAPITAL LIMITED

2 更改詳情 Details of Change

A. 秘書/董事的離任 Cessation to Act as Secretary/Director

(如有超過一名秘書/董事離任，請用續頁A續報 Use Continuation Sheet A if more than 1 secretary/director ceased to act)

請在適用的空格內加上✓號 Please tick the relevant box(es)

(註 Note 6) 身份 Capacity ☐ 秘書 Secretary ☒ 董事 Director ☐ 候補董事 Alternate Director

代替 Alternate to

(Nil)

個人秘書/董事的姓名 Name of Individual Secretary/Director

沈伯鎔

SHEN

PO-CHI

中文姓名 Name in Chinese

英文姓氏 Surname in English

英文名字 Other Names in English

(註 Note 7) 身份證明 Identification

(Nil)

303446977

香港身份證號碼 HK Identity Card Number

護照號碼 Passport Number

或 OR

(註 Note 8) 法人團體秘書/董事的中文及英文名稱  
Chinese and English Names of Corporate Secretary/Director

(Nil)

離任原因

Reason for Cessation

☒ 辭職/其他

Resignation/Others

☐ 去世

Deceased

(註 Note 9) 離任日期

Date of Cessation

14 MAR 2014

日 DD

月 MM

年 YYYY

(註 Note 10) 請證明上述離任董事/候補董事在離任日期後，是否繼續擔任公司的候補董事/董事職位

Please indicate whether the director/alternate director who is ceasing to act will continue to hold office as alternate director/director in the company after the date of cessation ☐ 是 Yes ☒ 否 No

(註 Note 4) 提交人的資料 Presenter's Reference

姓名 Name: GENERAL SECRETARIAL LIMITED

地址 Address: Room 1501, 15/F., Yu Sung Boon Building,  
107-111 Des Voeux Road Central, Hong Kong

電話 Tel: 2581 9231

傳真 Fax: 3105 9531

電郵地址 E-mail Address:

檔號 Reference:

Job No.: G320G0009 (YL)

指明編號 2/2008 (修訂) (2008年7月)

Specification No. 2/2008 (Revision) (July 2008)

請勿填寫本欄 For Official Use



23500917001

D2A

14/03/2014

1861395

2603433  
**FILED**  
In the office of the Secretary of State  
of the State of California  
JAN 20 2004  
*Kevin Shelley*  
KEVIN SHELLEY, SECRETARY OF STATE

**ARTICLES OF INCORPORATION  
OF  
PENGCHENG ALUMINUM ENTERPRISE INC. USA**

I

The name of this corporation is

**PENGCHENG ALUMINUM ENTERPRISE INC. USA**

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporation Code.

III

The name and address in the state of California of this corporation's initial agent for service of process is:

Ruisheng Ye  
723 Sharon Road  
Acadia, CA 91007

IV

The corporation is authorized to issue only one class of shares of stock; and the total number of shares which the corporation is authorized to issue is One Million (1,000,000).

Date: January 19, 2004

*R. Ye*  
\_\_\_\_\_  
Ruisheng Ye  
723 Sharon Road  
Acadia, CA 91007

I hereby certify that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.

*R. Ye*  
\_\_\_\_\_  
Ruisheng Ye





State of California  
Secretary of State



08-719137

**FILED**  
in the office of the Secretary of State  
of the State of California

DEC 08 2008

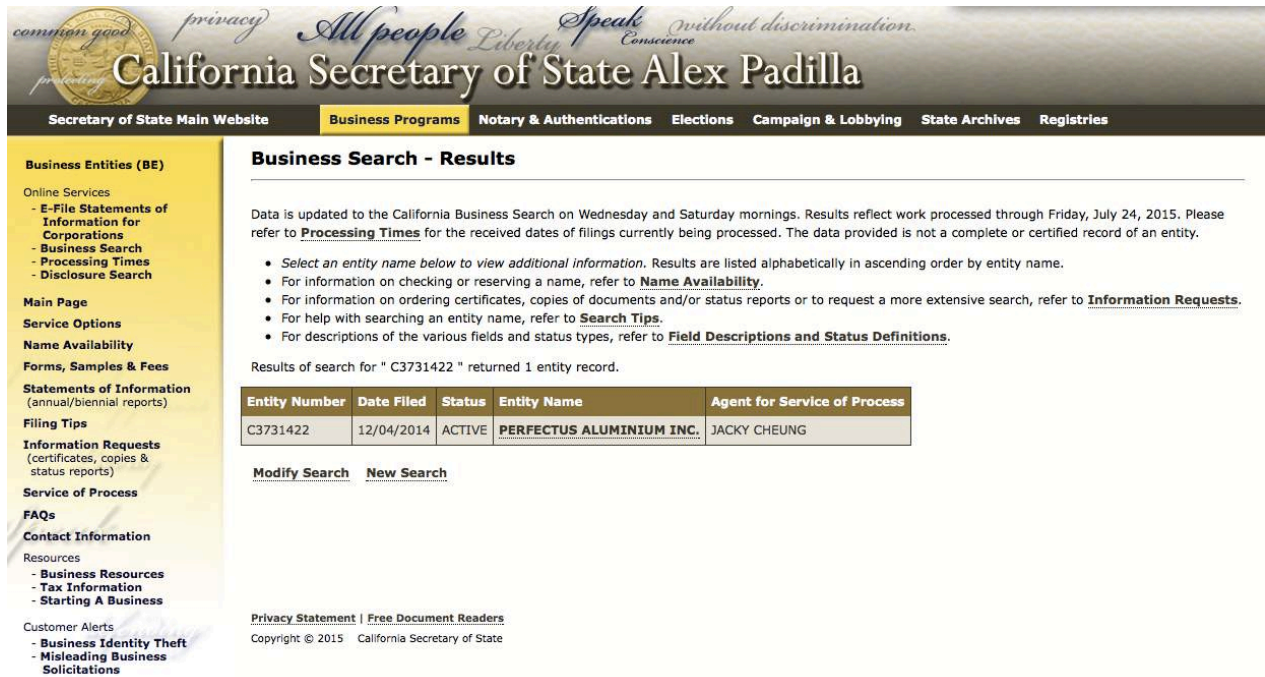
This Space For Filing Use Only

**STATEMENT OF INFORMATION**  
(Domestic Stock and Agricultural Cooperative Corporations)  
FEES (Filing and Disclosure): \$25.00. If amendment, see instructions.  
**IMPORTANT — READ INSTRUCTIONS BEFORE COMPLETING THIS FORM**

<b>1. CORPORATE NAME</b> (Please do not alter if name is preprinted.) C2803433 PENGCHENG ALUMINUM ENTERPRISE INC. USA 19605 E WALNUT DR NORTH WALNUT CA 91789				<b>S</b>
<b>DUE DATE:</b> 01-31-09				
<b>NO CHANGE STATEMENT</b> (Not applicable if agent address of record is a P.O. Box address. See instructions.)				
<input type="checkbox"/> If there has been no change in any of the information contained in the last Statement of Information filed with the California Secretary of State, check the box and proceed to Item 16. If there have been any changes to the information contained in the last Statement of Information filed with the California Secretary of State, or no statement has been previously filed, this form must be completed in its entirety.				
<b>COMPLETE ADDRESSES FOR THE FOLLOWING</b> (Do not abbreviate the name of the city. Items 3 and 4 cannot be P.O. Boxes.)				
<b>3. STREET ADDRESS OF PRINCIPAL EXECUTIVE OFFICE</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>	
19605 E. Walnut Drive North	Walnut	CA	91789	
<b>4. STREET ADDRESS OF PRINCIPAL BUSINESS OFFICE IN CALIFORNIA, IF ANY</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>	
19605 E. Walnut Drive North	Walnut	CA	91789	
<b>5. MAILING ADDRESS OF CORPORATION, IF DIFFERENT THAN ITEM 3</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>	
<b>NAMES AND COMPLETE ADDRESSES OF THE FOLLOWING OFFICERS</b> (The corporation must have these three officers. A comparable title for the specific officer may be added, however, the preprinted titles on this form must not be altered.)				
<b>6. CHIEF EXECUTIVE OFFICER</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>
Xiang Chun Shao	19605 E. Walnut Drive North	Walnut	CA	91789
<b>7. SECRETARY</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>
Xiang Chun Shao	19605 E. Walnut Drive North	Walnut	CA	91789
<b>8. CHIEF FINANCIAL OFFICER</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>
Xiang Chun Shao	19605 E. Walnut Drive North	Walnut	CA	91789
<b>NAMES AND COMPLETE ADDRESSES OF ALL DIRECTORS, INCLUDING DIRECTORS WHO ARE ALSO OFFICERS</b> (The corporation must have at least one director. Attach additional pages, if necessary.)				
<b>9. NAME</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>
Xiang Chun Shao	19605 E. Walnut Drive North	Walnut	CA	91789
<b>10. NAME</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>
<b>11. NAME</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>
<b>12. NUMBER OF VACANCIES ON THE BOARD OF DIRECTORS, IF ANY</b>				
<b>AGENT FOR SERVICE OF PROCESS</b> (If the agent is an individual, the agent must reside in California and Item 14 must be completed with a California street address (a P.O. Box address is not acceptable). If the agent is another corporation, the agent must have on file with the California Secretary of State a certificate pursuant to Corporations Code section 1505 and Item 14 must be left blank.)				
<b>13. NAME OF AGENT FOR SERVICE OF PROCESS</b>				
Xiang Chun Shao				
<b>14. STREET ADDRESS OF AGENT FOR SERVICE OF PROCESS IN CALIFORNIA, IF AN INDIVIDUAL</b>				
19605 E. Walnut Drive North		<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>
		Walnut	CA	91789
<b>TYPE OF BUSINESS</b>				
<b>15. DESCRIBE THE TYPE OF BUSINESS OF THE CORPORATION</b>				
Trading				
<b>16. BY SUBMITTING THIS STATEMENT OF INFORMATION TO THE CALIFORNIA SECRETARY OF STATE, THE CORPORATION CERTIFIES THE INFORMATION CONTAINED HEREIN, INCLUDING ANY ATTACHMENTS, IS TRUE AND CORRECT.</b>				
12/03/08		Xiang Chun Shao		CEO
DATE		TYPE PRINT NAME OF PERSON COMPLETING FORM		TITLE
12/03/08		Xiang Chun Shao		Signature
12/03/08		12/03/08		APPROVED BY SECRETARY OF STATE



**Appendix E** - Screenshots of California Secretary of state website (kepler.sos.ca.gov) Showing Jacky Cheung as the agent for Perfectus Aluminum Inc as of 4<sup>th</sup> December 2014.



The screenshot shows the California Secretary of State website with the header "California Secretary of State Alex Padilla" and the slogan "All people Liberty Speak without discrimination." The navigation bar includes links for "Secretary of State Main Website", "Business Programs", "Notary & Authentications", "Elections", "Campaign & Lobbying", "State Archives", and "Registries".

**Business Entities (BE)**

- Online Services
  - E-File Statements of Information for Corporations
  - Business Search
  - Processing Times
  - Disclosure Search
- Main Page
- Service Options
- Name Availability
- Forms, Samples & Fees
- Statements of Information (annual/biennial reports)
- Filing Tips
- Information Requests (certificates, copies & status reports)
- Service of Process
- FAQs
- Contact Information
- Resources
  - Business Resources
  - Tax Information
  - Starting A Business
- Customer Alerts
  - Business Identity Theft
  - Misleading Business Solicitations

**Business Search - Results**

Data is updated to the California Business Search on Wednesday and Saturday mornings. Results reflect work processed through Friday, July 24, 2015. Please refer to [Processing Times](#) for the received dates of filings currently being processed. The data provided is not a complete or certified record of an entity.

- Select an entity name below to view additional information. Results are listed alphabetically in ascending order by entity name.
- For information on checking or reserving a name, refer to [Name Availability](#).
- For information on ordering certificates, copies of documents and/or status reports or to request a more extensive search, refer to [Information Requests](#).
- For help with searching an entity name, refer to [Search Tips](#).
- For descriptions of the various fields and status types, refer to [Field Descriptions and Status Definitions](#).

Results of search for " C3731422 " returned 1 entity record.

Entity Number	Date Filed	Status	Entity Name	Agent for Service of Process
C3731422	12/04/2014	ACTIVE	PERFECTUS ALUMINIUM INC.	JACKY CHEUNG

[Modify Search](#) [New Search](#)

[Privacy Statement](#) | [Free Document Readers](#)  
Copyright © 2015 California Secretary of State

## Business Entity Detail

Data is updated to the California Business Search on Wednesday and Saturday mornings. Results reflect work processed through Friday, July 24, 2015. Please refer to [Processing Times](#) for the received dates of filings currently being processed. The data provided is not a complete or certified record of an entity.

Entity Name:	PERFECTUS ALUMINIUM INC.
Entity Number:	C3731422
Date Filed:	12/04/2014
Status:	ACTIVE
Jurisdiction:	CALIFORNIA
Entity Address:	1001 DOUBLEDAY AVE
Entity City, State, Zip:	ONTARIO CA 91761
Agent for Service of Process:	JACKY CHEUNG
Agent Address:	2323 MAIN ST
Agent City, State, Zip:	IRVINE CA 92614

**Appendix F** – Document showing the merging of Liu controlled entities including PCA under Perfectus Aluminum.

THE COMPLETE MERGER FILING IS UNDER  
CORPORATE NUMBER C9237656

C2603433 (OUT)  
EFFECTIVE DATE  
DEC 31 2014

AGREEMENT AND PLAN OF MERGER

by and among

PERFECTUS ALUMINUM INC. (Parent)

- PERFECTUS ALUMINUM ACQUISITIONS, LLC (Surviving Entity)
- ALUMINUM INDUSTRIAL INC. (Disappearing Entity #1)
- CENTURY AMERICAN ALUMINUM INC. (Disappearing Entity #2)
- TRANSPORT ALUMINUM INC. (Disappearing Entity #3)
- PENGCHENG ALUMINUM ENTERPRISE INC. USA (Disappearing Entity #4)
- GLOBAL ALUMINUM (USA) INC. (Disappearing Entity #5)
- AMERICAN APEX ALUMINUM INC. (Disappearing Entity #6)

And

ALUMINUM SOURCE INC. (Disappearing Entity #7)

DATED AS OF DECEMBER 29, 2014

FILED DEC 29 2014  
D1269972  
Secretary of State  
State of California

MM\box 5549871\_5 12290.1

01269969

SIGNATURE PAGE TO CERTIFICATE OF MERGER

FORM CBE MERGER-1

DISAPPEARING ENTITIES:

ALUMINUM INDUSTRIAL INC.

By:   
Zuopeng Liu, President

By:   
Zuopeng Liu, Secretary

CENTURY AMERICAN ALUMINUM INC.

By:   
Zuopeng Liu, President

By:   
Zuopeng Liu, Secretary

TRANSPORT ALUMINUM INC.

By:   
Zuopeng Liu, President

By:   
Zuopeng Liu, Secretary

PENGCHENG ALUMINUM ENTERPRISE INC.  
USA

By:   
Zuopeng Liu, President

By:   
Zuopeng Liu, Secretary

01269969

GLOBAL ALUMINUM (USA) INC.

By:   
Zuopeng Liu, President

By:   
Zuopeng Liu, Secretary

AMERICAN APEX ALUMINUM INC.

By:   
Zuopeng Liu, President

By:   
Zuopeng Liu, Secretary

ALUMINUM SOURCE INC.

By:   
Zuopeng Liu, President

By:   
Zuopeng Liu, Secretary

