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Web Proof Information Pack of



FAR EAST GLOBAL GROUP LIMITED

遠東環球集團有限公司

(incorporated in the Cayman Islands with limited liability)

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SUMMARY

OVERVIEW

We are a global provider of one-stop building facade solutions for high-end property development projects. We have undertaken many high profile property projects worldwide. We have established a strong reputation through our over 40 years' experience in the curtain wall industry and our undertaking of more than 400 projects worldwide. Our customers are generally developers and main contractors of property developments worldwide. We serve a global customer base that is distributed in various parts of the world including the U.S., Canada, the Middle East, the PRC, Hong Kong, Macau, Singapore, Japan and South America. A number of international developers and main contractors have included us in their lists of preferred building facade solutions providers.

Our key building facade projects include:

<u>Project name ⁽¹⁾</u>	<u>Location</u>	<u>Actual/Expected Date of Completion</u>
Burj Khalifa ⁽²⁾	Dubai, UAE	March 2009
Cosmopolitan Resort Hotel & Casino	Las Vegas, USA	September 2010
Costanera Center	Santiago, Chile	December 2011
Marina Bay Sands Integrated Resort	Singapore	August 2010
Shanghai IFC	Shanghai, the PRC	August 2010
Trump International Hotel & Tower	Toronto, Canada	August 2011
Venetian Macao Resort Hotel	Macao	August 2007

Notes:

- ⁽¹⁾ The building facade work awarded to our Group in these projects may not represent the building facade area of the entire project.
- ⁽²⁾ Burj Khalifa is currently the tallest building in the world.

We provide our customers with integrated building facade solutions that are customized to meet the technical specifications and performance requirements of the projects. As a one-stop building facade solutions provider, our services range from the initial design of the building facade system, procurement of materials, fabrication and assembly of the building facade products, performance testing, installation of the products at the construction sites, to after-sales services. Our key products include curtain walls, glass walls and window walls, the technical features of which vary from project to project based on our customers' needs and specifications. Our building facade solutions are mainly applied to commercial buildings, shopping centres, hotels, casinos and condominiums. According to the Synovate Report, the percentage of total project value represented by the value of curtain wall works in most of the cities where we have undertaken building facade projects is generally between the range of 10% and 15%.

We were established and based in Hong Kong in 1969. Since 1969 and prior to 2003, we have established a strong reputation as a provider of building facade solutions in Hong Kong and the PRC, having undertaken a number of high profile projects including Times Square, Pacific Place II and Science Park in Hong Kong, and Pudong Financial Tower in Shanghai, the PRC. Our commencement of the Sands Podium & Tower project in Macau in 2003 marked our entry and expansion into the global market, including Las Vegas, Hawaii, San Francisco, Singapore, Tokyo, Toronto, Dubai and Chile.

SUMMARY

We completed a total of 33 projects during the Track Record Period. As of the Latest Practicable Date, we had a total of 17 projects in progress, including nine projects located in the U.S., Canada and Chile, five projects located in Greater China and three projects located in Singapore and UAE. As of 30 September 2009, the total contract sum of our projects in progress was HK\$3,001 million, of which HK\$1,356 million had not yet been recognised as revenue.

We have entered into contractual arrangements in respect of fabrication and assembly of building facade products at the Shenzhen Production Facilities. We believe we can enjoy a cost advantage by locating our production facilities in the PRC, due to the competitive labour costs in the PRC and our proximity to competitively-priced materials in the PRC. In addition, the processing contracts with our suppliers to process in bulk of the aluminium required by all of our projects globally help us to effectively lower our procurement costs. We believe we have a competitive edge over other building facade products providers on the basis of our ability to provide quality products and services cost-effectively and our timeliness in delivering our custom-made building facade solutions to our customers. We try to manage our costs effectively by locating our production facilities in the PRC where we can source for competitively-priced materials and maintain our labour costs at competitive levels. During the Track Record Period, we had not made payments of liquidated damages or penalties to our customers for delay in completion of our contracts.

Our revenues for each of the three years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009 were approximately HK\$885.1 million, HK\$658.6 million, HK\$1,284.7 million and HK\$620.4 million, respectively. Our gross profit for each of the three years ended 31 December 2006, 2007 and 2008 was approximately HK\$67.9 million, HK\$82.9 million and HK\$253.1 million, respectively, representing a year on year growth of approximately 22.1% and 205.3%, respectively. Our gross profit for each of the nine months ended 30 September 2008 and 2009 was approximately HK\$200.1 million and HK\$126.0 million, respectively, representing a decrease of approximately 37.0%. The gross profit margin for each of the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 was 7.7%, 12.6%, 19.7% and 20.3%, respectively.

Since the third quarter of 2009, we have received invitations to tender for new projects, out of which we have tendered for 13 projects with contract sums amounting to an aggregate of HK\$1,467 million in the third quarter and 14 projects with contract sums amounting to an aggregate of HK\$2,336 million in the fourth quarter, excluding projects for which we have tendered but have not secured. We may not be successful in securing all or any projects which we have tendered for.

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We derived approximately 17.5%, 22.3%, 62.0% and 54.6% of our revenues from North America for each of the three years ended 31 December 2006, 2007 and 2008, and for the nine months ended 30 September 2009, respectively. Approximately 77.6%, 51.1%, 23.4% and 29.0% of our revenues are derived from the Greater China region, and approximately 4.0%, 22.9%, 13.3% and 14.6% of our revenues are derived from Asia (which as used herein, consists of Singapore, Japan and UAE, but excludes the Greater China region), for each of the three years ended 31 December 2006, 2007 and 2008, and for the nine months ended 30 September 2009, respectively. The following table sets forth the geographical breakdown of our revenues for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
North America	155,179	17.5	146,686	22.3	796,403	62.0	610,170	63.6	338,567	54.6
Greater China	686,967	77.6	336,535	51.1	300,509	23.4	212,125	22.1	179,780	29.0
Asia	34,898	4.0	150,790	22.9	171,263	13.3	123,768	12.9	90,864	14.6
Others ⁽¹⁾	8,065	0.9	24,630	3.7	16,533	1.3	12,910	1.4	11,218	1.8
Total.	<u>885,109</u>	<u>100.0</u>	<u>658,641</u>	<u>100.0</u>	<u>1,284,708</u>	<u>100.0</u>	<u>958,973</u>	<u>100.0</u>	<u>620,429</u>	<u>100.0</u>

Note:

(1) Includes a project in Chile and all maintenance projects located in regions specified above.

On 19 January 2009, the Board declared dividends of HK\$34 million for payment to our then sole Shareholder, Showmost and distributed such dividends in March 2009. On 25 February 2010, the Board declared Dividends of HK\$24 million for payment to our existing Shareholders, namely, Showmost, Starflash and Full Mission, and distributed such Dividends on 1 March 2010. On [●] 2010, the Board declared Special Dividends of HK\$[198.6] million to our existing Shareholders.

REORGANIZATION AND GROUP STRUCTURE

Before 28 December 2007, our Group was held and controlled by CATIC (now known as AVIC International Holding (HK) Limited), the shares of which are listed on the Stock Exchange (with stock code: 232).

On 28 December 2007, Showmost acquired the beneficial interest in the entire issued share capital of our Company, which was then already the holding company of our Group, from CATIC at a consideration of HK\$205,000,000, with the legal transfer effected on 2 January 2008 upon the entry of such transfer in the register of members of our Company and had since become the Controlling Shareholder.

Showmost is a limited liability company incorporated in the BVI and is wholly-owned by LCF II Holdings, Limited (which in turn is wholly-owned by Lotus China Fund II, L.P.). Upon the acquisition by Showmost of our Company and immediately before the share swap for 22.5% of the issued shares of our Company on 30 November 2009, Showmost was owned as to 75% by LCF II Holdings Limited, which was wholly-owned by Lotus China Fund II L.P and as to 25% by Starflash. On 30 November 2009, Starflash acquired 225,000 shares in our Company, representing 22.5% of the then entire issued share capital of our Company, in consideration of and exchange for which Showmost purchased the 2,500 shares of US\$1 each in its own share capital held by Starflash for cancellation.

SUMMARY

For further details on the reorganization and group structure of our Group, please refer to "History, Reorganization and Group Structure" and "Substantial Shareholders" sections of this document.

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- Strong reputation and well-established track record in high-end building facade projects provide us with competitive edge in pursuing new project opportunities
- One-stop building facade solutions effectively provided and managed at an international level
- Custom-made designs provided by a capable and experienced design and technical team
- Quality products and services provided in a cost-effective manner
- Comprehensive quality management system with stringent quality control measures
- Experienced, capable and dedicated management team

You can find a more detailed discussion of our competitive strengths in the section entitled "Business – Our Competitive Strengths" in this document.

OUR BUSINESS STRATEGIES

Our principal business strategies are to:

- Continue to build on and develop existing markets and explore new markets globally
- Pursue high-end projects globally to enhance our international profile and maintain our profitability
- Keep abreast of technological developments and develop new products for overseas markets
- Continue to strengthen our cost competitiveness by constructing production facilities in the PRC to support our growing business and operations

You can find a more detailed discussion of our principal business strategies in the section entitled "Business – Our Business Strategies" in this document.

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SUMMARY OF OUR FINANCIAL AND OTHER INFORMATION

The following tables summarize our consolidated historical financial information during the Track Record Period. The summary of consolidated statements of financial position as of 31 December 2006, 2007 and 2008 and 30 September 2009 and the summary of consolidated income statements and the summary of consolidated statements of cash flow for the three years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2008 and 2009 included in the following tables are derived from, and should be read in conjunction with, our audited consolidated financial information and the notes thereto included in the Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS.

Selected Data From Consolidated Income Statements

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
				<i>(unaudited)</i>	
Revenue	885,109,287	658,641,389	1,284,708,864	958,972,839	620,428,512
Cost of sales	(817,224,472)	(575,757,173)	(1,031,582,336)	(758,901,256)	(494,402,345)
Gross profit	67,884,815	82,884,216	253,126,528	200,071,583	126,026,167
Other income.	4,025,890	2,936,363	8,974,267	3,767,197	1,508,779
Administrative expenses.	(51,181,242)	(59,597,499)	(115,973,025)	(87,811,357)	(67,087,286)
Other operating expenses	-	-	(8,100,000)	-	(3,400,000)
Profits from operations	20,729,463	26,223,080	138,027,770	116,027,423	57,047,660
Finance costs.	(251,312)	(6,487)	(2,486)	(2,435)	-
Gain on disposal of a subsidiary	-	-	1,579,368	-	-
Profit before tax	20,478,151	26,216,593	139,604,652	116,024,988	57,047,660
Income tax expense.	(2,098,737)	(1,453,856)	(36,470,523)	(31,826,000)	(13,662,907)
Profit for the year/period	<u>18,379,414</u>	<u>24,762,737</u>	<u>103,134,129</u>	<u>84,198,988</u>	<u>43,384,753</u>
Attributable to:					
Owners of our Company	18,379,414	25,043,117	104,992,755	84,198,988	42,631,529
Minority interests.	-	(280,380)	(1,858,626)	-	753,224
	<u>18,379,414</u>	<u>24,762,737</u>	<u>103,134,129</u>	<u>84,198,988</u>	<u>43,384,753</u>
Earnings per share attributable to owners of our Company:					
Basic (HK\$ cents).	<u>97</u>	<u>133</u>	<u>556</u>	<u>446</u>	<u>226</u>
Diluted (HK\$ cents)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

SUMMARY

Selected Data From Consolidated Statements of Financial Position

	As of 31 December			As of
				30 September
	2006	2007	2008	2009
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Assets:				
Non-current assets	50,480,809	86,153,816	79,301,985	68,299,637
Current assets	412,851,852	415,942,566	818,439,282	747,073,724
Total assets	463,332,661	502,096,382	897,741,267	815,373,361
Equity and Liabilities:				
Current liabilities	292,813,530	304,751,837	594,202,806	501,629,176
Total equity.	170,519,131	197,344,545	303,538,461	313,744,185
Total equity and liabilities	463,332,661	502,096,382	897,741,267	815,373,361

Selected Data From Consolidated Statements of Cash Flow

	Year ended 31 December			Nine months ended	
				30 September	
	2006	2007	2008	2008	2009
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
				<i>(Unaudited)</i>	
Net cash generated from operations	2,566,067	83,576,428	256,786,457	105,659,318	95,354,633
Net cash generated from/(used in) investing activities	13,265,579	(36,500,208)	(14,573,663)	(13,551,997)	(35,911,865)
Net cash used in financing activities	(308,222)	(4,386,533)	(43,089,601)	(33,204,267)	(34,000,000)
Net increase in cash and cash equivalents.	15,523,424	42,689,687	199,123,193	58,903,054	25,442,768
Effect of foreign exchange rate changes	1,364,541	791,588	1,265,660	(128,961)	455,293
Cash and cash equivalents at the beginning of the year/period	29,768,992	46,656,957	90,138,232	90,138,232	290,527,085
Cash and cash equivalents at the end of the year/period	46,656,957	90,138,232	290,527,085	148,912,325	316,425,146

SUMMARY

DIVIDENDS AND DIVIDENDS POLICY

Subject to the Companies Law and Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by our Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

No dividend was paid or declared by our Company in 2006, 2007 or 2008. On 19 January 2009, the Board declared dividends of HK\$34 million for payment to our then sole Shareholder, Showmost and distributed such dividends in March 2009. On 25 February 2010, the Board declared Dividends for payment to our existing Shareholders, namely, Showmost, Starflash and Full Mission, and distributed such Dividends on 1 March 2010. On [●] 2010, the Board declared Special Dividends of [●] to our existing Shareholders. Payment of the Dividends and the Special Dividends will be made using our Company's internal resources, namely, the funds in our share premium account. As of 30 September 2009, the balance of our share premium account was approximately HK\$97 million. As a result of our share restructuring as detailed in the paragraph headed "Changes in the authorised and issued share capital of our Company" in the section headed "Further information about our Group" in Appendix VII to this document, and taking into account the declaration and payment of the Dividends.

SUMMARY

RISK FACTORS

Risks relating to our business

- We derive revenues substantially from our building facade business, which is susceptible to slowdown in the construction and real estate industries
- If we are unable to accurately estimate and control our project costs, we may achieve lower-than-expected profits on our projects and even incur losses
- Project delays may cause us to incur penalties and additional costs, to experience delays in receiving payments and our business and reputation may be affected
- If we do not successfully manage our working capital, our operations could be impaired
- Our customers may default in all or a substantial portion of their payment obligations to us
- Our inability to acquire adequate capital to finance our projects could delay some of our new development and expansion plans or force us to forego project opportunities
- We are subject to project risks particularly for large scale projects
- Fluctuations in the price of aluminium could adversely affect our financial condition and results of operation
- If we are unable to secure adequate supplies of building facade components at commercially reasonable prices, our business and results of operations will be materially and adversely affected
- We rely on the continuity of our existing processing arrangements for the operation of the Shenzhen Production Facilities
- Our use of the "percentage-of-completion" method of accounting means that our recorded revenues and profits are based on our best estimates at the relevant times, which are subject to inherent uncertainties and subsequent adjustments
- If we fail to meet a specified technical standard, we may have to incur additional costs to remedy the defect and compensate our clients, and our reputation and business could suffer
- We have experienced, and may continue to experience, difficulties in collecting retention amounts held as guarantees by our clients
- We are dependent on certain key personnel and loss of these key personnel could have a material adverse effect on our business, financial conditions and results of operations
- There is a limited pool of qualified candidates who have experience in our business and any failure to retain and recruit qualified professionals may adversely affect our business and growth
- Any failure in our production and business management programmes and systems could materially and adversely affect our business, financial conditions and results of operations

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- Non-renewal of, or delay in obtaining the permits, licences, approvals, certificates and qualifications will have a material adverse effect on our operations
- Failure to maintain our reputation and brand name could adversely affect our business, financial conditions and results of operations
- If we are unable to successfully expand our production capacity within our estimated timeframe, our growth, business and results of operations may be harmed
- The continued fluctuation of the U.S. dollar, Renminbi or other currencies against local currencies could adversely impact our profitability and results of operations
- Extraordinary events such as natural disasters and terrorist attacks could delay our project progress significantly, which may adversely affect our business, results of operations and financial conditions
- We are subject to other construction risks such as fire, suspension of water and electricity supplies
- We may be negatively impacted if Netfortune (Shanghai) loses or our subcontractors lose the right to use the Shenzhen Production Facilities and Shanghai Production Facilities
- We are exposed to environmental liabilities
- We may not be able to detect and prevent fraud or other misconduct which may be committed by our employees or third parties
- We engage directly or indirectly labour of different trades who may launch industrial actions or strikes to demand higher wages and/or shorter working hours
- Our insurance coverage is limited and we may be required to bear all or a certain portion of the financial consequences of any successful defective product claims or job accident made against us, which could have a material adverse effect on our results of operations and financial conditions
- We may be a party to various legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business
- We may be subject to legal prosecution and civil claims further to the raid carried out by the Hong Kong Custom and Excise Department in FEA's office in September 2009
- Dividends declared in the past may not be indicative of the dividend policy in the future

Risks relating to our industry

- We rely on our subcontractors for project execution and to implement relevant safety and environmental protection measures in the course of project execution
- We must keep up with the technological changes in the market in order to remain competitive
- The recent global economic slowdown, crisis in the global financial markets have negatively impacted, and may continue to negatively impact, our business

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Risks relating to the PRC

- Our operations may be adversely affected by changes in the PRC's economic, political and regulatory environment
- Our business, financial conditions and results of operations could be adversely affected by the uncertainties of and changes to the legal system
- Changes in the PRC governmental rules and regulations will have a significant impact on our business, financial conditions and results of operations
- Inflationary pressures in the PRC could have an adverse effect on our profitability and business
- Governmental control of currency conversion and changes in foreign exchange regulations in China may limit our ability to utilise our revenues and to obtain adequate financing effectively, and may adversely affect the ability of our PRC subsidiary to pay dividends or other payments to us, or to satisfy their foreign currency denominated obligations
- Dividends from our PRC subsidiary may be subject to withholding tax under PRC tax laws and we may be subject to PRC tax under the New Tax Laws
- Any changes in the PRC governmental policies regarding foreign investments in the PRC may adversely affect our business, financial conditions and results of operations
- Significant capital expenditure may have to be incurred if additional or stricter laws and regulations are passed in relation to environmental protection. We cannot ensure we can comply with all such environmental requirements

Risks relating to the other countries in which we operate

- We face risks associated with our international operations and, if we are unable to effectively manage these risks, they could impair our ability to expand our business in overseas markets
- We rely on sub-contractors and joint venture partners to operate in certain jurisdictions. If any of our business partners fail to fulfill their obligations, or if we are unable to cooperate effectively with any of our business partners, our business, reputation, growth and results of operations could be harmed
- We may not be able to operate successfully in new markets outside Greater China
- Global economies and our prospects may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as influenza A (H1N1) and avian flu

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions shall have the following meanings.

"affiliates"	with respect to any person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person
"Articles of Association" or "Articles"	the articles of association of our Company as amended from time to time
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CAD"	Canadian dollars, the lawful currency of Canada
"CAGR"	compound annual growth rate
"CATIC"	CATIC International Holdings Limited
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
"Controlling Shareholders"	Showmost, LCF II Holdings, Limited and Lotus China Fund II, L.P.
"Deed of Non-Competition"	a deed of non-competition dated 10 March 2010 executed by each of the Controlling Shareholders in favor of our Company
"Director(s)"	the director(s) of our Company as of the date of this document
"Dividends"	dividends of HK\$24 million declared by the Board on 25 February 2010 for payment to our existing Shareholders
"FEA"	Far East Aluminium Works Company Limited

DEFINITIONS

"Full Mission"	Full Mission Limited, a limited liability company incorporated in BVI on 5 November 2009 and is beneficially owned as to 50% by HUANG Brad (the Chairman and an executive Director) and as to 50% by Kwok Yeung Kwong (an executive Director and the chief executive officer of our Group)
"Fuyong Factory"	福永新和恒輝鋁材製品廠 (Fuyong Xin He Heng Fai Aluminium Products Factory)
"Greater China"	for the purposes of this document, consists of the PRC, Hong Kong and Macau
"Group"	our Company and our subsidiaries or, where the context refers to any time prior to its establishment, the businesses which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it pursuant to the restructuring
"HK\$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards
"Latest Practicable Date"	10 March 2010, being the latest practicable date prior to the printing of this document for ascertaining certain information contained in this document
"Macau"	the Macau Special Administrative Region of the PRC
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, adopted on 10 March 2010 and as supplemented, amended or otherwise modified from time to time
"MOP"	Macau Patacas, the lawful currency of Macau
"Netfortune (Shanghai)"	Netfortune (Shanghai) Aluminium Works Company Limited (上海力進鋁質工程有限公司), in which we hold a 75% equity interest and which is incorporated in the PRC

DEFINITIONS

"our Company," "our," "us," or "we"	Far East Global Group Limited (遠東環球集團有限公司), incorporated as a company with limited liability in the Cayman Islands on 5 November 1998 under the Companies Law and, unless the context otherwise requires, all of its subsidiaries, or, where the context refers to any time prior to its incorporation, the businesses which the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by such subsidiaries
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	People's Republic of China and, except where the context otherwise requires and only for the purpose of this document, references in this document to the PRC exclude Hong Kong, Macau and Taiwan
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法) (" Company Law "), as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and which came into force on 1 July 1994, as amended, supplemented or otherwise modified from time to time. The revised Company Law came into force on 1 January 2006.
"PRC government"	the central government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SGD"	Singapore dollars, the lawful currency of Singapore
"Shanghai Production Facilities"	the properties located in Shanghai, the PRC that are leased by Netfortune (Shanghai) and used for fabrication and assembly of building facade products
"Shareholder(s)"	holder(s) of our Shares
"Share(s)"	ordinary share(s), with nominal value of HK\$0.01 each, in the share capital of our Company

DEFINITIONS

"Shenzhen Production Facilities"	the office building and factory located in Shenzhen, PRC that are used by our Group for fabrication and assembly of building facade products pursuant to various tenancy agreements entered into by the Fuyong Factory with 深圳市新和股份合作公司 (Shenzhen Xinhe Shareholding Company), details of which are set out in "Business – Our Processing Arrangements" of this document
"Showmost"	Showmost Group Limited, a limited liability company incorporated in BVI on 8 March 2007 and is wholly-owned by Lotus China Fund II, L.P., one of the Controlling Shareholders
"Special Dividends"	special dividends of HK\$[●] million declared by the Board on [●] for payment to our existing Shareholders
"sq.m"	square metres
"Starflash"	Starflash Investment Limited, a limited liability company incorporated in BVI on 1 May 2007 and is wholly-owned by Mr. Tsang Lik Chung
"Synovate Report"	a report in respect of, among others, the curtain wall industry issued by the business consulting unit of Synovate Limited dated 10 March 2010 and commissioned by us
"Track Record Period"	the period comprising the three financial years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009
"UAE"	the United Arab Emirates
"United States", "USA" or "U.S."	the United States of America
"U.S. dollars" or "US\$"	United States dollars, the lawful currency of the United States

Unless expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this document and their English translations, the Chinese names shall prevail.

If there is any inconsistency between the official Chinese names of the PRC laws or regulations or the PRC government authorities or the PRC entities mentioned in this document and their English translations, the Chinese names shall prevail. English translations of official Chinese names are for identification purposes only.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS

We derive revenues substantially from our building facade business, which is susceptible to slowdown in the construction and real estate industries

We derive all of our revenues from the sale of building facade products and related services and have no concrete plans to change our business model in the near future. As most of our customers are property developers and main contractors, our Group's performance is significantly influenced by the construction and real estate industries, which are generally cyclical and significantly affected by changes in general and local economic conditions. Our Group's performance is therefore exposed to the cyclical fluctuations of the construction industry and any downturn in the construction industry may adversely affect our business performance. The recent economic crisis resulted in high unemployment levels, reduced business and consumer confidence and a shortage of available real estate development financing, which impacted demand for property projects and demand for building facade products and services.

Our failure to obtain or timely complete a steady stream of major contracts with satisfactory commercial terms could lead to a decline in our operating results and cash flows in any period and cause our production facility to operate below full capacity. Other factors, many of which may be beyond our control such as an inability to secure required materials or labour, the suspension or delay of major projects underway, or an unwillingness of a significant customer to fulfill its contractual obligations, could have a material adverse effect on our revenues and cash flows.

The Group's profit for the year ended 31 December 2006 and for the year ended 31 December 2007 amounted to approximately HK\$18.4 million and HK\$24.8 million, respectively. Our revenues increased by HK\$626.1 million or approximately 95.1%, to approximately HK\$1,284.7 million for the year ended 31 December 2008 from HK\$658.6 million for the year ended 31 December 2007. Our profit increased by HK\$78.4 million or approximately 316.5%, to approximately HK\$103.1 million for the year ended 31 December 2008 from HK\$24.8 million for the year ended 31 December 2007. We cannot assure you that our financial performance in the year ended 31 December 2008 or the growth in the Group's revenues and profit during the Track Record Period can be sustained in future financial periods. Our estimated revenues are expected to decrease by not less than HK\$429.5 million or not less than 33.4%, to not less than HK\$855.2 million for the year ended 31 December 2009 from HK\$1,248.7 million from the year ended 31 December 2008. Our consolidated profit for the year ended 31 December 2009 is estimated to be not less than HK\$74.4 million, representing approximately a 27.8% decrease from the profit of HK\$103.1 million for the year ended 31 December 2008. Please refer to "Financial Information" for further details.

As of the Latest Practicable Date, we had 17 projects in progress, with 11 and four, and two projects expected to be completed by the end of 2010, 2011 and 2012, respectively. Our current projects in progress could not be relied upon as an accurate predictor of future revenues, profitability or cash flows. Those projects may be canceled without penalty by our customers or delayed for numerous reasons, including due to current or future economic turmoil, reduced financing availability and reduced economic prospects for the project. It is common practice for building developers to include a termination clause in the contract that allows the developer to terminate a project without incurring additional compensation or payment to the contractor or subcontractor, other than payment for the value of work done and costs of materials already incurred at the time of the notice of termination.

RISK FACTORS

If we are unable to accurately estimate and control our project costs, we may achieve lower-than-expected profits on our projects and even incur losses

Substantially all of our revenues are derived from fixed price contracts, with prices being determined by reference to our bids and substantially agreed to at the time a project is awarded to us. We may fail to accurately estimate completion costs for our projects. Moreover, we frequently receive variation orders from our clients during the course of a project, requiring that we modify the specifications initially provided for our work. Such variation orders could result in a material increase in our costs and our responsibility for these increased costs depends on the terms of our original contract and any subsequent valuation by and negotiations with the relevant client. Although some of our contracts provide for pricing adjustments if certain specified events occur, these adjustment provisions may not adequately protect us in the event of a cost overrun. If our costs for a project exceed the contracted price and any price adjustment provisions in the relevant contract do not cover the cost overrun, we may achieve lower-than-expected profits on our projects and even incur losses, which could materially and adversely affect our financial condition and results of operation.

Project delays may cause us to incur penalties and additional costs, to experience delays in receiving payments and our business and reputation may be affected

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contracts. If we fail to timely complete a project in breach of our contractual obligations, we may be liable to compensate our client for losses or damages caused by the delay. Any delay in the completion of a project, whether or not caused by us, could also lead to additional costs being incurred, including costs to hire additional manpower and to provide temporary storage for assembled products. As we typically receive payment under our contracts in stages based on project progress, any delay in the course of a project may postpone our receipt of anticipated payments which could have a material adverse effect on our cashflow position. Although during the Track Record Period and up to the Latest Practicable Date, we have been able to complete our projects within the timeframe and have not incurred penalties or additional costs as a result of delay in the completion of our projects, there is no assurance that such project delays will not happen in the future. Any failure on our part to timely complete a project could harm our reputation in the industry and hinder our ability to win future contracts and as a result, our reputation, business, financial condition and results of operation could be materially and adversely affected.

In addition, we may be liable to compensate for the loss suffered by our customers if our employees or subcontractors do not complete projects in accordance with the terms specified in the relevant contracts. As most of our projects require tailor-made curtain wall components, any use of unsuitable materials would result in extra costs being incurred on our part due to new materials and additional labour being required to rectify such error. These additional costs, together with the payment of damages (in the case where we fail to complete the project within the contracted time schedule), would adversely affect our profit margin for the project, thereby adversely affecting our profitability and financial performance.

If we do not successfully manage our working capital, our operations could be impaired

We incur most of our operating costs, including labour and material costs, well before we receive payment from our clients. As a result, there are usually periods of a few months during which we experience net cash outflow for a particular project. Our customers may also default on their payment obligations to us. In addition, a percentage of up to 10% of each interim payment is usually retained by our clients to ensure that we perform our work

RISK FACTORS

satisfactorily. Although we seek to manage our working capital position, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. We currently fund our working capital requirements through a combination of bank financing and cash flow from different projects. Our access to financing may be restricted and our operating and financing costs may increase due to reasons beyond our control. We cannot assure you that we will be able to generate sufficient cash flow from our operations to support the repayment of our current indebtedness. If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. There is no assurance that financial institutions would agree to lend additional funds to us or to refinance our existing loans when they mature as a result of our credit risk and we may fail to raise financing through other means. If we fail to successfully manage our working capital, our ability to pay our suppliers and employees and otherwise fund our operations could be impaired, and our business, financial condition and results of operation may be adversely affected.

Our customers may default in all or a substantial portion of their payment obligations to us

Our customers are main contractors and property developers who are subject to the credit risks of their customers and to the financial risks of their development projects not being able to proceed according to budget, or being delayed or terminated. In the event our customers default in all or a substantial portion of their payment obligations to us, our financial condition may be materially and adversely affected.

There have been several instances during the Track Record Period in which our customers have defaulted in all or a substantial portion of their payment obligations. We have initiated legal proceedings against our customers in a few of these instances.

China Metallurgical Group Corporation ("**CMGC**"), a parent company of a Hong Kong-listed company, Metallurgical Corporation of China Ltd., engaged us as a subcontractor for the construction of curtain walls and cladding system in respect of the Civil Aid Service Headquarters & Fire Services Department Rescue Training Centre in 2004, for a contract sum of HK\$15,500,000. On 27 May 2008, we entered into an agreement with CMGC on final settlement of accounts (the "**Settlement Agreement**") pursuant to which CMGC acknowledged that the sum of HK\$836,372.17 was the final outstanding balance for our work performed under the contract (the "**Outstanding Balance**") and that CMGC had agreed to settle the Outstanding Balance in installments. All revenue for our work performed under the contract was recognised during the Track Record Period. CMGC had failed to make payment of any part of the Outstanding Balance in accordance with the terms of the Settlement Agreement. We issued a petition for the winding up of CMGC in 2009. The matter was subsequently settled and CMGC made full payment of the Outstanding Balance to us on 3 March 2010.

In connection with the Palazzo Hotel project in the U.S., we failed to receive trade receivables amounting to HK\$2.8 million for our services provided in relation to the labeling and re-indexing of building materials delivered to the work site. We initiated legal proceedings against the customer in April 2008.

RISK FACTORS

During the year ended 31 December 2008, we failed to receive trade receivables and retention monies totaling HK\$12 million, of which a customer had failed to pay HK\$10.3 million due to a disagreement as to the amount of contract costs to be paid by the customer. We have made provisions for impairment for these trade receivables during the relevant accounting periods (please refer to "Business – Credit Management" for further details).

If our customers fail to satisfy their payment obligations to us in material amounts, our business, financial condition and results of operation may be adversely affected. Although other than the incidents mentioned above, there are currently no other incidents where our customers defaulted in all or a substantial portion of their payment obligations to us in material respect, we cannot assure you that our customers in other projects will not subsequently default in their payment obligations to us.

Our inability to acquire adequate capital to finance our projects could delay some of our new development and expansion plans or force us to forego project opportunities

We expect that the execution of new projects and the continuing development of our business in the future will require significant capital, which we may be unable to obtain on acceptable terms, or at all. We may fail to generate sufficient cash flow from our operations to meet our cash requirements. Furthermore, our capital requirements may vary materially from those currently planned. We may not be able to obtain future equity or debt financing on favourable terms, if at all. Our inability to obtain additional capital on satisfactory terms may delay or prevent the expansion of our business or force us to forego project opportunities which could materially and adversely affect our business, financial condition and results of operations.

We are subject to project risks particularly for large scale projects

We are subject to project risks for the projects we undertake, including financial and reputational risk arising from any delay in schedule or termination of our projects. The larger the scale of a project, the larger the financial and reputational risks associated with such projects. For the year ended 31 December 2006, we have undertaken one large scale project, the Cosmopolitan Resort Hotel & Casino project, the contract sum of which exceeded HK\$500 million. Our revenue generated from this project represented 0%, 0%, 40.0% and 23.8% of our revenue for each of the three years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009, respectively. In view of the relatively large number of large scale projects which may be undertaken by us, we are subject to increased financial and reputational risks if any of these large scale projects are delayed or terminated for any reason. In such event, our business, financial condition and results of operations may be materially and adversely affected.

Fluctuations in the price of aluminium could adversely affect our financial condition and results of operation

Architectural grade aluminium is one of the main components used to manufacture our building facade products. Aluminium accounted for approximately 44%, 37%, 34% and 38%, respectively, of our materials and components costs for each of the three years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009, respectively. We tender for projects based on our estimate of the price of aluminium at the time we purchase the aluminium. There is a time lag between the time we submit our tender and the time we purchase aluminium for the purpose of the relevant project, if our tender is successful. During the Track Record Period, the Group's projects did not provide for adjustments in the contract sum for fluctuation in raw material costs except for the Burj Khalifa project in which payment was made to us based on the costs incurred plus an amount equal to a fixed percentage of the actual costs incurred. Any substantial increase

RISK FACTORS

in the price of aluminium between the time of submission of our tender and the time we purchase the aluminium will therefore substantially increase our material costs and could materially and adversely affect our cash flow, financial condition and results of operations. For each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, it is estimated that a general increase/decrease of 1% in the price of aluminium, with all other variables held constant, the consolidated profit for the year/period would decrease/increase by approximately HK\$2.1 million, HK\$1.2 million, HK\$1.7 million and HK\$0.7 million, respectively or approximately 11%, 5%, 2% and 2%, respectively. Except for some cases in which we perform variation work and in the Burj Khalifa project, the Group has not been able to pass the increase in the raw materials cost to customers during the Track Record Period.

If we are unable to secure adequate supplies of building facade components at commercially reasonable prices, our business and results of operations will be materially and adversely affected

The main components used to manufacture our building facade products include architectural grade aluminium, glass, sealants and granite/stone materials, which make up the majority of our operating costs. Aluminium accounted for approximately 44%, 37%, 34% and 38%, and glass components accounted for approximately 16%, 12%, 17% and 14% respectively, of our materials and components costs for the three years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009, respectively. We cannot assure you that we will be able to continue to secure adequate supplies of architectural grade building materials to meet all of our future production needs at commercially reasonable prices. Any failure to do so could disrupt our production, result in delivery and installation delays or increase our costs and adversely affect our profitability. Any such disruption or delays could cause us to miss project schedules or completion deadlines, which could harm our reputation or require us to pay monetary compensation to our clients. We may be forced to use more expensive alternative sources of supplies or to incur other additional costs to satisfy our contractual obligations, which could materially and adversely affect our financial condition and results of operations.

We rely on the continuity of our existing processing arrangements for the operation of the Shenzhen Production Facilities

We have on 23 December 1990 entered into contractual arrangements in respect of fabrication and assembly of building facade products at the Shenzhen Production Facilities. During the Track Record Period, the percentage of our total building facade products that were manufactured at the Shenzhen Production Facilities was approximately 91%. For further details, please refer to the section entitled "Our Business – Our Processing Arrangements". Our ability to operate the Shenzhen Production Facilities is dependent on the continuity of such contractual arrangements. There is no assurance that we would be able to renew such contractual arrangements or seek new contractual arrangements to replace expired contractual arrangements on similar or more favourable terms to us. In the event of our failure to do so, our ability to operate the Shenzhen Production Facilities may be adversely affected and this could have a material adverse effect on our business, financial conditions and results of operations.

Our use of the "percentage-of-completion" method of accounting means that our recorded revenues and profits are based on our best estimates at the relevant times, which are subject to inherent uncertainties and subsequent adjustments

Our revenues and profits are measured and recognised using the "percentage-of-completion" method of accounting, which is discussed further in the Accountants' Report of our Group as set out in Appendix I to this document. Our use of this method results in

RISK FACTORS

recognition of revenues and profits ratably over the life of a contract, based generally on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. Revisions to revenues and estimated costs are recorded when the amounts are known or can be reasonably estimated. Although we use our best efforts to estimate the progress towards completion of our projects under construction, the uncertainties inherent in the estimating process mean that actual costs may vary materially from estimates, which could result in adjustments to our revenues or profits in subsequent fiscal periods and such adjustments could be material.

If we fail to meet a specified technical standard, we may have to incur additional costs to remedy the defect and compensate our clients, and our reputation and business could suffer

Our contracts typically require us to commit to technical standards such as design, safety or functional requirements. We may be required to rectify any defects under the terms of our contracts or product warranty, which could require us to incur significant additional costs. Any such work defect could also harm our reputation, which could hinder our ability to win future contracts, and require us to record higher warranty provisions in the future. Moreover, a severe technical defect could lead to incidents of personal injuries or property damages, which could result in expensive and time-consuming litigation and damages payments. Although we have historically not failed to meet the specified technical standards for our work products having a material impact on us, there is no assurance that such failure will not occur in the future. If any of the foregoing events occur, our business, results of operations and financial conditions could be materially and adversely affected.

We have experienced, and may continue to experience, difficulties in collecting retention amounts held as guarantees by our clients

Consistent with industry practice, our contracts usually provide that our clients are entitled to withhold a certain percentage of the total contract price of up to 10%, for a period after the completion of the project to guarantee our work quality. Our contracts usually entitle us to claim 50% of the retention amounts upon substantial completion of the project with the balance being typically payable one year after completion, subject to our clients' reasonable satisfaction with our completed work. We may encounter difficulties in collecting payments from those clients who are having financial difficulties or delayed projects, which are beyond our control. The collection process is often time-consuming and administratively cumbersome. We may continue to experience difficulties in collecting such retention amounts and we have limited recourse against our clients due to the need to maintain business relationships with them. Any failure to collect all or a portion of such retention amounts will negatively affect our revenues and margins and the collection process can require us to divert a significant amount of management time and other administrative resources from our business and operations, which could materially and adversely affect our cash flow, financial conditions and results of operations.

We are dependent on certain key personnel and loss of these key personnel could have a material adverse effect on our business, financial conditions and results of operations

Our success is, to a certain extent, attributable to the management and technical expertise of key personnel. The loss of these key personnel could have a material adverse effect upon our business, financial conditions, and results of operations. We do not currently maintain any key person insurance policies. Our ability to effectively implement our business strategy will depend upon, among other factors, the successful recruitment and retention of additional highly skilled and experienced management and other key personnel. We cannot assure you that we will be able to hire or retain such employees and any such failure to do so could adversely affect our business, financial conditions and results of operations.

RISK FACTORS

There is a limited pool of qualified candidates who have experience in our business and any failure to retain and recruit qualified professionals may adversely affect our business and growth

There is a limited pool of qualified candidates who have the skills, know-how and experience required for our business. As the quality of our design and technical employees are a key differentiating factor when developers and/or building facade consultants decide on contract awards, we face intense competition for qualified candidates from our competitors, and have lost qualified employees to our competitors in the past. We cannot assure you that we will be able to retain our existing designers, drafters and project managers and recruit additional qualified professionals to support our future operations and growth. Any failure to do so may adversely affect our business and growth.

Any failure in our production and business management programmes and systems could materially and adversely affect our business, financial conditions and results of operations

We depend on certain third party production and business management programmes and software, including computer-aided design software such as AutoCAD, and enterprise resource planning systems, to perform critical operations. These programmes and systems may contain undetected programming errors or other defects which could disrupt our operations. Any break-downs or system failures, including failures which may be attributable to sustained power shutdowns, could lead to the loss or corruption of key operating data. Our network systems are also vulnerable to damage from fire, flood, power loss, telecommunications failures, computer virus, hackings, human errors and similar events. In addition, any security breach caused by hackings, which involve efforts to gain unauthorised access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment. We do not maintain insurance policies covering losses relating to our systems and we do not have business interruption insurance. Any such failure in our programmes and systems could materially and adversely affect our business, financial condition and results of operations.

Non-renewal of, or delay in obtaining the permits, licences, approvals, certificates and qualifications may have a material adverse effect on our operations

It is a pre-requisite for us to obtain certain permits, licences, certificates and qualifications from various governmental or regulatory authorities in order to carry on our business. However, these permits, licences and certificates are subject to periodic review and renewal by the relevant government authorities. In addition, should there be any subsequent modifications of, or additions or new restrictions to the current compliance standards, it would impose an additional burden on us which may in turn adversely affect our business, financial condition and results of operations. Save as disclosed in this document (including the "Risk factors" and "Business" sections of this document), although we have obtained all necessary permits, licences, approvals, certificates and qualifications required for our operations, there is no assurance that we can continue to renew or that we will not experience any delay in obtaining all necessary permits, licences, approvals, certificates and qualifications in the future. Any of such events occurring in the future may have a material adverse effect on our operations.

Non-renewal of, and delay in obtaining, our permits, licences, approvals and certificates, and failure to maintain our qualifications, will have a material adverse effect on our business, financial condition and results of operations. There may be a possibility that we will not be able to carry on our business without such permits, licences, certificates and qualifications being granted or renewed or that the delay in obtaining the same may increase the cost or delay the progress of our projects.

RISK FACTORS

Failure to maintain our reputation and brand name could adversely affect our business, financial condition and results of operations

We believe that the reputation and brand names that we have built up over the years play a significant role in enabling us to attract customers and secure projects. Promotion and enhancement of our reputation and brand name depend largely on our ability to provide quality and timely service to our customers. If our customers no longer perceive our products and services to be of a high quality, our brand name and reputation could be adversely affected which will in turn negatively affect our business, financial condition and results of operations.

If we are unable to successfully expand our production capacity within our estimated timeframe, our growth, business and results of operations may be harmed

To support our growing operations outside of China, we intend to construct new production facilities in the PRC where most of our building facade products used in our projects globally are manufactured during the Track Record Period, to cater to our production requirements. If we fail to complete the construction of the new production facilities within our estimated timeframe, we may experience delays in our production and delivery schedules. As a result, we may not be able to take on future new projects and our plans to grow our business and operations may be adversely affected.

The continued fluctuation of the U.S. dollar, Renminbi or other currencies against local currencies could adversely impact our profitability and results of operation

We have worked on and/or are currently working on projects in various countries and regions, including but not limited to the U.S., UAE, Macau, Hong Kong, PRC, Chile, Singapore and Canada. Our installation works are generally carried out by local sub-contractors. These sub-contractors are usually paid using the local currency of the country or region in which the project is located. Most of our employees are based in our head office in Hong Kong or in our production facilities in the PRC and as a result, we incur payroll expenses in Hong Kong dollars and Renminbi. In addition, we source our components for our building facade products from different parts of the world, including the PRC, and our orders are usually priced in the local currency of the country where our suppliers are located. Depending on the project, we receive and settle contract payments in local currencies or in U.S. dollars.

We also receive and settle payments in a number of other currencies, some of which are pegged to the U.S. dollar, for example the Hong Kong dollar, and some of which are not. We cannot assure you that currencies such as the Hong Kong dollar will remain pegged to the U.S. dollar. As such, our revenue or expenses derived from our operations may be subject to currency fluctuation risks which may have a material adverse effect on our business, financial condition, results of operations and cash flows. We do not currently hedge for foreign currency risk.

RISK FACTORS

The following table sets forth the percentage of revenues and cost of sales denominated in their original currencies to total revenue for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2006	2007	2008	2009
Revenues:				
Hong Kong dollar	50%	22%	4%	14%
United States dollar	12%	23%	62%	54%
Renminbi	6%	11%	14%	15%
Macau Pataca	32%	23%	6%	1%
United Arab Emirates	0%	21%	13%	5%
Canadian dollar	0%	0%	0%	2%
Singapore dollar	0%	0%	1%	9%
	100%	100%	100%	100%
Cost of sales:				
Hong Kong dollar	47%	25%	30%	27%
United States dollar	29%	27%	36%	30%
Renminbi	14%	23%	21%	23%
Macau Pataca	10%	5%	1%	0%
United Arab Emirates	0%	20%	11%	8%
Canadian dollar	0%	0%	1%	10%
Singapore dollar	0%	0%	0%	2%
	100%	100%	100%	100%

For the years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009, the foreign exchange gains/(losses) amounted to (HK\$8,482), HK\$1,439,583, (HK\$2,222,343) and HK\$2,383,317, respectively. We currently do not have a formal hedging policy and have not entered into any material foreign currency exchange contracts or derivative transactions to hedge its currency risk. In the event that a material fluctuation in exchange rate is noted, we will strive for using U.S. dollars to determine the contract value, however, we have no control on whether the customers will accept U.S. dollars as the contract currency. We cannot predict the future exchange rate fluctuations and in the event of any significant change in the exchange rate of any of these currencies, our financial condition or results of operations could be affected.

The continued fluctuation of U.S. dollars, Renminbi or other currencies against local currencies could adversely impact our profitability and results of operation.

The U.S. dollar has experienced a significant devaluation recently and has decreased by 15.8% from 21 July 2005, the date which the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies, to the Latest Practicable Date against the RMB. The depreciation of U.S. dollars against the local currencies of countries in which our projects and suppliers are located may have an adverse impact on our business, financial condition and results of operation.

RISK FACTORS

The value of Renminbi depends, to a large extent, on domestic and international economic, financial and political developments and China's governmental policies, as well as supply and demand in the local and international markets. The Renminbi exchange rate could fluctuate widely against the U.S. dollar or any other foreign currency in the future. Since our income and profits derived from our projects in the PRC are denominated in Renminbi, any appreciation of Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiary in foreign currency terms. Conversely, any depreciation of Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiary in foreign currency terms.

Extraordinary events such as natural disasters and terrorist attacks could delay our project progress significantly, which may adversely affect our business, results of operations and financial conditions

Extraordinary events, including natural disasters such as the earthquakes and snowstorms in China in 2008, terrorist attacks such as those that occurred in the U.S. in 2001, hurricanes in the U.S. in 2005 and 2008, and the earthquake in Chile in 2010, could significantly delay our project progress if they occur at a location near to that of our projects, our suppliers or our production facilities. Such events may cause personnel casualties, lost of inventory, work disruptions and delays and damages to the project buildings or our production facilities. We typically remain obligated to perform our services after a natural disaster or terrorist action unless the contract contains a clause that relieves us of our contractual obligations during such extraordinary events. If we are not able to react quickly upon the occurrence of these types of extraordinary events and our operations are disrupted significantly, and the insurance policies we maintained for the contracts are not adequate to cover all the losses, our business, results of operations and financial conditions may be adversely affected.

We are subject to other construction risks such as fire, suspension of water and electricity supplies

We usually commence our fitting-out works after the main contractor has substantially completed the construction of the relevant building. Therefore, we will carry out our fitting-out works when other subcontractors are still carrying out their works in the same construction site. Although fitting-out works are relatively safe when compared with other trades, we nevertheless are subject to other construction risks such as fire, suspension of water and electricity supplies primarily caused by others which may not only affect our work progress but may also pose risks on our properties kept at the construction site.

We may be negatively impacted if Netfortune (Shanghai) loses or our subcontractors lose the right to use the Shanghai Production Facilities or the Shenzhen Production Facilities

The Fuyong Factory currently occupies the Shenzhen Production Facilities pursuant to various tenancy agreements. The lessors to these tenancy agreements did not have the property rights certificates or any documentation evidencing their rights in the properties or their legal rights to occupy the properties. Our PRC legal advisors, Commerce & Finance Law Offices, have therefore advised that there is a risk that the relevant authorities in the PRC may deem the tenancy agreements invalid due to the lessors not holding the relevant property certificates, resulting in the inability of the Fuyong Factory to continue to lease these properties. In addition, with regard to certain properties constituting the Shenzhen Production Facilities, our PRC legal advisors are of the opinion that because the lessor has not obtained construction licences or government approvals for construction and occupation, such properties may have been constructed in violation of the relevant laws and are subject to the risk of the relevant government department ordering demolition of

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such properties resulting in us not being able to continue using the Shenzhen Production Facilities. Please refer to the section entitled "Business – Our Processing Arrangements" for further details.

With regard to such properties constituting the Shenzhen Production Facilities referred to above, pursuant to the regulations under 《關於農村城市化歷史遺留違法建築的處理決定》（深圳市第四屆人大常委會公告第101號）(Decisions Relating to Urbanization of Villages on the Management of Buildings Constructed in Violation of Laws) (the "**Decisions**"), the lessor has made the necessary applications with the relevant department at Shenzhen Baoan District to rectify the absence of the property rights certificates, including obtaining the fire safety certificates, completing the relevant building compliance checks, making applications relating to engineering work quality checks and registering the tenancy agreement with the Shenzhen tenancy management department (the "**Applications**"). Our PRC legal advisors have advised that since the lessor has made the Applications to rectify its property rights, the Fuyong Factory has the right to temporarily lease the property and has a temporary legal right to use the property. However, because the Shenzhen local government has not yet promulgated regulations in respect of the expiration of the temporary occupation period, there is uncertainty as to the length of the temporary occupation period and there is no assurance that we may continue to use the Shenzhen Production Facilities despite entering into and registering the new tenancy agreement.

In addition, our PRC legal advisers have advised that the relevant PRC regulations do not expressly provide for the timeframe within which the property rights will be rectified, and that because the relevant government authorities have not specified the conditions to be satisfied in order for the property rights to be rectified under the relevant PRC rules and regulations, it is uncertain whether the property rights in respect of such properties will eventually be rectified even after all the necessary applications have been made.

Netfortune (Shanghai) is currently the tenant of the properties constituting the Shanghai Production Facilities pursuant to various tenancy agreements. The lessors to these properties that constitute the Shanghai Production Facilities do not possess property rights certificates for their respective properties or any other documents evidencing their property rights. Our PRC legal adviser has advised us that there is a risk that Netfortune (Shanghai) will lose the right to continue using the properties in respect of which the lessors do not possess property rights certificates or other documents evidencing property rights. Please refer to the section entitled "Business – Properties Used or Occupied by us" for further details.

In the event that Netfortune (Shanghai) loses or our subcontractors lose the right to use the Shanghai or the Shenzhen Production Facilities, this could have a material adverse impact on our production capacity, and our business and financial conditions.

We are exposed to environmental liabilities

Our industry is subject to certain laws and regulations in respect of environmental protection. Netfortune (Shanghai) has not yet made the relevant environmental applications subsequent to the expansion of the production capacity of the Shanghai Production Facilities. The environmental protection authorities in Shanghai issued the relevant environmental approval to Netfortune (Shanghai) when the Shanghai Production Facilities were established in 2005. Netfortune (Shanghai) was required to make new applications if the size and location of the premises changed. We did not make the relevant environmental applications when we expanded the Shanghai Production Facilities in 2007 because the Company had considered the additional area to be part of the original factory, since there was no material change in the operations and only storage space was added.

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Our PRC legal advisers have advised that failure to make such environmental applications may result in the local environmental authorities ordering Netfortune (Shanghai) to make such applications within a specified period of time. Failure to comply with such an order may result in a penalty of RMB100,000 being imposed on Netfortune (Shanghai). We do not intend to make the relevant environmental applications because it is expected that the Shanghai Production Facilities will no longer be in use by the end of the first quarter of 2010 and such applications are unlikely to be completed by March 2010. We intend to close the Shanghai Production Facilities by end of March 2010 as soon as we complete fabrication of the building facade products for the Shanghai IFC project. We will make the relevant environmental applications and obtain the necessary approvals for the proposed new factory that we intend to set up in the PRC. As at the Latest Practicable Date, our Group has not been subject to any material fines or legal action involving non-compliance with any applicable environmental laws or regulations. There is no assurance that we will be able to, or our subcontractors will be able to, comply with such laws and regulation as may be applicable from time to time continuously. Any violation of such laws, rules and regulations may expose our Group to prosecution by relevant authorities and our operations and financial results may be adversely affected. Such laws and regulations may be revised by the PRC government or other governments from time to time to reflect the latest needs in respect of environmental protection, which will incur extra cost and burden for us to comply with such requirements and may in turn adversely affect our business, financial condition and results of operations.

We may not be able to detect and prevent fraud or other misconduct which may be committed by our employees or third parties

Fraud and other misconduct which may be committed by employees or third parties can be difficult to prevent or deter despite robust internal controls and corporate governance practices. Such illegal actions could subject us to financial losses and harm our business and operations. In addition to potential financial losses, improper acts of our employees or third parties could subject us to third party claims and regulatory investigations. Any such fraud or other misconduct committed against us, whether involving past acts or future acts, could have an adverse effect on our business, financial condition and results of operations.

We engage directly or indirectly labour of different trades who may launch industrial action or strikes to demand higher wages and/or shorter working hours

Construction work is usually split into various different trades. Each trade requires highly skilled labour of its own and may not be substituted from labour of other trade. We are therefore exposed to the risk that some trade unions may launch industrial actions or even strikes to demand higher wages and shorter working hours. If we meet their demand, we will incur additional labour costs, or if not, we may be exposed to risk of damages claims by employers/developers for the delays in completion of our contracts. In either case, these industrial actions or strikes may have adverse impact on our profitability and results of operations.

Our insurance coverage is limited and we may be required to bear all or a certain portion of the financial consequences of any successful defective product claims or job accident made against us, which could have a material adverse effect on our results of operations and financial condition

We do not maintain any defective product or business disruption insurance policies. We generally rely on the umbrella insurance policies for the developments in which our building facades are installed to cover matters such as workers' compensation claims and we only maintain separate workers' compensation policies in a limited number of instances

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where we are legally or contractually required to do so. We cannot assure you that the developers or main contractors for our projects will maintain or continue to maintain an umbrella workers' compensation policy that would adequately indemnify us for any related loss or liability that we may experience in connection with our work on that project. Moreover, we cannot assure you that we can successfully collect any payouts made under such umbrella insurance policies from our customers. If a defective product or workers' compensation claim is successfully made against us, or if we experience any business disruption, we may have to bear the full amount of any monetary damages ordered against us as well as the costs of any related litigation or arbitration process, which could have a material adverse effect on our reputation, business, financial condition and results of operations.

We may be a party to various legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business

We may be subject to claims for personal injury and property damage arising in connection with our projects. We may also become involved in proceedings relating to, among other things, warranty, indemnification or liability claims, contractual disputes with clients or sub-contractors, labour disputes, workers' compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert our management's attention away from the operation of our business. In addition, we may be involved in legal proceedings in foreign jurisdictions where our projects are located and court procedures in such jurisdictions with which we are not familiar. Legal proceedings in foreign jurisdictions may be more unpredictable because of our unfamiliarity with local laws, higher travelling expenses and other disadvantages. The legal proceedings to which we are a party or may in the future become a party may have a material adverse impact on our business.

In June 2009, World Eastern Cladding Works (LLC) ("**World Eastern**"), one of the subsidiaries of our Company, commenced an arbitration proceeding with Al Shafar General Contracting LLC (the "**Respondent**") in the Dubai International Arbitration Centre in relation to the termination of the subcontracts entered into by World Eastern and the Respondent for three projects in the Business Bay and Dubai Land areas. Further details pertaining to the abovementioned arbitration proceeding are set out in the section headed "Business – Legal Proceedings and Material Claims" of this document. We cannot predict when the arbitration proceeding will be ultimately resolved. There is no assurance that the arbitration proceeding will be resolved in our favour.

We may be subject to legal prosecution and civil proceedings further to the raid carried out by the Hong Kong Custom and Excise Department in FEA's office in September 2009

On 17 September 2009, the Hong Kong Customs and Excise Department ("**Customs**") carried out a raid in the office of our indirect wholly-owned subsidiary in Hong Kong, FEA, at 17/F, Eight Commercial Tower, No. 8 Sun Yip Street, Chaiwan, Hong Kong on suspicion that (i) certain computer hard disks installed with computer software programs in electronic form were in infringement of copyright works and (ii) computer and computer accessories which appear to contain or likely to contain evidence of an offence under the Copyright Ordinance (Chapter 28 of the laws of Hong Kong) (the "**Copyright Ordinance**") could be found on the office premises of FEA. On that date, Customs seized 53 computers containing 55 hard drives. As a result of the raid, two of FEA's employees were arrested and on 8 February 2010, our CEO, Mr. Kwok Yeung Kwong, was arrested on suspicion of infringement of the Copyright Ordinance and have since been released on bail. As at the Latest Practicable Date, no charges or civil claims have been made against us, any member of our Group, our Directors or employees. We cannot however assure you that we, members of our Group, our Directors or employees will not be subject to legal prosecution and civil proceedings in the future, in connection with the abovementioned raid.

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We have been advised by legal counsel that in the event we are held criminally liable under the Copyright Ordinance, we may be subject to a fine of up to HK\$50,000 per infringing copy. Our Directors may also be subject to a fine if any of them are held criminally liable under the Copyright Ordinance. Apart from the possible criminal liability, the copyright owner may also commence civil proceedings against us for copyright infringement and claim for, amongst others, a permanent injunction, declaration of infringement, an order for disclosure of past dealings of the alleged infringing software, destruction and removal of the infringing software, payment of damages (including additional damages) or an account of profits derived from the infringement, as well as an order for legal costs. In the event any civil proceedings are brought against us, we may be liable to pay to the copyright owner damages presenting the value of its loss of sale of its genuine software in question, additional damages of an amount generally up to 10% of the total damages payable and legal costs. If any criminal or civil proceedings are brought against us, any member of our Group, or any of our Directors or employees in connection with the abovementioned raid, our reputation, business and financial condition may be adversely affected.

Dividends declared in the past may not be indicative of the dividend policy in the future

No dividend was paid or declared by our Company in 2006, 2007 or 2008. On 19 January 2009, our Company declared dividends of HK\$34 million for the year ended 31 December 2008 for payment to our then sole Shareholder, Showmost and distributed such dividends in March 2009. On 25 February 2010, the Board declared Dividends of HK\$24 million for payment to our existing Shareholders, namely, Showmost, Starflash and Full Mission, and distributed such dividends on 1 March 2010. We also declared Special Dividends of HK\$[●] million on [●] 2010 to our existing Shareholders, which will be paid within five days from [●]. Please refer to the section entitled "Financial Information – Dividends and Dividend Policy" in this document for further information. Dividends paid or declared in the past by our Company (including the Special Dividends) may not be indicative of the dividend policy in the future. Our Board has an absolute discretion to recommend any dividend for any year. There is no assurance that dividends of any amount will be declared or distributed in any year.

RISKS RELATING TO OUR INDUSTRY

We rely on our subcontractors for project execution and to implement relevant safety and environmental protection measures in the course of project execution

We usually engage subcontractors where possible to undertake the more labour-intensive process of installation of curtain walls and outsource certain of our fabrication processes other external building facade features to subcontractors. However, qualified subcontractors may not always be readily available. We may face difficulty in completing our projects if we are unable to engage qualified subcontractors. If for any reason we have to pay the subcontractor at a price higher than our initial estimation for a fixed-price contract, we may suffer losses as a result. Although historically none of our subcontractors have delivered substandard works that had a material adverse effect on our operations, there is no assurance that such event will not occur in the future. If any subcontractor delivers substandard works, the quality of our project and our reputation will be adversely affected. We are also exposed to litigation and damages claims. If the subcontractor is unable to fulfill the terms of the contract, we may need to engage another subcontractor at a higher price and on a delayed basis, which may affect our profit margin.

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If our subcontractors violate any rules, regulations or laws or their actions or omissions cause property damage or personal injuries, we may be exposed to prosecution by the relevant authorities and liable to claims as regards personal injury and damage to properties. Although historically none of our subcontractors have violated any rules, regulations or laws, or caused property damage or personal injuries which had a material adverse impact on our operations, we cannot assure that there would not be any violation of rules, regulations or laws by our subcontractors or that our subcontractors will not cause any property damage or personal injuries, despite the fact that regular site visits are made by our safety officer to ensure compliance by our subcontractors.

We must keep up with the technological changes in the market in order to remain competitive

We devote significant financial and human resources to the development of new technology and new products internally or through co-operation with independent third parties in order to keep up with customers' needs and market demands. There is however no assurance that such products or technology developed can fulfill customer and market requirements, or such products or technology can be developed and put into market at all or in a timely manner. In the event that our co-operation with independent third parties does not come to fruition or we are not able to develop new products and technology that meet the needs of our customers or that our competitors have developed new products and technology, our business, financial condition and results of operations may be adversely affected.

The recent global economic slowdown and crisis in the global financial markets have negatively impacted, and may continue to negatively impact, our business

The recent global economic slowdown and crisis in the global financial markets that started in the second half of 2008 have resulted in a general credit crunch, an increased level of commercial delinquencies, lack of market confidence and increased market volatility. The slowdown of the worldwide economy has caused a reduction in available financing and the number of property projects under construction. The market volatility and uncertainty caused by the global financial crisis have resulted in a reduction of the number of sizable property projects available for tender and have also contributed to a lower demand for our building facade solutions services.

During the global economic slowdown, the 605 West 42nd Street project in New York was suspended as the client was unable to obtain financing for the projects. The suspension of this project had no material financial impact on us because we had only incurred marketing and tendering costs that were insignificant to the Group in connection with this project. The Costanera Center project in Chile was suspended in January 2009 during the global economic crisis and we resumed work on the project in December 2009. The suspension of the project had no significant financial impact on us because our client had paid to us an aggregate amount of HK\$22.7 million to compensate us for all our costs incurred prior to the suspension of the project. Please refer to "Business – South America – Costanera Center" for further details on this project. Although there has been no material adverse business or financial impact caused by the suspension of the project in New York or Chile, and there is currently no outstanding litigation or dispute with any developers, main contractors or workers arising from the suspension of the project, there is no assurance that there will not be any adverse financial impact on our business or any litigation or dispute caused by the suspension of additional projects if the global economic slowdown continues.

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During the global economic slowdown, the contract sum in the Darwish Tower project was reduced from AED52 million (HK\$109.2 million) to AED45 million (HK\$94.5 million) and the customer requested for an extension of the credit period to 120 days. We requested for security of the trade receivables by way of letter of credit in return. The trade receivables for this project as of 30 September 2009 and as of 31 December 2009 amounted to HK\$39.3 million and HK\$8.8 million, respectively. As at 30 September 2009 and 31 December 2009, the trade and retention receivables of our projects in Dubai amounted to HK\$61.2 million and HK\$28.7 million, respectively and the outstanding contract sums yet to be recognized on our projects in Dubai amounted to HK\$40.0 million and HK\$31.4 million, respectively. Other than the extension of credit period on the Darwish Tower project, we have not experienced any difficulty in the collection of trade and retention receivables from our projects in Dubai. No provision for impairment of trade and retention receivables has been made at the respective year end or period end date for our projects in Dubai as there is no objective evidence that the balance outstanding has been impaired.

Although there has been no material adverse financial impact caused by the increase in the collection time for our trade receivables, there is no assurance that we will be able to collect our trade receivables or that there will not be any further increases in the collection time for our trade receivables, if the global economic slowdown continues. If the global economic slowdown continues, it may lead to a continued decrease in the general demand for our building facade solutions services and a decrease in our gross profit margin.

RISKS RELATING TO THE PRC

Our operations may be adversely affected by changes in the PRC's economic, political and regulatory environment

Our current and proposed future production facilities will be located in China. Accordingly, our results of operations, financial condition, and future prospects are linked to a significant degree to economic, political and social conditions in China. The PRC economy differs from the economies of most developed countries in many respects, for example:

- the amount and degree of government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;
- content and control of other capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

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In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental in nature and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity, and in turn have a material and adverse impact on our business and financial condition.

Our business, financial condition and results of operations could be adversely affected by the uncertainties of and changes to the legal system

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is based on the PRC constitution and is made up of written laws, regulations, rules and directives. In the event of a breach of any of the foregoing due to an act or omission by our PRC subsidiary, they will be subject to prescribed penalties.

The PRC legal system is a civil law system based on written statutes, and prior court decisions have little, if any, precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. The PRC government is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment. As a result, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are, therefore, subject to changes. Depending on the discretion of governmental agencies or how an application or case is presented to such agencies, we may receive less favourable interpretations of laws and regulations than our competitors. Further, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited, and court decisions in the PRC do not have any binding effect. Accordingly, the outcome of dispute resolutions may not be as consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift enforcement of the laws in the PRC, or to obtain enforcement of a judgment by a court of another jurisdiction.

Changes in the PRC governmental rules and regulations will have a significant impact on our business, financial condition and results of operations

Currently, our business and operations in the PRC entail the procurement of licences and permits from the relevant authorities. Thus, our business and operations in the PRC are subject to the PRC government rules and regulations. Any changes in such government rules and regulations may have a negative impact on our business, financial condition and results of operations. Difficulties or failure in obtaining the required permits, licences and certificates will result in our inability to continue our business in the PRC. Accordingly, our business, financial condition and results of operations will be adversely affected.

Inflationary pressures in the PRC could have an adverse effect on our profitability and business

We source substantially all our materials and undertake all our fabrication processes in the PRC. The PRC economy has experienced rapid growth throughout the last several decades and such rapid economic growth can lead to rising inflationary pressures on the prices of goods and services. According to the World Bank Group, the rate of inflation in the PRC has been as high as approximately 7.4% during 2000 to 2008. If prices for our building facade products and services rise at a rate that is insufficient to offset the rise in the costs of our materials, it may have an adverse effect on our financial condition and results of operations.

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Governmental control of currency conversion and changes in foreign exchange regulations in China may limit our ability to utilise our revenue and to obtain adequate financing effectively, and may adversely affect the ability of our PRC subsidiary to pay dividends or other payments to us, or to satisfy their foreign currency denominated obligations

The PRC government imposes controls on the conversion of Renminbi into foreign currencies and, in certain cases, the remittance of foreign exchange out of China. Our businesses are principally conducted in Renminbi, and substantially all of our revenue and operating expenses are denominated in Renminbi. Under our current structure, our income and sources of fund are primarily derived from dividend payments from our PRC subsidiary.

Our choice of investment is affected by the PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Under existing PRC foreign exchange regulations, payments of current-account items, including profit distributions, interest payments and operation-related expenditures, may be remitted in foreign currencies without prior approval from the relevant foreign exchange administration authorities by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions. Strict control applies to capital account transactions. Pre-approval or registration is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay for capital expenses. In addition, the transfer of funds between us and our subsidiaries in China is subject to registration with or approval by PRC governmental authorities. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiary or to fund their operations may be negatively affected, which could adversely affect their liquidity and their ability to fund their working capital and expansion projects.

Dividends from our PRC subsidiary may be subject to withholding tax under PRC tax laws and we may be subject to PRC tax under the New Tax Laws

We are a holding company that is financially dependent on distributions from our subsidiaries and 2.5%, 10.4%, 13.6% and 14.7% of our revenue were conducted through our PRC subsidiary during each of the three years ended 31 December 2008 and nine months ended 30 September 2009, respectively. Prior to 31 December 2007, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends paid to us by our PRC subsidiary, were exempt from PRC withholding tax. The Enterprise Income Tax Law, the Regulations for Implementation of the Enterprise Income Tax Law and the Notice of the Ministry of Finance and State Administration of Taxation on Several Preferential Policies in respect of Enterprise Income Tax (No. 1 (2008) of the Ministry of Finance (《財政部國家稅務總局關於企業所得稅若干優惠政策的通知》) of the PRC (中華人民共和國企業所得稅法實施條例) (together with the Enterprise Income Tax Law, the "New Tax Laws"), effective 1 January 2008, provide that any dividend payment to foreign investors will be subject to a withholding tax at a rate of 10%. Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006, which in Hong Kong, applies to income derived in any year of assessment commencing on or after 1 April 2007; and in the PRC, in any year commencing on or after 1 January 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiary if it holds 25% or more of the interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary. Any increase in the enterprise income tax rate applicable to us or discontinuation or reduction

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of any of the preferential tax treatments or financial incentives currently enjoyed by our subsidiaries in the PRC could adversely affect our business, operating results and financial condition.

Any changes in the PRC governmental policies regarding foreign investments in the PRC may adversely affect our business, financial condition and results of operations

Foreign-invested enterprises are subject to foreign investment policies and laws in the PRC. Under the Foreign Investment Catalogue that came into effect on 1 December 2007, we do not fall under the prohibited or the restricted categories of business. There is no assurance that we would fall under such categories subsequent to any change in the foreign investment policies and laws or that we could be subject to more stringent restrictions on our operation and business, which may adversely affect our operational business, financial condition and results of operations.

Significant capital expenditure may have to be incurred if additional or stricter laws and regulations are passed in relation to environmental protection. We cannot ensure we can comply with all such environmental requirements

Our industry is subject to certain laws and regulations in respect of environmental protection. In the event of any serious breach or non-compliance by our Group with the applicable environmental laws or regulations, it is at the discretion of the PRC government to close down our operations. Such laws and regulations may also be revised by the PRC government from time to time or there may be enactment of more stringent laws and regulations, which may result in significant costs incurred in order to comply with the new laws and regulations. There is no assurance that we will be able to comply with such laws and regulations.

RISKS RELATING TO THE OTHER COUNTRIES IN WHICH WE OPERATE

We face risks associated with our international operations and, if we are unable to effectively manage these risks, they could impair our ability to expand our business in overseas markets

Our major markets outside of Greater China are North America and Asia (which for our purposes consists of Singapore, Japan and the UAE, but excludes the Greater China region). For the three years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009, we derived 17.5%, 22.3%, 62.0% and 54.6%, respectively, of our revenues from projects in North America and 4.0%, 22.9%, 13.3% and 14.6%, respectively, of our revenues from projects in Asia. One of our key growth strategies is to focus on expanding our operations in the Middle East, North America and Europe. We face a number of challenges as a result of our international operations and overseas expansion strategy, including:

- fluctuations in currency exchange rates;
- inflation in markets in which we procure labour and materials locally;
- our limited track record and client referral network in new markets;
- difficulties in identifying, and establishing good business relationships with local sub-contractors, joint venture partners and other business partners who are knowledgeable about, and can function effectively in, overseas markets;
- difficulties in recruiting and managing skilled labour, particularly given language and cultural barriers, applicable labour laws and varying market practices;

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- increased liabilities and risks associated with quality control for our overseas projects, particularly if any fabrication and assembly activities need to be performed at the project site;
- increased costs and complexities associated with the logistics of transporting our products overseas, as well as managing and coordinating projects simultaneously in different countries;
- difficulties and costs relating to obtaining requisite licences and regulatory approvals, and complying with the different commercial and legal requirements of the overseas jurisdictions in which we operate;
- inability to obtain, maintain or enforce our contractual and intellectual property rights; and
- trade barriers such as tariffs, taxes and other restrictions and expenses, which could increase our costs and expenses and make us less competitive in some countries.

In addition, we are subject to the following risks in respect of our operations in the following major markets (other than the PRC):

- the United States has been in a recession since 2007 and unemployment has been on the rise. There is no assurance that the economy of the United States will recover in the short term. If the economy of the United States fails to recover in the short term, the economies of other countries in which we operate may similarly be adversely affected. This could adversely affect the global demand for our products and have an adverse effect on our business operations globally;
- the global financial turmoil led Canada into a recession commencing from late 2008. There is no assurance that the Canadian economy will recover in the short term. If the economy of Canada fails to recover, this could affect the demand for our products in Canada, and have an adverse effect on our business operations in Canada;
- the UAE is subject to regional instability and violence. In addition, World Bank predictions of oil prices remaining below their peaks have caused economic uncertainty for the region. There is no assurance that such regional instability, violence and economic uncertainty will not adversely affect our business operations in the UAE;
- Singapore's integration into the global economy has made Singapore susceptible to the global economic slowdown. If the global economy fails to recover in the short term, this may have an adverse effect on our business operations in Singapore;
- Hong Kong's economic performance is largely dependent on, amongst other factors, the PRC. In addition, the PRC may also intervene in the affairs of Hong Kong where such matters are of national importance. Such dependence on the PRC may cause economic uncertainty which could have an adverse effect on our business operations in Hong Kong; and
- income disparity in Macau has been increasing in wake of the gaming boom in Macau. Such social instability may have an adverse effect on our business operations in Macau.

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If we are unable to effectively manage the abovementioned risks, such failure could impair our ability to expand our business and could adversely and materially affect our business, financial condition and results of operations.

We rely on sub-contractors and joint venture partners to operate in certain jurisdictions. If any of our business partners fail to fulfill their obligations, or if we are unable to cooperate effectively with any of our business partners, our business, reputation, growth and results of operations could be harmed

We rely on sub-contractors to install our building facade products for many of our projects. We also enter into joint venture and other contractual arrangements with local business partners from time to time to jointly bid for and execute projects in certain markets, including Dubai, Abu Dhabi and the U.S. Our partners' responsibilities under these contractual arrangements include business development as well as the partial assembly, storage and installation of our building facade products. In addition, we may outsource a portion of our production to independent third parties from time to time to meet our production needs.

We face a number of challenges relating to these sub-contractors, joint venture and other contractual arrangements. We may be unable to identify suitable sub-contractors or joint venture partners in particular markets, or to agree on mutually satisfactory terms with them, which would limit our ability to bid for and execute projects in those markets. By sub-contracting a portion of our work, or in jointly bidding for and executing certain projects, we jointly assume responsibility for the satisfactory performance of our sub-contractors and joint venture partner's obligations for the relevant projects. We may also be required to indemnify our clients for any damages caused by our sub-contractors, other business partners or their agents. As our sub-contractors and joint venture partners are independent entities, we may not be able to monitor their performance as thoroughly and effectively as our own operations. If any one of our sub-contractors or joint venture partners fail to carry out their contractual obligations for any reason, including liquidity shortages or labour disputes, we could be forced to incur significant additional costs to perform their obligations or otherwise remedy any defects. Moreover, any defective work carried out by one of sub-contractors or joint venture partners could harm our reputation, even if we are not at fault, and could hinder our ability to win future contracts. Furthermore, defective work carried out by our sub-contractors, joint venture partners or other business partners could result in incidents of personal injuries or property damage, which could result in expensive and time-consuming litigation and damages payments by us. Although none of the foregoing events has occurred during the Track Record Period resulting in material adverse impact on us, there is no assurance that such events will not occur in the future. If any of the foregoing events occurs, our reputation, business, financial condition and results of operations could be adversely and materially affected.

We may not be able to operate successfully in new markets outside Greater China

We are exploring business opportunities in selected markets outside Greater China. These markets are new to us and we face risks in conducting our business outside Greater China. The risks include differences in general business environment, legal and regulatory requirements, the licencing regime, the tendering regime, payment practices, potentially adverse tax consequences, competition within the local market, fluctuations in currency exchange rates, differences in legal burdens in complying with local laws and regulations and changes in political and economic conditions. There is no assurance that we will be able to operate successfully in such selected overseas markets, and the deployment of human and financial resources in pursuit of such plans outside Greater China may have a material and adverse impact on us.

RISK FACTORS

Global economies and our prospects may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as influenza A (H1N1) and avian flu

Certain regions in the world, including the cities where we operate, are susceptible to epidemics such as Severe Acute Respiratory Syndrome, or SARS, and outbreaks of diseases following in the aftermath of earthquakes, floods and other natural disasters. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in various countries. A recurrence of SARS or an outbreak of any other epidemics, such as influenza A (H1N1) and the H5N1 avian influenza, or epidemics following the aftermath of a natural disaster, especially in the cities where we have operations, may result in material disruptions to our property development projects, and our sales and marketing, which in turn will materially and adversely affect our financial condition and results of operations.

CORPORATE INFORMATION

Registered office	Ugland House P.O. Box 309 George Town Grand Cayman Cayman Islands British West Indies
Head office and principal place of business in Hong Kong	17th Floor, Eight Commercial Tower 8 Sun Yip Street Chai Wan Hong Kong
Company secretary	LEE Che Chiu, FCPA, CPA (Aust), CFA
Audit committee	ZHOU Jin Song (周勁松), CPA (<i>Chairman</i>) HONG Winn YEN Homer Shih Hung
Remuneration committee	ZHOU Jin Song (周勁松), CPA (<i>Chairman</i>) HONG Winn YEN Homer Shih Hung HUANG Brad KWOK Yeung Kwong (郭仰光)
Nomination committee	ZHOU Jin Song (周勁松), CPA (<i>Chairman</i>) HONG Winn YEN Homer Shih Hung HUANG Brad KWOK Yeung Kwong (郭仰光)
Principal share registrar and transfer office	Maples Finance Limited PO Box 1093 Queensgate House Grand Cayman KY1-1102 Cayman Islands
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Standard Chartered Bank (Hong Kong) Limited 13th Floor 4-4A Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
11/F, The Center
99 Queen's Road Central
Hong Kong

Company's website address

www.fareastglobal.com⁽¹⁾

Note:

(1) The information contained on the website of our Company does not form part of this document.

INDUSTRY OVERVIEW

BUILDING FACADE INDUSTRY

Overview

The building facade industry primarily serves the construction and real estate industries. The market can be divided into the high-end and low-end segments which require different levels of service from the building facade manufacturers depending on the type of projects they are contracted under.

High-end Building Facade Market

The high-end building facade market serves those buildings which tend to be unique in a given urban setting, designed by renowned architects and require higher technology and more expensive materials. The high-end market is characterised by a demanding project design, high performance standards, sophisticated contract parties and high profit margins. Currently, there are a limited number of building facade manufacturers worldwide that have the capability to compete in the high-end market.

Low-end Building Facade Market

The low-end building facade market serves civil construction and residential construction projects that are of less prestige. The market is characterised by a large number of projects, simple project design and inexpensive materials. This market is highly competitive due to the presence of a large number of market players, most of whom do not have the expertise and resources to undertake projects requiring high-end building facade products.

Market Demand

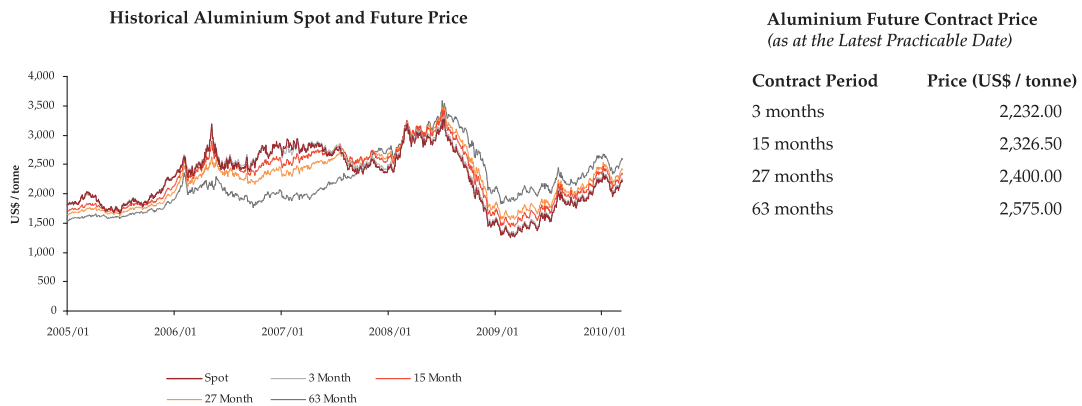
Demand for building facades, including curtain walls, is primarily driven by the construction and real estate industries. Economic growth during the past few years has led to a construction boom in many cities around the world, both in developed economies and in emerging markets. Major cities in the world have been and are continuing to create new attractions and build up the cities' brands and images by creating burgeoning new landmark real estate developments. Cities such as Abu Dhabi and Macau are prime examples of places experiencing growth as new tourist and/or business destinations, and expenditure on infrastructure projects in these cities continue to increase. This global trend is driving the global construction markets for skyscrapers and uniquely designed contemporary buildings, which in turn promotes the increased popularity of using complex building facade systems.

INDUSTRY OVERVIEW

Due to the increasing awareness of environmental protection, international discussions and conferences such as the Climate Change Conference and APEC conference in 2009 regarding global warming and environmental protection issues have strengthened the environmental initiatives in 2009 and onward. Governments of different countries have actively put forth their environment policies and the U.S. Green Building Council ("USGBC") has introduced set of standards under the Leadership in Energy and Environmental Design ("LEED") for environmentally sustainable construction. The increasing awareness of environmental protection and environment policies, and an increasing demand for environmentally sustainable construction has encouraged the development of customized building facade solutions that are consistent with the design of energy efficient buildings such as a new window wall system, which is designed to tolerate high wind pressures with thermal control and energy saving features.

Prices of Aluminium

Aluminium is a key raw material that is used in the fabrication of building facade products. Set forth below are (i) a graph showing the trend of the historical aluminium spot and future price as quoted on the LME from 1 January 2005 to the Latest Practicable Date; and (ii) the aluminium future contract price for 3 months and up to 63 months as quoted on the LME on the Latest Practicable Date.



Source: Bloomberg

The average prices of aluminium quoted on the LME for the three years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009 were US\$2,569.91, US\$2,640.60, US\$2,576.42 and US\$1,558.94, respectively.

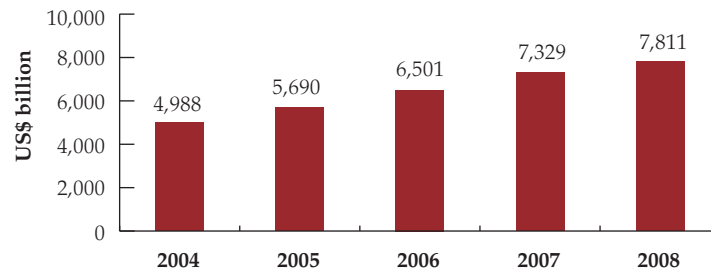
INDUSTRY OVERVIEW

GLOBAL MARKET

Overview of the Global Construction and Curtain Wall Market

The global construction market is generally led by developed countries. However, the credit crisis followed by the financial crises and slowdown of economy heavily affected the construction market. According to the Synovate Report, construction market in North America and Western Europe, especially Ireland, the United Kingdom, Italy and Spain, were greatly affected by the global financial crisis and slowdown of the global economy. However, the global economic slowdown and the financial crisis had lesser effects to the construction market in Eastern Europe and developing countries such as China, India, Russia, Saudi Arabia, Abu Dhabi, Brazil and Argentina as a large portion of construction spending of these countries was contributed by government projects. Despite the financial crisis of 2008, the global gross value of construction increased at a CAGR of approximately 11.9% from 2004 to 2008 as a result of the public and infrastructure construction compensating the weak growth of private residential and commercial construction since the debt and financial crisis of 2008. The table below sets out the global gross output value of construction from 2004 to 2008 as extracted from the Synovate Report.

Global Gross Value of Construction



Source: Synovate Report

As stated in the Synovate Report, although the commercial real estate transaction market has slowed since the financial crisis, curtain wall and window wall constructions for high-end office and retail buildings are still in higher demand because the demand for the high-end office and retail buildings is still higher than lower tier market segments. Due to the increase in international discussions and conferences such as the Climate Change Conference and APEC conference in 2009 regarding global warming and environmental protection issues which have strengthened the environmental initiatives in 2009 and onwards, and the fact that the governments of different countries have actively put forth their environmental policies, the curtain wall and window wall industries will continue to face an increasing demand for green building construction in the coming three years as developers are expected to increase their requests for green building construction to meet the policies and market demands.

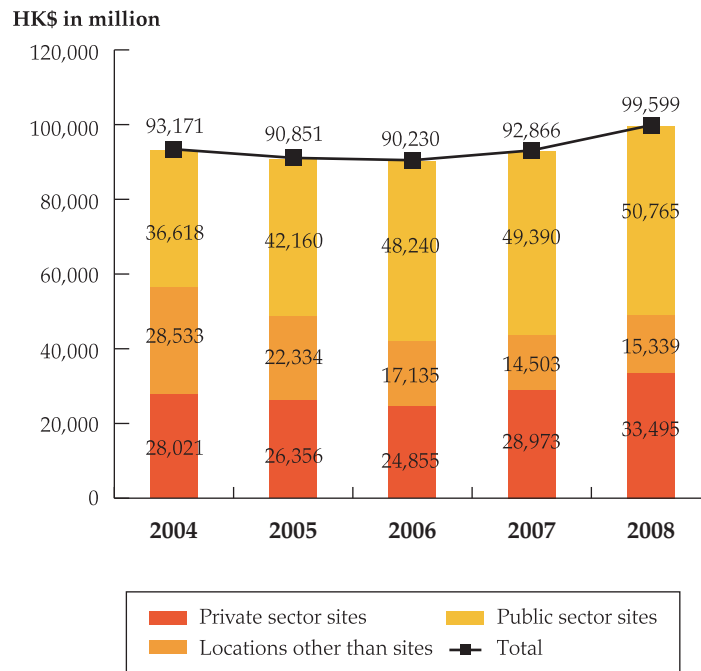
INDUSTRY OVERVIEW

HONG KONG MARKET

Overview of the Hong Kong Construction Industry

The construction industry of Hong Kong was positively impacted by the ten mega infrastructure projects announced by the Hong Kong government in 2007. The ten mega infrastructure projects included the South Island Line, the Sha Tin-Central Link, the Tuen Mun Western Bypass, Tuen Mun-Chek Lap Kok Link, the Cross-boundary Infrastructure of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge, the Hong Kong-Shenzhen Airport Co-operation, the Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop and the New Urban Development of West Kowloon Cultural District, of Kai Tak Development Plan and of the New Development Areas. According to the statistics published by the Census and Statistics Department of the Hong Kong government, the gross value of construction work performed by main contractors for public sites, which include projects commissioned by the Hong Kong government, MTR Corporation Limited, Airport Authority and Home Ownership Scheme commissioned by the Housing Authority, amounted to approximately HK\$14,503 million in 2007 and increased to approximately HK\$15,339 million in 2008, representing a growth rate of approximately 5.8%. As regards the private sector sites which mainly include projects commissioned by private developers, the gross value of construction work performed by main contractors amounted to approximately HK\$28,973 million in 2007 and increased to approximately HK\$33,495 million in 2008, representing a growth rate of approximately 15.6%. The table below sets out the total gross output value of construction by sector in Hong Kong from 2004 to 2008 as extracted from the Synovate Report.

Gross Output Value of Construction by Sector in Hong Kong



Source: Synovate Report

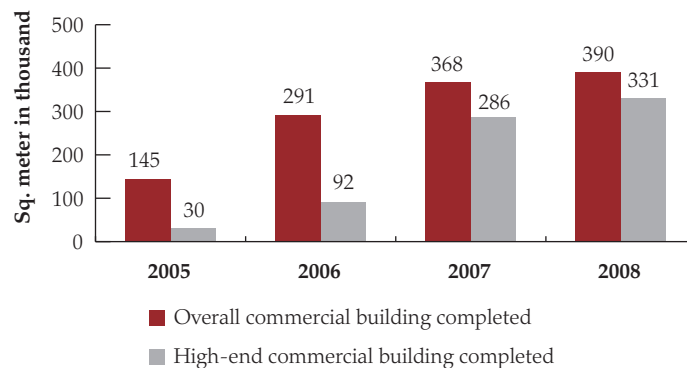
INDUSTRY OVERVIEW

The Synovate Report states that the increase in total gross output value of construction from 2006 to 2008 was mainly attributable to (i) the increase of new hotel constructions; (ii) the adoption of higher quality materials for better prices and for marketing purposes upon building completion; and (iii) the increase in new construction of premium private residential housing and offices. According to the Synovate Report, a few sizable infrastructure projects are under planning or construction and these are expected to cause the increase of gross output value of construction. Such projects include the Hong Kong-Guangdong bridge, Kai Tak redevelopment project and West Kowloon cultural district.

Commercial Property Market in Hong Kong

According to the Synovate Report, the visits made by the PRC tourists to Hong Kong has stimulated the growth of retail and related industries, which drove the demand of new commercial spaces. The gross floor area of overall commercial buildings completed in Hong Kong increased at a CAGR of approximately 39% from approximately 145,000 sq.m. in 2005 to 390,000 sq.m. 2008, which is mainly attributable to offices which shared approximately 87% of new commercial buildings. Set forth below is the gross floor area completed for overall commercial buildings and high-end commercial buildings from 2005 to 2008, as extracted from the Synovate Report.

Gross Floor Area Completed from Overall Commercial and High-End Commercial Buildings in Hong Kong



Notes:

- (1) Commercial buildings include offices, shopping malls, etc., but does not include industrial offices and public usage
- (2) High-end commercial buildings include modern with high quality finishes; flexible layout; large floor plates; spacious, well decorated lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; professional management; parking facilities normally available.

Source: Synovate Report

INDUSTRY OVERVIEW

Hotel Industry in Hong Kong

During 2004 to 2008, the supply of hotel services increased as the total new completion of hotels targetted at the booming Mainland China tourists. According to the Synovate Report, the total number of completed hotel buildings in Hong Kong increased at a CAGR of approximately 22% from approximately 41 buildings in 2004 to 92 buildings in 2008. The total number of completed hotel rooms also increased at a CAGR of approximately 16% from approximately 2,034 rooms in 2004 to 3,664 rooms in 2008. Set forth below is the hotel buildings completed and the corresponding room number from 2004 to 2008, as extracted from the Synovate Report.

Completed Hotel Buildings and the Corresponding Room Number in Hong Kong

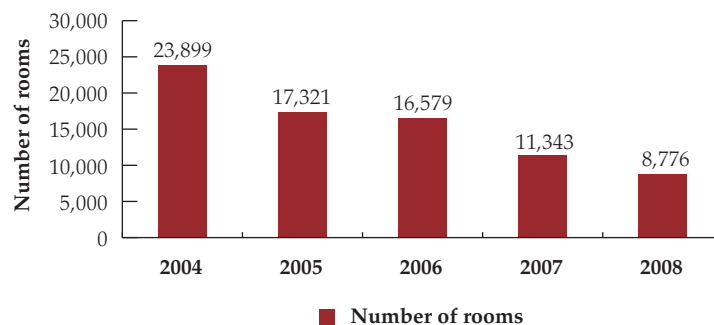


Source: Synovate Report

Residential Housing Market in Hong Kong

Residential housing in Hong Kong experienced a slow down during 2004 to 2008. According to the Synovate Report, the residential property market in Hong Kong reached a saturated level and had experienced a decreasing trend because of the slower domestic demand and increasing prices. The number of rooms completed for residential housing decreased by approximately 23% from approximately 11,343 rooms in 2007 to 8,776 rooms in 2008. Such decrease was mainly attributable to the financial crisis in late 2008 resulting in a delay of completion of residential housing to 2009. Set forth below is the number of rooms completed for residential housing from 2004 to 2008, as extracted from the Synovate Report.

Number of Rooms Completed for Residential Housing in Hong Kong



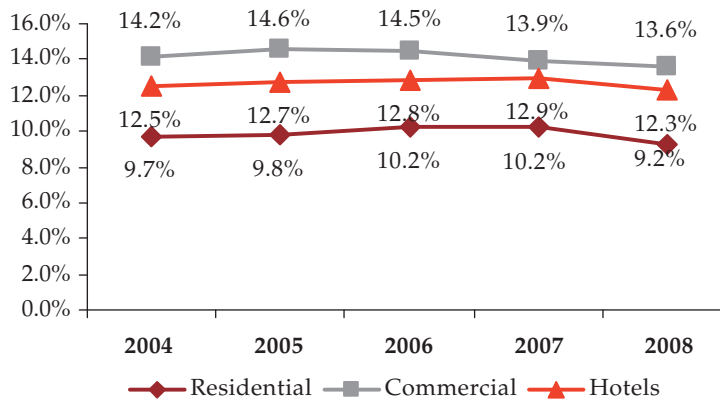
Source: Synovate Report

INDUSTRY OVERVIEW

Curtain Wall Market in Hong Kong

According to the Synovate Report, the percentage of curtain wall works value to the total project value in Hong Kong is usually between the range of 10% and 15%. The percentage represented by the value of curtain wall work in commercial buildings remains the highest with approximately 14% to 15% to the total project value from 2004 to 2008. During the same period, the percentage of curtain wall works value to the total project for hotels and residential housing remain stable at approximately 12% to 13% and approximately 9% to 10% respectively. Set forth below is the percentage figure of curtain wall works to total project value in Hong Kong from 2004 to 2008, as extracted from the Synovate Report.

Percentage of Curtain Wall Works to Total Project Value in Hong Kong



Notes:

- (1) Total project value does not include the cost of acquisition of land and other non-construction related cost
- (2) The figures for residential housing are set at the base: high rise high-end apartments (about 50 storeys) of one building
- (3) The figures for commercial building are set at the base: high rise prestige commercial buildings (about 50 storeys)
- (4) The figures for hotel building are set at the base: 4 to 5-star hotel with around 350 rooms in about 30 storeys

Source: Synovate Report

As stated in the Synovate Report, the curtain wall market is highly sensitive to market demand and the economy and curtain walls are mostly applied to office and retail buildings in Hong Kong. The increase in the construction of high-end commercial and residential buildings has driven the growth of the curtain wall industry in Hong Kong, as tailor-made design features were needed for uniqueness of high-end skyscrapers. Demand for green construction, and an increasing demand for high-end residential housing and high-end commercial buildings are favourable to the growth of curtain wall and window wall works in the coming future. As the Hong Kong government is working on legislation requiring mandatory compliance with building energy codes, green and sustainable and energy-saving building design is becoming a major concern among architects, engineers and developers and green curtain wall construction will continue to be in demand to meet the construction of these green buildings.

The curtain wall market is very competitive in Hong Kong as the players compete both in terms of prices and quality of work. Permasteelisa Hong Kong Limited, Far East Global Group Limited and Chevalier International Holdings Ltd. are the key players in the Hong Kong.

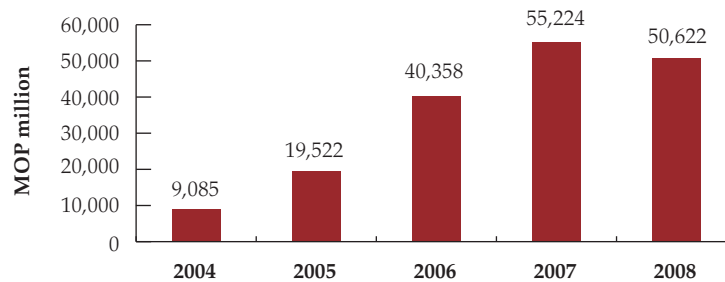
INDUSTRY OVERVIEW

MACAU MARKET

Overview of the Macau Construction Industry

Development of big resort and casino projects were the key drivers to the Macau construction industry. According to the Synovate Report, before the financial crisis in 2008, Macau had experienced a fast growth in residential, casino, and hotel development. Many resorts with casino projects in construction drove the growth of the gross output value of construction at a CAGR of approximately 83% from approximately MOP 9,085 million in 2004 to MOP 55,224 million in 2007. Due to the financial crisis in 2008, the gross output value of construction dropped approximately 8% from approximately MOP 55,224 million in 2007 to MOP 50,622 million in 2008 because some of the under-construction projects were put to a halt starting from mid-November of 2008. Set forth below is the gross output value of construction in Macau from 2004 to 2008, as extracted from the Synovate Report.

Gross Output Value of Construction in Macau

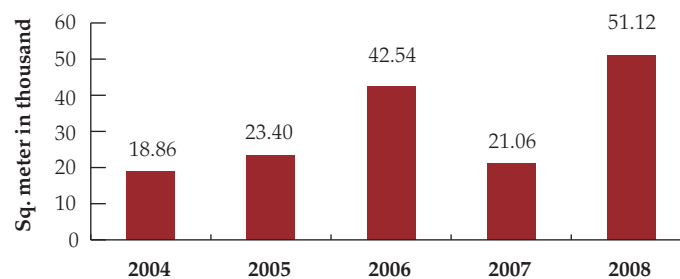


Source: Synovate Report

Commercial Property Market in Macau

With regard to the commercial property market in Macau, the gross floor area completed for commercial buildings increased at a CAGR of approximately 28% from approximately 18,860 sq.m. in 2004 to 51,120 sq.m. in 2008 which is mainly attributable to the completion of the FIT Centre new office space in 2008. Set forth below is the gross floor area completed for overall commercial buildings in Macau from 2004 to 2008, as extracted from the Synovate Report.

Gross Floor Area Completed for Overall Commercial Buildings in Macau



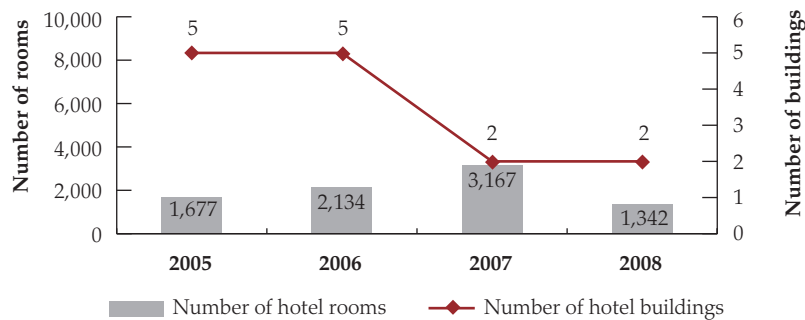
Source: Synovate Report

INDUSTRY OVERVIEW

Hotel Industry in Macau

The opening up of the gambling industry has also driven the growth of the hotel industry in Macau. According to the Synovate Report, since the opening of gambling marking in 2001, the number of visitors to Macau increased from approximately 11.53 million in 2002 to 22.9 million in 2008. The increase in the number of rooms completed from 2005 to 2007 was mainly attributable to the completion of famous casino resorts by foreign investments. The subsequent decrease in 2008 mainly reflected the suspension of the construction of some major tourism and gambling facilities as a result of the financial crisis in 2008. By the end of 2008, there were approximately 22,786 hotel rooms under construction. Set forth below is the hotel buildings completed and the corresponding new room numbers in Macau from 2005 to 2008, as extracted from the Synovate Report.

Completed Hotel Buildings and Corresponding New Room Numbers in Macau

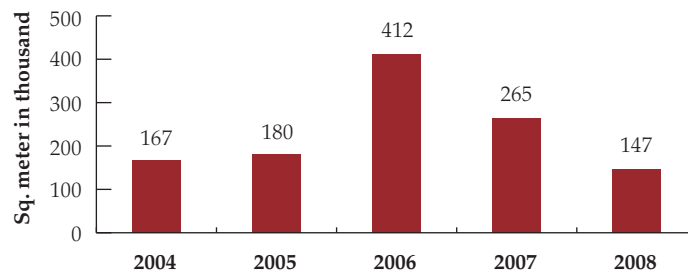


Sources: Synovate Report

Residential Housing Market in Macau

Residential housing in Macau is under challenge but has benefited from the support from the government. According to the Synovate Report, after the bullish growth in 2007, the Macau economy and the residential market have been facing challenges against the backdrop of the global financial crisis. In this regard, Macau government proposed a number of incentives to stimulate the residential construction activities which include allowing permanent citizens to purchase residential properties for the first time to continue to enjoy a real estate transfer stamp duty allowance for first MOP 3 million. By the end of 2008, the gross floor area of residential housing under construction is approximately 1,472,000 sq.m. Set forth below is the gross floor area completed for residential housing in Macau from 2004 to 2008, as extracted from the Synovate Report.

Gross Floor Area Completed for Residential Housing in Macau



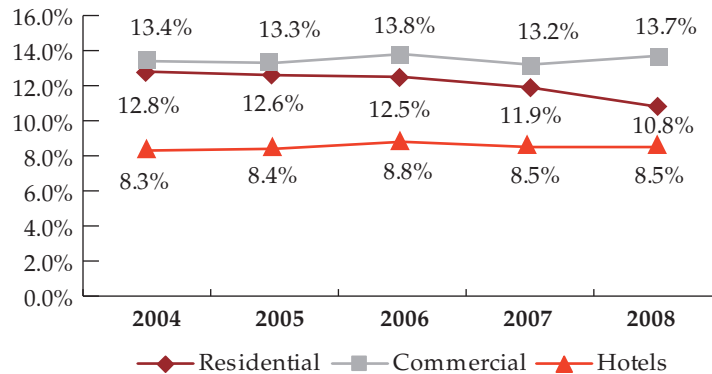
Source: Synovate Report

INDUSTRY OVERVIEW

Curtain Wall Market in Macau

According to the Synovate Report, while the share of the value of curtain wall work in the commercial and hotel market has remained stable in the last five years, the decrease in the share of curtain wall work in residential market in the past five years was mainly due to high-end properties significantly upgrading their interior decoration. Set forth below is percentage of curtain wall works to total project value in Macau from 2004 to 2008, as extracted from the Synovate Report.

Percentage of Curtain Wall Works to Total Project Value in Macau



Notes:

- (1) Total project value does not include the cost of acquisition of land and other non-construction related cost
- (2) The figures for residential housing are set at the base: high rise average standard apartments (about 40 storeys) of one building
- (3) The figures for commercial building are set at the base: high rise average (about 30 storeys) commercial buildings
- (4) The figures for hotel building are set at the base: 5-star hotel around 500 rooms with casinos

Source: Synovate Report

As stated in the Synovate Report, the growth in the curtain wall market in Macau was affected by the development of entertainment complexes. The expiration of the gambling monopoly in Macau at the end of 2001 led to a boom in the development of entertainment (hotel and casinos) complexes which also increased the demand for curtain wall works. In light of the financial crisis in 2008, the suspension of certain casino projects had slowed down the demand for curtain wall works. It is expected that the demand for curtain wall works in Macau will decrease in the coming three years because the Macau government will be focusing on the development of infrastructure rather than the development of new residential units. The curtain wall industry is expected to become more active when construction work on the suspended casino and hotel projects resumes and when government policies boosting the tourism industry and the economy in Macau are implemented.

The key competitors in the curtain wall market in Macau are Permasteelisa Hong Kong Limited, Beijing Jianghe Curtain Wall Co. Ltd., Chevalier International Holdings Ltd., Asia Aluminum Factory Co. Ltd., Far East Global Group Limited, Yuanda Curtain Wall (Hong Kong) Co Ltd, Fangda Group Co Ltd etc.

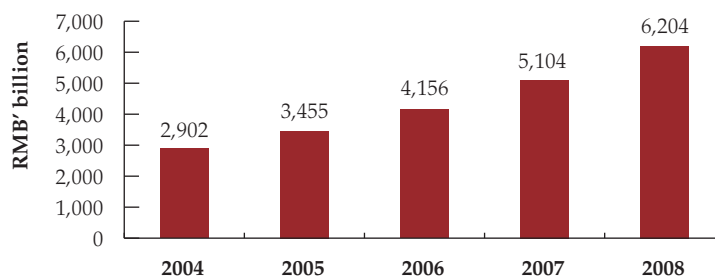
INDUSTRY OVERVIEW

CHINA MARKET

Overview of the China Construction Industry

Continuously increasing investment is the key driver in the China construction industry. According to the Synovate Report, after China gained accession to the WTO, China opened up its market to foreign players. With the investment environment and regulation continuing to improve in China, the foreign investment continuously grew in the past five years. Industrialisation and urbanisation also contributed to the growth of the construction market in China. The gross output value of construction in China increased at a CAGR of approximately 21% from approximately RMB2,902 billion in 2004 to RMB6,204 billion in 2008. Set forth below is the gross output value of construction in China from 2004 to 2008, as extracted from the Synovate Report.

Gross Output Value of Construction in China

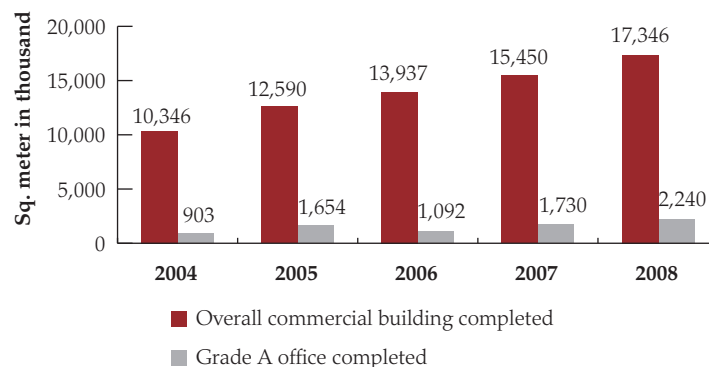


Source: Synovate Report

Commercial Property Market in China

Active entry of foreign investment has contributed to the new demand for grade A office in China from 2004 to 2008. According to the Synovate Report, the entry by foreign companies including a number of multi-national corporations, in the China market doubled the demand for office space in the past few years. The entering of these foreign companies has been an important force to support the grade A office market. Grade A office market highly relies on a broad base of international company tenants to absorb vacant stock and to develop supply. The gross floor area of grade A office building completed in China increased at a CAGR of approximately 26% from approximately 903,000 sq.m. in 2004 to 2,240,000 sq.m. 2008. Set forth below is the gross floor area completed for overall commercial buildings and grade A offices in China from 2004 to 2008, as extracted from the Synovate Report.

Gross Floor Area Completed for Commercial Buildings and Grade A Offices in China



INDUSTRY OVERVIEW

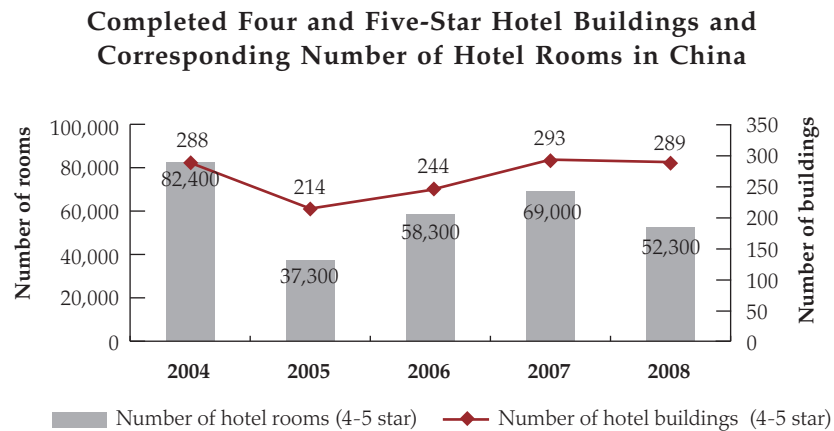
Notes:

- (1) Grade A office buildings refer to office buildings with 800 sq.m. or above of floor plate, 2.3 meters or above of ceiling height, comprehensive facilities and extensive management services.
- (2) The completed floor area of grade A offices consists of such offices situated in Beijing, Shanghai, Guangzhou and Shenzhen.

Source: Synovate Report

Hotel Industry in China

China's tourist hotel sector is expanding rapidly. According to the Synovate Report, the increased leisure time, the promoted changes in lifestyle and the modes of expenditure of the Chinese people had driven the market demand for domestic tourism and led to the prosperity of the hotel sector in China. International events such as the Beijing Olympic Games and the Shanghai World Expo are also the main drivers of the hotel industry. Set forth below is the number of four and five-star hotel buildings completed and corresponding number of hotel rooms in China from 2004 to 2008, as extracted from the Synovate Report.



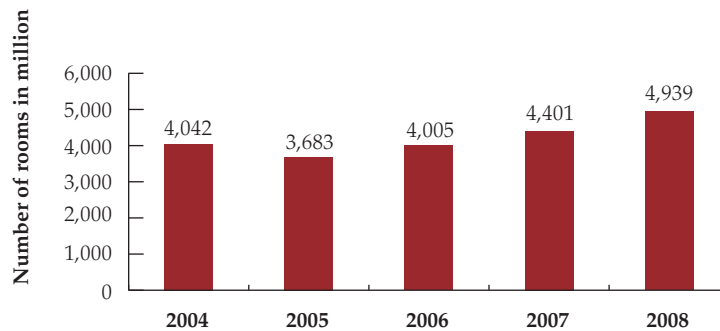
Source: Synovate Report

INDUSTRY OVERVIEW

Residential Housing Market in China

According to the Synovate Report, the Chinese government encourages the increase in the construction of smaller size residential units to meet the mass demand. In response, the market launched more economically priced houses to meet the demand of the low-income group. The number of rooms completed for residential housing increased at a CAGR of approximately 5% from approximately 4,042 million rooms in 2004 to 4,939 million rooms in 2008. Set forth below is the number of rooms completed for residential housing in China from 2004 to 2008, as extracted from the Synovate Report.

Number of Rooms Completed for Residential Housing in China

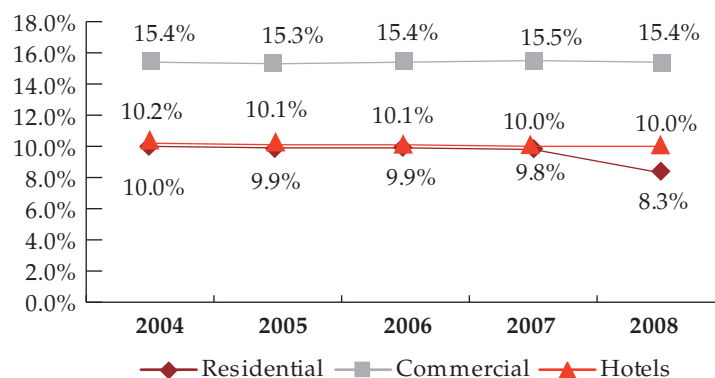


Source: Synovate Report

Curtain Wall Market in China

Office buildings is the key segment of curtain wall work in China. According to the Synovate Report, the adoption of high-end curtain wall products and services is common among high-end office buildings, especially given the energy saving trend. The share of total project value represented by the value of curtain wall work in the office market remained stable at approximately 15% in the past five years. Such share in residential market decreased from approximately 10% in 2004 to 8% in 2008 because the estate developers tended to allocate more of their resources towards interior decoration. The value share in hotel market remained stable at approximately 10% across the period. Set forth below is the percentage of total project value in China represented by the value of curtain wall work in the residential, commercial and hotels market from 2004 to 2008, as extracted from the Synovate Report.

Percentage of Curtain Wall Work to Total Project Value in China



INDUSTRY OVERVIEW

Notes:

- (1) Total project value does not include the cost of acquisition of land and other non-construction related costs
- (2) The figures only reflect the percentages in Beijing, Shanghai, Guangzhou and Shenzhen
- (3) The figures for residential housing are set at the base: high rise mid-high end to premium end fully-decorated apartments (below 30 storey) of one building
- (4) The figures for commercial building are set at the base: high rise mid-end to high-end commercial buildings (about 30 storey)
- (5) The figures for hotel building are set at the base: 4-star to 5-star hotel with around 400 rooms in about 30 storey

Source: Synovate Report

As stated in the Synovate Report, second-tier cities in China, such as Tianjin, Chongqing, Nanjing, Changsha, Wuhan, Wenzhou, Chengdu, Qingdao and Zhengzhou, will have great market potential for curtain wall work for high-end office and retail buildings as they continue to increase their competitiveness. High quality and energy saving curtain wall systems will likely enjoy increasing demand in China in the coming three years as the demand for sustainable development features, such as LEED (Leadership in Energy and Environmental Design) and other international green building certifications are set to become one of the selling points differentiating the office properties. In addition, photoelectric curtain wall continues to be in demand as both the government and the developers start to emphasize on energy saving as a result of a series of regulations and laws related to energy saving that were issued in the past few years.

As many local curtain wall manufacturers have large production capacities with advanced technology, the local manufacturers gain more than 80% of the domestic market share, while the rest was held by foreign competitors including Hong Kong, Macau, Taiwan and foreign players.

The curtain wall market is increasingly competitive and large curtain wall construction companies are strengthening their capabilities and performance credits by winning international projects overseas, such as Macau, Hong Kong; Middle East, Russia etc.

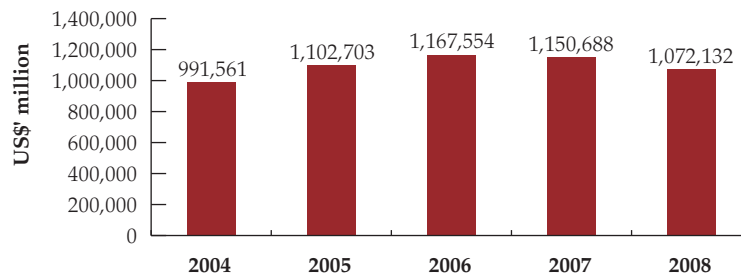
INDUSTRY OVERVIEW

THE U.S. MARKET

Overview of the U.S. Construction Industry

Consistent demand for mid-end residential housing has resulted in the gross value of construction in the U.S. remaining stable during 2004 to 2008. According to the Synovate Report, the strong mid-end market in the U.S. contributed to the maintenance of the construction value at a competent level over the past few years as low interest rate coupled with a decrease in property prices have made home ownership more affordable. However, the credit crisis has decreased the demand for construction and decreased a portion of the construction spending in 2008. Set forth below is the gross value of construction in the U.S. from 2004 to 2008, the contents of which are extracted from the Synovate Report.

Gross Value of Construction in the U.S.

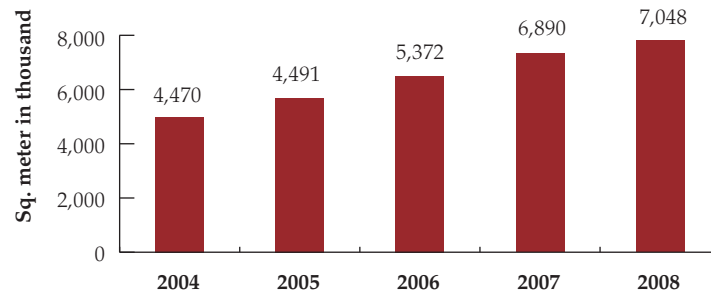


Source: Synovate Report

Commercial Property Market in the U.S.

The commercial construction industry slowed down due to a combination of modest economic growth and future uncertainties, especially in the U.S. financial sector. According to the Synovate Report, low interest rates impacted commercial property values, which also slowed down the growth of construction of new offices since late 2007. The gross floor area of overall office building completed in the United States increased at a CAGR of approximately 12% from approximately 4,470,000 sq.m. in 2004 to 7,048,000 sq.m. 2008. Set forth below is the gross floor area completed for overall office buildings in the U.S. from 2004 to 2008, as extracted from the Synovate Report.

Gross Floor Area Completed for Overall Office Buildings in the U.S.



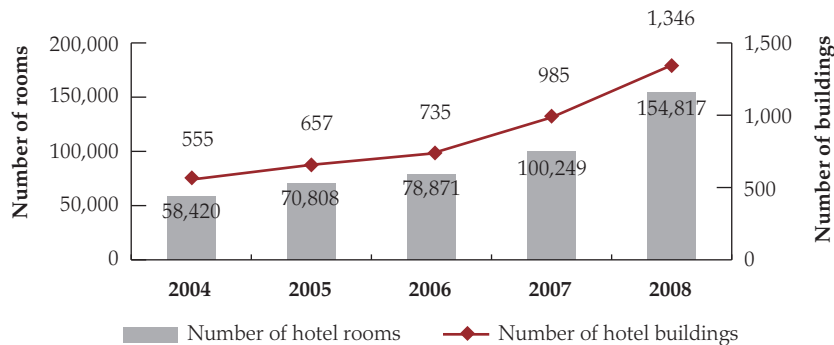
Source: Synovate Report

INDUSTRY OVERVIEW

Hotel Industry in the U.S.

With regards to the hotel industry in the U.S., the number of hotel rooms completed was increasing from 2004 to 2008. According to the Synovate Report, the number of hotel rooms completed increased at a CAGR of approximately 28% from approximately 58,420 rooms in 2004 to 154,817 rooms in 2008, which is attributable to the prosperous growth of tourism due to the memory of the 911 terrorism attack is forgotten. Set forth below is the hotels buildings completed and corresponding room number in the U.S. from 2004 to 2008, as extracted from the Synovate Report.

Completed Hotel Buildings and Corresponding Room Numbers in the U.S.

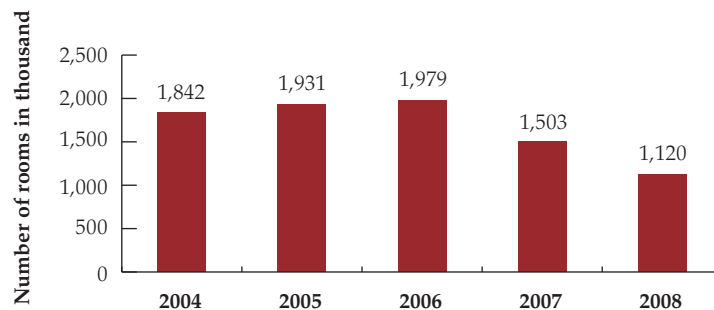


Source: Synovate Report

Residential Housing Market in the U.S.

With regards to the residential housing market in the U.S., the total number of rooms completed for residential housing was declining from 2004 to 2008. According to the Synovate Report, the number of rooms completed for residential housing declined from approximately 1,842,000 rooms in 2004 to 1,120,000 rooms in 2008, which was mainly attributable to the decrease in residential property demand affected by the rise of wages, interest rates and unemployment rate. Set forth below is the number of rooms completed for residential housing in the U.S. from 2004 to 2008, as extracted from the Synovate Report.

Number of Rooms Completed for Residential Housing in the U.S.



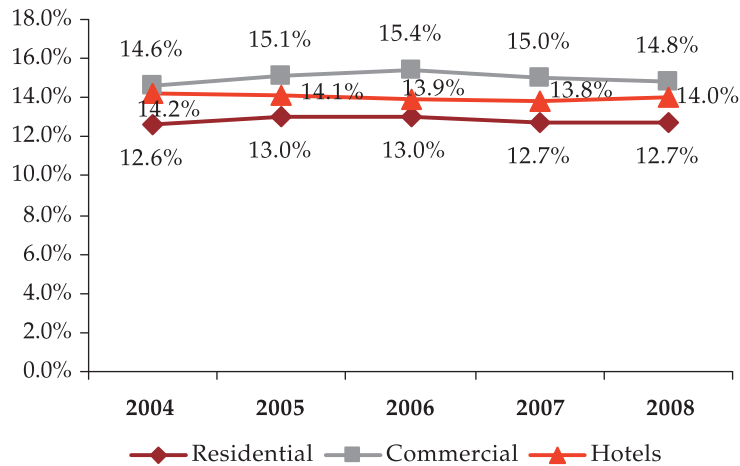
Source: Synovate Report

INDUSTRY OVERVIEW

Curtain Wall Market in the U.S.

According to the Synovate Report, the percentage of curtain wall works value to the total project value in the U.S. ranges between approximately 12% to 15%. The curtain wall works value share for residential, commercial and hotel is kept stable at approximately 13%, 14% and 15%, respectively, from 2004 to 2008. Curtain wall consumption in the U.S. was led by the commercial market as office supply experienced steady growth from 2004 to 2008. During 2007 to 2008, consumption level of curtain wall slowed down for residential and commercial sectors because of the decrease in property demand resulting from the weakened economy. Consumption for curtain wall increased for hotel regardless due to the prosperous growth of tourisms. Non-residential construction industry also faced increasing demand for curtain wall systems. Set forth below is percentage of curtain wall works to total project value in the U.S. from 2004 to 2008, as extracted from the Synovate Report.

Percentage of Curtain Wall Works to Total Project Value in the U.S.



Notes:

- (1) Total project value does not include the cost of acquisition of land and other non-construction related cost
- (2) The figures for residential housing are set at the base: high rise high-end apartments (about 50 storey) of one building
- (3) The figures for commercial building are set at the base: high rise high-end commercial buildings (about 50 storey)
- (4) The figures for hotel building are set at the base: 5-star hotel with around 350 rooms in about 30 storey

Source: Synovate Report

As stated in the Synovate Report, construction demand of commercial buildings has a direct impact on the curtain wall and window wall servicing industry. Curtain wall and window wall works in the U.S. are in recovery as the commercial buildings construction plans increase after the financial crisis, however, the growth still remains slow. Increasing demand for high performance unitised curtain wall in the U.S. is due to buildings with high water-proof, high pressure resistant, good insulation, and energy efficient curtain wall and window wall features, which require high performance of glass, metal, plastics, bonding materials and excellent construction techniques. In order to maintain corporate sustainability images and implement cost saving policies, many companies prefer green buildings for office purpose in the competitive business environment which has led to the increase of green building construction and the growth of curtain wall and window wall works construction has been in line with the increasing demand for green construction.

INDUSTRY OVERVIEW

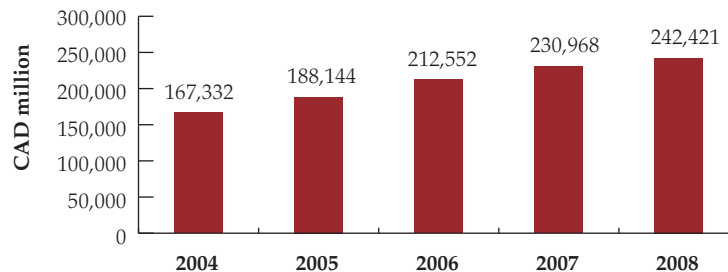
Curtain wall and window wall works market is very competitive and fragmented, especially the low-end to mid-end construction market, which has many small players competing head to head.

THE CANADA MARKET

Overview of the Canada Construction Industry

Construction activity in Canada had been growing during the past several years. According to the Synovate Report, the construction industry in Canada was influenced by a positive economic environment caused by factors such as low interest rates, low inflation rates, high disposable income, high commodity prices, strong employment levels and strong consumer confidence. The total construction expenditure in Canada increased at a CAGR of approximately 10% from approximately CAD 167,332 million in 2004 to CAD 242,421 million in 2008, which was mainly attributable to the increase in residential construction spending. Set forth below is the total construction expenditure in Canada from 2004 to 2008, as extracted from the Synovate Report.

Total Construction Expenditure in Canada

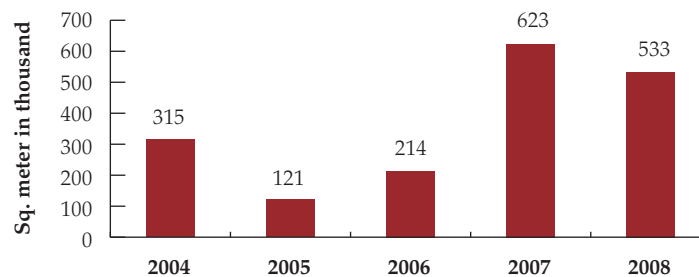


Source: Synovate Report

Commercial Property Market in Canada

As regards the commercial property industry in Canada, demand for office space primary came from the resources sector and related services. According to the Synovate Report, the government sector was an active driver of new construction, with Ottawa and Calgary being the primary beneficiaries. The gross floor area completed for overall commercial buildings increased at a CAGR of approximately 14% from approximately 315,000 sq.m. in 2004 to 533,000 sq.m. in 2008. Set forth below is the gross floor area completed for overall commercial buildings in Canada from 2004 to 2008, as extracted from the Synovate Report.

Gross Floor Area Completed for Overall Commercial Buildings in Canada



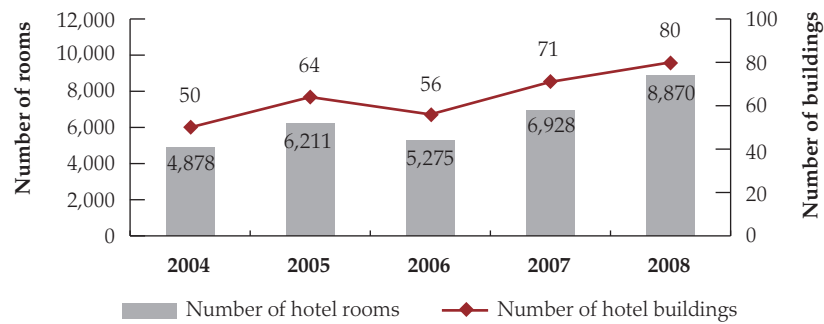
Source: Synovate Report

INDUSTRY OVERVIEW

Hotel Industry in Canada

As regards the hotel industry in Canada, the numbers of hotel rooms and hotel buildings completed has shown an increasing trend from 2004 to 2008. According to the Synovate Report, the numbers of hotel rooms and hotel buildings completed increased at a CAGR of approximately 16% and 12% respectively from 2004 to 2008, representing the peak of the hotel development cycle. Set forth below is the hotels buildings completed and corresponding room number in Canada from 2004 to 2008, as extracted from the Synovate Report.

Completed Hotel Buildings and Corresponding Number of Rooms in Canada

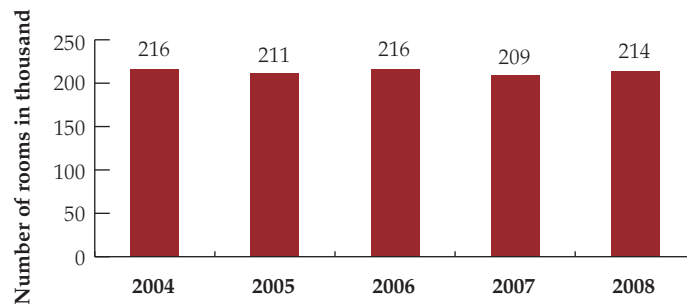


Source: Synovate Report

Residential Housing Market in Canada

According to the Synovate Report, the number of rooms completed for residential housing remained relatively stable at approximately 210,000 rooms from 2004 to 2008. This was mainly attributable to the higher multiple-unit construction which was offset by decline in single-family homes, with most of the fall of in British Columbia and Alberta regions. Set forth below is the number of rooms completed for residential housing in Canada from 2004 to 2008, as extracted from the Synovate Report.

Number of Rooms Completed for Residential Housing in Canada



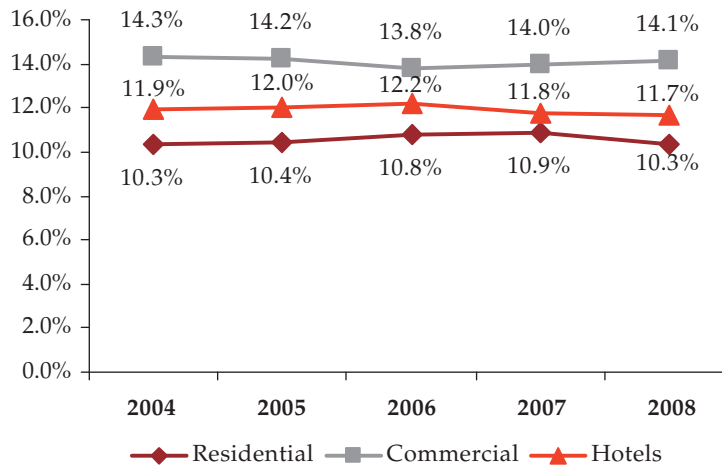
Source: Synovate Report

INDUSTRY OVERVIEW

Curtain Wall Market in Canada

According to the Synovate Report, the percentage of curtain wall works value to the total project value in Canada ranges between approximately 10% to 14%. From 2004 to 2008, the curtain wall works value share for commercial and hotel is kept stable at 14% and 12%, respectively. The curtain wall works value share for residential decreased slightly from 2007 to 2008 as developers steered away from high-end residential projects. In general, residential consumption is approximately 1% to 3% lower than that of the hotel and commercial segments. Set forth below is percentage of curtain wall works to total project value in Canada from 2004 to 2008, as extracted from the Synovate Report.

Percentage of Curtain Wall Works to Total Project Value in Canada



Notes:

- (1) Total project value does not include the cost of acquisition of land and other non-construction related cost
- (2) The figures are based on metropolitan cities such as Toronto and Vancouver
- (3) The figures for residential housing are set at the base: midrise high-end apartments (about 25 storey) of one building
- (4) The figures for commercial building are set at the base: midrise high-end commercial buildings (about 25 storey)
- (5) The figures for hotel building are set at the base: 5-star hotel with around 200 rooms in about 20 storey

Source: Synovate Report

As stated in the Synovate Report, curtain wall and window wall works of Canada market is highly influenced by the U.S. economy and the demand of Canadian consumption. Similar to the U.S. curtain wall and window wall works market, Canada's curtain wall and window wall market is in a recovery stage but the speed is rather slow which is mainly attributable to the surplus of residential and office supply. The curtain wall industry in Canada is expected to be stagnant from 2009 to 2012 as some private industrial and commercial building projects have been postponed or cancelled since late 2008. The curtain wall industry is expected to rebound starting from 2013 as the Canadian economy is recovering and residential housing is expected to grow faster and stronger than other sectors in 2013 due to the restart of delayed projects and the increase in the number of immigrants.

The real estate demands are decreasing due to economy downturn which has driven the curtain wall and window wall works to become very competitive. The profit margin drops significantly which is estimated to be about 20% in the past few years.

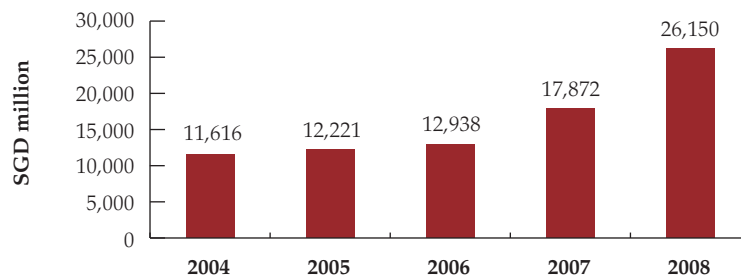
INDUSTRY OVERVIEW

THE SINGAPORE MARKET

Overview of the Singapore Construction Industry

Demand in both the public and private sectors has fueled the growth of construction activity in Singapore. According to the Synovate Report, total construction progress payment increased at a CAGR of approximately 22% from approximately SGD 11,616 million in 2004 to SGD 26,150 million in 2008. Such growth in construction demand was broad-based in the residential, commercial, institutional and civil engineering segments, for both public and private sectors. Developments in the Singapore construction industry in 2008 mainly consist of a new business financial district and two integrated casino resorts. Set forth below is the total construction progress payment in Singapore from 2004 to 2008, as extracted from the Synovate Report.

Total Construction Progress Payment in Singapore

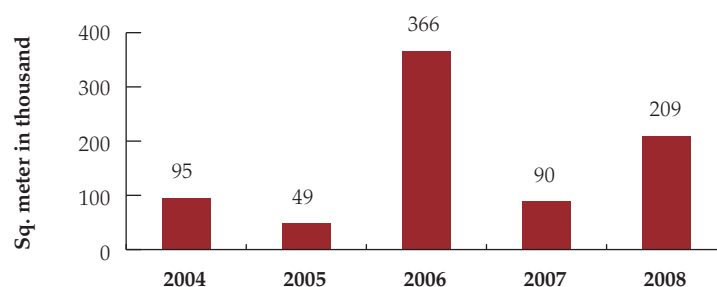


Source: Synovate Report

Commercial Property Market in Singapore

Demand for office space in Singapore continued to strengthen, while supply continued to tighten in 2007. According to the Synovate Report, the gross floor area completed for overall commercial buildings increased during 2004 to 2006 due to the buoyant property market as well as string foreign investments. The gross floor area completed for overall commercial buildings subsequent decreased in 2007 is mainly attributable to the lack of new office space and the withdrawal of several commercial buildings for redevelopment, which resulted in a tighter office supply, higher rental and occupancy rate. Set forth below is the gross floor area completed for overall commercial buildings in Singapore during 2004 to 2008, as extracted from the Synovate Report.

Gross Floor Area Completed for Overall Commercial Buildings in Singapore



Note: Overall commercial includes office and shop space

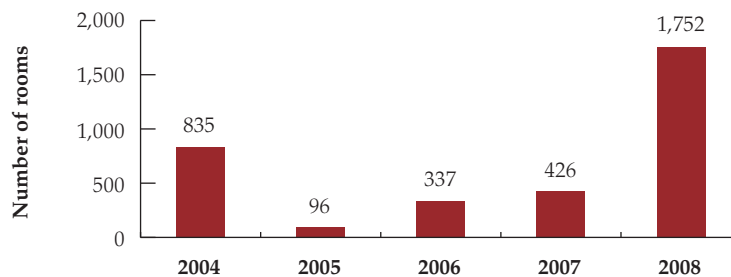
Source: Synovate Report

INDUSTRY OVERVIEW

Hotel Industry in Singapore

Government land sales caters for the growing demand in Singapore's hotel industry. According to the Synovate Report, Singapore has faced shortage in hotel supply over the past years. The Singapore government has awarded two licences to two casino operators for two sites in the city-state to develop integrated resorts with casinos. The number of hotel rooms completed has increased at a CAGR of approximately 20% from approximately 835 rooms in 2004 to 1,752 rooms in 2008. Set forth below is number of rooms completed for hotels in Singapore from 2004 to 2008, as extracted from the Synovate Report.

Number of Rooms Completed for Hotels in Singapore

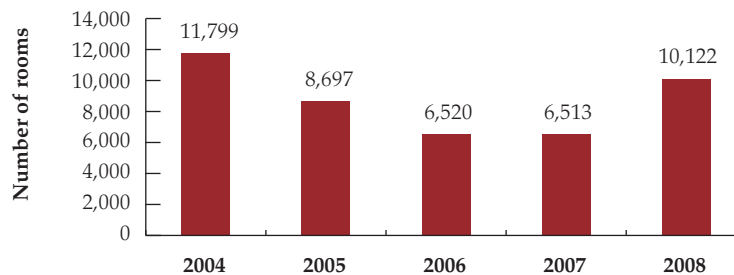


Source: Synovate Report

Residential Housing Market in Singapore

Similar to the trend as in hotel industry, government land sales caters for the growing demand in Singapore's residential housing market. According to the Synovate Report, private residential market moved at a steady pace for the past five years. Number of rooms completed for residential housing increased by approximately 55% from 2007 to 2008 as the Singapore government's injection of private residential lands in for 2008 through its Government Land Sales programme added mass market suburban housing units to the housing supply. Set forth below is the number of rooms completed for residential housing in Singapore from 2004 to 2008, as extracted from the Synovate Report.

Number of Rooms Completed for Residential Housing in Singapore



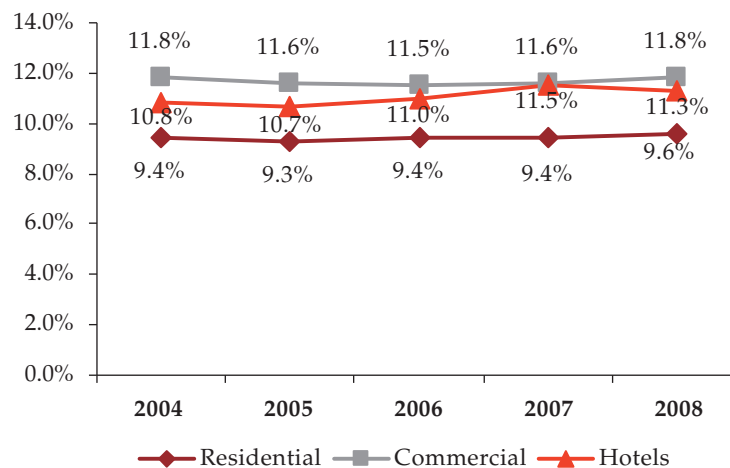
Source: Synovate Report

INDUSTRY OVERVIEW

Curtain Wall Market in Singapore

According to the Synovate Report, the percentage of curtain wall works value to the total project value in Singapore usually ranges between approximately 9% to 12%. From 2004 to 2008, the curtain wall works value share for commercial and residential remained stable at 11% and 9%, respectively. During the same period, the curtain wall works value share for hotel increased slightly from approximately 10.8% to 11.3%. Set forth below is the percentage of curtain wall works to total project value in Singapore from 2004 to 2008, as extracted from the Synovate Report.

Percentage of Curtain Wall Works to Total Project Value in Singapore



Notes:

- (1) Total project value does not include the cost of acquisition of land and other non-construction related cost
- (2) The figures are based on curtain wall works for full buildings
- (3) The figures for residential housing are set at the base: midrise high-end residential building (about 30 storey)
- (4) The figures for commercial building are set at the base: midrise to high rise high-end commercial building (about 40 storey)
- (5) The figures for hotel building are set at the base: mid rise high-end hotel building (about 25 storey)

Source: Synovate Report

As stated in the Synovate Report, high-impact projects are on the rise in face with the growing number of visitors has increased the demand for curtain walls in Singapore. The demand for curtain wall products and services in Singapore is expected to increase at least up to 2010 as the number of newly built hotels increases. The growing demand for Grade A offices will also increase commercial demand of curtain wall in the future. The Singapore government encourages sustaining building and environment and targets to reduce energy consumption by more than 30% in at least 80% of all buildings in Singapore by 2030 . To facilitate this initiative, the Singapore government has introduced a series of Green Mark incentive schemes for new and existing buildings which is expected to lead to growing market opportunities for technologies, systems and equipment that are used in the curtain wall construction of green buildings.

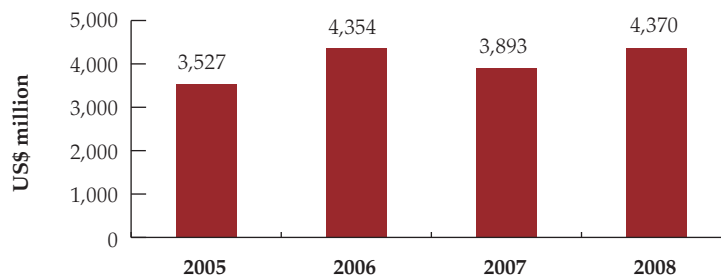
INDUSTRY OVERVIEW

THE ABU DHABI MARKET

Overview of the Abu Dhabi Construction Industry

While Abu Dhabi's government is focusing on reducing dependence on the oil sector, the real estate and construction sectors have become the prime attractions for investors. According to the Synovate Report, the gross output value of construction increased during 2005 to 2008 which is mainly attributable to the increasing government spending on infrastructure projects and strong demand for both residential and hotel apartments as a result of increasing number of tourists and Emirate's growing trend to promote Abu Dhabi as a tourist attraction. Set forth below is the gross output value of construction in Abu Dhabi from 2005 to 2008, as extracted from the Synovate Report.

Gross Output Value of Construction in Abu Dhabi

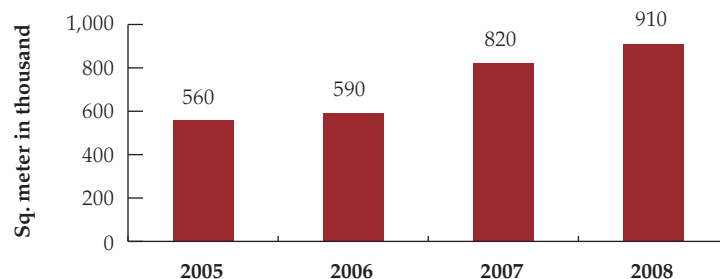


Source: Synovate Report

Commercial Property Market in Abu Dhabi

Abu Dhabi is reducing its dependence on oil sector. According to the Synovate Report, Abu Dhabi Government has taken various initiatives to increase the share of real estate sector. Oil & gas companies and government departments drive the majority of demand for office space segment, along with occupiers in banking, finance and insurance sector. The gross floor area completed for offices increased at a CAGR of approximately 18% from approximately 560,000 sq.m. in 2005 to 910,000 sq.m. in 2008, which is mainly attributable to the relaxation in laws governing property ownership which in turn has increased interest of Gulf Cooperation Council nationals in Abu Dhabi. Set forth below is the gross floor area completed for offices in Abu Dhabi from 2005 to 2008, as extracted from the Synovate Report.

Gross Floor Area Completed for Office in Abu Dhabi



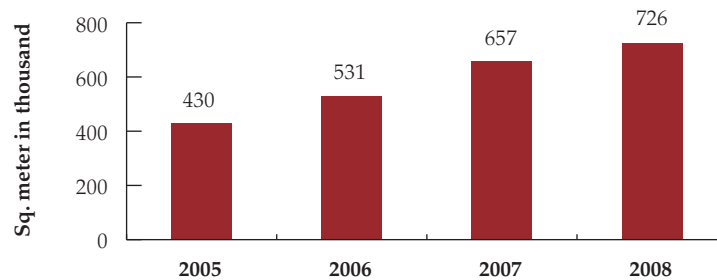
Source: Synovate Report

INDUSTRY OVERVIEW

Hotel Industry in Abu Dhabi

Increasing number of tourists and investment in the tourist industry has driven the hotel industry in Abu Dhabi. According to the Synovate Report, the gross floor area completed for hotels increased at a CAGR of approximately 19% from approximately 430,000 sq.m. in 2005 to 726,000 sq.m. in 2008, which is mainly attributable to Emirate's growing trend to promote Abu Dhabi as a tourist attraction and its investments in tourism infrastructure such as Saadiyat Island and Yas island. Set forth below is the gross floor area completed for hotels in Abu Dhabi from 2005 to 2008, as extracted from the Synovate Report

Gross Floor Area Completed for Hotel in Abu Dhabi

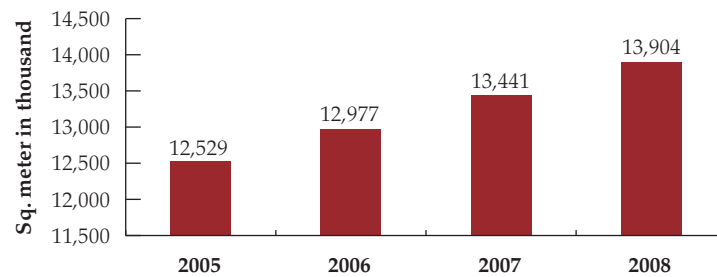


Source: Synovate Report

Residential Housing Market in Abu Dhabi

As regards the residential housing market in Abu Dhabi, the gross floor area completed for residential housing increased from 2005 to 2008. According to the Synovate Report, the increased in gross floor area completed for residential housing was mainly attributable to the rising population and increasing disposable income. Set forth below is the gross floor area completed for residential housing in Abu Dhabi from 2005 to 2008, as extracted from the Synovate Report

Gross Floor Area Completed for Residential Housing in Abu Dhabi



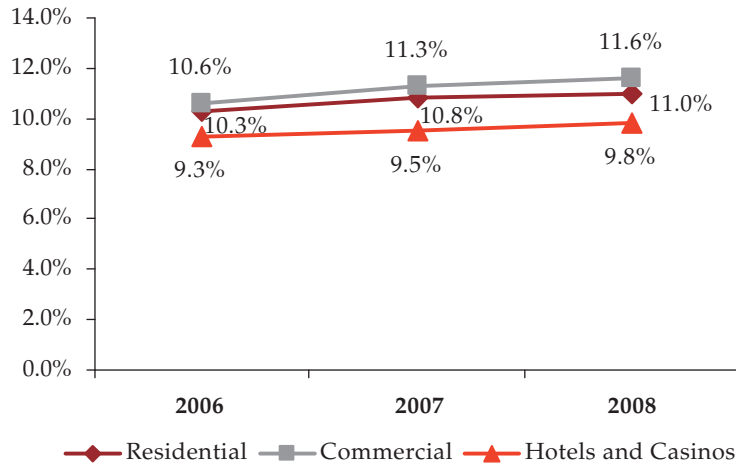
Source: Synovate Report

INDUSTRY OVERVIEW

Curtain Wall Market in Abu Dhabi

According to the Synovate Report, the percentage of curtain wall works value to the total project value in Abu Dhabi usually ranges between approximately 9% to 12%. From 2006 to 2008, the curtain wall works value share for commercial, residential and hotels and casinos were on increasing trends. Set forth below is percentage of curtain wall works to total project value in Abu Dhabi from 2006 to 2008, as extracted from the Synovate Report.

Percentage of Curtain Wall Works to Total Project Value in Abu Dhabi



Notes:

- (1) Total project value does not include the cost of acquisition of land and other non-construction related cost and other non-construction related costs
- (2) The figures for residential housing are set at the base: high rise mid-end to high-end residential buildings (about 30 to 40 storey)
- (3) The figures for commercial building are set at the base: about 4-5 star hotels
- (4) The figures for hotel building are set at the base: high rise mid-end to high-end office/commercial buildings (about 45 storey)

Source: Synovate Report

As stated in the Synovate Report, commercial segment will continue to be the main driver of the curtain wall works market. Green curtain wall works will also continue to be in demand as an increasing number of construction firms in Abu Dhabi and also in the UAE are providing services for green building construction. In addition, a comprehensive plan for the development of Abu Dhabi called Plan Abu Dhabi 2030 (the "Plan 2030") is being implemented, which will provide a growing demand for curtain wall works, especially high performance and green efficient curtain wall works. According to the Plan 2030, it is expected that a new capital will be created with an extensive public transport system, and 200 natural islands will be developed, in order to be the business centre of the UAE and also of the Middle East. Under Plan 2030, the delivery of residential units will start from year 2010, which will bring more curtain wall works for high-end buildings from residential segment.

INDUSTRY OVERVIEW

BACKGROUND OF SYNOVATE REPORT

On 5 November 2009, we engaged the business consulting unit of Synovate Limited to undertake a study on the curtain wall market in Hong Kong, Macau, the PRC, the U.S., Canada, Singapore, and Abu Dhabi for a fee of HK\$300,000. The study is set out in the Synovate Report. Our Directors confirm that Synovate Limited, including all of its subsidiaries, divisions and units, is independent of and not connected with us in any way.

Synovate Limited, on behalf of itself, its subsidiaries and units, confirms that the Synovate Report was prepared in its ordinary course of business, and has given and not withdrawn its consent for us to quote from the Synovate Report and to use information contained in the Synovate Report in this document.

To the best of the Directors' information and belief, the information contained in the Synovate Report is derived by means of data and intelligence gathering methodology which includes (i) desk research conducted by the business consulting unit of Synovate Limited including specialised industry literature, government/regulatory sources, online data sources, third-party reports and surveys, industry reports and analyst reports, industry associations and the database maintained by Synovate Limited; and (ii) primary research by having interviews with key stakeholders and industry experts, including real estate investors/developers, building managers, architects/interior designers, contractors and end-customers in Hong Kong, Macau, the PRC, the U.S., Canada, Singapore and Abu Dhabi.

According to the business consulting unit of Synovate Limited, Synovate Limited was established in 2003 and is a research institute with approximately 6,000 employees worldwide and coverage in over 100 cities spanning over 62 countries. It is a market research unit of Aegis Group plc, a company listed on the London Stock Exchange plc. Services of the business consulting unit of Synovate Limited include market profiling, market sizing, share and segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

This document contains some information extracted from the Synovate Report, and they are in sections headed "Summary", "Industry overview", "Business" and "Financial information."

HISTORY, REORGANIZATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

Our Company was incorporated as a company with limited liability in the Cayman Islands on 5 November 1998 under the name "FEA Holdings Limited," which was subsequently changed to "Far East Group Limited" on 7 April 2008 and then to "Far East Global Group Limited" on 23 November 2009. We are a Hong Kong-based company with around 40 years of operating experience in providing integrated building facade solutions for high-end real estate development projects. A summary of our history is set out below.

Our origins could be traced back to 1969 when our Group was first established under the name of Far East Aluminium Works Company under the laws of Hong Kong. Far East Aluminium Works Company commenced operations at a workshop in Hong Kong by fabricating and assembling aluminium window frames.

In 1973, Far East Aluminium Works Company undertook its first curtain wall project for a commercial building in Hong Kong and in 1977, the business was incorporated as Far East Aluminium Works Co. Ltd.

The slump in the Hong Kong property market during 1983 and 1984 adversely affected the local construction industry. FEA therefore shifted its emphasis to the PRC and was awarded approximately 20 curtain wall, cladding, window and skylight projects in between 1984 and 1987. FEA completed its first major curtain wall project for the Union Building in Shanghai, PRC in 1986.

With the revival of the Hong Kong property market from 1986, FEA focused on projects in Hong Kong and have completed well known projects since then, including Pacific Place II and Times Square.

In 1990, we commenced the production of building facade products in Shenzhen, PRC through a processing contract entered into by Heng Fai International Ltd., our wholly-owned subsidiary. See "Business – Our Processing Arrangements."

In 1991, we (then known as Far East Aluminium (Holdings) Limited) were listed on the Stock Exchange. In 1999, China National Aero-Technology Import & Export Corporation through its wholly-owned subsidiaries, acquired a controlling interest in Far East Aluminium (Holdings) Limited, the name of which was changed to "CATIC International Holdings Limited" in August of the same year. The business of our Group became a subsidiary of CATIC (now known as AVIC International Holding (HK) Limited).

Our commencement of the Sands Podium & Tower project in Macau in 2003 marked our venture and expansion into the global market. We received referrals from the property developer of Sands Podium & Tower, following the commencement of the project, to bid for the Palazzo Hotel project in Las Vegas, USA in 2004, followed by the Venetian Macao Resort Hotel project and in turn, the Four Seasons Hotel project in Macau in 2007, and subsequently the Marina Bay Sands Integrated Resort project in Singapore in 2008. Our successful completion of the Palazzo Hotel project also led to our capturing new opportunities initially in Las Vegas, USA, including the World Market Center, the Cosmopolitan Resort Hotel and Casino, Veer Towers and Mandarin Oriental Hotel projects in Las Vegas, USA in 2006, then to other locations in the U.S. including Hawaii, San Francisco and New York. Following our initial successful expansion in Las Vegas, we ventured into the Canadian market, starting with the Trump International Hotel & Tower and the Shangri-La Toronto projects in Toronto, Canada in 2008. We were referred by a curtain wall consultant with whom we had a business relationship to bid for the Sama Tower and the Darwish projects in 2007 and 2008, respectively, in Dubai, UAE. The building facade consultant in the Burj Khalifa project referred us to work on the Costanera Center project in Chile.

On 28 December 2007, Showmost acquired a beneficial interest in the entire issued share capital of our Company from CATIC.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The following are important milestones in the history of our corporate and operational development to date:

- 1969
 - Far East Aluminium Works Company was founded.
- 1973
 - Our Group completed its first curtain wall project in Hong Kong.
- 1986
 - Our Group completed its first curtain wall project in Shanghai, the Union Building.
- 1990
 - We commenced the production of building facade products in Shenzhen, PRC through a processing contract entered into by Heng Fai International Ltd.
 - We completed the curtain wall project for Pacific Place II.
- 1991
 - Far East Aluminium (Holdings) Limited was listed on the Stock Exchange.
- 1993
 - We completed the installation of curtain walls for Times Square in Hong Kong.
- 2003
 - Netfortune Engineering (FEA) Macau Limited was established in Macau to handle projects in Macau. We commenced the Sands Podium & Tower project, a curtain wall project in Macau, which was completed in 2007.
 - We commenced our first project in Singapore, a skylights glass bridges project – the Museum Station.
- 2004
 - We completed the Langham Place project, which is a multi-functional building in Hong Kong, consisting of hotel, shopping malls and offices, and the Science Park project in Hong Kong. Both are curtain wall projects.
 - We commenced the Palazzo Hotel project, our first project in North America, in which we were involved in the design and supply of building facade products.
- 2005
 - We set up our first branch office in North America. We commenced the World Market Center project, a curtain wall project, in Las Vegas, USA. We completed the World Market Center project in 2006.
 - We commenced our first project, a curtain wall project, in Japan – the Tokyo Station Yaesu North Tower project. This project was completed in 2007.
 - We commenced a number of projects in Hong Kong, including the Cullinan II, ICAC Headquarters Building and Skyplaza Building projects, which were completed in 2008, 2007 and 2007, respectively. All of these projects were curtain wall projects.
 - We commenced the Galaxy Starworld Hotel project, a curtain wall project, in Macau and completed this project in 2006.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

- 2006
- We commenced our first project in Dubai, United Arab Emirates – the Burj Khalifa project, a curtain wall project. We completed this project in 2009.
 - We commenced working on the curtain wall project in the Venetian Macao Resort Hotel, a curtain wall project in Macau.
 - A number of projects were commenced in Las Vegas, USA, including the Veer Towers, the Cosmopolitan Resort Hotel & Casino and the Mandarin Oriental Hotel projects. Both the Veer Towers, the Mandarin Oriental Hotel and the Cosmopolitan Resort Hotel & Casino projects are curtain wall projects, and are expected to be completed in 2010. The total curtain wall area involved in the Cosmopolitan Resort Hotel & Casino project is approximately 130,000 sq.m, the largest scale in which our Group has been involved since our establishment in 1969.
- 2007
- We commenced the International Financial Centre project, a curtain wall project, in Shanghai ("**Shanghai IFC**").
 - We commenced the SAMA Tower project, a curtain wall project in Dubai. This project is expected to be completed in 2010.
- 2008
- Apart from Las Vegas, we also commenced a number of projects in other cities in the U.S., including the Trinity Plaza project in San Francisco, a curtain wall and window wall project, and the Allure Waikiki Condominium project in Hawaii, a window wall project. Both the Trinity Plaza project and the Allure Waikiki Condominium project are expected to be completed in 2010.
 - We commenced our first two projects in Toronto, Canada – the Shangri-La Toronto project, a curtain wall and window wall project, and Trump International Hotel & Tower project, a curtain wall project, and these projects are expected to be completed in 2012 and 2011, respectively.
 - We commenced work on the Marina Bay Sands Integrated Resort project, a glasswall and skylights glass bridges project, in Singapore. This project is expected to be completed in 2010.
 - We commenced work on the Darwish Tower project, a curtain wall project in Dubai. This project is expected to be completed in 2010.
 - We commenced our first curtain wall project in Chile – the Costanera Center project.
 - We completed the Four Seasons Hotel project in Cotai Parcel 2, a curtain wall project in Macau.
- 2009
- We commenced two landmark projects in Hong Kong – 863-865 King's Road and The One (formerly known as Tung Ying Building). Both projects are curtain wall projects.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

REORGANISATION AND GROUP STRUCTURE

The corporate structure of Our Group was well established prior to the Track Record Period. Before 28 December 2007, our Group was held and controlled by CATIC (now known as AVIC International Holding (HK) Limited), the shares of which are listed on the Stock Exchange (with stock code: 232). On 28 December 2007, Showmost acquired the beneficial interest in the entire issued share capital of our Company, which was then already the immediate holding company of our Group, from CATIC at the consideration of HK\$205,000,000, which was determined after arm's length negotiation and with reference to the estimated net assets value of our Company of approximately HK\$197 million as at 31 December 2007 (with the legal transfer effected on 2 January 2008). Our Directors, based on the advice from our Company's Cayman Islands counsel, are of the view that the beneficial interest in the entire issued share capital of our Company had been transferred from CATIC to Showmost on 28 December 2007 upon execution and delivery of a share transfer form, payment of the consideration by Showmost for the Shares and passing of resolutions approving the transfer at a meeting of the Board. However, the legal title to the relevant shares was not acquired by Showmost until 2 January 2008, when the relevant entry was made in the register of members of our Company by the registered office provider of our Company. To the best of the Directors' knowledge, information and belief, CATIC did not retain any curtain wall business after the disposal of its interest in the entire issued share capital of our Company to Showmost.

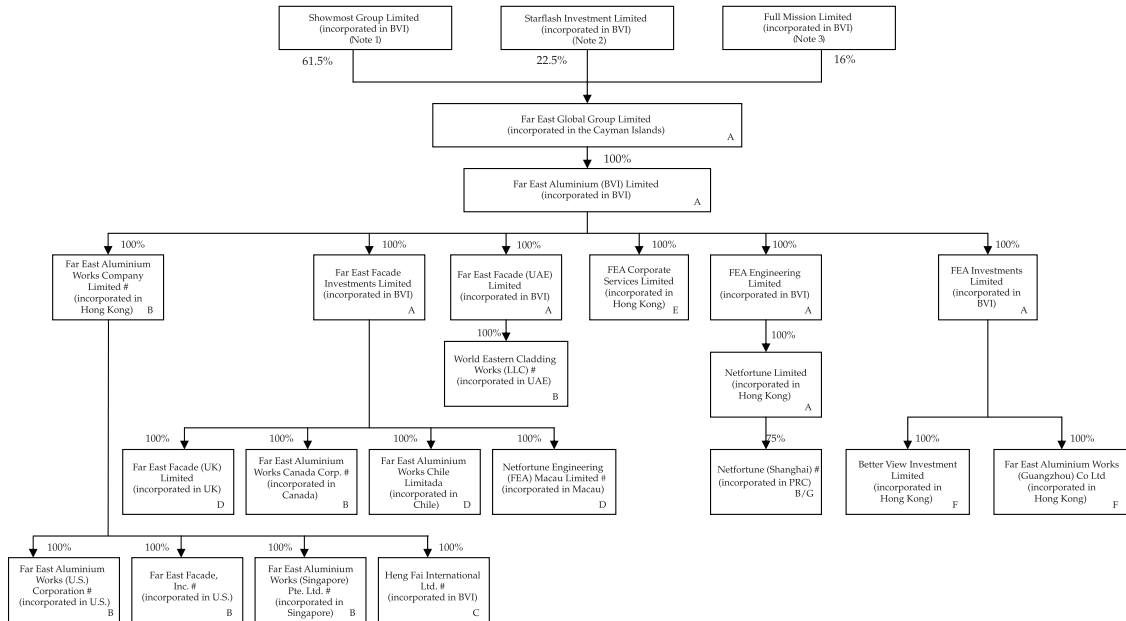
Our Company's Cayman Islands counsel has further advised that under Cayman Islands law and the Articles of Association, as between our Company and Showmost, our Company was not bound by or compelled in any way to recognise any equitable interest held by Showmost in the shares transferred (including in respect of the voting rights attaching thereto) until the name of Showmost was entered into the register of members of our Company on 2 January 2008. However, CATIC was considered as having held the shares transferred in trust for Showmost immediately following the transfer of the beneficial interest therein on 28 December 2007 until entry in the register of members on 2 January 2008 and, on this basis, would have been obliged to vote in respect of the relevant shares in accordance with the instructions of Showmost. This obligation of CATIC would have been enforceable by Showmost against CATIC under the laws of the Cayman Islands.

Save for the abovementioned acquisition of the entire issued share capital of our Company by Showmost, the establishment of some of our subsidiaries and changes of the share capital of some of our subsidiaries (as more particularly described in the paragraph headed "Changes in the share capital of the subsidiaries of our Company" in Appendix VII to this document), our Group did not undergo any corporate reorganisation at the subsidiary level during the Track Record Period.

Save for the restructuring of the share capital by our Company in November 2009 (as more particularly described in the paragraph headed "Changes in the authorised and issued share capital of our Company" in Appendix VII to this document), our Company did not undergo any corporate reorganisation.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The following diagram sets out the shareholding and corporate structure of our Group immediately prior to the [●]:



- A: The respective company is an investment holding company.
- B: The respective company is principally engaged in the design, manufacture and installation of curtain walls, aluminium windows and other related products.
- C: The company is principally engaged in the manufacture of curtain walls, aluminium windows and other related products.
- D: The company is or will be principally engaged in the design, manufacture and installation of curtain walls, aluminium windows and other related products but is currently inactive.
- E: The company is principally engaged in the provision of company secretarial services to the members of our Group.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

- F: The respective company is a property holding company.
- G: To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, Netfortune (Shanghai) was owned as to 75% by Netfortune Limited, a wholly-owned subsidiary of our Company, and as to 25% by 西安遠恒鋁質工程有限公司 (English transliteration for identification purpose: Xi'an Yuan Heng Aluminium Works Company Limited), which in turn was owned as to 85% by an independent third party and as to 15% by 李旭光, the general manager of our Group's PRC operations.
- # These companies are considered to be the major subsidiaries of our Group in the operation of the business of our Group during the Track Record Period.
- ## For illustration purpose, the above charts have not included all the subsidiaries (in particular, those inactive) of our Company, which are more particularly described in the accountants' report of our Group set out in Appendix I to this document.

Notes:

1. Showmost is a limited liability company incorporated in BVI and is wholly-owned by LCF II Holdings, Limited (which in turn is wholly-owned by Lotus China Fund II, L.P.). To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Lotus China Fund II, L.P. is a private equity fund dedicated to direct investments in China and China-related businesses and is a fund available to institutions and sophisticated investors who have subscribed for or acquired interests in the funds as admitted partners of the fund and who are independent third parties.

On 28 December 2007, Showmost acquired the beneficial interest in 18,880,000 shares of US\$1 each in the capital of our Company, representing its then entire issued share capital, from CATIC at the consideration of HK\$205,000,000 (with the legal transfer effected on 2 January 2008 upon entry of such transfer in the register of members of our Company and had since become the Controlling Shareholder). Upon its acquisition of our Company and immediately before the share swap for 22.5% issued shares of our Company on 30 November 2009 (as detailed in Note 2 below), Showmost was owned as to 75% by LCF II Holdings, Limited, which was wholly-owned by Lotus China Fund II L.P. and as to 25% by Starflash.

For further details of the shareholdings of our Company held by Showmost, please refer to the section headed "Substantial Shareholders" of this document.

2. Starflash is a limited liability company incorporated in BVI and is wholly-owned by Mr. Tsang Lik Chung. To the best knowledge of our Directors, Starflash was wholly-owned by Mr. Kwong Wui Chun since 1 May 2007 and when Showmost acquired our Company. Mr. Kwong then ceased to be a shareholder of Starflash with effect from 18 July 2008 when he disposed of his entire interest in Starflash, for his personal reasons, to Nixon Creation Limited, which is a company owned by his relatives. To the best knowledge of our Directors, Gorgorz Limited, of which Mr. Tsang Lik Chung is the sole shareholder and sole director, became the sole shareholder of Starflash on 31 March 2009 when it acquired the entire issued share capital of Starflash from Nixon Creation Limited.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Starflash was originally a minority shareholder of Showmost, holding 2,500 shares of US\$1 each in the share capital of Showmost (representing 25% of its then share capital). On 30 November 2009, Starflash acquired 225,000 Shares in the capital of our Company, representing 22.5% of the then entire issued share capital of our Company, in consideration of and exchange for which Showmost purchased the 2,500 shares of US\$1 each in its own share capital held by Starflash for cancellation. Showmost held no assets other than its equity interest in our Company at the time of the share exchange. To the best knowledge of our Directors, Mr. Tsang Lik Chung sought to control his own investment in our Company independently from Showmost or Lotus China Fund II, L.P., and therefore he requested the exchange of shares in Showmost to Shares in our Company, which share exchange took place on 30 November 2009. The purpose of this share exchange is to enable Starflash to have a direct stake in our Company. After the acquisition, Starflash ceased to have any interest in Showmost. For further details of the shareholdings of our Company held by Starflash, please refer to the section headed "Substantial Shareholders" of this document.

3. Full Mission is a limited liability company incorporated in BVI and is beneficially owned as to 50% by HUANG Brad (the Chairman and an executive Director) and as to 50% by Kwok Yeung Kwong (an executive Director and the chief executive officer of our Group). Both HUANG Brad and Kwok Yeung Kwong are also the directors of Full Mission. Full Mission became a Shareholder after acquiring from Showmost 160,000 Shares, representing 16% of the then entire issued share capital of our Company, at the consideration of HK\$35,458,579 on 30 November 2009.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Full Mission, as a special purpose vehicle, acquired these 160,000 Shares for 31 senior management members and employees of our Group (including Kwok Yeung Kwong) (the "Eligible Employees"), and has since been holding these Shares by way of a trust in favour of each of the Eligible Employees (and all dividends, interests, rights, profits and other benefits and entitlements accrued or to be accrued from the 160,000 Shares (including any Shares to be allotted and issued from [●])), beneficial title of which has been transferred to, or divested to the Eligible Employees for the benefits of the Eligible Employees on terms as determined by Full Mission. To the best knowledge of our Directors, neither Full Mission nor the Eligible Employees had executed any declaration of trust in favour of other employees of our Group in respect of the Shares held by Full Mission as at the Latest Practicable Date and as such we do not expect any change in the Eligible Employees or the ultimate beneficial owners of the Shares held by Full Mission before [●]. The consideration of HK\$35,458,579 for the acquisition was determined based on an assessment by an independent valuer and was settled by Showmost granting a bridging loan of HK\$35,458,579 to Full Mission on 30 November 2009. The bridging loan has a fixed term of 6 months commencing from 30 November 2009 and is charged at an interest rate of 5% per annum calculated on a simple interest basis. The dividend income in respect of the 160,000 Shares (and such further Shares which may be derived therefrom, including such Shares to be allotted and issued from [●]) to be received by Full Mission will be used to repay the bridging loan to Showmost. In any event, each Eligible Employee is ultimately responsible for the repayment of the outstanding amount as each of them has agreed to release Full Mission from and indemnify and hold Full Mission harmless from any liabilities that may arise under the bridging loan.

As at the Latest Practicable Date, Full Mission did not hold any assets other than its holding of 160,000 Shares; and it did not intend to acquire further Shares from the market. The purpose of this arrangement is to give the selected employees an opportunity to have a personal stake in our Company and to motivate such employees to optimise his/her performance and efficiency, and also to retain him/her as the employees of our Group whose contributions are important to the long-term growth and profitability of our Group. Apart from Kwok Yeung Kwong who will be entitled to approximately 7.957% of the Shares held by Full Mission (which will represent indirectly approximately 6.03% of the entire issued share capital of our Company immediately upon completion of [●]), the other 30 Eligible Employees of our Group will each hold, through their entitlement to the Shares held by Full Mission between approximately 0.005% to 0.848% (not more than 5%) of the entire issued share capital of our Company immediately upon completion of [●].

The Eligible Employees' entitlements of the entire issued share capital of our Company held by Full Mission immediately upon completion of [●] are as follows:

Name	Entitlement of Shares (approximate %)
Kwok Yeung Kwong	6.03
Chiu Lok Man	0.74
Ko Chuk Kin, Herbert	0.74
Directors of other members of our Group	1.45
Other Eligible Employees	3.10
Total:	12.06

For further details of the shareholdings of our Company held by Full Mission, please refer to the section headed "Substantial Shareholders" of this document. Full Mission will not be treated as a member of the public. The Group appointed an independent valuer to assess the fair value of the 160,000 shares on the date the shares were granted to the Eligible Employees, i.e. 30 November 2009. Based on the valuation report, the fair value of the 160,000 shares as of 30 November 2009 is estimated to be HK\$39,562,030, which is more than the purchase consideration of HK\$35,458,579 that was fully paid and settled on 30 November 2009 through a bridging loan of HK\$35,458,579 granted by Showmost to Full Mission on the same date. That means under this arrangement, Showmost, being a Shareholder has provided Eligible Employees of the Group with the ability to purchase the Company's ordinary shares at a discount compared to the current market value. In accordance with IFRS 2 – "Share-based payment", the Group recorded expenses based on the fair value of the discount of HK\$4,103,451 related to 160,000 shares on 30 November 2009. In addition, Showmost granted a loan of HK\$35,458,579 with an interest rate of 5% per annum for the purchase of the 160,000 shares, the difference in the fair value of the loan balance is considered to be immaterial.

The criteria used in selecting the Eligible Employees and his/her entitlement to the Shares held by Full Mission include, among other factors, (i) the number of years of employment with our Group; and (ii) his/her contribution to our Group during his/her employment period. Save for Kwok Yeung Kwong, Ko Chuk Kin, Herbert and Chiu Lok Man as Directors and the directors of other members of our Group who will be entitled to the interest in the Shares held by Full Mission, no other connected person of our Company was considered and selected to be entitled to the interest in the Shares held by Full Mission. As the acquisition of the Shares by Full Mission was financed directly

HISTORY, REORGANIZATION AND GROUP STRUCTURE

by Showmost through the bridging loan, Full Mission will not be treated as a member of the public. All the legal interests in the Shares held by Full Mission on behalf of the Eligible Employees will only be released to the Eligible Employees, subject to the following lock-up arrangements and to the extent permitted by applicable laws and regulations:

- Only 25% of the Shares held by Full Mission can be transferred from Full Mission to the Eligible Employees in proportion to their respective entitlement to the Shares held by Full Mission upon [●];
- Further 25% of the Shares held by Full Mission can be transferred from Full Mission to the Eligible Employees in proportion to their respective entitlement to the Shares held by Full Mission upon the first anniversary of [●];
- Further 25% of the Shares held by Full Mission can be transferred from Full Mission to the Eligible Employees in proportion to their respective entitlement to the Shares held by Full Mission upon the second anniversary of [●];
- The remaining 25% of the Shares held by Full Mission can be transferred from Full Mission to the Eligible Employees in proportion to their respective entitlement to the Shares held by Full Mission upon the third anniversary of [●]; and
- Any dividends or distributions received by Full Mission can be released and transferred to the Eligible Employees in proportion to their respective entitlement to the Shares held by Full Mission upon the full repayment of the bridging loan to Showmost.

By virtue of the declarations of trust, Eligible Employees would not lose their entitlement to the legal interest in the Shares held by Full Mission if he/she ceases to be an employee of our Group prior to the transfer of legal interest in the Shares to him/her. The transfer of legal interest in the Shares held by Full Mission to the Eligible Employees is not conditional upon [●] or the full settlement of the bridging loan granted by Showmost to Full Mission. After the legal interest of Shares held by Full Mission is transferred to an Eligible Employee, there is no requirement for the Eligible Employee to remain in our Group's employment for a specified period of time and there is no restriction against disposal of such Shares by the Eligible Employee.

An independent third party custodian company will be appointed to administer the transfer of legal interests in the Shares and the release of dividends to the Eligible Employees to ensure strict compliance with the terms as determined by Full Mission above. The voting rights associated with the Shares will be exercised by Full Mission after taking instructions from the Eligible Employees.

BUSINESS

OVERVIEW

We are a global provider of one-stop building facade solutions for high-end property development projects. We have undertaken many high profile property projects worldwide. We have established a strong reputation through our over 40 years' experience in the curtain wall industry and our undertaking of more than 400 projects worldwide. Our customers are generally developers and main contractors of property developments worldwide. We serve a global customer base that is distributed in various parts of the world including the U.S., Canada, the Middle East, the PRC, Hong Kong, Macau, Singapore, Japan and South America. A number of international developers and main contractors have included us in their lists of preferred building facade solutions providers.

Our key building facade projects include:

<u>Project name⁽¹⁾</u>	<u>Location</u>	<u>Actual/Expected Date of Completion</u>
Burj Khalifa ⁽²⁾	Dubai, UAE	March 2009
Cosmopolitan Resort Hotel & Casino	Las Vegas, USA	September 2010
Costanera Center	Santiago, Chile	December 2011
Marina Bay Sands Integrated Resort	Singapore	August 2010
Shanghai IFC	Shanghai, the PRC	April 2010
Trump International Hotel & Tower	Toronto, Canada	August 2011
Venetian Macao Resort Hotel	Macau, the PRC	August 2007

Notes:

- ⁽¹⁾ The building facade work awarded to our Group in these projects may not represent the building facade area of the entire project.
- ⁽²⁾ Burj Khalifa is currently the tallest building in the world

We provide our customers with integrated building facade solutions that are customized to meet the technical specifications and performance requirements of the projects. As a one-stop building facade solutions provider, our services range from the initial design of the building facade system, procurement of materials, fabrication and assembly of the building facade products, performance testing, installation of the products at the construction sites, to after-sales services. Our key products include curtain walls, glass walls and window walls, the technical features of which vary from project to project based on our customers' needs and specifications. Our building facade solutions are mainly applied to commercial buildings, shopping centres, hotels, casinos and condominiums. According to the Synovate Report, the percentage of total project value represented by the value of curtain wall works in most of the cities where we have undertaken building facade projects is generally between the range of 10% and 15%.

We were established and based in Hong Kong in 1969. Since 1969 and prior to 2003, we have established a strong reputation as a provider of building facade solutions in Hong Kong and the PRC, having undertaken a number of high profile projects including Times Square, Pacific Place II and Science Park in Hong Kong, and Pudong Financial Tower in Shanghai, the PRC. Our commencement of the Sands Podium & Tower project in Macau in 2003 marked our entry and expansion into the global market, including Las Vegas, Hawaii, San Francisco, Singapore, Tokyo, Toronto, Dubai and Chile.

We completed a total of 33 projects during the Track Record Period. As of the Latest Practicable Date, we had a total of 17 projects in progress, including nine projects located in the U.S., Canada and Chile, five projects located in Greater China and three projects located in Singapore and UAE. As of 30 September 2009, the total contract sum of our projects in progress was HK\$3,001 million, of which HK\$1,356 million had not yet been recognised as revenue.

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We have entered into contractual arrangements in respect of fabrication and assembly of building facade products at the Shenzhen Production Facilities. We believe we can enjoy a cost advantage by locating our production facilities in the PRC, due to the competitive labour costs in the PRC and our proximity to competitively-priced materials in the PRC. In addition, the processing contracts with our suppliers to process in bulk of the aluminium required by all of our projects globally help us to effectively lower our procurement costs. We believe we have a competitive edge over other building facade products providers on the basis of our ability to provide quality products and services cost-effectively and our timeliness in delivering our custom-made building facade solutions to our customers. We try to manage our costs effectively by locating our production facilities in the PRC where we can source for competitively-priced materials and maintain our labour costs at competitive levels. During the Track Record Period, we had not made payments of liquidated damages or penalties to our customers for delay in completion of our contracts.

Our revenues for each of the three years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009 were approximately HK\$885.1 million, HK\$658.6 million, HK\$1,284.7 million and HK\$620.4 million, respectively. Our gross profit for each of the three years ended 31 December 2006, 2007 and 2008 was approximately HK\$67.9 million, HK\$82.9 million and HK\$253.1 million, respectively, representing a year on year growth of approximately 22.1% and 205.3%, respectively. Our gross profit for each of the nine months ended 30 September 2008 and 2009 was approximately HK\$200.1 million and HK\$126.0 million, respectively, representing a decrease of approximately 37.0%. The gross profit margin for each of the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 were 7.7%, 12.6%, 19.7% and 20.3%, respectively.

Since the third quarter of 2009, we have received invitations to tender for new projects, out of which we have tendered for 13 projects with contract sums amounting to an aggregate of HK\$1,467 million in the third quarter and 14 projects with contract sums amounting to an aggregate of HK\$2,336 million in the fourth quarter, excluding projects that we have tendered but have not secured. We may not be successful in securing all or any the projects which we have tendered for.

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We derived approximately 17.5%, 22.3%, 62.0% and 54.6% of our revenues from North America for each of the three years ended 31 December 2006, 2007 and 2008, and for the nine months ended 30 September 2009, respectively. Approximately 77.6%, 51.1%, 23.4% and 29.0% of our revenues are derived from the Greater China region, and approximately 4.0%, 22.9%, 13.3% and 14.6% of our revenues are derived from Asia (which as used herein, consists of Singapore, Japan and UAE, but excludes the Greater China region), for each of the three years ended 31 December 2006, 2007 and 2008, and for the nine months ended 30 September 2009, respectively. The following table sets forth the geographical breakdown of our revenues for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
North America	155,179	17.5	146,686	22.3	796,403	62.0	610,170	63.6	338,567	54.6
Greater China	686,967	77.6	336,535	51.1	300,509	23.4	212,125	22.1	179,780	29.0
Asia	34,898	4.0	150,790	22.9	171,263	13.3	123,768	12.9	90,864	14.6
Others ⁽¹⁾	8,065	0.9	24,630	3.7	16,533	1.3	12,910	1.4	11,218	1.8
Total	885,109	100	658,641	100	1,284,708	100	958,973	100	620,429	100

Note:

(1) Includes a project in Chile and all maintenance projects located in the regions specified above.

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

Strong reputation and well-established track record in high-end building facade projects provide us with competitive edge in pursuing new project opportunities

We have established a strong reputation in the building facade industry through our 40 years' experience in the curtain wall industry and our undertaking of more than 400 projects worldwide. We completed our first major building facade project in Hong Kong, namely Times Square, in 1993 and have completed more than 400 building facade projects globally, including the PRC, Hong Kong, Macau, the U.S. and the Middle East, since we were established in 1969. Major landmark projects that we have successfully completed include Pacific Place II and Langham Place in Hong Kong, Burj Khalifa in Dubai, UAE, the Cosmopolitan Resort Hotel & Casino, Veer Towers and the Mandarin Oriental Hotel in Las Vegas, USA, the Venetian Macao Resort Hotel and the Sands Podium & Tower in Macao.

We believe our successful completion of high-profile international projects gives us a competitive edge in pursuing new opportunities globally because our clients generally select contractors on the basis of established business relationships or their market reputation, or through referrals by industry professionals involved in the project such as the architecture firms or building facade consultants. Our strong reputation in the curtain wall industry and experience working on projects globally has led to us being included in a selected group of contractors to whom property owners and general contractors make invitations to bid for projects. Our frequent clients include major developers in Hong Kong whom we have worked with on various projects over the last two decades. Our expansion

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into global markets was initiated by our securing of the Sands Podium & Tower project, which led to other new opportunities including the Palazzo Hotel project in Las Vegas, USA in 2004, the Venetian Macao Resort Hotel project in Macau in 2005 and the Marina Bay Sands Integrated Resort project in Singapore in 2008. Our completion of the Burj Khalifa project in Dubai, UAE also led the building facade consultant in the Burj Khalifa project to refer us to work on the Costanera Center project in Chile.

One-stop building facade solutions effectively provided and managed at an international level

We believe our experience in successfully completing international high-end projects, including certain technically challenging projects, has built up and strengthened our design and engineering expertise, enabling us to undertake a wide range of projects globally with different levels of technical complexity. As a one-stop building facade solutions provider, our services range from the initial design of the building facade system, procurement of materials, fabrication and assembly of the building facade products, performance testing, installation of the products at the project sites to after-sales services. Our building facade solutions are mainly applied to commercial buildings, shopping centres, hotels, casinos and condominiums. The broad exposure of our designers and engineers to a wide range of building facade projects enables us to draw on our extensive experience in providing effective solutions in response to our customers' varying needs and specifications.

We have established an effective management system to manage and execute projects worldwide. For each overseas project, we appoint an experienced project manager from our head office in Hong Kong to be stationed in the city where the project is located to monitor the progress and quality of work at the site. Each of our branch offices has a branch manager who manages the administrative and finance work for that office. Each project manager makes periodic progress reports to the deputy project director who in turn reports to the project director, who provides frequent updates to our head office in Hong Kong on the latest developments on each of the projects. This system enables us to respond timely to any issues that may arise in any of the projects and to provide effective solutions to these issues.

Custom-made designs provided by a capable and experienced design and technical team

In each project, our designs are tailored to satisfy the specific needs and the particular performance requirements of our customers such as fire and water proofing, the ability to withstand a certain level of wind pressure, thermal control and temperature regulation. At the same time, the designs are required to meet international building standards such as standards laid down by ASTM International (originally known as the American Society for Testing and Materials), British or Canadian standards and to pass stringent performance tests. Our designers and engineers, who have broad experience in structural engineering work, exposure to international projects and a good understanding of curtain wall materials, play a critical role in providing custom-made designs and technical services to our clients. Our design hub is located in Hong Kong, which takes the lead in managing the design work for our projects worldwide and allocating design work to our office in Shanghai and external design teams that work for us exclusively and to our branch offices in other cities. We also have a strong structural engineering team that has experience in international design standards, contributing to our ability to design building facade solutions according to the specifications and structural performance requirements of our customers. We believe the continuity in our design execution and management contributed to our ability to consistently provide good quality, custom-made building facade products to our customers. The turnover rate among our senior design staff based in Hong Kong is relatively low, which enables us to tap into the extensive experience of our senior designers to lead our design team in continuing to provide effective building facade solutions to our customers.

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We have undertaken technically challenging projects in various locations around the world. Our designers demonstrated their strong technical expertise and efficiency in the Burj Khalifa project in Dubai, UAE where we passed stringent wind pressure tests after less than three months since being awarded the project and commenced installation of the curtain walls after five months. In the Burj Khalifa project, our designers utilized a high performance curtain wall system, which covered a total area of approximately 120,000 sq.m and which included an enhanced heat proofing system and low emission glazed glass curtain walls, in order to screen out the heat from high external temperatures of up to 45 degrees Celsius in Dubai and strong wind pressures due to the height of the building.

Quality products and services provided in a cost-effective manner

In order to maintain our profit margins in our projects, we manage and control our costs on several fronts, including establishing a central procurement system in acquiring materials for the fabrication of our building facade products, adopting cost control measures at key stages of our work process and entering into contractual arrangements for the fabrication and assembly of building facade products at the Shenzhen Production Facilities.

We have also put in place cost control measures at each of the design, materials procurement and production stages. For each project, our design, procurement and production teams are provided with a budget based on our tender price that they are required to follow closely, in order not to exceed our planned costs and to maintain our profit margin in each project. Our design, procurement and production teams will update our chief executive officer and project manager on the costs incurred and to be incurred on a regular basis. At the design stage, we may suggest to our clients alternative designs that are more cost-effective, but which can nevertheless realize the architectural or design concept of the building. For instance, we may suggest designs that use cost-effective materials or that are able to use unitized curtain wall panels, that is, curtain wall panels that are identical in structure and appearance, which we are able to pre-assemble in the factory prior to shipment to the project site and which can be directly installed onto the building.

A significant portion of our costs are composed of the costs relating to the procurement of aluminium and glass, which are the principal materials used in the production of curtain walls. It is therefore critical that we effectively manage the costs of purchasing materials used in our projects. As our suppliers of materials are generally based in the PRC, we are able to acquire quality materials at competitive prices. We generally enter into contracts at the start of each year in respect of the processing of aluminium that we purchase from our suppliers. Because these contracts relate to the processing of aluminium in bulk based on our estimation of the quantity of aluminium required by all of our projects globally during the year, we are able to lock in processing fees at competitive levels, thereby lowering our overall costs and maintaining our profit margins. We may subsequently enter into supplementary contracts from time to time to vary such processing fees based on changes in economic conditions. In addition, we generally offer favorable credit periods to our suppliers in exchange for competitive prices for our materials.

In addition, we believe that the location of the Shenzhen Production Facilities in the PRC provides us with cost advantages, including competitive labor costs and proximity to a developed transportation network, thereby reducing shipping costs for our finished products. We also closely monitor the production process in the Shenzhen Production Facilities to prevent significant cost overruns.

BUSINESS

Comprehensive quality management system with stringent quality control measures

We have put in place a quality management system at every stage of our work process to ensure that high quality products and services are delivered to our customers. We were awarded the ISO 9001:2008 certification in July 2007 in recognition of our commitment and efforts towards quality control.

At the materials procurement stage, potential suppliers are each required to undergo a pre-qualification process in which we will carefully consider the quality of the materials to be supplied, the production methods to be used, the supplier's track record and financial condition, and the pricing level offered before deciding to place orders with such suppliers. Our materials procurement team also undertakes periodic review of existing suppliers to ensure that such suppliers continue to meet our quality standards. We also impose strict quality control standards on the materials that are supplied to us, in order to ensure that all materials supplied meet or exceed the specifications and requirements of the project. In addition, we conduct further checks on the fabricated curtain walls before they are shipped to the respective project sites.

For many of our projects, we create mock-ups of the curtain walls which undergo various tests, including structural performance, water penetration, air infiltration, building movements and thermal tests. For example, in the Veer Towers project in Las Vegas, USA, we constructed a mock-up module in the Shenzhen Production Facilities and invited architecture firms and building facade consultants to view the mock-up to assess the aesthetic qualities and the buildability of the curtain wall system. We conducted a number of stringent performance tests on the curtain wall system, which utilized low emission double glazed glass windows, to ensure that we satisfied the strict specifications of thermal performance required by the project. In addition, we tested the installation of curtain walls in the Shenzhen Production Facilities by simulating the building structure to ensure that the panels fit well with the structure before we shipped our assembled curtain wall panels to the respective project sites. For more details of our quality control methods, please refer to the paragraph headed "Our quality control process" in this section of this document.

Experienced, capable and dedicated management team

Our chief executive officer, Mr. Kwok Yeung Kwong, our commercial director, Mr. Ko Chuk Kin, Herbert, our project director, Mr. Tie Loon Seong and our technical director, Mr. Hui Kin Wai, have on average over 20 years of experience in the building facade products industry. Our management team has played an important role in spearheading our efforts to develop new markets for our products and to enhance our reputation globally. We believe the extensive experience and in-depth knowledge of our management team in the building facade products industry and global markets, as well as their ability to seek out new opportunities and to select projects that can improve our profit margins and enhance our international profile has enabled us and will enable us to continue to expand our markets and develop our business.

BUSINESS

OUR BUSINESS STRATEGIES

We are committed to broadening and deepening our global expansion to become the leading provider of building facade solutions globally. We intend to continue to provide one-stop building facade solutions that enable our clients to realize the design concepts of their property projects while maximizing our shareholders' returns. We plan to accomplish our goal through the following strategies:

Continue to build on and develop existing markets and explore new markets globally

With our strong track record in existing markets, we plan to leverage on our current business relationships with our existing clients in key overseas markets such as North America and the Middle East. In addition, we will continue to selectively undertake new projects by sizeable property developers in the PRC and Hong Kong. Given that our primary source of opportunities is from referrals and recommendations from architecture firms and other industry professionals, we intend to build on the business relationships with our existing clients and industry professionals to broaden our network of business relationships. We also intend to continue to strengthen our brand recognition, such that customers will associate technical competence, design capability and quality products with our Company. More importantly, we will continue to focus on providing quality building facade solutions to our clients in a timely manner, which we believe will also help to strengthen our clients' confidence in us and the business relationships that we have built up over the years.

Apart from developing existing markets, we intend to explore new markets for our building facade products and services in other overseas locations such as Europe, India and other parts of the Middle East. We plan to use the United Kingdom market as our starting point for expansion into markets in Europe. We also plan to seek opportunities aimed at strengthening our presence in new and existing markets by acquiring companies with local network and industry expertise, including companies that possess expertise relating to green buildings. We believe we are able to compete with other building facade solutions providers in Europe based on our cost-effective, efficient and quality products and services.

Pursue high-end projects globally to enhance our international profile and maintain our profitability

We will continue to focus on major high-end projects globally that will raise our international profile and on developing new business relationships with renowned property developers and industry professionals such as architecture firms and building facade consultants, which we believe will help to open up new opportunities for us and enhance our competitive edge over other providers of building facade products and services. We have worked closely with leading international architecture firms and building facade consultants such as Skidmore, Owings & Merrill LLP ("SOM"), Kohn Pedersen and Fox Associates ("KPF"), Pelli Clarke Pelli Architects ("PCP"), Curtainwall Design & Consulting, Inc. ("CDC"), Israel Berger & Associates, Inc. ("IBA") and ALT Cladding and Design, Inc ("ALT"). We believe new opportunities generated by our work with such firms and high-end projects will contribute to our revenues and will help us to penetrate into new overseas markets, and when coupled with effective cost management at various stages of our work process, will enable us to maintain our profitability.

BUSINESS

Keep abreast of technological developments and develop new products for overseas markets

In order to respond effectively to our competition, we will need to keep abreast of the latest technological developments in our industry. We plan to focus on research and development to design innovative products to better meet our customers' needs and industry standards, based on their performance specifications and the environmental conditions of a particular place. For instance, the concept of green building is having an impact on the trend of building designs. The introduction of Leadership in Energy and Environmental Design ("LEED") developed by the U.S. Green Building Council ("USGBC") provides for a set of standards for environmentally sustainable construction since its inception in 1998. These standards have encouraged the development of customized building facade solutions that are consistent with the design of energy efficient buildings. There is a growing trend among public and private sector organizations in North America and in Hong Kong towards adoption of the LEED certification. For example, our projects in Las Vegas, USA, namely, the Mandarin Oriental Hotel and Veer Towers, are LEED certified buildings.

In response to the market demand for environmentally-friendly buildings, we have developed a new window wall system, which can tolerate high wind pressures and which has better thermal control capability (in terms of controlling heat loss in the winter and heat transmission in the summer), water-proofing ability and drainage systems that make it particularly well-suited to the cold winter weather and large temperature variations in North America. We have launched this product in November 2009 for high-end residential projects in Canada and the U.S. We also plan to set up a research and development division aimed at developing new technologies in the building facade industry, including technology relating to green buildings and energy efficiency.

Continue to strengthen our cost competitiveness by constructing production facilities in the PRC to support our growing business and operations

Based on our understanding of the demand for building facade products from our projects in the foreseeable future, we plan to acquire land in the PRC to construct new production facilities to support our growing business and operations. We plan to construct a factory having a size that is comparable to that of the Shenzhen Production Facilities and production capacity with four production lines initially. We intend to gradually build up the capacity of these production facilities and may shift our existing production lines and equipment located at the Shenzhen Production Facilities to the new production facilities. We believe the construction of new production facilities in the PRC will enable us to maintain our cost competitiveness as our business continues to grow in the future.

OUR INTEGRATED BUILDING FACADE SOLUTIONS

We are a global provider of integrated building facade products and services that are tailored to meet the particular needs of our customers and the architectural features of the project. We offer our clients building facade solutions that encompass the initial design of the building facade system, procurement of materials, fabrication and assembly of the building facade products, performance testing, installation of the products at the work sites, and after-sales services. Apart from enhancing the external appearance and identity of buildings, our building facade products play an important role in providing protection for the building occupants and promoting energy efficiency. The ability of our products to reduce heat transmission from the external environment and heat loss from the building contributes to the energy efficiency of the building by reducing the air-conditioning required to cool or heating required to warm up the interior of the building. Our key building facade products include curtain walls, glass walls and window walls.

BUSINESS

Curtain Walls



Curtain walls constitute the exterior wall of a building and are generally made of aluminium, glass, granite and other cladding materials. Curtain walls are typically supported by aluminium frames that are attached onto the slab edge of the building, which refers to the outer surface of the cement slabs separating the floors of a building. We custom-make each curtain wall system based on our clients' technical specifications and aesthetic requirements, while adhering to the rules of the local building authority and major curtain wall industry codes and standards. All our curtain walls undergo extensive tests, including tests on air and water tightness, structural integrity, seismic movement and thermal performance. In most of our projects, we fabricate the curtain wall panels at the Shenzhen Production Facilities, ship them to the project sites and then install them directly onto a building.

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Glass Walls and Shopfronts



Glass walls are generally used in the podium, lobby or atrium portion of a building where the floor height is higher than the other floors of the building. Glass walls can be supported by steel frames, aluminium frames and other structural materials and are typically not used as the facade of the individual floors of a building. Shopfronts are generally constructed by glass panels supported by structural frames to enhance the attractiveness and transparency of retail shops.

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Window Walls



Unlike curtain walls which are installed on the slab edges of a building, window walls are typically installed between the slabs separating the floors of a building.

Other than our custom-designed window walls, we have developed a new window wall system, which can withstand high wind pressures and possess better thermal control capability (in terms of controlling heat loss in the winter and heat transmission in the summer) and drainage systems for the North America market. The new window wall system is designed to withstand the cold winter weather and large temperature variations in North America.

We also offer a wide range of other products to cater to the diverse needs of our clients, including:

Skylights, Canopies and Covered Walkways



Skylights are usually located on the roof or atrium of a building to provide natural light to the interior of the building. Canopies are overhead structures that are constructed over the entrances to provide shelter. Covered walkways are usually standalone overhead structures to protect pedestrians when entering or leaving a building.

BUSINESS

Sun Shades



Sun shades are used to shield a building from excess sunlight and help to improve the energy efficiency of a building by reducing the amount of air conditioning required in the building.

Aluminium, Stainless Steel and Granite Claddings

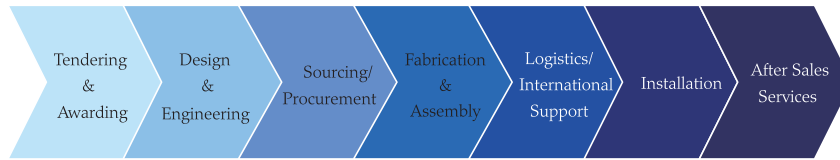


Aluminium and stainless steel claddings are generally used to cover up the non-visible portions of a building exterior. In some projects, stone is used in lieu of metal panels.

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PROJECT WORKFLOW

The key steps of our project work flow are as follows:



The process commencing from the time of tender and award of the contract to installation of the building facade products generally takes between 18 months to two years. This period varies according to a number of factors, including the size of the building facade area, the technical features and complexity of the curtain wall system, the progress of construction of the building, the timelines specified by the property developer and timing of approvals and consents for the design drawings from the relevant building authorities. The design, engineering and testing stage generally takes between six to nine months. The work to be carried out in next two to three months involves the procurement of materials, fabrication and assembly of such materials in the Shenzhen Production Facilities and the delivery of the fabricated products to the project work sites. Installation requires approximately nine to 12 months before the project is completed and handed over to the client.

Tendering for contract

We generally receive invitation for tenders from clients and industry professionals who had previously engaged us in other projects or with whom we have a business relationship. We also receive referrals and recommendations to submit bids for projects from architecture firms or building facade consultants with whom we have a previous business relationship. Our preparation for a bid generally involves the collaborative efforts of our tendering, marketing and design teams. When we receive a tender invitation, the factors we generally consider in deciding whether to submit a bid include the contract size, the profile and prestige of the project, the party or parties that will be entering into the contract with us in order to assess our credit risk, and the design specifications and other performance requirements of the curtain wall system. In addition, we take into account the mix of projects that we undertake in Hong Kong and overseas, and the potential for future project opportunities.

In deciding whether to submit a bid and in determining our tender price, our design and engineering teams will develop a proposed solution in response to the technical specifications and performance requirements of the potential customer, and our tendering team will then determine the estimated cost based on the proposed design and materials to be used. Our marketing team takes the overall lead in the entire tender process and follows up with the potential customers on its requirements and details of our tender. In addition, the design team may propose value-added and cost-effective alternatives to the proposed design based on cost considerations after the cost estimation exercise is completed.

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Award of contract

Once the project is awarded, a project manager will be assigned to the project. The key responsibility of a project manager is to ensure that the project is completed within the specified deadline while at the same time meeting the required specifications and quality standards. The project manager is also responsible for communicating and coordinating with the customer's team, monitoring and supervising the progress of each stage of the project, managing costs to prevent cost overruns, ensuring compliance with safety regulations and standards, and providing quality control management.

All of our senior project managers are qualified professionals with an average of approximately 15 years of experience in the curtain wall industry and approximately 10 years of project management experience.

Design and engineering

After a project is awarded, our design and engineering teams work closely with the architecture firms and building facade consultants of the project (which are generally engaged by property developers, and not by the Group) to design a proposed curtain wall system, including compiling structural calculations, design papers and blueprints, providing information on installation methods, and making suggestions on connection types, fabrication techniques, installation methods and the overall performance of the curtain wall system. Our design and engineering teams utilize advanced design software and structural calculation systems to assist them in their analyses.

Performance tests

Once the design work is completed, we construct mock-ups of our products and conduct strict performance tests on them to ensure compliance with the project requirements. The tests that we perform include structural load, water proofing, movement and thermal control tests. If necessary, we will also construct actual size mock-ups for viewing by our clients to enable them to have a good understanding of the actual appearance of the product, such as the colour of the glass, and assist them in the final selection of building facade materials. This process can also help us identify any problems at an early stage and to tailor our designs to suit the specific needs of our clients.

Sourcing for and procurement of materials

The materials that we principally use in our projects include glass, aluminium and sealant. We subject our new suppliers to a stringent prequalification process, which generally involves consideration of a number of factors such as the quality control process of the supplier, production methodology, reputation of the supplier in the market, financial condition and stability of the supplier, and prices quoted by the supplier. We periodically review our existing suppliers to ensure that the quality of the materials supplied continue to meet our quality control standards. We exclude suppliers who fail to satisfy our quality standards from our pre-approved suppliers list.

Fabrication and assembly

Prior to fabrication and assembly of the building facade products, we conduct checks on the quality of the materials that are delivered to the Shenzhen and Shanghai Production Facilities. We then fabricate and assemble the products based on the design drawings up to the stage where the fabricated products are ready to be directly installed at the work sites. Pre-assembly of the building facade products enables us to have close control over their quality and also helps to reduce the work required to be done after the products are

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delivered to the work sites. During the Track Record Period, the building facade products for our projects in the PRC were manufactured in the Shanghai Production Facilities while the products for our projects in Hong Kong, Macau and other overseas locations were manufactured in the Shenzhen Production Facilities. Please refer to "Business – Our Processing Arrangements" on the arrangements that we have made in respect of the assembly of our building facade products.

In the Shanghai IFC project, apart from fabricating the building facade products at the Shanghai Production Facilities, we also engaged third party suppliers to fabricate a small portion of the building facade products in order to accelerate the progress of the work. Our quality control staff monitored the quality and progress of the outsourcing work, assuming that the outsourcing of fabrication work did not have a negative impact on the quality and duration of the project. Although the unit cost per square metre charged by the third party suppliers was higher than that of the Shanghai Production Facilities, the fabrication costs paid to the third party suppliers accounted for less than 5% of the total fabrication costs incurred in the Shanghai IFC project. As such, the outsourcing of fabrication work did not have a significant impact on our profit margin.

Logistics

Logistics planning and packaging play an important role in our work process, particularly in overseas projects, by reducing the risk of damage to our products while ensuring the timely delivery of our products to work sites. Our logistics team works with the project manager to ship the fabricated and assembled products to the work sites. Factors that our logistics team takes into account in this process include the shipment method, shipment sequence and scheduling, shipment routing and inland transport, the packaging method and protection required for a particular shipment, any potential issues relating to loading and unloading of the shipment, loading methods, temporary storage requirements, and potential customs delays or costs.

The Shenzhen Production Facilities are conveniently located close to Shekou and Hong Kong, facilitating the shipment of our completed building facade products to our project sites worldwide.

Installation

The installation process generally involves the fixing of the curtain wall panels or other building facade products to the building using installation equipment. We may use local subcontractors to undertake the installation work if we are able to identify suitably skilled and experienced subcontractors and if it is cost-effective to hire such local subcontractors. In such situations, we will have site supervisors and project managers on site to oversee and supervise the installation process to ensure that the installation satisfies the requisite quality standards. If it is not cost-effective to hire local subcontractors, our experienced and skilled installation team will undertake the installation work at the project site. For instance, we brought in our installation team from the PRC to carry out the installation work for the Burj Khalifa project in Dubai.

After-sales services

We generally provide a warranty period of 10 to 15 years from the date of completion for our projects, which may vary depending on the terms of the contract. During the period, we generally provide our customers with maintenance and alteration services and are responsible for rectifying any defects without charge. We generally obtain back-to-back warranties from the suppliers in our subcontracts to protect us.

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OUR GLOBAL PROJECTS

Overview

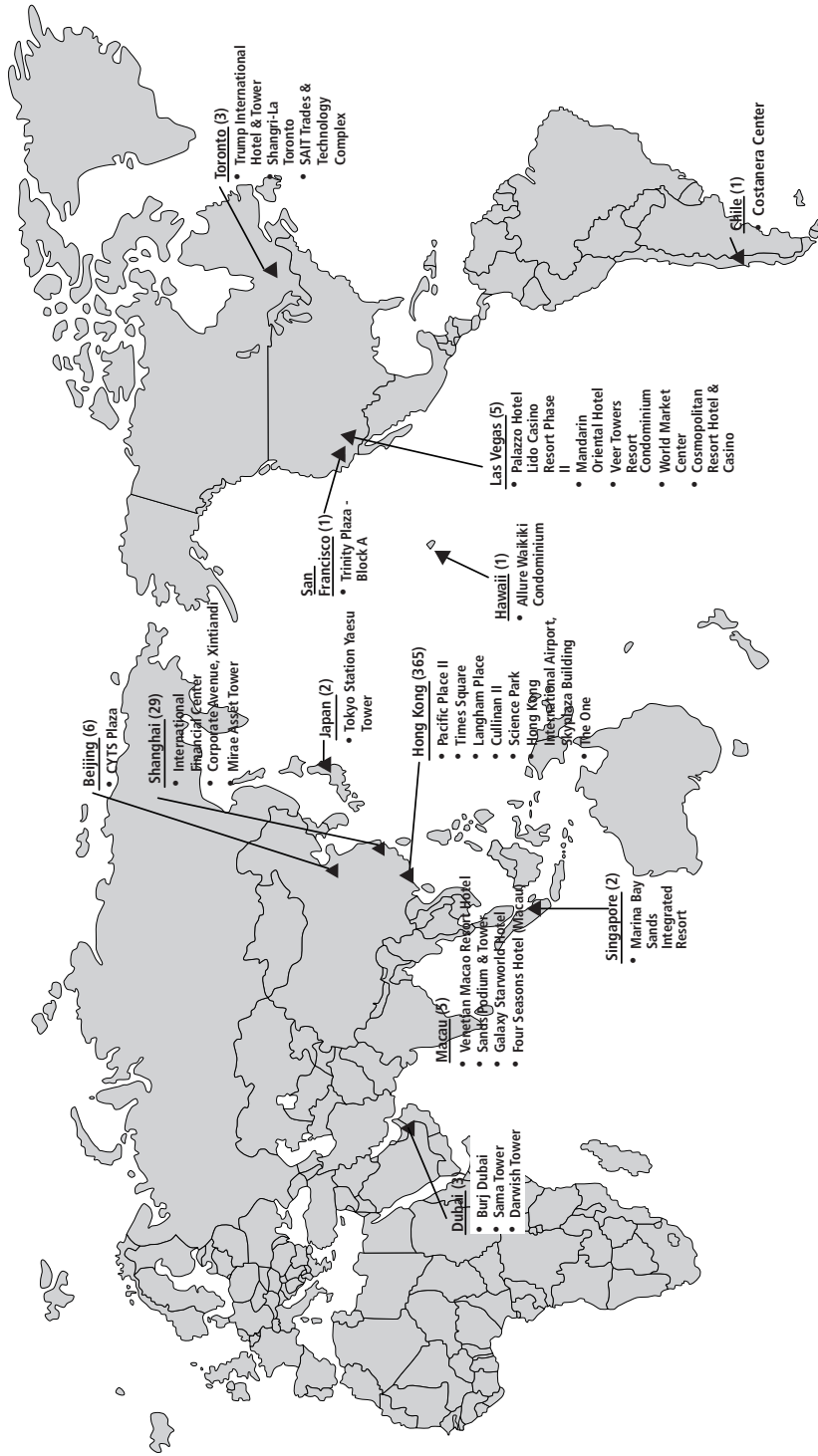
We have completed over 400 projects since we were established in 1969 up to 30 November 2009 and a total of 33 projects during the Track Record Period. As of the Latest Practicable Date, we had 17 projects that were in progress. We divide our projects into three categories based on the stage that the project is in:

- completed projects – comprising projects for which we have received the practical completion certificate or the final payment certificate;
- projects in progress – comprising projects for which we have received an intent to award the project to us and for which we have not yet received a practical completion certificate or final payment certificate; and
- projects for which we have commenced the tendering process and have put in tenders.

The contract sums of our projects that were completed during the Track Record Period ranged from HK\$1 million to HK\$179 million, and had an average contract sum of HK\$62 million.

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The map below shows the key locations around the world of the (i) projects that we have completed since our establishment up to the Latest Practicable Date; and (ii) projects that were in progress as of the Latest Practicable Date.



▲ Cities/Country

Note:

- (1) Number in brackets refers to the number of projects
- (2) Representative projects are listed below each city.

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The following table sets forth the major curtain wall projects that we have completed during the Track Record Period:

Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Type of customers	Group's capacity	Approximate attributable project area ⁽²⁾ (Sq. m.)	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009 ⁽⁶⁾	Year of completion ⁽⁶⁾
Hong Kong										
The Arch	Sun Hung Kai Architects and Engineers Ltd.	-	Residential tower	Owner	Contractor	28,000	HK\$39,732,425	2006: HK\$5,876,861 2007: HK\$2,636,336 2008: HK\$Nil Up to 30 September 2009: HK\$Nil	HK\$Nil	2006
Joint User Bldg at Rock Hill St., Kennedy Town	Simon Kwan & Associates Ltd	Ova Arup & Partners Hong Kong Ltd ("ARUP")	Office tower	Main contractor	Subcontractor	9,000	HK\$22,698,530	2006: HK\$7,304,337 2007: HK\$812,406 2008: HK\$640,308 Up to 30 September 2009: HK\$11,518	HK\$878,869	2006
Residence Bel-Air	Wong & Ouyang (HK) Ltd	Meinhardt Facade Technology (HK) Ltd ("MFT")	Residential tower	Owner	Contractor	21,000	HK\$32,695,515	2006: HK\$4,290,358 2007: HK\$124,620 2008: HK\$(60,364) ⁽⁴⁾ Up to 30 September 2009: HK\$279	HK\$132,456	2006
Civil Aid Service Headquarters & Fire Service Dept Rescue Training Centre	Architectural Services Department ("ASD")	-	Office tower	Main contractor	Subcontractor	6,000	HK\$15,114,028	2006: HK\$2,820,858 2007: HK\$667,888 2008: HK\$257,221 Up to 30 September 2009: HK\$Nil	HK\$Nil	2006

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Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Type of customers	Group's capacity	Approximate attributable project area ⁽²⁾ (Sq.m.)	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009 ⁽⁶⁾	Year of completion ⁽⁶⁾
Chiao Shang Building	Andrew Lee King Fun & Associates Architect Ltd.	DAX Curtain Wall Consultants (H.K.) Ltd. ("DAX")	Office tower	Owner	Contractor	14,000	HK\$38,799,074	2006: HK\$10,543,224 2007: HK\$411,660 2008: HK\$102,433 Up to 30 September 2009: HK\$84,214	HK\$Nil	2006
Pok Oi Hospital	Wong & Ouyang (HK) Ltd	-	Hospital extension	Main contractor	Subcontractor	16,000	HK\$30,000,000	2006: HK\$5,178,780 2007: HK\$1,709,841 2008: HK\$10,298 Up to 30 September 2009: HK\$142,019	HK\$296,227	2007
Manhattan Hill	Ronald Lu & Partners (HK) Ltd	DAX	Residential tower	Main contractor	Subcontractor	16,000	HK\$36,372,186	2006: HK\$14,853,639 2007: HK\$2,030,738 2008: HK\$58,263 Up to 30 September 2009: HK\$182,936	HK\$499,323	2007
The Hong Kong International Airport Terminal 2 Skyplaza Building	SOM Aedas JV	ARUP	Airport terminal	Main contractor	Subcontractor	39,000	HK\$116,382,748	2006: HK\$47,573,652 2007: HK\$4,577,906 2008: HK\$143,354 Up to 30 September 2009: HK\$(1,125,462) ⁽⁴⁾	HK\$267,741	2007
The Hong Kong International Airport Terminal 2 Skyplaza South Office Building	SOM Aedas JV	ARUP	Office tower	Main contractor	Subcontractor	9,000	HK\$25,000,000	2006: HK\$13,390,078 2007: HK\$10,425,481 2008: HK\$170,481 Up to 30 September 2009: HK\$Nil	HK\$1,013,961	2007

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Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Type of customers	Group's capacity	Approximate attributable project area ⁽²⁾ (Sq.m.)	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009 ⁽⁶⁾	Year of completion ⁽⁶⁾
ICAAC Headquarters Building	ASD/Simon Kwan Associates Ltd	ARUP	Office tower	Main contractor	Subcontractor	35,000	HK\$75,429,483	2006: HK\$72,156,421 2007: HK\$3,118,274 2008: HK\$(213,996) ⁽⁴⁾ Up to 30 September 2009: HK\$255,690	HK\$113,093	2007
The Cullinan II	Wong & Ouyang (HK) Ltd	MFT	Hotel and service apartment tower	Owner	Contractor	50,000	HK\$126,650,350	2006: HK\$93,773,680 2007: HK\$26,698,699 2008: HK\$3,475,973 Up to 30 September 2009: HK\$2,417,386	HK\$284,611	2008
HK Science Park Phase II (Area C), Buildings 18, 19	Leigh & Orange Ltd	MFT	Office towers	Main contractor	Subcontractor	17,000	HK\$56,790,531	2006: HK\$26,168,489 2007: HK\$24,959,488 2008: HK\$484,514 Up to 30 September 2009: HK\$54,172	HK\$5,123,868	2007
6433, Po On Road, Kowloon	Ma Leung & Associates (HK) Ltd	DAX	Residential tower	Owner	Contractor	7,000	HK\$15,789,539	2006: HK\$Nil 2007: HK\$14,280,137 2008: HK\$1,084,679 Up to 30 September 2009: HK\$229,985	HK\$194,738	2008
39 Conduit Road	Dennis Lau & Ng Chun Man Architects & Engineers (H.K.) Ltd. ("DLN")	HS&A Ltd	Residential tower	Owner	Contractor	15,000	HK\$64,229,000	2006: HK\$Nil 2007: HK\$14,062,769 2008: HK\$43,710,409 Up to 30 September 2009: HK\$5,480,773	HK\$975,049	2009

BUSINESS

Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Type of customers	Group's capacity	Approximate attributable project area ⁽²⁾ <i>(Sq. m.)</i>	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009 ⁽⁶⁾	Year of completion ⁽⁶⁾
Macau										
Galaxy Starworld Hotel	Rocco Design Ltd	MFT	Casino complex	Owner	Contractor	65,000	HK\$178,842,827	2006: HK\$131,343,164 2007: HK\$6,565,092 2008: HK\$6,695,017 Up to 30 September 2009: HK\$Nil	HK\$Nil	2006
Sands Podium & Tower Phase 1	Aedas TPT Ltd	ARUP	Podium casino and hotel tower extension	Owner	Contractor	54,000	HK\$116,067,191	2006: HK\$4,432,325 2007: HK\$Nil 2008: HK\$Nil Up to 30 September 2009: HK\$Nil	HK\$Nil	2004
Sands Podium & Tower Phase 2	Aedas (Macau) Ltd	ARUP	Podium casino and hotel tower extension	Owner	Contractor	20,000	HK\$98,101,876	2006: HK\$16,236,685 2007: HK\$75,607,799 2008: HK\$2,594,130 Up to 30 September 2009: HK\$1,361,133	HK\$1,361,295	2007
Venetian Macao Resort Hotel	Aedas (Macau) Ltd	ARUP	Hotel tower and Podium	Owner	Contractor	85,000	HK\$155,202,207	2006: HK\$129,954,468 2007: HK\$14,374,353 2008: HK\$6,323,564 Up to 30 September 2009: HK\$84,701	HK\$4,465,120	2007
Four Seasons Hotel, Macau	Aedas (Macau) Ltd	ARUP	Hotel Tower	Owner	Contractor	36,000	HK\$129,280,539	2006: HK\$Nil 2007: HK\$53,822,939 2008: HK\$56,138,592 Up to 30 September 2009: HK\$4,648,460	HK\$14,670,549	2008

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Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Type of customers	Group's capacity	Approximate attributable project area ⁽²⁾ (Sq.m.)	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009 ⁽⁶⁾	Year of completion ⁽⁶⁾
The PRC										
肇慶亞洲鋁業工業城 (English translation for identification purpose: Zhaoqing Asia Aluminum Industrial Complex)	-	ARUP	Office tower	Owner	Contractor	13,000	HK\$29,965,043	2006: HK\$15,183,733 2007: HK\$1,813,011 2008: HK\$(2,313,339) ⁽⁴⁾ Up to 30 September 2009: HK\$295,206	HK\$844,815	2006
江門新之城 (English translation for identification purpose: Jiangmen Xinzhicheng)	廣東海外設計院 (English translation for identification purpose: Guangdong Overseas Design Institute)	-	Shopping mall	Owner	Contractor	17,000	HK\$12,360,726	2006: HK\$8,128,181 2007: HK\$1,107,303 2008: HK\$761,103 Up to 30 September 2009: HK\$32,619	HK\$120,017	2006
Mirae Asset Building	KPF Architecture Design Consulting (Shanghai) Co. Ltd.	ARUP	Office tower	Owner	Contractor	23,000	HK\$78,879,103	2006: HK\$Nil 2007: HK\$60,142,610 2008: HK\$22,515,014 Up to 30 September 2009: HK\$(4,427,910) ⁽⁴⁾	HK\$649,390	2008
Shanghai IFC (South Tower)	PCP and P&T International Inc.	ALT	Office and Hotel Tower	Owner	Contractor	37,000	HK\$168,051,144	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$122,680,002 Up to 30 September 2009: HK\$33,144,517	HK\$12,226,626	2009

BUSINESS

Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Type of customers	Group's capacity	Approximate attributable project area ⁽²⁾ <i>(Sq.m.)</i>	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009 ⁽⁶⁾	Year of completion ⁽⁶⁾
Asia ⁽³⁾										
Kudan PFI project, Japan	Shimizu Satorougoon Sekkei JV	-	Office tower	Main contractor	Subcontractor	188	HK\$1,485,699	2006: HK\$116,611 2007: HK\$143,275 2008: HK\$Nil Up to 30 September 2009: HK\$Nil	HK\$Nil	2006
Tokyo Station Yaesu Project North Tower	JR East Design	-	Office tower	Subcontractor	Subcontractor	27,000	HK\$45,524,291	2006: HK\$31,651,129 2007: HK\$13,873,162 2008: HK\$Nil Up to 30 September 2009: HK\$Nil	HK\$Nil	2007
Museum Station, Singapore	Woha Architects	Connell Wagner	Underground terminal	Owner	Contractor	1,000	HK\$14,349,479	2006: HK\$3,130,717 2007: HK\$1,057,819 2008: HK\$17,410 Up to 30 September 2009: HK\$1,479,160	HK\$43,736	2006
Burj Khalifa	SOM	Hyder	Office, hotel and residential tower	Owner (The Group worked under a joint venture arrangement with the nominated subcontractor)	Contractor	121,000	HK\$161,840,099	2006: HK\$Nil 2007: HK\$115,861,482 2008: HK\$45,978,617 Up to 30 September 2009: HK\$2,247,209	HK\$Nil	2009

BUSINESS

Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Type of customers	Group's capacity	Approximate attributable project area ⁽²⁾ (Sq.m.)	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009 ⁽⁶⁾	Year of completion ⁽⁶⁾
North America										
Palazzo Hotel	HKS Architect Inc	-	Hotel	Owner	Contractor	34,000	HK\$67,331,722	2006: HK\$49,339,938 2007: HK\$(47,914) ⁽⁴⁾ 2008: HK\$1,325,381 Up to 30 September 2009: HK\$Nil	HK\$Nil	2007
World Market Center	JMA Architect Studios	Corte Cladding Consultants	Office/Retail tower	Owner	Contractor	20,000	HK\$104,791,947	2006: HK\$105,836,612 2007: HK\$(1,046,665) ⁽⁴⁾ 2008: HK\$Nil Up to 30 September 2009: HK\$Nil	HK\$Nil	2006

(1) The scope of work undertaken in the projects set forth in this table generally involves the design, fabrication, supply and installation of curtain walls and other building facade products, except for the Kudan PFI project and the Tokyo Station Yaesu Project North Tower project in Tokyo, Japan (the "Japan Projects"), and the Palazzo Hotel project. The key materials used in our projects generally include glass, steel and/or aluminium. The key difference in the scope of work undertaken in the Japan Projects and the Palazzo Hotel project on the one hand and our other projects on the other hand was that we undertook the design, fabrication and supply of building facade products, but not the installation work in the Japan Projects and the Palazzo Hotel project.

The local main contractors in the Kudan PFI project and the Palazzo project worked on the installation of the building facade products. In the Tokyo Station Yaesu North Tower project, our client invited us to tender for the design, fabrication and supply of the building facade products.

(2) The approximate attributable project area refers to the area of the building facade attributable to the Group based on the Group's interest in the companies that undertook the projects. The interest attributable to us for each of the projects set forth in this table is 100%, other than the Shanghai IFC project in which the interest attributable to us is 75%. The Shanghai IFC project was undertaken through Netfortune (Shanghai), in which the Company holds a 75% equity interest. As such, 75% of the project area was attributable to the Company.

The project areas disclosed in the table only represent the area of the building facade work that had been awarded to the Group and not the building facade area of the entire project.

The attributable project areas for each of the completed projects are the project areas estimated by the Company based on the areas shown in the design drawings of the projects that were prepared at the time when the applicable building facade contract was entered into. These estimates are subject to change based on the requirements of the parties as the project progresses.

BUSINESS

- (3) As used herein, Asia consists of Singapore, Japan and the UAE, but excludes the Greater China region.
- (4) The negative revenue that was recognized during the year or period resulted from changes in estimates on these projects due to variations required by the customer for changes in the scope of the work to be performed under the contracts. Such variations led to decreases in contract sums as previously agreed, which in turn led to decreases in contract revenues. The effect of such changes in estimates on these projects was reflected in the period in which the Group was notified of such variations and when the amounts of variations can be reliably measured.
- (5) For completed projects, the Group recognised a small portion of contract revenues when the relevant costs for defects rectification were incurred subsequent to the issuance of the practical completion certificate or the final payment certificate under the percentage of completion method.
- (6) The Group has not experienced any delays in the completion of its projects during the Track Record Period.

The following table sets forth our projects that were in progress as of the Latest Practicable Date:

Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Approximate attributable project area ⁽²⁾	Type of customers	Group's capacity	Year of Actual/ Estimated Commencement	Percentage of completion (as of 30 September 2009)	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009	Year of Estimated Project Completion
<i>(Sqr.m.)</i>												
The PRC												
Shanghai IFC (North Tower)	PCP and P&T International Inc.	ALT	Office Tower	38,000	Owner	Contractor	2009	29.40%	HK\$176,605,876	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$300,654 Up to 30 September 2009: HK\$51,624,401	HK\$124,680,821	2010
Hong Kong												
The One (formerly known as Tung Ying Building)	LWK & Partners (HK) Ltd	Mott MacDonald (Hong Kong) Limited	Shopping Complex	23,000	Owner	Contractor	2008	58.46%	HK\$85,388,000	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$97,681 Up to 30 September 2009: HK\$49,819,604	HK\$35,470,714	2010
863-865 King's Road	KPF	MFT	Office Tower	30,000	Owner	Contractor	2009	2.12%	HK\$146,712,222	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$Nil Up to 30 September 2009: HK\$3,117,382	HK\$143,594,840	2010

BUSINESS

Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Approximate attributable project area ⁽²⁾ (Sq.m.)	Type of customers	Group's capacity	Year of Actual/Estimated Commencement	Percentage of completion (as of 30 September 2009)	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009	Year of Estimated Project Completion
Shopping Centre at Yau Tong Development Phase 4, Kowloon, Hong Kong	Housing Department	MFT	Shopping Centre	22,000	Main contractor	Subcontractor	2009	1.13%	HK\$90,277,457	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$Nil Up to 30 September 2009: HK\$1,024,179	HK\$89,253,278	2011
Nos. 1, 3 & 5 Village Terrace and No 20 Shan Kwong Road, Happy Valley, Hong Kong	AGC Design Ltd./TK. Tsui & Associates Ltd	DAX	Residential Tower	14,000	Owner	Contractor	2009	0.01%	HK\$41,000,000	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$Nil Up to 30 September 2009: HK\$3,257	HK\$40,996,743	2011
North America												
Trinity Plaza	Arquitectonica	-	Condominium	10,000	Main contractor	Subcontractor	2008	61.28%	HK\$88,683,683	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$10,722,369 Up to 30 September 2009: HK\$43,623,506	HK\$34,337,808	2010
Mandarin Oriental Hotel	KPF	Front Inc.	Hotel	37,000	Main contractor	Subcontractor	2006	86.44%	HK\$267,022,821	2006: HK\$Nil 2007: HK\$84,330,826 2008: HK\$114,344,107 Up to 30 September 2009: HK\$32,136,090	HK\$36,211,799	2010
Veer Towers	Murphy/Jahn, Inc. Architect	CDC	Condominium	47,000	Main contractor	Subcontractor	2006	80.86%	HK\$303,594,806	2006: HK\$Nil 2007: HK\$63,450,242 2008: HK\$123,332,848 Up to 30 September 2009: HK\$58,771,185	HK\$58,100,531	2010
Allure Waikiki Condominium	Architects Hawaii Ltd	-	Condominium	9,000	Owner	Contractor	2008	81.50%	HK\$31,499,715	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$18,257,818 Up to 30 September 2009: HK\$7,413,295	HK\$5,828,602	2010

BUSINESS

Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Approximate attributable project area ⁽²⁾ <i>(Sq.m.)</i>	Type of customers	Group's capacity	Year of Actual/Estimated Commencement	Percentage of completion (as of 30 September 2009)	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009	Year of Estimated Project Completion
Cosmopolitan Resort Hotel & Casino	Arquitectonica	IBA, CDC	Condominium and hotel towers	130,000	Main contractor	Subcontractor	2006	84.07%	HK\$786,694,974	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$13,947,985 Up to 30 September 2009: HK\$147,442,313	HK\$125,304,676	2010
Trump International Hotel & Tower	Zeidler Partnership Architects	Halcrow Yolles Asso Ciates.	Hotel and condominium	37,000	Main contractor	Subcontractor	2008	22.97%	HK\$227,307,538	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$12,853,152 Up to 30 September 2009: HK\$38,449,123	HK\$175,104,622	2011
The Shangri-La Toronto	James K M Cheng Architects Inc.	Brook Van Dalen & Associate Limited	Hotel	32,000	Owner	Contractor	2008	6.18%	HK\$201,108,478	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$1,618,956 Up to 30 September 2009: HK\$10,791,413	HK\$188,684,934	2012
SAIT Trades & Technology Complex	Gibb Gage Architects	-	Multipurpose complex	22,000	Main contractor	Subcontractor	2010	0% ⁽³⁾	HK\$136,715,989	2006: HK\$Nil 2007: HK\$NIL 2008: HK\$NIL Up to 30 September 2009: HK\$NIL	HK\$136,715,989	2012
Asia⁽⁴⁾												
Marina Bay Sands Integrated Resort	Moshe Safdie and Associates Inc	ARUP	Multipurpose complex	9,000	Owner	Contractor	2008	50.34%	HK\$126,953,285	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$7,150,553 Up to 30 September 2009: HK\$56,753,172	HK\$63,049,561	2010
SAMA Tower	WS Atkins & Partners Overseas	Meinhardt (Singapore) Pte Ltd	Residential Tower	36,000	Owner	Contractor	2007	98.29%	HK\$118,860,000	2006: HK\$Nil 2007: HK\$24,819,209 2008: HK\$83,212,381 Up to 30 September 2009: HK\$8,798,384	HK\$2,030,026	2010

BUSINESS

Project Name ⁽¹⁾	Name of Architecture firm	Name of Building Facade Consultant	Project Type	Approximate attributable project area ⁽²⁾	Type of customers	Group's capacity	Year of Actual/ Estimated Commencement	Percentage of completion (as of 30 September 2009)	Contract Sum	Revenue recognised in each of the Track Record Period	Outstanding Amount yet to be recognised as revenue up to 30 September 2009	Year of Estimated Project Completion
Darwish Tower	Janine Margaret Eaton	Meinhardt Facade Technology (HK) Ltd	Residential Tower	29,000	Owner	Contractor	2008	59.78%	HK\$94,500,000	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$34,904,524 Up to 30 September 2009: HK\$21,586,234	HK\$38,009,242	2010
<i>(Sqr.m.)</i>												
South America												
Costanera Center (Tower 2)	PCP	ALT	Office tower	52,000	Owner	Contractor	2008	0%	HK\$187,200,000	2006: HK\$Nil 2007: HK\$Nil 2008: HK\$Nil Up to 30 September 2009: HK\$Nil	HK\$187,200,000	2011

- (1) The scope of work undertaken in the projects set forth in the table generally involves the design, fabrication, supply and installation of curtain walls and other building facade products.
- (2) The approximate attributable project area refers to the area of the building facade attributable to the Group based on the Group's interest in the companies that undertook the projects. The interest attributable to us for each of the projects set forth in this table is 100%, other than the Shanghai IFC project in which the interest attributable to us is 75%. The Shanghai IFC project was undertaken through Nefortune (Shanghai), in which the Company holds a 75% equity interest. As such, 75% of the project area was attributable to the Company.
- (3) The project areas disclosed in the table only represent the area of the building facade work that has been awarded to the Group and not the building facade area of the entire project.
- (4) The attributable project areas for each of the projects in progress are the project areas estimated by the Company based on the areas shown in the design drawings of the projects that were prepared at the time when the building facade contracts were entered into. These estimates are subject to change based on the requirements of the parties as the project progresses.
- (5) We were awarded this project pursuant to a letter of intent dated 5 March 2010.
- (6) As used herein, Asia consists of Singapore, Japan and the UAE, but excludes the Greater China region.

BUSINESS

Set forth below are descriptions of our representative projects that we undertook during the Track Record Period, including the key technical features and the challenges involved in the projects.

MIDDLE EAST

Burj Khalifa



Burj Khalifa is located in Dubai, UAE. We undertook this project through Far East Aluminium Works Company Limited (Dubai Branch), which is wholly-owned by us. We commenced work on this project in 2006 and completed the project in 2009. The total curtain wall area involved in this project is approximately 121,000 sq.m.

The Burj Khalifa is currently the world's tallest building, according to the Council on Tall Buildings and Urban Habitat on the basis of spire height, roof height, highest occupied floor and highest pinnacle. The Burj Khalifa is a multi-functional building consisting of hotel rooms, service apartments and offices. The building has 160 floors within a spiral and pinnacle structure. The cylinders that compose the structure were created by bundling glass and stainless steel fin mullion.

The high performance exterior curtain wall system employed in this project is able to withstand the high wind pressure and insulate the interior of the building from high temperatures in Dubai's summer.

The curtain wall system was designed such that the over 22,500 units of curtain wall panels used could be assembled at the Shenzhen Production Facilities, ensuring that the units were put together accurately and consistently. Each panel was glazed, sealed and prepared for site installation.

BUSINESS

The building was constructed with a combination of concrete and structural steel in a spiral shape. In designing the curtain wall, we took into account potential building movements induced by sway, interstorey drift and beam deflection caused by different live loads. Complicated analyses on the capacity of absorbing movement by the structural joints were also conducted.

The curtain wall and stainless steel features were installed to the pinnacle of the building. As such, the installation work involved a high level of risk, including working at the building's top level with high wind speeds, limited working space and risk of communication breakage to the ground. To minimize the risks of working at the extremely elevated height, the curtain walls were installed together with the spiral structure on the ground level in advance, and then lifted to the top floor of the building to be attached to the building using bolt connections.

When we were awarded the contract, the building was already constructed to more than 80 storeys and we were able to successfully pass the performance tests in the third month, and to install the curtain wall panels in the fifth month.

The architecture firm involved in this project is SOM and the building facade consultant is Hyder.

Darwish Tower



BUSINESS

Darwish Tower is located in Dubai, UAE. We undertook this project through World Eastern Cladding Works (L.L.C.), which is wholly-owned by us. We commenced work on this project in 2008 and expect to complete the project in 2010. The total curtain wall area involved in this project is approximately 29,000 sq.m. The curtain wall system was designed to withstand the hot desert climate in Dubai, UAE. An extensive range of systems were involved in this project, including curtain walls with operable window, aluminium cladding, glass balustrade and glazed canopies, which provide for a wide variety of performance and functional requirements for high rise office buildings.

The architecture firm involved in this project is Janine Margaret Eaten and the building facade consultant is Meinhardt Facade Technology (HK) Ltd.

SAMA Tower



BUSINESS

SAMA Tower in Trade Centre 1 is located in Dubai, UAE. We undertook this project through Far East Aluminium Works Company Limited (Dubai Branch), which is wholly-owned by us. We commenced work on this project in 2007 and this project is expected to be completed in 2010. The total curtain wall area involved in this project is approximately 36,000 sq.m. The curtain wall system was designed to withstand the hot desert climate in Dubai, UAE.

The architecture firm involved in this project is WS Atkins & Partners Overseas and the building facade consultant is Meinhardt (Singapore) Pte Ltd.

NORTH AMERICA

Trump International Hotel & Tower

The Trump International Hotel & Tower is located in Toronto, Canada. We undertook this project through Far East Aluminium Works Canada Corp., which is wholly-owned by us. This is our first project in our expansion into the Canadian market. We commenced work on this project in 2008 and expect to complete the project in 2011. The total curtain wall area involved in this project is approximately 37,000 sq.m. The curtain wall system was designed to withstand the cold weather in Toronto. Different types of materials and building facade products were used in this project, including curtain wall, aluminium and granite cladding, louvre window, column cladding and glazing canopy.

The architecture firm involved in this project is Zeidler Partnership Architects and the building facade consultant is Halcrow Yolles Associates.

The Shangri-La Toronto

The Shangri-La Toronto is located at 180 University Avenue, Toronto, Canada. We undertook this project through Far East Aluminium Works Canada Corp., which is wholly-owned by us. We commenced work on this project in 2008 and expect to complete the project in 2012. The total curtain wall area involved in this project is approximately 32,000 sq.m. The curtain wall system was a thermally broken aluminium frame, a product that has the interior and exterior aluminium surfaces separated by a non-conducting substance to reduce the transfer of thermal energy between the surfaces, which makes it suitable for the cold climate in Toronto. The building facade was multi-faceted and our designers utilized sophisticated software to assist them with three-dimensional drafting.

The architecture firm involved in this project is James KM Cheng Architects Inc. and the building facade consultant is Brook Van Dalen & Associates Limited.

BUSINESS

Allure Waikiki Condominium



The Allure Waikiki Condominium is located in Hawaii, USA. We undertook this project through Far East Aluminium Works (U.S.) Corporation, which is wholly-owned by us. We undertook the supply and fabrication of building facade products in this project. We commenced work on this project in 2008 and expected to be completed in 2010. The total curtain wall area involved in this project is approximately 9,000 sq.m. A wide range of materials and building facade products are involved in this project including curtain walls, window walls with sliding doors, glass balustrade and divider walls.

The architecture firm involved in this project is Architects Hawaii Ltd.

BUSINESS

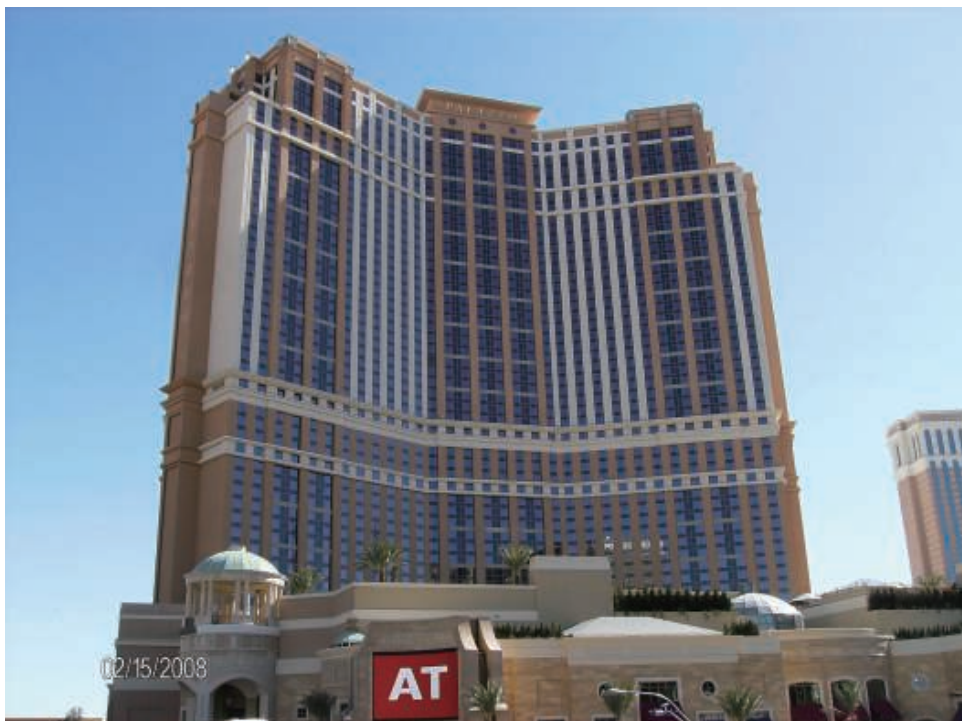
Trinity Plaza



The Trinity Plaza project is located in San Francisco, USA. We undertook this project through Far East Facade Inc., which is wholly-owned by us. We commenced work on this project in 2008 and expect to complete the project in 2010. The total curtain wall area involved in this project is approximately 10,000 sq.m. This is our first project in San Francisco, USA.

The architecture firm involved in this project is Arquitectonica.

Palazzo Hotel



BUSINESS

The Palazzo Hotel is located in Las Vegas, USA. We undertook this project through Far East Aluminium Works Company Limited, which is wholly-owned by us. Given our satisfactory performance in the Sands Casino in Macau, the same developer invited us to bid for this project enabling us to expand into the U.S. market. We undertook the design and supply of building facade products in this project. We commenced work on this project in 2004 and completed the project in 2007. The total curtain wall area involved in this project was approximately 34,000 sq.m. Key features of the building facade in this project included two-storey curtain walls, which substantially reduced the amount of time required for the installation process.

The architecture firm involved in this project was HKS Architect Inc.

Veer Towers



The Veer Towers is located in Las Vegas, USA. We undertook this project through Far East Aluminium Works (U.S.) Corporation, which is wholly-owned by us. Veer Towers, together with the Mandarin Oriental Hotel constitute the City Centre (Block C). In 2006, we commenced work on this project which is expected to be completed in 2010. The total curtain wall area involved in this project is approximately 47,000 sq.m.

The architecture firm involved in this project is Murphy/Jahn, Inc. Architect and the building facade consultant is CDC.

BUSINESS

Cosmopolitan Resort Hotel & Casino



The Cosmopolitan Resort Hotel & Casino is located in Las Vegas, USA. We undertook this project through Far East Aluminium Works (U.S.) Corporation, which is wholly-owned by us. We commenced work on this project in 2006 and expect to complete the project in early 2010. The total curtain wall area involved in this project is approximately 130,000 sq.m. An extensive range of building facade systems were involved in this project, including curtain walls, window walls with sliding doors, glass balustrades and divider walls. Up to the Latest Practicable Date, this contract is our Company's largest single contract in terms of size and contract sum.

The architecture firm involved in this project is Arquitectonica and the building facade consultants are IBA and CDC.

BUSINESS

Mandarin Oriental Hotel



The Mandarin Oriental Hotel is located in Las Vegas, USA. This project was awarded to us together with the Veer Towers project. We undertook this project through Far East Aluminium Works (U.S.) Corporation, which is wholly-owned owned by us. We commenced work on this project in 2006 and expect to complete the project in 2010. The total curtain wall area involved is approximately 37,000 sq.m. The curtain wall units used in this project are composed of both glass and aluminium panels, and each glass panel has a ceramic fitted pattern for shading which allows for maximum daylight to filter into the building whilst controlling solar heat gain and glare.

The architecture firm involved in this project is KPF and the building facade consultant is Front Inc.

BUSINESS

World Market Center



The World Market Center is located in Las Vegas, USA. We undertook this project through Far East Aluminium Works (U.S.) Corporation, which is wholly-owned by us. This is our first design, supply and installation project in the U.S. after we obtained the relevant contractor license in the State of Nevada. We commenced work on this project in 2005 and completed the project in 2006. The total curtain wall area involved in this project was approximately 20,000 sq.m. An extensive range of building facade products were involved in this project, including curtain wall, window walls, aluminium claddings, glass balustrades, column cladding and canopies.

The architecture firm involved in this project was JMA Architect Studios and the building facade consultant was Corte Cladding Consultants.

BUSINESS

SOUTH AMERICA

Costanera Center

The Costanera Center is located in Chile, South America. We undertook this project through Far East Aluminium Works Company Limited and Far East Aluminium Works Chile Limitada, both of which are wholly-owned by us. We were originally awarded all three towers in the project. We commenced work on this project in 2008, but the project was suspended in 2009 due to the global economic crisis. The total curtain wall area involved in the latest specifications of this project is approximately 117,000 sq.m.

The architecture firm involved in this project is PCP and the building facade consultant is ALT.

The Costanera Center project commenced in 2008 but was suspended in January 2009. We resumed work on the project in December 2009. The suspension of the project had no significant financial impact on us because our client had paid us an aggregate amount of HK\$22.7 million to compensate us for all our costs incurred prior to the suspension of the project. It is common practice for building developers to include a termination clause in the contract that allows the developer to terminate a project without incurring liability for additional compensation or payments to the contractor or subcontractor, other than payment for the value of the work done and the costs of materials already procured at the time of the notice of termination.

HONG KONG, MACAU AND THE PRC

863 – 865 King's Road

863-865 King's Road is located in Quarry Bay, Hong Kong. We undertook this project through Far East Aluminium Works Company Limited, which is wholly-owned by us. We commenced work on this project in 2009 and expect to complete the project in 2010. The total curtain wall area involved in this project is approximately 30,000 sq.m. The curtain wall mullion (a structure that divides adjacent window units) being used incorporates a glass fin feature and light-emitting diodes that provide shimmering effects at night.

The architecture firm involved in this project is KPF and the building facade consultant is MFT.

BUSINESS

The Cullinan II



The Cullinan II is located in Kowloon, Hong Kong. We undertook this project through Far East Aluminium Works Company Limited, which is wholly-owned by us. We commenced work on this project in 2005 and completed the project in 2008. The total curtain wall area involved in this project was approximately 50,000 sq.m. A unitized curtain wall system was used as the facade design of the project, which was a residential/hotel mixed use building.

The architecture firm involved in this project is Wong & Ouyang (HK) Ltd and the building facade consultant is MFT.

BUSINESS

ICAC Headquarters Building



ICAC Headquarters Building is located in North Point, Hong Kong. We undertook this project through Far East Aluminium Works Company Limited, which is wholly-owned by us. We commenced work on this project in 2005 and completed the project in 2007. The total curtain wall area involved in this project was approximately 35,000 sq.m.

The architecture firms involved in this project were ASD and Simon Kwan Associates Ltd and the building facade consultant was ARUP.

BUSINESS

The Hong Kong International Airport Terminal 2, Skyplaza Building and South Office Building



The Hong Kong International Airport Terminal 2, Skyplaza Building and South Office Building is located in Lantau, Hong Kong. We undertook this project through Far East Aluminium Works Company Limited, which is wholly-owned by us. We commenced work on this project in 2005 and completed the project in 2007. The total curtain wall area involved in the Skyplaza Building project and the South Office Building project was approximately 39,000 sq.m. and 9,000 sq.m., respectively. The curtain wall mullion incorporated a wave fin feature, aluminium cladding, louvre windows and glazed canopies.

The architecture firm involved in this project SOM Aedas JV and the building facade consultant was ARUP.

BUSINESS

Four Seasons Hotel (Macau)



The Four Seasons Hotel (Macau) is located in Macau. We undertook this project through Netfortune Engineering (FEA) Macau Limited, which is wholly-owned by us. We commenced work on this project in 2007 and completed the project in 2008. The total curtain wall area involved in this project was approximately 36,000 sq.m. A broad range of building facade products were involved in this project, including a hybrid curtain wall system that interfaced with glass fibre-reinforced concrete panel system.

The architecture firm involved in this project was Aedas (Macau) Ltd and the building facade consultant was ARUP.

BUSINESS

Sands Podium & Tower



The Sands Podium & Tower is located in Macau. We undertook this project through Netfortune Engineering (FEA) Macau Limited, which is wholly-owned by us. This was the first foreign-operated casino in Macau since foreign operators were granted licenses to operate casinos in Macau and we were engaged to work on the Sands Podium & Tower project. The project featured a unitized curtain wall system, which involves the installation of uniform curtain wall panels. We commenced work on this project in 2003 and completed phase one of the project in 2004 and phase two of the project in 2007. The total curtain wall areas involved in this project are approximately 54,000 sq.m and 20,000 sq.m in phase one and phase two of the project, respectively.

The architecture firms involved in this project was Aedas (Macau) Ltd and the building facade consultant was ARUP.

The suspension of certain resort projects in Macau during the global economic crisis had no significant impact on the Group because all of our projects in Macau had been completed by August 2008.

BUSINESS

Galaxy Starworld Hotel



The Galaxy Starworld Hotel is located in Macau. We undertook this project through Netfortune Engineering (FEA) Macau Limited, which is wholly-owned by us. We commenced work on this project in 2005 and completed the project in 2006. The total curtain wall area involved in this project was approximately 65,000 sq.m. The unique technical features of this project include the podium glass wall of high span, which is integrated with a ceramic frittered pattern and facade lighting system.

The architecture firm involved in this project was Rocco Design Ltd and the building facade consultant was MFT.

BUSINESS

Shanghai IFC



The Shanghai IFC is located in Shanghai, PRC. We undertook this project through Netfortune (Shanghai), which is 75% owned by us. This project consists of two phases. We commenced work on this project in 2007, completing phase one, the South Tower, in 2009 and we expect to complete phase two, the North Tower, in 2010. The total curtain wall area involved in this project is approximately 100,000 sq.m.

The architecture firms involved in this project are PCP and P&T International Inc. and the building facade consultant is ALT.

BUSINESS

ASIA (EXCLUDING GREATER CHINA)

Marina Bay Sands Integrated Resort



The Marina Bay Sands Integrated Resort is located in Singapore. We undertook this project through Far East Aluminium Works (Singapore) Pte. Ltd, which is wholly-owned by us. We commenced work on this project in 2008 and expect to complete the project in 2010. The total curtain wall area involved in this project is approximately 9,000 sq.m. We are involved in the installation of glass walls for the viewing corridors, and skylights for the ice-skating rink. The scope of our work in this project includes designing a cable structure to support the skylights and glass walls in the podium and tailoring the structure of the glass walls to meet the design specifications.

The architecture firm involved in this project is Mashe Safdie and Associates Inc and the building facade consultant is ARUP.

BUSINESS

Tokyo Station Yaesu Project North Tower



Tokyo Station Yaesu Project North Tower is located in Tokyo, Japan. We undertook this project through Far East Aluminium Works Company Limited, which is wholly-owned by us. We commenced work on this project in 2005 and completed the project in 2007. The total curtain wall area involved in this project was approximately 27,000 sq.m. We undertook the supply and fabrication of building facade products in this project with the main contractor assuming responsibility for their installation. A range of building facade products were used in this project, including curtain walls with operable windows, aluminium cladding, louvre windows and metal grilles.

The architecture firm involved in this project was JR East Design.

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Outstanding Contract Sums

As of 30 September 2009, the total contract sum of our projects in progress was HK\$3,001 million of which HK\$1,356 million was outstanding under our contracts and had not yet been recognised as revenue in our financial statements (the "**Outstanding Contract Sum**") representing 45.2% of the total contract sum of such projects. The geographical breakdown of the Outstanding Contract Sum was 46.1%, 32.0%, 7.7% and 14.2% in North America, Greater China, Asia and other countries, respectively. We compute the Outstanding Contract Sum based on the total contract sum of all of our projects in progress as of 30 September 2009, less the aggregate amount of such contract sums of each project that have been recognised as revenues. The contract sums of our outstanding projects as of the Latest Practicable Date ranged from HK\$31 million to HK\$787 million and the average contract sum of such projects was HK\$185 million.

Projects under tender

Due to the financial crisis in the second half of 2008, the construction industry slowed down, leading to a corresponding slowdown in the building facade industry. Since the third quarter of 2009, we received a number of invitations for tenders and have made tenders for projects in various locations around the world, including Hong Kong, China, Japan, Singapore, Taiwan, UAE, Australia, Canada, USA, India and the United Kingdom. In the first quarter of 2010, up to the Latest Practicable Date, we had tendered for nine projects having an aggregate contract sum of HK\$578 million.

OUR PROCESSING ARRANGEMENTS

Shenzhen Production Facilities

On 23 December 1990 our wholly-owned subsidiary, Heng Fai International Ltd. ("**Heng Fai International**") entered into a contract (the "**Processing Contract**") with 深圳市寶安對外貿易公司 (Shenzhen Baoan Foreign Trade Company) (the "**Foreign Trade Company**"), the Fuyong Factory and 寶安縣福永鎮新和經濟發展公司 (Baoan District Fuyong Town Xinhe Economic Development Company) (the "**Economic Development Company**") (collectively, the "**Parties**") for the processing of materials for the curtain wall business. Under the Processing Contract, the main obligations of the Foreign Trade Company, the Fuyong Factory and the Economic Development Company include providing factory space with an area of 1,300 sq.m and labour, fabrication of curtain wall products to be exported by Heng Fai International to Hong Kong and other countries, providing the insurance for the factory, labour and supplying any additional equipment, installing the machinery and equipment in the factory, providing technical training for the workers employed by the Fuyong Factory in relation to the use of the machinery and equipment and bearing the costs of the training, salaries and other expenses of their staff. The principal obligations of Heng Fai International include providing equipment and machinery amounting to HK\$1.36 million for processing and fabrication of curtain wall products, providing raw materials for the fabrication of such products and packaging materials to be used in shipping such products, bearing the costs of utilities (electricity and water), providing insurance for the equipment, machinery, raw materials, the packaging materials provided by it and the transportation of the curtain wall products. The term of the Processing Contract was eight years and was due to expire on 23 December 1998.

On 25 March 1996, the Parties entered into an agreement to extend the term of the Processing Contract for another eight years to 23 December 2006 (the "**First Extension Agreement**"). Pursuant to the First Extension Agreement, because the factory used by the Fuyong Factory was constructed by Heng Fai International, such factory will be owned by Heng Fai International upon the expiration of the Processing Contract, as extended by the

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First Extension Agreement. On 28 December 2005, the Parties entered into another agreement to extend the Processing Contract for another five years to 23 December 2011 (the "**Second Extension Agreement**"). Pursuant to the Second Extension Agreement, there are 270 workers working in the Fuyong Factory each with a minimum monthly salary of HK\$700 which may be adjusted every two years according to inflation rates. Each Party is required to provide three months' notice to the other party if any Party wishes to terminate or extend the Processing Contract. Early termination and extension of the Processing Contract will be subject to the approval of the relevant authorities and the Party who wishes to terminate the Processing Contract will be responsible for compensating the other party for any loss resulting from an early termination of the Processing Contract, including two months' salary for all of the workers based on their monthly salaries six months before the proposed termination date.

Under the current arrangements, customs duties will not be imposed on the materials to be used in the fabrication of building facade products that are shipped to the Shenzhen Production Facilities for processing. We intend to further extend the Processing Contract upon its expiry if the other Parties to the Processing Contract are agreeable to such extension. If the Processing Contract is not extended, we may consider establishing a wholly-owned foreign subsidiary in the PRC to undertake the processing of materials and fabrication of building facade products.

The Fuyong Factory currently possesses a Guangdong Province Materials Processing Business License, which is valid from 19 December 1990 to 19 December 2011, and the relevant tax registration licenses. Our PRC legal advisors, Commerce & Finance Law Offices, have advised us that the Processing Contract, the First Extension Agreement and the Second Extension Agreement (collectively, the "**Contracts**") have been approved by the relevant authorities in the PRC, that the Contracts do not violate applicable PRC laws and regulations, local laws and regulations, and guidelines and that the Contracts are valid, binding and enforceable against the Parties.

The Shenzhen Production Facilities consist of the following properties:

- (i) A factory located in 新和遠東工業區 (Xinhe Industrial Estate) and open space near to the factory, both of which are the subject of a tenancy agreement between 深圳市新和股份合作公司 (Shenzhen Xinhe Shareholding Company) and the Fuyong Factory, with a tenancy period commencing from 1 December 2009 to 30 November 2014; and
- (ii) A factory located in 福永鎮新和工業區 (Fuyong Town Xinhe Industrial Estate) and open space near to the factory, both of which are the subject of a tenancy agreement between 深圳市新和股份合作公司 (Shenzhen Xinhe Shareholding Company) and the Fuyong Factory, with a tenancy period commencing from 7 December 2009 to 6 December 2014.

Our building facade products are primarily fabricated at the factory described in paragraph (i) (the "**Main Factory**"). The properties described in paragraph (ii) above constitute the back-up factory of the Shenzhen Production Facilities (the "**Back-up Factory**"). During the Track Record Period, approximately 91% of our building facade products were manufactured at the Shenzhen Production Facilities. The tenancy agreements in relation to the Main Factory and the Back-up Factory shall be terminated by mutual agreement among the parties and there are no express terms regarding the penalty for early termination of those tenancy agreements.

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The lessors to the tenancy agreements relating to the Main Factory and the Back-up Factory did not have the relevant property rights certificates, or any documentation evidencing their rights in the properties or their legal rights to occupy the properties. Our PRC legal advisors, Commerce & Finance Law Offices, have advised that there is a risk that the relevant authorities in the PRC may deem the tenancy agreements invalid due to the lessors not holding the relevant property certificates, resulting in Fuyong Factory's inability to continue to lease these properties. In addition, with regard to the Back-up Factory, our PRC legal advisors are of the opinion that because the lessor had not obtained the construction licenses or government approvals for construction and occupation, such properties may have been constructed in violation of the relevant laws and are subject to the risk of the relevant government department ordering demolition of such properties, resulting in the Fuyong Factory not being able to continue using such properties.

The lessor plans to obtain the relevant property rights certificates in respect of the Shenzhen Production Facilities. As such, the lessor has in respect of the Main Factory, pursuant to the regulations under 《關於農村城市化歷史遺留違法建築的處理決定》(深圳市第四屆人大常委會公告第101號) (Decisions Relating to Urbanization of Villages on the Management of Buildings Constructed in Violation of Laws) (the "**Decisions**"), made the necessary applications with the relevant department at Shenzhen Baoan District to rectify the absence of property rights certificates, including obtaining fire safety certificates, completing the relevant building compliance checks, making applications relating to engineering work quality checks and registering the tenancy agreement with the Shenzhen tenancy management department (the "**Applications**"). Our PRC legal advisors have advised us that since the lessor has made the Applications to rectify its property rights, the Fuyong Factory has the right to temporarily lease the property and has a temporary legal right to use the property. Our PRC legal advisers are of the view that as the Shenzhen local government has not promulgated any regulations in connection with the length of the temporary occupation period, there are no clear restrictions imposed by the government on the use of the property by the Fuyong Factory during the period of the lease. See "Risk Factors – Risk Relating to Our Business – We may be negatively impacted if Netfortune (Shanghai) loses or our subcontractors lose the right to use the Shenzhen Production Facilities or the Shanghai Production Facilities".

The lessor of the Back-up Factory has, pursuant to the Decisions, made certain applications with the relevant department at Shenzhen Baoan District to rectify the absence of property rights certificates and has obtained the fire safety certificates, but is currently in the process of obtaining documents relating to the building compliance checks and engineering work quality checks from the relevant government departments.

Our PRC legal advisers have advised us that the relevant PRC regulations do not expressly provide for the timeframe within which the property rights will be rectified. Our PRC legal advisers have also advised that because the relevant government authorities have not specified the conditions to be satisfied in order for the property rights to be rectified under the relevant PRC rules and regulations, it is uncertain whether the property rights in respect of the Main Factory and the Back-up Factory will eventually be rectified even after the Applications have been made.

Outsourcing Arrangements

We have prepared a contingency plan as an interim measure in the event that the tenancy agreements are deemed invalid. We have identified several factories in Guangdong to which we can potentially outsource the fabrication process and which have sufficient capacity to undertake the outsourcing work. On 3 March 2010, Netfortune (Shanghai)

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entered into an agreement with (肇慶亞洲鋁廠有限公司) (Zhaoqing Asia Aluminium Factory Limited Company) ("**Zhaoqing Asia**"), an independent third party, pursuant to which Zhaoqing Asia agreed to reserve production capacity to fabricate curtain wall panels with a total area amounting to 36,000 sq.m. per month or to provide factory space amounting to not less than 20,000 sq.m. for the processing of building facade materials by Netfortune (Shanghai). Netfortune (Shanghai) agreed to pay RMB100,000 per month to Zhaoqing Asia in consideration for such agreement to reserve such production capacity. The agreement expires on 2 April 2012 and Netfortune (Shanghai) has a right to renew the agreement.

We believe the outsourcing arrangement with Zhaoqing Asia to fabricate not less than 36,000 sq.m. of building facade products for the Group is sufficient to meet the Group's requirements. The average area of building facade products fabricated by the Shenzhen Production Facilities during the Track Record Period is approximately 20,000 sq.m. per month. In the event that the Group requires fabrication of building facade products with an area that exceeds 36,000 sq.m. per month, we understand that Zhaoqing Asia has sufficient production capacity to meet the additional requirements. In addition, we believe we are able to outsource the fabrication of any additional building facade materials required by our projects to other factories within a reasonable time. The design, engineering and testing stage of the project generally takes six to nine months prior to the fabrication and assembly of the building facade products for the project and we believe we will be able to find suitable factories to outsource the fabrication of the building facade products during the design stage.

Planned Production Facilities

Apart from the outsourcing arrangement, we are also considering acquiring land in the PRC to construct new production facilities (the "**Planned Production Facilities**"). We believe that it is in the long-term interests of our business to construct our own production facilities. The Company has conducted preliminary assessments of different locations in the PRC, including Shenzhen, Dongguan, Zhaoqing, and Shanghai and its surrounding cities to purchase land for the construction of such facilities and has also assessed the costs involved in the construction of such Planned Production Facilities. We may relocate the Shenzhen Production Facilities to and replace the Shenzhen Production Facilities with the Planned Production Facilities, depending on the growth of our business and the progress of the rectification of property rights of the Shenzhen Production Facilities. The estimated costs of acquiring land and constructing the Planned Production Facilities are approximately HK\$100 million.

We plan to look for a suitable location for the Planned Production Facilities to commence construction once we have found an appropriate location. If we are able to identify a suitable location in the PRC for the Planned Production Facilities in the second half of 2010 and assuming that we are also able to obtain the relevant approvals for construction and operation of the Planned Production Facilities, we expect to be able to complete the construction of such Planned Production Facilities, approximately one year from the commencement of construction, which we estimate to be approximately in the early part of 2012, and commence operations.

The Company has prepared a preliminary plan on the different stages of the process of relocating the Shenzhen Production Facilities (if we decide to proceed with the relocation), including the equipment, machinery and items to be moved, and the time and costs involved at each stage, in order to minimize the potential impact of such relocation on our operations. We estimate that the time required for us to relocate from the Shenzhen

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Production Facilities to a new location in Shenzhen or its surrounding cities is approximately 30 days in total. The first stage of the moving process involves the checking of the electricity and water facilities in the new factory. Once such checks are completed, we plan to move part of our machinery and building facade materials and part of our production team to the new factory. We expect to move the rest of our machinery, building facade materials and production team after we have completed installation of and checks on the machinery.

Summary of key information regarding the Shenzhen Production Facilities, Shanghai Production Facilities and Planned Production Facilities

Set forth below is a summary of certain key information in respect of the Shenzhen Production Facilities, the Shanghai Production Facilities and the Planned Production Facilities:

	Shenzhen Production Facilities⁽¹⁾	Shanghai Production Facilities⁽²⁾	Planned Production Facilities
Location	Shenzhen, PRC	Shanghai, PRC	the PRC
Type of products	Building facade products	Building facade products	Building facade products
Actual/expected date of completion	2002	2004	expected to be in early part of 2012 ⁽¹⁾
Actual/expected date of commencement of production	2002	2004	approximately one to two months after date of completion
Production capacity	650,000 sq.m. per annum ⁽³⁾ during Track Record Period	100,000 sq.m. per annum ⁽³⁾ during Track Record Period	975,000 sq.m. per annum
Utilization rate	2006: 44% 2007: 34% 2008: 37% up to 30 September 2009: 17%	2006: 6% 2007: 22% 2008: 37% up to 30 September 2009: 21%	Not applicable
Whether facilities are owned or leased by the Group or are under processing arrangements	Production facilities are leased to the Fuyong Factory under certain tenancy agreements; processing arrangements entered into by Heng Fai International (see "Business – Our Processing Arrangements – Shenzhen Production Facilities")	Production facilities are leased to the Group under certain tenancy agreements (see "Business – Properties Used or Occupied by Us – Properties located in Shanghai, PRC")	To be owned by the Group

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	<u>Shenzhen Production Facilities⁽¹⁾</u>	<u>Shanghai Production Facilities⁽²⁾</u>	<u>Planned Production Facilities</u>
Estimated capital expenditure on any new production facilities	Not applicable	Not applicable	Approximately HK\$100 million (see "Future Plans")
Source of funding of capital expenditure	Internal funding	Internal funding	Proceeds from the [●]

-
- (1) The Group has entered into processing arrangements for the production of building facade products at the Shenzhen Production Facilities. Please refer to "Business – Our Processing Arrangements".
- (2) Netfortune (Shanghai) is currently the lessee of the properties constituting the Shanghai Production Facilities. Please refer to "Business – Properties used or occupied by us".
- (3) This is based on the assumption that we are able to identify a suitable location in the PRC for the Planned Production Facilities in the second half of 2010 and that we are also able to obtain the relevant approvals for construction of the Planned Production Facilities within the second half of 2010.

CUSTOMERS

Our customers are generally the developers or main contractors of property development projects. We have a broad customer base that is distributed in various parts of the world including the U.S., Canada, the Middle East, Singapore, Hong Kong, Macau and the PRC. It is important for us to enforce and implement the stringent quality control guidelines that ensure our customers are satisfied with our products and services and the quality of our products.

Our largest customer accounted for approximately 22.6%, 22.4% and 58.5% of our revenues for each of the three years ended 31 December 2006, 2007 and 2008, respectively. Our five largest customers together accounted for approximately 69.4%, 77.1% and 84.2% of our revenues for each of the three years ended 31 December 2006, 2007 and 2008, respectively. Our largest customer accounted for approximately 38.4% of our revenues for the nine months ended 30 September 2009, and our five largest customers together accounted for approximately 77.7% of our revenues for the nine months ended 30 September 2009. Our single largest customer for the year ended 31 December 2008 accounted for more than half of our revenue in that year as a result of our undertaking the Cosmopolitan Resort Hotel & Casino project. Please refer to "Risk Factors – We are subject to project risks particularly for large scale projects" for further details.

None of our Directors (or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or any of our subsidiaries or any of their respective associates) had any interest in any of our five largest customers during the Track Record Period.

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KEY CONTRACT TERMS

Generally our contracts contain terms relating to the contract price, the scope of work, the payment terms, retention payments, performance bond requirements and warranty provisions. A summary of the key terms of our contracts is set forth below.

Payment Terms

Our contracts with our customers will generally include payment terms. Before we tender for a project, if we believe that the payment terms indicated by the customer are unreasonably long, we will tender for the project conditional upon more favourable payment terms and for the terms to be negotiated after we have been awarded the project.

Progress payments and retention monies

We generally receive either 5% or 10% upfront payment from our customers upon our commencement of contract work. Thereafter, we submit interim payment applications to customers on a monthly basis in respect of the value of the work we have performed in the preceding month, which is required to be certified by the project's architects. Our customers will make payments based on such certificates within 45 days after our submission of interim payment applications. We are not required to complete a certain percentage of projects before issuing invoices to our customers.

Our customers would retain up to 10% of the amount of each interim payment, up to a maximum amount equal to 5% of the total contract price (or up to 10% for our projects located in Hong Kong and PRC). Generally, 50% of the retention money is released upon the issuance of the practical completion certificate of the project with the remaining 50% being released after the expiry of the defect liability period, subject to our client's satisfaction with our work, i.e. upon the issuance of a certification of making good defects, which normally takes place one year after the substantial completion of the project.

Performance Bonds

The property developers or the main contractors by whom we are employed usually require us to provide performance bonds for our projects to ensure due performance of the contract. Under a performance bond, a bank or an insurance company will guarantee the payment to the property owner or the main contractor of an amount equal to 10% or more (depending on the region) of the total contract sum. Such performance bonds are generally released upon the due completion by us of the contracted work or by a certain stipulated date. We are generally required to provide a counter-indemnity and collateral to the bank or insurance company that issues a performance bond. As of 30 September 2009, the total value guaranteed under performance bonds issued by banks and insurance companies amounted to approximately HK\$545 million.

Warranty Periods

Our contracts generally provide for a 10 to 15-year warranty period during which we generally rectify, without any charge, any defects and deficiencies in design of the building facade system, materials and workmanship discovered after completion of the project. We made warranty provisions amounting to approximately HK\$10.3 million, HK\$11.5 million, HK\$10.6 million and HK\$12.3 million as of 31 December 2006, 2007 and 2008, and the nine months ended 30 September 2009, respectively. We incurred warranty expenses of approximately HK\$3.8 million, HK\$1.7 million, HK\$3.8 million and HK\$4.0 million in each of the three years ended 31 December 2006, 2007 and 2008, and the nine months ended 30 September 2009, respectively. The amount of warranty provision is estimated based on the past experience of the level of defective works and the estimation basis is reviewed on an ongoing basis and revised as appropriate.

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Penalties

Building facade contracts typically provide for penalties in the form of liquidated damages to be payable if the project is not completed in accordance with the time schedule specified in the contract. Please refer to the description under the heading "Comparison of key contract terms of our completed projects and outstanding projects" of this section for a summary of the amount of liquidated damages provided in our building facade contracts. Although during the Track Record Period and up to the Latest Practicable Date, we have been able to complete our projects within the timeframe and have not incurred penalties or additional costs as a result of delay in the completion of our projects, there is no assurance that such project delays will not happen in the future.

Comparison of key contract terms of our completed projects and outstanding projects

Set forth below is a comparison of the key contract terms between (i) our projects that were completed during the Track Record Period; and (ii) our outstanding projects as of the Latest Practicable Date:

- **Retention amounts.** The retention amounts in our projects completed during the Track Record Period generally constituted 10% of each progress payment up to a maximum of generally 5% to 10% of the contract sum. In some of our completed projects, retention amounts were not required. The retention amounts in one of our completed projects was 2.5% of each progress payment up to a maximum of 2.5% of the contract sum.

As for our outstanding projects, the retention amounts range from 5% to 10% of each progress payment up to a maximum of 5% to 10% of the contract sum.

- **Performance bonds.** With regard to our projects completed during the Track Record Period, we were generally required to furnish performance bonds amounting to 10% of the contract sum except for one of our projects in which we were required to provide a performance bond amounting to 5% of the contract sum and another project in the U.S. in which we were required to provide a performance bond amounting to 100% of the contract sum in the project. We were not required to furnish performance bonds in some of our completed projects.

For our outstanding projects, we are required to furnish performance bonds amounting to 5% or 10% of the contract sums for some of the projects. We were not required to furnish performance bonds in some of our outstanding projects. In two of our outstanding projects in Canada, we were required to furnish performance bonds amounting to 50% of the contract sum.

- **Warranty period.** The warranty periods for our projects completed during the Track Record Period were generally from 10 to 15 years, except for some of our projects in which the warranty periods were two to five years, respectively. The warranty periods in some of our outstanding projects in North America and Chile range from one to five years. The warranty periods for the other outstanding projects are 10 to 15 years.

The warranty period of 10 to 15 years is in line with the industry norm. The length of the warranty period provided by the Group is generally in accordance with the requirements of the customers, who usually require a relatively long warranty period in order to ensure the durability of the curtain walls, as it is expected to be time-consuming, costly and disruptive to building users to repair or replace the curtain walls.

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- **Warranties.** The warranties provided by the Group to its customers generally cover defects in design, materials and workmanship. The warranties are conditional upon the proper use and maintenance of the building facade products and do not cover damages caused by improper handling or maintenance by other parties, or caused by work not done by the Group or damages caused by repair, maintenance or alteration to building facade products done after the date of completion. Some of the warranties include an undertaking by the Group to indemnify customers against all losses and claims for injury or damage to any person or property which may be caused by the defect in our products or a failure to conform to the warranties, or to make good all defects in materials and workmanship.
- **Penalty.** For our completed projects, the penalty clauses imposed liquidated damages ranging from approximately HK\$21,390 to HK\$680,000 per day for breach of contract. As for our outstanding projects, the liquidated damages range from approximately HK\$10,920 to HK\$680,000 per day.
- The contracts in respect of some of our completed and outstanding projects do not expressly provide for liquidated damages while some of the contracts for our completed and outstanding projects provide that the parties are generally entitled to claim damages for breach of contract based on the actual loss suffered resulting from the breach.
- **Contract period.** The contract periods for both our completed projects and the outstanding projects generally range from one and a half to three years.

Basis of calculation of amounts received or receivable by the Group in respect of its projects

The basis of calculation of the amounts received or receivable by the Group in respect of its projects completed during the Track Record Period and the Group's outstanding projects as at the Latest Practicable Date is generally based on a fixed amount provided in the Group's contracts, which is subject to adjustment based on variation orders, except for the Burj Khalifa project in which the Group received monthly payments based on the cost incurred plus an amount equal to a fixed percentage of the actual costs incurred by Far East Aluminium Works Company Limited (Dubai Branch) ("**Far East Dubai**") and Arabian Aluminium Co LLC ("**Arabian Aluminium**"). Far East Dubai is our subsidiary that worked on the Burj Khalifa project Arabian Aluminium is the party with which we entered into a cooperative arrangement in respect of the Burj Khalifa project. For further details on the basis of payments in the Burj Khalifa project, please refer to "Business – Our Cooperative Arrangements".

CREDIT MANAGEMENT

The credit period of individual customers is considered on a case-by-case basis and set out in the project contracts, as appropriate. We receive payments from our customers in the form of advance payments, progress payments and the release of retention monies. Our customers normally settle our progress payments by cheque or letter of credit.

For each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, our average trade receivable turnover days were 53 days, 76 days, 52 days and 78 days, respectively.

As of 30 September 2009, our trade receivables and retention receivables amounted to approximately HK\$110.1 million and HK\$137.2 million, respectively, out of which HK\$98.2 million and HK\$12.4 million, respectively were subsequently settled as of 31 December 2009.

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As of 31 December 2009, trade receivables and retention receivables amounted to approximately HK\$114.1 million and HK\$135.7 million respectively.

The provisions for impairment of trade and retention receivables are made when there is objective evidence that our Group will not be able to collect part or all of the amounts due under the original terms of the invoice. Such evidence can include probability of insolvency or significant financial difficulties of the debtor and significant changes in market, economic or legal environment that have an adverse effect on the debtor or refusal of payment by debtor due to disagreement with debtor.

The carrying amount of trade and retention receivables is reduced through the use of a provision for impairment account. For each of the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2009, provisions for impairment of trade and retention receivables amounted to approximately nil, HK\$1.2 million, HK\$12.0 million and HK\$3.7 million, respectively.

Our project managers continue to follow up on the recovery of trade and retention receivables after provision for impairment is made against doubtful debts. Our project managers also regularly discuss the recoverability of these doubtful debts with our Directors and senior management. Our Directors and senior management will decide whether legal action should be taken to collect such debts. Impaired debts are derecognised when they are assessed as uncollectible and approved by our Directors and senior management.

For the year ended 31 December 2007, we failed to receive trade receivables amounting to HK\$2.8 million from a customer for services in relating to re-indexing building materials delivered to the project site due to a disagreement on terms of the contract with the customer. In the same year, we sought legal advice on the recoverability of this debts. Based on such legal advice, we determined HK\$1.2 million was irrecoverable and we made provision for impairment for such sum during the year ended 31 December 2007. We initiated legal proceedings against the customer in April 2008.

As of ended 30 September 2009, the lawsuit had not concluded. Management has sought further legal advice on the recoverability of this debt and determined that the unimpaired portion of the debt, amounting to HK\$1.6 million, was irrecoverable. Accordingly, provision for impairment of HK\$1.6 million was made during the nine months ended 30 September 2009.

For the year ended 31 December 2008, we failed to receive trade receivables and retention money totaling HK\$12 million of which HK\$10.3 million were failed to be paid by a customer due to a disagreement as to the amount of contract costs to be paid by the customer. As a result, the customer refused to release the trade receivables and retention money due to us. Provision for impairment was made for these debts in the year 2008 accordingly. Nevertheless, no legal actions have been taken to recover these debts as we considered that the cost of recovery would be excessive and such action would have an unfavourable impact on our reputation in the building facade industry.

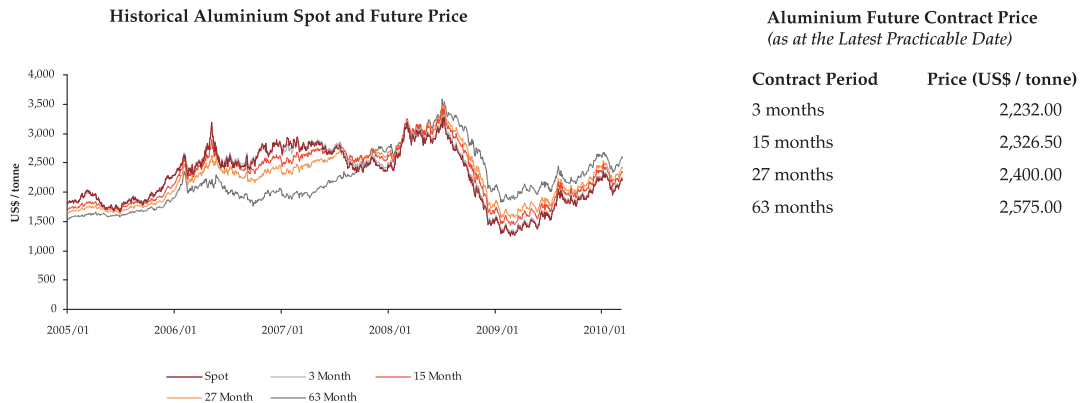
For the nine months ended 30 September 2009, other than the provision for impairment of HK\$1.6 million mentioned above, we failed to receive retention monies on another two projects totaling HK\$2.1 million due to disagreement with customers with respect to the scope of work during the defect liability period. Provision of impairment in relation to these two projects amounted to HK\$2.1 million was made during the nine months ended 30 September 2009 accordingly.

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SUPPLIERS

The principal materials that are used for the fabrication and production of our building facade products include aluminium, glass and sealant. The cost of aluminium accounted for 44%, 37%, 34% and 38% of our cost of materials for each of the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, respectively. The cost of glass represented 16%, 12%, 17% and 14% of our cost of materials for each of the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, respectively.

We purchase aluminium from our suppliers, who are primarily located in the PRC, based on prices quoted on the London Metal Exchange ("LME") which are subject to fluctuations. The average prices of aluminium quoted on the LME for each of the three years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009 were US\$2,569.91, US\$2,640.60, US\$2,576.42 and US\$1,558.94, respectively. Set forth below are (i) a graph showing the trend of the historical aluminium spot and future prices quoted on the LME from 1 January 2005 to the Latest Practicable Date; and (ii) a chart showing the aluminium future contract price for periods ranging from 3 months up to 63 months as quoted on the LME on the Latest Practicable Date.



Source: Bloomberg

Our suppliers also undertake the processing of the aluminium that we purchase from them. We enter into supplementary contracts from time to time to vary the processing fees charged by our suppliers based on changes in economic conditions. Processing fees may be adjusted due to changes in fuel prices, labour costs and general economic conditions. As these processing contracts relate to the processing of aluminium in bulk for our projects globally, we are able to lock in processing fees at competitive levels due to the large quantities of aluminium to be processed under the contracts.

The purchase costs of aluminium (which include the price of the aluminium and the processing fees for the aluminium) for each of the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 were HK\$208.5 million, HK\$118.7 million, HK\$170.1 million and HK\$72.3 million, respectively. The cost of aluminium accounted for 44%, 37%, 34% and 38% of our cost of materials for each of the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, respectively.

The decrease in the percentage of our overall cost of materials represented by aluminium costs from 44% for the year ended 31 December 2006 to 37% for the year ended 31 December 2007, to 34% for the year ended 31 December 2008 was primarily due to (i) a decrease in our volume of aluminium required in 2008 because our projects in Macau, in

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which aluminium was a major building facade material, had already been substantially completed in 2008; and (ii) an increase in our total cost of materials by approximately 53% in 2008 as a result of an increase in the number of projects undertaken by the Group in 2008. Such projects required materials other than aluminium, such as glass and sealant in greater quantities, leading to an increase in the purchase costs of such materials.

We do not have any minimum purchase commitment with our suppliers of aluminium. During the Track Record Period, we did not utilize any hedging instruments to hedge against fluctuations in the price of the aluminium. In order to manage the impact of fluctuations in the price of aluminium on our results of operations, we have implemented the following procedures:

- a buffer is provided for increases in aluminum prices in setting our budgeted costs;
- procurements are generally made according to the progress of the project. At the same time, our procurement department closely monitors the price of aluminum on a daily basis and reports their observations to our chief executive officer who considers whether the Company should take action at certain stages if there is any unanticipated or adverse change in the price of aluminum;
- as part of our overall cost management system, our cost control department regularly reviews the budget costs incurred for each project, including the cost of aluminium and other materials on a monthly basis and reports the relevant information to our chief executive officer; and
- revise the design without affecting the client's specifications in order to achieve savings in material costs, compared to the budgeted costs.

In light of the above procedures, we have managed to lock in prices at levels that are favourable to us based on our assessment of the future trends of the price of aluminium, our budget for the project and our requirement for aluminium at the relevant time.

We purchase glass on a project-by-project basis because the types and features of glass required for each project are different. We usually purchase glass in accordance with the client's specification and generally take into account the purchase price of glass in our tenders or in our budgeted costs for the project. We usually obtain price quotes for glass when we tender for a project and will place orders with our suppliers based on such quotes after we have been awarded the project. As such, we are generally not subject to significant price fluctuations between the time when we bid for a project and the time when we place orders for glass. The purchase costs of glass for each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 was HK\$75.7 million, HK\$37.3 million, HK\$82.9 million and HK\$27.2 million, respectively. The cost of glass represented 16%, 12%, 17% and 14%, respectively, of our overall cost of materials for each of the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009. The decrease in the purchase costs of glass in 2007 of approximately HK\$38.4 million, or approximately 50.7%, was due to a smaller number of projects undertaken by us in 2007. In 2008, the cost of glass increased by HK\$45.6 million, or approximately 122%, because of an increase in the number of projects undertaken in 2008 that required a larger amount of glass.

We purchase sealant from a supplier with whom we have placed orders for the past three years. The price of sealant, which is one of our other major raw materials, is generally stable because we usually enter into contracts for the purchase of sealant in the beginning of the year based on our estimate of the quantity of sealant required for that year.

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We usually review the material costs incurred or to be incurred at monthly cost review meetings in order to identify significant changes in such costs and to take any necessary steps to effectively manage our costs.

Our largest supplier accounted for approximately 11.1%, 14.2% and 13.5% of our cost of materials for each of the three years ended 31 December 2006, 2007 and 2008, respectively, and our five largest suppliers together accounted for approximately 37.5%, 47.9% and 33.3% of our cost of materials for each of the three years ended 31 December 2006, 2007 and 2008, respectively. Our largest supplier accounted for approximately 24.1% of our cost of materials for the nine months ended 30 September 2009, and our five largest suppliers together accounted for approximately 41.0% of our cost of materials for the nine months ended 30 September 2009. Our five largest suppliers do not include subcontractors.

None of our Directors (or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or any of our subsidiaries or any of their respective associates) had any interest in any of our five largest suppliers during the Track Record Period.

OUR SUBCONTRACTORS

We engage subcontractors to undertake the installation work for our projects. For most of our projects, we generally hire local subcontractors locally to undertake the installation work at the project sites. Factors that we consider in selecting subcontractors include the prices quoted by the potential subcontractor, the quality of the work done by the potential subcontractor and their efficiency and timeliness in completion of the work. We also retain a stipulated percentage of the subcontract sum to ensure that the subcontractors complete the work on time.

OUR COOPERATIVE ARRANGEMENTS

Our subsidiary, Far East Dubai entered into a memorandum of agreement, dated 7 December 2006, a joint venture agreement, dated 21 December 2006 and supplemental conditions of joint venture agreement, dated 21 December 2006 (collectively, the "**Burj Khalifa Agreements**") with Arabian Aluminium in respect of the design, supply and installation of the building facade system for the Burj Khalifa project. Pursuant to the Burj Khalifa Agreements, Arabian Aluminium was responsible for all expenditures incurred in connection with the project and made monthly payment to Far East Dubai based on the actual costs incurred, plus an amount equal to a fixed percentage of the costs incurred by Far East Dubai and Arabian Aluminium in the project (the "**Cost Plus Uplift**"). Such costs refer to all expenditure made by either or both parties solely for the purpose of execution of the project including but not limited to all materials, plant equipment (whether permanent or temporary), labour, staff, traveling expenses and accommodation.

The Cost Plus Uplift is not equivalent to the contract sum of the project. Under the Burj Khalifa Agreements, the amounts to be paid by Arabian Aluminium to Far East Dubai for the work done in the Burj Khalifa project will be computed based on the Cost Plus Uplift. Unlike the Group's other building facade contracts, the Burj Khalifa Agreements do not provide for a specified sum to be paid under the contract for the work done by Far East Dubai.

Arabian Aluminium is the subcontractor in the Burj Khalifa project and Arabian Aluminium has, through the cooperative arrangement, further subcontracted the work to Far East Dubai. Under the Burj Khalifa Agreements, Arabian Aluminium does not provide financing to Far East Dubai and there are no profit or revenue sharing arrangements between Arabian Aluminium and Far East Dubai.

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Under the terms of the Burj Khalifa Agreements, Arabian Aluminium retained 2.5% of the total value of the payments made to Far East Dubai as retention amounts, 50% of which shall be released on completion of installation and the balance to be released on the expiration of the defects liability period.

Other than the Burj Khalifa project as mentioned above, there are no cooperative arrangements in respect of the other projects of the Group during the Track Record Period.

OUR QUALITY CONTROL PROCESS

We undertake quality management at various stages of our work process. We impose strict quality control standards and closely monitor the quality of the workmanship of our subcontractors. Apart from implementing quality control standards at the design, materials procurement and installation stages, we undertake various tests (described below) during and after installation of our building facade products to ensure that our products and services meet our high quality standards.

Water leakage test

During this test, water is sprayed at the exterior of the curtain wall at water pressures stipulated in the standards of the American Architectural Manufacturers Association ("AAMA") to simulate heavy rain falling onto the curtain wall. We follow testing procedures specified by standards of the AAMA. During the test, we have inspectors located in the building to check for water leakage.

Bolts connection test

We conduct thorough checks on the connecting bolts of the brackets of the curtain wall to ensure that the bolts have been tightened to the appropriate torque. This test is very important because the curtain wall panel is structurally held on to the building by these connecting bolts, which in turn transmit the wind load and dead load of the curtain wall panels to the concrete building structure. We use a calibrated torque wrench to check each connection bolt to ensure that it is tightened to the correct torque as set out in our design specifications.

Fire resistance

Our designs generally include fire resistance features that are designed to confine fires to a particular floor (usually for approximately two hours) so as to prevent fire from spreading to the higher floors. It is critical that we ensure that the fire safing material that is used to fill up the gap between the floors are completely sealed up and that such material is of the correct thickness.

Welding tests and inspection

We employ qualified inspectors to conduct careful checks to ensure that all weldings of structural steel members and components that are part of the installation are done according to the requisite standards. These inspectors issue certified testing reports to the relevant building authorities as necessary.

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PROPERTIES USED OR OCCUPIED BY US

Corporate headquarters

Our corporate headquarters are located at 17/F, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong, which is leased by us. The lease expires in April 2011. In addition, we currently own and lease certain other properties that are used as offices and staff quarters. As of the Latest Practicable Date, we were lessees under 18 tenancy agreements worldwide, including in Dubai, UAE, the U.S., Canada, Shanghai, the PRC and Singapore. We leased such properties for use by our branch offices and as staff quarters globally.

Properties located in Shanghai, PRC

Netfortune (Shanghai) is the tenant in respect of the Shanghai Production Facilities. As the lessors to the Shanghai Production Facilities do not possess property rights certificates for their respective properties or any other documents evidencing their property rights, our PRC legal advisors have advised us that there is a risk that Netfortune (Shanghai) could lose the right to continue using the Shanghai Production Facilities. In addition, as the lessors have not obtained the fire safety certificate, the construction planning licenses or government approvals for construction and occupation in respect of the Shanghai Production Facilities, our PRC legal advisors have advised us that there is a risk that the Shanghai Production Facilities may be considered to have been constructed in violation of relevant laws and that the relevant government authorities may order the demolition of or the cessation of use of such properties. This would result in Netfortune (Shanghai) being unable to continue using the Shanghai Production Facilities. As of the Latest Practicable Date, Netfortune (Shanghai) had not received any notice from the government authorities ordering the demolition or the cessation of use of the Shanghai Production Facilities.

Our PRC legal advisers have advised us that failure to obtain the relevant property certificates, construction planning licenses, government approvals for construction and occupation or the fire safety certificate may result in penalties being imposed on the lessor or the relevant organization in charge of construction of the properties and that penalties will not be imposed on the Group as the lessee of the properties.

There are four tenancy agreements relating to the leased properties that constitute the Shanghai Production Facilities. The first tenancy agreement expired on 9 January 2010 and we have extended the tenancy agreement to 31 March 2010.

The second tenancy agreement provides that if either party terminates the agreement without cause, the terminating party shall compensate the other party an amount equal to 50% of the annual rent. The second tenancy agreement provides for an annual rent of RMB219,000, with a tenancy period commencing from 15 July 2009 to 14 July 2010.

Under the third tenancy agreement, if either party provides one month's notice to the other party of early termination of the agreement, such termination shall not be deemed as a breach of the agreement. There is no expiry date for the third tenancy agreement.

The fourth tenancy agreement provides that if Netfortune (Shanghai) terminates the tenancy agreement prior to the expiration of the agreement, it has to pay to the lessor compensation amounting to 40% of the annual rent. The fourth tenancy agreement provides for an annual rent of RMB345,400 (including 10% tax), with a tenancy period commencing from 31 July 2006 to 1 August 2011.

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Our PRC legal advisers have advised us that if we relocate our production facilities to a new location and cease to perform our obligations under the Shanghai Production Facilities tenancy agreements, the lessor may be entitled to claim damages under the termination clauses of such agreements through legal proceedings. Our PRC legal advisers have also advised that the tenancy agreements may be deemed as invalid and unenforceable as a result of the failure on the part of the lessor to apply for the relevant property certificates for the leased properties, construction planning licenses and government approvals for construction. If the tenancy agreements are finally determined by the appropriate judicial authorities to be invalid, the termination clauses in the tenancy agreements may not be binding on, and may not be enforceable against, the lessor or Netfortune (Shanghai).

Our Shanghai Production Facilities were important to our operations during the Track Record Period and up to the Latest Practicable Date because the building facade products for our projects in the PRC, including the Shanghai IFC project, were fabricated at the Shanghai Production Facilities. During the Track Record Period, the percentage of our total building facade materials that were manufactured at the Shanghai Production Facilities was approximately 9%. However, as we plan to cease using the Shanghai Production Facilities as soon as we complete the fabrication of the building facade products for the Shanghai IFC project, which is expected to be in March 2010, and the procedures regarding rectification of property rights are unlikely to be completed by the first quarter of 2010, we do not plan to take steps with regard to the rectification of property rights relating to the Shanghai Production Facilities.

We expect that the costs incurred in connection with the cessation of the use of the Shanghai Production Facilities to be approximately RMB1.2 million. Such costs include the costs involved in moving all the machinery from the Shanghai Production Facilities to the Shenzhen Production Facilities after we cease to use the Shanghai Production Facilities, terminating the employment contracts of certain employees and relocating certain employees to the Shenzhen Production Facilities, and the early termination of the fourth tenancy agreement and the payment of rent under the second tenancy agreement up to the expiration of the lease.

In the event that we lose the right to use the Shanghai Production Facilities prior to completion of the project, we believe we will be able to outsource the production work to a third party within a reasonably short timeframe of around two weeks with little or no impact on or disruption to our business operations.

The estimated time required for us to relocate from the Shanghai Production Facilities to a new location in Shanghai is approximately 26 days in total. The initial stages of the relocation involve checking and inspecting the utilities and the telecommunications facilities in the new factory and the living facilities of the production team, shifting part of the equipment to the new production facilities and installing of such equipment, and moving part of our production team and building facade materials. The remaining equipment and building facade materials and the rest of our production team will be shifted to the new production facilities subsequently, and our production capacity will be gradually restored. The estimated cost of such relocation is approximately RMB140,000. We plan to implement our moving process in a few stages such that the relocation will not have a material impact on our production capacity and our operations.

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INTELLECTUAL PROPERTY

We have registered in Hong Kong the trademarks of "F.E." (logo and device) to protect our corporate name. We have also registered patents in Hong Kong and in the PRC for our louvre system and curtain wall installation equipment, our equipment used to transport curtain wall panels within the Shanghai Production Facilities and our connecting structures used on curtain wall panels. We have applied to register certain curtain wall installation equipment in the PRC, in order to protect the intellectual property relating to our products and our installation methods. For additional information, please refer to the section entitled "Intellectual property rights of our Group" in Appendix VII to this document.

We have also registered the domain name of www.fareastglobal.com as the website of our Group on the Internet.

COMPETITION

The curtain wall industry is a highly specialized industry with several key players. Factors that customers are likely to consider before engaging building facade subcontractors include the reputation, track record, the quality of the design, services and products, the efficiency and timeliness in completing the project, and the prices quoted by the subcontractors. We compete with international high-end building facade providers on the basis of the quality of our design, products and services, and our cost advantages in labour, procurement of materials and fabrication of our products. Our existing and potential competitors include key players in Hong Kong such as Permasteelisa Hong Kong and Chevalier (Aluminium Engineering) and major international curtain wall companies such as Benson Global and Permasteelisa Group. We believe we are able to provide quality products and services that meet international standards in a cost-effective and efficient manner. We believe we have a competitive edge over local building facade providers in Hong Kong based on our technical competency and experience acquired from our projects undertaken globally.

INSURANCE

All our building facade projects are normally protected by contractor's all-risk and third party liability insurance which, depending on the terms of the relevant contracts, are taken out either by the customers or us. Such insurance policies generally cover for the entire contract period.

ENVIRONMENTAL MATTERS

We are subject to the environmental laws and regulations of the jurisdictions in which we operate and where our projects are located. These jurisdictions include Canada, Chile, Hong Kong, the PRC, Singapore, the UAE and the State of Nevada, USA (the "**Relevant Jurisdictions**"). Please refer to Appendix V to this document for summaries of the applicable environmental laws and regulations of the Relevant Jurisdictions.

Netfortune (Shanghai) has not made the relevant environmental applications for the Shanghai Production Facilities because we expect that the Shanghai Production Facilities will no longer be in use by the end of the first quarter of 2010 and it is unlikely that such applications would be completed by the first quarter of 2010.

During the Track Record Period and as at the Latest Practicable Date, save as disclosed above, there have been no material violations of applicable environmental laws and regulations in the Relevant Jurisdictions, nor have there been any material claims against our Company involving non-compliance with any applicable environmental laws or regulations.

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LABOUR, HEALTH AND SAFETY MATTERS

We are subject to laws and regulations relating to labour, health and safety of the Relevant Jurisdictions. Please refer to Appendix V to this document for summaries of the applicable labour, health and safety laws and regulations of the Relevant Jurisdictions.

During the Track Record Period, there were no material violations of any applicable labour, health or safety regulations in the Relevant Jurisdictions by us, nor were there any material claims against our Company relating to labour, health and safety issues. The Directors consider that employment of illegal workers has not been and will not be an issue for our Group. The Directors further consider that there is no potential material risk to the Group relating to the employment of illegal workers by its sub-contractors, as our Group does not hire illegal workers and it is customary that under the sub-contracting agreements we enter into, our sub-contractors are obliged to record workers' details and to enter into agreements with their workers, a copy of which should be delivered to us together with copies of identification documents of the workers from time to time. We believe we have taken sufficient and appropriate measures in verifying the eligibility of the workers hired by our subcontractors.

We endeavour to ensure that we comply with all relevant laws and regulations on labour, health and safety in the Relevant Jurisdictions by evaluating the hazards of our projects and preparing risk assessments of our jobsites, which are reviewed and updated periodically to include new items that were not previously included, such that any unsafe conditions not covered by the risk assessments will be corrected. The safety representative at the worksite is required to ensure that the site personnel receive the relevant safety training and undergo the induction course provided by the main contractor such that the site personnel become familiar with the specific conditions of the job site. In addition, the safety representative has to ensure that all personnel wear the protective equipment at the jobsite, evaluate the jobsite for any unsafe conditions prior to the start of work each day and take appropriate steps to eliminate exposure to hazard our conditions at the jobsite.

Our Directors recognise the importance of safety and the avoidance of accidents on construction sites, in relation to which we have compiled for each jurisdiction in which we operate a safety plan and policy which govern a wide range of potential hazards that may occur on our work locations. The safety plans and policies are reviewed from time to time to ensure they can effectively assist us in avoiding accidents. Moreover, preventive measures such as risk assessment has been conducted on each of our projects at the outset to identify the risks associated with such project, to determine and subsequently implement certain precautionary measures. Such precautionary measures typically include: (i) the provision of safety training to workers on the construction sites; (ii) the provision of safety and protective equipment, such as fall arrestor and boots, to workers; (iii) the engagement of competent persons to install, maintain and/or inspect certain equipment or tools which may potentially cause significant hazards, such as the electric powered tools and lifting equipment; and (iv) implementing effective means to disseminate instructions and information to our staff.

However, despite our commitment and effort to providing a safe working environment, due to the nature of our operations and the inherent risks associated with work on construction sites and our working environment, work-related accidents (some of which are neither attributable to nor controllable by us) are unfortunately inevitable. During the Track Record Period, one of the employees of our Group was involved in a fatal accident in our usual course of operations. In May 2008, a construction worker of Far East Aluminium Works Company Limited (Dubai Branch) ("**Dubai Branch**") died in an accident on the construction site of the Sama Tower in which Dubai Branch was the sub-contractor. Although this accident was not attributable to Dubai Branch, the Dubai Court ruled that

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without attributing specific responsibility and liability for the tragedy, all companies working on such construction site, including the main contractor and employees of the sub-contractor, shall all be responsible for the death of such construction worker and that two employees of Dubai Branch, who were then the site manager and site officer, were each ordered to pay a fine of AED2,010 (approximately HK\$4,221) and compensation of AED50,000 (approximately HK\$105,000) to the court. All such payments were settled by the Dubai Branch in July 2009.

In addition, in July 2006, an employee employed by a sub-contractor of Far East Aluminium Works Company Limited was involved in a construction accident in Hong Kong, and the sub-contractor was prosecuted for this accident. The administrators of the estate of the deceased initiated claims for damages against the main contractor, the sub-contractor and us (the "**defendants**"), and the claims were settled by the defendants agreeing to pay the total damages of HK\$2,250,000, which was fully covered by the insurance policy maintained by the main contractor. Our Directors are of the view that this accident has no adverse impact on our safety records.

Save for the above, our employees or workers may be involved in accidents resulting in injuries from time to time given the nature of our operations. We have taken out insurance in compliance with applicable laws and regulations with a view to providing adequate coverage for such work-related injuries for our employees and we have not incurred any material liabilities as a result thereof. As such, these accidents do not have a material impact on our Group's operations.

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

World Eastern Cladding Works (LLC) ("**World Eastern**"), one of the subsidiaries of our Company, initiated arbitration proceedings against Al Shafar General Contracting LLC ("**Respondent**") in the Dubai International Arbitration Centre ("**DIAC**") in June 2009 in relation to the termination of the subcontracts ("**Subcontracts**") entered into by World Eastern and the Respondent for the three projects located in the Business Bay ("**Projects J251 and J252**") and the Dubai Land ("**Project J253**") areas. The Respondent was the appointed contractor and World Eastern was the appointed subcontractor for these three projects tasked with the installation of metal, aluminium and glazing works.

In October 2008, the Respondent terminated the Subcontracts alleging that World Eastern had failed to submit the required bank guarantees, which were to be used as performance bonds to guarantee World Eastern's obligations under the Subcontracts, within 28 days from receipt of its letter of appointment. World Eastern disputed the allegations, on the basis that it had in fact submitted a draft bank guarantee to the Respondent for its approval pursuant to the terms of the Subcontracts for Projects J251 and J252 and that the Respondent terminated the Subcontracts for Projects J251 and J252 whilst the preparation of the related bank guarantees was still in process. With regard to the Subcontract for Project J253, the parties had initially agreed that World Eastern would submit the requisite bank guarantee after receiving the confirmation of the construction period from the Respondent. However, the Respondent failed to provide such confirmation and terminated the Subcontract for Project J253 instead.

World Eastern is of the view that the submission of bank guarantees was not a condition precedent of the Subcontracts, that those Subcontracts had been wrongly terminated by the Respondent and that it had carried out its duties diligently in proceeding with its works and had updated the Respondent regularly regarding the status of progress, including the installation works and material deliveries since the commencement of the construction of the three projects. World Eastern thus claimed against the Respondent for compensation of works done, costs and expenses and other associated amounts. The total

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sub-contracting amount of these Subcontracts is AED124,050,000 (approximately HK\$260,505,000) and the amount of compensation claimed by World Eastern is AED38,432,000 (approximately HK\$80,707,200). During the Track Record Period, no revenues were recognized in respect of these three projects nor were retention monies retained by the Respondent.

The following table sets forth a summary of the amounts of contract costs incurred, amounts of provision for expected loss, amounts charged to profit or loss and amounts carried forward as amounts due from/(to) customers for contract works of Projects 251 and 252 and Project 253 during the Track Record Period:

	For the year ended 31 December			For the nine months ended September
	2006	2007	2008	2009
	<i>(in HK\$ thousands)</i>			
Contract costs incurred for the year/period	–	385	13,106	1,383
Provision for expected loss for the year/period	–	–	6,674	–
Amounts charged to profit or loss for the year/period	–	–	20,165 ⁽¹⁾	–
Amounts carried forward as amounts due from/(to) customers for contract work.	–	385	(6,674) ⁽²⁾	(5,291) ⁽³⁾

(1) The amounts charged to profit or loss for the year included the contract costs incurred in 2007 of HK\$385,000, contract costs incurred in 2008 of HK\$13,106,000 and provision for expected loss made in 2008 of HK\$6,674,000.

(2) The amount represents provision for expected loss carried forward as at 31 December 2008.

(3) The amount represents provision for expected loss brought forward from 31 December 2008 of HK\$6,674,000 less amount of contract costs incurred during the nine months ended 30 September 2009 of HK\$1,383,000.

Our directors confirm that full provision has been made for the expected loss on the Projects J251 and J252 and Project J253.

The Respondent denied all of World Eastern's allegations and in response counterclaimed for damages for breach of the Subcontracts by World Eastern based on the aforesaid alleged default by World Eastern in providing the requisite bank guarantees. The Respondent further claimed that it was entitled to terminate the Subcontracts by alleging the failure on the part of World Eastern in performing its work on schedule. The Respondent has not yet quantified its counterclaim. On 15 October 2009, DIAC accepted the combination of the above disputes into one arbitration proceeding.

To date, our Directors believe based on advice from our claim consultant in Dubai that World Eastern has merits in the arbitration proceeding for the above disputes. However, the result of the arbitration proceeding is uncertain and will largely depend on, among others, the arbitrator(s)'s interpretation of the terms of the Subcontracts applicable to the case put forward by World Eastern and the counterclaim of the Respondent, and its decisions on other relevant factors. The arbitration proceeding will take some time to resolve and our Company cannot predict when this will be ultimately resolved. Despite the impending status and the uncertainty of the outcome of the arbitration proceeding, our Directors are of the view that the operation and business of our Group will not be affected

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or interrupted by the arbitration proceeding. In addition, as the Respondent has not yet quantified the counterclaim against our Group, our Directors believe that the possibility of an outflow of resources to settle the counterclaim is remote. Therefore, no provision for the counterclaim has been made.

During the Track Record Period and save as disclosed above, we were not involved in any material legal or other disputes in the ordinary course of business. As at the Latest Practicable Date and save as disclosed above, we were not involved in any outstanding material legal proceedings or claims pending against us and were not aware of any such threatened claims; and we had not received any material claims from our customers for failure or delay in completing our projects, or for defects in our products or workmanship, or other claims in connection with our building facade products or services. Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, there was no material outstanding material litigation or dispute with the developers, main contractors and workers arising from the delay or suspension of the projects.

On 17 September 2009, the office of our indirect wholly-owned subsidiary in Hong Kong, FEA, at 17/F, Eight Commercial Tower, No. 8 Sun Yip Street, Chaiwan, Hong Kong was raided by the Hong Kong Customs and Excise Service ("**Customs**") on suspicion that certain (i) computer hard disks installed with computer software programmes in electronic form were infringing copies of copyright works and (ii) computers and computer accessories which appeared to contain or likely to contain evidence of an offence under the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) could be found on FEA's premises. On that date, Customs seized 53 computers containing a total of 55 computer hard drives from FEA.

As a result of the raid, our CEO, Mr. Kwok Yeung Kwong ("**Mr. Kwok**") and two employees who were the technical director and the IT manager of FEA, were arrested for suspected violation of the Copyright Ordinance. They have been released on bail and no charges have been laid against them as of the Latest Practicable Date. The responsibilities of the technical director of FEA include providing sufficient IT support for FEA's business. The roles and responsibilities of an IT manager include providing the network application support for different applications and configuring the user and server environments in accordance with FEA's IT policy. As at the Latest Practicable Date, no charges or civil claims have been made against us, any member of our Group, our Directors or employees.

The maximum penalty imposed for violation of the relevant provisions of the Copyright Ordinance is a fine of up to HK\$50,000 per infringing copy and imprisonment of up to four years. If the Company is found to be responsible for all the alleged infringing copies, the maximum total fine which can be imposed in respect of all 55 infringing copies is HK\$2.75 million. As the possible fine that may be imposed on the Group is immaterial, no provision have been made and no contingent liabilities are disclosed in the consolidated financial statements of the Group in relation to the suspected copyright infringement. The Directors have taken legal advice from the Company's legal advisers and confirm that taking into account the circumstances of the case, it is unlikely that an imprisonment term will be imposed on the Company or its Directors or senior management.

Under the Copyright Ordinance that is in force as of the Latest Practicable Date, a director who, at the time of the commission of the relevant offence, was responsible for the internal management of the company, would be presumed to have committed the offence. If there was no such director, any person who was responsible under the immediate authority of the directors for the internal management of the company would be presumed to have committed the offence.

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The Directors have taken legal advice from the Company's legal advisers and confirm that it is unlikely that our CEO, Mr. Kwok will be held liable for a breach of the Copyright Ordinance for reasons including that the alleged infringements include infringements in respect of software installed prior to 2008. However, Mr. Kwok assumed the position of CEO only in early 2008. Although Mr. Kwok assumed the position of Chief Operating Officer ("COO") prior to 2008, his duties as the COO did not include IT-related matters. The Directors have also taken legal advice and confirm that it is unlikely that the other Directors will be held liable for a breach of the Copyright Ordinance. Each of Mr. HUANG Brad and Mr. Huang Guangyu were not involved in the day-to-day internal management of our Company at the time the suspected copyright infringements were alleged to have been committed (the "material time"). As members of the core management team Mr. Ko Chuk Kin, Herbert and Mr. Chiu Lok Man participated in management meetings of Far East Aluminium Works Company Limited in their respective capacities as commercial director and design director during the Track Record Period and at the material time. However, business transacted at these management meetings include the day-to-day management of our Group, and Mr. Ko and Mr. Chiu contributed to such functions of the management meetings by addressing matters relating to their expertise but did not participate in the internal management of our Group, that is the management of internal affairs outside of their scope of expertise, including IT-related matters. As for our independent non-executive directors, none of them had joined the Group at the material time.

Further, taking into account the circumstances of the case, including but not limited to the fact that sufficient budget had been set aside and money was actually spent by the Company to acquire the computer software used and that policies or practices had been introduced against the use of infringing software, it is possible to rebut the presumption under the Copyright Ordinance. With regard to this, the Directors are of the view that the fact that the Group spent approximately HK\$1.6 million in 2008 and approximately HK\$2.2 million during the period from January to November 2009 on software and hardware acquisition, and its acquisition of more than sufficient licenses for many other types of software could be used as evidence in rebutting the presumption.

We have sought advice from our internal control consultant, RSM Nelson Wheeler Consulting Limited, and have commenced the implementation of the following remedial actions:

- (i) we have implemented stricter policies and procedures with regard to the installation of software in the computers in our office to ensure that similar incidents will not occur in the future. We carry out regular spot checks on any suspected infringement, and detailed information of every computer in our Company, including the names of the users, the contents of the system in use, newly installed or removed programs, the information regarding the person in charge in our subsidiaries will be sent to our IT department regularly. We will also collect the verification documents in relation to the software programs that are being used in those computers;
- (ii) we have put in place a mandatory procedure under which our system engineer will inspect the software programs that are installed in each of our Company's computers on a regular basis. An identification sticker will be placed on every computer which has been inspected indicating the software that has been installed in that computer and the installation date of the software;

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- (iii) our IT manager has carried out and will continue to carry out an internal audit at intervals of three months to check all our computers to avoid any installation of illegal or pirated software and will submit an audit report to our management. Such audit report will have to include all the details of the software licenses together with the user information and will be cross-checked against the total number of licenses held by our Company;
- (iv) we will implement centralized control of all user accounts and will launch the domain login authentication in the first quarter of 2010. No administrative rights will be assigned to the users of the computers in our Company. This will prevent the unauthorized installation of the software by the users; and
- (v) our human resource and administrative staff has conducted and will continue to conduct spot checks on all computer stations to monitor the implementation of these internal controls.

The internal control procedures mentioned above, which involve the close monitoring by the Company of the software programs installed in the Company's computers, are generally adequate to prevent recurrence of the suspected copyright infringement incident.

REGULATORY COMPLIANCE

We serve a global customer base that is distributed in various parts of the world including the State of Nevada, USA, Canada, the UAE, the PRC, Hong Kong, Macau, Singapore, Japan and South America. Our operations are therefore subject to the legal and regulatory provisions of the relevant jurisdictions in which we operate.

Please refer to Appendix V headed "Summary of principal legal and regulatory provisions" to this document for the principal laws and regulations applicable to our Group's operations in the State of Nevada, USA, Canada, the UAE, the PRC, Hong Kong, Macau, Singapore and Chile, respectively.

We are in compliance in all material respects with the applicable laws and regulations (including those relating to environmental matters, labour, health and safety matters) in the relevant jurisdictions in which we currently have operations. In addition, the Directors have taken legal advice from the Company's legal advisers and confirm that, except for the commercial license of the Far East Aluminium Works Company Limited (Dubai Branch) which is currently in the process of being renewed as per standard practice and procedure in the UAE, the relevant members of our Group have obtained all approvals, permits, certificates and qualifications that are necessary for our Group's operations in all such jurisdictions during the Track Record Period and as at the Latest Practicable Date.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Controlling Shareholders

Showmost will become our immediate Controlling Shareholder, holding approximately 50.4% of the issued share capital of our Company. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Showmost is wholly-owned by LCF II Holdings, Limited (which in turn is wholly-owned by Lotus China Fund II, L.P.) and as such, both LCF II Holdings, Limited and Lotus China Fund II, L.P. are regarded as our Controlling Shareholders. Save as for the indirect interests in the Shares through Showmost, none of LCF II Holdings, Limited and Lotus China Fund II, L.P. has any interests in the Shares. Set out below is further information of our Controlling Shareholders and their related entities:

(i) *Showmost*

To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Showmost is a limited-liability company incorporated under the laws of the BVI and owned as to 100% by LCF II Holdings, Limited. Showmost is an investment holding company and has been used as a special purpose vehicle for the acquisition of the entire issued share capital of our Company from CATIC in December 2007 and for the holding of the equity interest in our Company. Mr. HUANG Brad, our chairman and an executive Director, is a director of Showmost Group Limited.

(ii) *LCF II Holdings, Limited*

To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, LCF II Holdings, Limited is a limited-liability company incorporated under the laws of the BVI and owned as to 100% by Lotus China Fund II, L.P. LCF II Holdings, Limited is an investment holding company for holding the equity interest of Showmost.

(iii) *Lotus China Fund II, L.P.*

To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Lotus China Fund II, L.P., a Cayman Islands limited partnership founded in 2006, is a private equity fund with limited partners comprising principally endowments, institutional and other investors, who collectively own as to approximately 98.4% of the partnership interests in Lotus China Fund II, L.P. and are independent from, not connected or associated with, and not acting in concert with the general partner or investment manager of Lotus China Fund II, L.P. The remaining partnership interests of approximately 1.6% in Lotus China Fund II, L.P. is owned by Lotus China GP, Limited, a limited liability company incorporated under the laws of the BVI and which is also the general partner of Lotus China Fund II, L.P.

Lotus China Fund II, L.P. is not required to return invested capital to their investors upon request. Lotus China Fund II, L.P. has invested in a diversified portfolio of China-related businesses. The objective of Lotus China Fund II, L.P. is to achieve long-term capital appreciation by making direct equity or equity-related investments in companies, joint ventures, or other entities established in China or that have or are expected to have significant assets, investments, production, trading, relationships or other business interests in or related to China. Lotus China Fund II,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION

L.P. intends to focus on situations in which it will have a meaningful relationship and significant influence with its portfolio companies' management and a significant ownership position in such companies. Since December 2007, Lotus China Fund II, L.P. has invested in our Company through the immediate subsidiaries, LCF II Holdings, Limited and Showmost. To the best of our Directors' knowledge, Lotus China Fund II, L.P. will continue to control, and will be deemed to be interested in, a significant stake in the issued share capital of our Company through these two subsidiaries, details of which have been disclosed in the section headed "Substantial Shareholders" in this document. Lotus China GP, Limited, in its capacity as the general partner of Lotus China Fund II, L.P., has appointed Lotus Capital Investment Management, Limited as the investment manager of Lotus China Fund II, L.P.

(iv) Lotus China GP, Limited

To the best of our Directors' knowledge, Lotus China GP, Limited is a limited liability company under the laws of the BVI and is wholly-owned by Lotus Capital Finance Corp. As disclosed above, Lotus China GP, Limited is the general partner of Lotus China Fund II, L.P. and owns as to approximately 1.6% of the partnership interests in Lotus China Fund II, L.P. Mr. Huang Guangyu, our non-executive Director, is a director of Lotus China GP, Limited.

(v) Lotus Capital Investment Management, Limited

To the best of our Directors' knowledge, Lotus Capital Investment Management, Limited is a limited liability company under the laws of the BVI and is wholly-owned by Lotus Capital Finance Corp. It is a private investment company whose predecessors were founded in 1992 and has been pursuing its private investment efforts for over 15 years. Lotus Capital Investment Management, Limited is the investment manager of Lotus China Fund II, L.P., pursuant to a management agreement dated 15 March 2006 whereby Lotus Capital Investment Management, Limited has agreed to provide portfolio management and administrative services to Lotus China Fund II, L.P. The investment approach of Lotus Capital Investment Management, Limited is to acquire companies at reasonable valuations and to support these investments with a hands-on, value-added operational strategy to generate superior investment returns. Mr. Huang Guangyu, our non-executive Director, is a director of Lotus Capital Investment Management, Limited.

Since the establishment of Lotus Capital Management (an affiliate of Lotus Capital Investment Management, Limited by virtue of the controlling stake of it being owned by Lotus Capital Finance Corp., which in turn owns the controlling stake in the equity interests in Lotus China GP, Limited and Lotus Capital Investment Management, Limited), Mr. HUANG Brad has been acting as its chief executive officer. Mr. HUANG Brad, in his capacity as the chief executive officer of Lotus Capital Management, also participates in the discharge of the duties by Lotus Capital Investment Management, Limited in managing the investment portfolio companies of Lotus China Fund II, L.P. Such duties include evaluating and negotiating promising investment proposals to Lotus China Fund II, L.P., monitoring the management and operations of the investment portfolio companies of Lotus China Fund II, L.P. (including, for example, our Group), monitoring the business and affairs of Lotus China Fund II, L.P., and advising Lotus China Fund II, L.P. as to disposition opportunities.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION

(vi) *Lotus Capital Finance Corp.*

To the best of our Directors' knowledge, Lotus Capital Finance Corp. is a limited liability company incorporated under the laws of the BVI and is owned as to a controlling stake by Mr. Huang Guangyu, our non-executive Director. Lotus Capital Finance Corp. is an investment holding company which owns the majority of the equity interests in Lotus China GP, Limited, Lotus Capital investment Management, Limited and Lotus Capital Management (of which Mr. HUANG Brad is the chief executive officer).

Independence from the Controlling Shareholders

As at the Latest Practicable Date, none of our Controlling Shareholders (together with their investment manager and general partner) was engaged, nor interested, in any business which, directly or indirectly, competes or may compete with our business. Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders. Our Directors believe that our Group is capable of carrying on our business independently of and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Business independence

Our Company's immediate Controlling Shareholder is Showmost, an investment holding company wholly-owned by LCF II Holdings, Limited (which in turn is wholly-owned by Lotus China Fund II, L.P., which in turn is a private equity fund dedicated to direct investments in China and China-related businesses, including real estate investments). Our Company has been principally engaged in the provision of integrated building facade services and products that are tailored to meet the particular needs of our Group's customers and the architectural features of the projects.

As disclosed in the sub-paragraph headed "Our Controlling Shareholders" above, Showmost is a special purpose vehicle of Lotus China Fund II, L.P. for the purpose of acquiring the equity interest of our Group in December 2007 and for the holding of equity interest in our Company. Save for exercising rights of a Shareholder by nominating candidates to the Board as it was the then sole Shareholder (which right is generally available to all Shareholders under our Articles of Association), Showmost had not been significantly involved in the running of our operations and businesses since it has become a Shareholder and in spite of the fact that the Board has acknowledged that the exposure of Lotus China Fund II, L.P. in its investment searches has assisted our Group in identifying suitable overall strategic development and business opportunities. As disclosed in the section headed "Business" in this document, our Group has been focusing on our business line for the provision of integrated building facade services and products and the Board believes that on the back of our solid track record, we are able to carry on business independently of our Controlling Shareholders.

Having considered the above factors, and in light of the fact that Showmost has executed the Deed of Non-Competition (particulars of which are disclosed under the paragraph headed "Deed of Non-Competition" below in this section), our Directors are satisfied that our Group is able to carry on our business independently of and does not place undue reliance on Showmost.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION

Management and administrative independence

Our Group and our Controlling Shareholders are managed by different management teams. Save for Mr. HUANG Brad (our Chairman, an executive Director and a director of some of our subsidiaries), being a director of Showmost, and Mr. Huang Guangyu (our non-executive Director and a director of some of our subsidiaries) being a director of LCF II Holdings, Limited (the immediate holding company of Showmost), a director of Lotus China GP, Limited (the general partner of Lotus China Fund II, L.P.), a director of Lotus Capital Investment Management, Limited (the investment manager of Lotus China Fund II, L.P.) and a director and an equity holder of Lotus Capital Finance Corp. (the immediate and ultimate holding company of Lotus China GP, Limited and Lotus Capital Investment Management, Limited), none of our Directors has any directorships or equity interests in any of the Controlling Shareholders and its investment manager or general partner.

Our Company is of the view that these concurrently held positions will not affect the independence of the Board due to the following:

- (i) Though Mr. HUANG Brad and Mr. Huang Guangyu are involved in the management of our Company, the roles mainly focus on providing guidance and direction to our Company, assisting the Board in strategy and policy formulation.
- (ii) The day-to-day management of our Company is carried out by Mr. Kwok Yeung Kwong, Mr. Ko Chuk Kin, Herbert and Mr. Chiu Lok Man and various members of the senior management of our Company with Mr. HUANG Brad overseeing the performance of the operation and management of our Group. The aforesaid executive Directors and members of the senior management form the core management group of our Company which has been responsible for the daily management of our Company, including assisting the Board in deriving sound management decisions, carrying out the decisions of the Board, performing overall strategic financial planning and analysis for our Group, overseeing the business development, project development and management, finance and accounting issues, the sales and financial aspects of management of the business and other essential operations of our Company.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts in the best interests of our Group and does not allow any conflict between his or her duties as a Director and his or her personal interests. As stipulated under the Articles of Association, the interested Directors shall abstain from voting and not be counted in the quorum on any resolution of the Board in respect of any transaction or matter out of which a potential conflict of interest between our Group and our Directors or their respective associates will arise, subject to certain exceptions as set out in the Articles of Association.

While our Board, under the chairmanship of Mr. HUANG Brad, has taken collective responsibility for overall corporate strategies and policy makings, all essential management functions (such as financial and accounting management, invoicing and billing, research and development, human resources and information technology) have been and will be carried out by the other Directors and management of our Group (whose biographies are more particularly disclosed in the section headed "Directors, senior management and employees" in this document, without unduly requiring the support of Mr. HUANG Brad and Mr. Huang Guangyu or their respective associates or any other persons nominated by Showmost. Our Directors consider that our Group can operate independently from our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION

Financial viability and independence

Our Directors confirm that our Company has the ability to operate independently of our Controlling Shareholders from the financial perspective. During the Track Record Period and up to the Latest Practicable Date, our Group had its own internal control and accounting system, accounting and finance department, independent treasury function for receiving cash/making payments and independent access to third party financing. We make financial decisions according to our own business requirements.

During the Track Record Period and up to the Latest Practicable Date, there was no significant amount due to or from our Controlling Shareholders by our Group arising out of the usual and ordinary course of business of our Group. All amounts our Company owes to our Controlling Shareholders will be settled. Further, no guarantees or assurances have been provided by our Controlling Shareholders for the benefit of our Group, or provided by our Group for the benefit of our Controlling Shareholders.

NON-COMPETITION

Competing interests

We are a global provider of one-stop building facade solutions for high-end property development projects. We serve a global customer base that is distributed in various parts of the world including the U.S., Canada, the Middle East, the PRC, Hong Kong, Macau, Singapore, Japan and South America.

Other than through our Group, none of Lotus Capital Investment Management, Limited or the investment portfolio companies of Lotus China Fund II, L.P. is engaged in the provision of one-stop building facade solutions for high-end property development projects. Other than (i) Sociedade de Investimento Imobiliário Pun Keng Van, S.A. and Sociedade de Desenvolvimento Predial Baía da Nossa Senhora da Esperança, S.A., which are investment portfolio companies of Lotus China Fund II, L.P. that are engaged in land development in Macau, and (ii) AA Investments Company Limited, an investment portfolio company of Lotus China Fund II, L.P., which was engaged in aluminum extrusion in China prior to being filed for liquidation, our Group is the only investment of Lotus China Fund II, L.P. anywhere in the world as of the Latest Practicable Date.

For the above reasons, our Directors consider that the business of our Group is different from the business of the investment portfolio companies of the Controlling Shareholders, in terms of nature, location, customers, products and purposes.

Our Directors are of the view that none of the Controlling Shareholders, Lotus Capital Investment Management, Limited, or our Directors had any interest in any business that directly or indirectly competes with the business of our Company as of the Latest Practicable Date. Notwithstanding this, Lotus China Fund II, L.P. as our Controlling Shareholder has taken to procure Lotus Capital Investment Management, Limited (as the investment manager of Lotus China Fund II, L.P.) not to compete, either directly or indirectly, with the Company by providing the Deed of Non-Competition (referred to below) to us. With the implementation of the protective measures as described in "Deed of Non-Competition" below, our Directors believe that we will not face competition from the Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION

Deed of Non-Competition

In order to protect our Group's interest in the current business activities, our Company and our Controlling Shareholders entered into the Deed of Non-Competition on 10 March 2010. Under the terms of the Deed of Non-Competition, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to our Company (for ourselves and for the benefit of each of our subsidiaries from time to time) that for so long our Controlling Shareholders, whether individually or taken together, are interested directly or indirectly in 30% or more of the issued share capital of our Company, each of them will not, and will procure that its associates (other than our Group) will not, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of our Group or our associated companies), partner, agent or otherwise in any business that compete or may compete, directly or indirectly, with the business carried out by our Group, i.e., the provision of integrated building facade services and products (the "**Restricted Business**") in any part in the world in which our Group carries out the Restricted Business.

Each of our Controlling Shareholders has also undertaken to our Company that:

- (i) it shall provide, or procure the provision of, all information and do, or procure to be done, all such other acts as may be necessary for such annual review by such independent non-executive Directors and the enforcement of the rights of our Company under the Deed of Non-Competition; and
- (ii) it shall provide an annual confirmation to us confirming its compliance with the terms of the Deed of Non-Competition, which confirmation will be disclosed to enable our Shareholders to appraise the competition issue.

CORPORATE GOVERNANCE

We are committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including the independent non-executive Directors) so that there is a strong element on the Board which can effectively exercise independent judgment. We are also committed to the view that our independent non-executive Directors should be of sufficient caliber and number for their views to carry weight. Our independent non-executive Directors, details of whom are set forth in the section headed "Directors, senior management and employees" in this document, are free of any business or other relationships which could interfere in any material manner with the exercise of their independent judgment.

In view of the actual or potential conflicts and the overlapping directorships of Mr. HUANG Brad in our Company and Showmost, the following measures have been adopted by us in respect of the enforceability of the Deed of Non-Competition and to strengthen our corporate governance practice to safeguard the interests of the Shareholders:

- the Articles provide that any Director and his associates shall abstain from attending and voting at Board meetings in case of any issues of conflict of interests being put to be decided by members of the Board. In the event that any Director (including Mr. HUANG Brad) is required to abstain from participating in any relevant Board meetings as aforesaid, the other executive Directors together with all the non-executive and independent non-executive Directors will maintain the effective functioning of the Board by leveraging on their collective expertise and business acumen;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION

- our independent non-executive Directors will hold an annual meeting to review the compliance of our Controlling Shareholders with the Deed of Non-Competition and to evaluate the effective implementation of the Deed of Non-Competition;
- we will disclose decisions on matters reviewed by independent non-executive Directors relating to the enforcement of the Deed of Non-Competition (if any) or, where the Board considers it appropriate, by way of an announcement; and
- our Controlling Shareholders will make an annual confirmation as to compliance with the Deed of Non-Competition.

Further, any transaction that is proposed between us and our Controlling Shareholders or their respective associates will be required to comply with the then requirements.

CONNECTED TRANSACTIONS

We will continue to engage in the provision of design services in relation to our Group's products and projects.

- *Background:* Our Group has from time to time (including before the Xi'an Yuanheng Disposal (as hereinafter defined)) engaged 西安遠恒鋁質工程有限公司 (English translation for identification purpose: Xi'an Yuanheng Aluminium Works Company Limited) ("**Xi'an Yuanheng**") in the provision of design services in relation to our products and projects. Currently, Xi'an Yuanheng is providing construction engineering design services to our Group in relation to two of our projects in Dubai and San Francisco respectively. For the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, the total design fees paid by us to Xi'an Yuanheng amounted to nil, nil, approximately HK\$3,786,000 and HK\$1,880,000 respectively, representing nil, nil, approximately 0.4% and 0.4% of our cost of sales during the respective periods.

For the years ended 31 December 2006 and 2007 and the period from 1 January 2008 up to the date of the Xi'an Yuanheng Disposal (as defined below) on 7 November 2008, the total design fees paid by us to Xi'an Yuanheng amounted to nil, nil and approximately HK\$3,786,000 respectively.

Although our Group had never owned any shareholding interest in Xi'an Yuanheng, Xi'an Yuanheng had been accounted for as a subsidiary of our Group prior to the disposal of 85% of the shareholding interest in Xi'an Yuanheng by Mr. Bie Jiabin (別家昕) ("**Mr. Bie**") to Mr. HUANG Guangyu (a non-executive Director) pursuant to an agreement dated 18 September 2008, which was completed on 7 November 2008 upon the issuance of a new business licence (details of which are disclosed in Note 30 to Accountants' Report set out in Appendix I to this document ("**Xi'an Yuanheng Disposal**"). Following completion of the Xi'an Yuanheng Disposal by Mr. Bie, Xi'an Yuanheng ceased to be accounted for as a subsidiary of our Group as no consent has been given by Mr. HUANG Guangyu whereby our Group could be able to control the financial and operating policies of Xi'an Yuanheng.

The reason for such accounting treatment is that our Group was able to control the financial and operating policies of Xi'an Yuanheng pursuant to a written consent given to us by Mr. Bie (who was at the material time a director of Netfortune (Shanghai) and Xi'an Yuanheng and who was then both the registered and beneficial owner of 85% of the shareholding interest in Xi'an Yuanheng). Mr. Bie, pursuant to a written consent executed by him, agreed to act under the direction of our Group in exercising the rights attached to his 85% shareholding interests in Xi'an Yuanheng as the acquisition for the 85% shareholding interest in Xian Yuanheng he then held was initially funded by our Group. The amount of consideration for the acquisition was RMB5,000,000. However, our Group was not the registered owner of, nor was considered to be the beneficial owner of, such shareholding interest based on the advice of our legal advisers as to PRC laws. The basis of this advice is that according to the registration information available at the local industrial and commerce bureau, Xi'an Yuanheng is a domestic enterprise established under the PRC Company Law, and all of its shareholders are individual and entity in the PRC. As such, although a trust arrangement exists between Mr. Bie and our Group (being a foreign entity), such arrangements are not legally binding under the laws of the PRC and therefore our Group cannot be considered to be interested in the 85% shareholding interest in Xi'an Yuanheng. Although under such arrangement our Group would not be the beneficial owner of the shareholding interest, we at that

CONNECTED TRANSACTIONS

time considered that it would still be in the interests of our Group as it would enable us to exercise control over Xi'an Yuanheng and avoid unnecessary delay that would have been caused had Xi'an Yuanheng be transformed into a Sino-foreign joint venture enterprise in which case we would hold the equity interest direct. The remaining 15% shareholding interest is held by Mr. Li Xuguang (李旭光), who is a director of Netfortune (Shanghai) (which in turn is owned as to 25% by Xi'an Yuanheng) and a director of Xi'an Yuanheng.

The reason for entering into such arrangement with Mr. Bie was that we believed that such arrangement, and consequently our immediate control of an existing operation in Xi'an Yuanheng, would strengthen our capabilities to streamline the design and drawing works that were to come with the increasing number of projects we expected to undertake in a timely manner, as well as to expand our business in the PRC. Subsequently, as a result of the change of control of our Company from CATIC to Showmost, which was ultimately controlled by Lotus China Fund II, L.P. (details of which are disclosed in the sections headed "Further information about our Group" and "Further information about Directors, management and staff" in Appendix VII to this document), Lotus China Fund II, L.P. introduced Mr. Huang Guangyu to our Group as a potential buyer for the shareholding interests in Xi'an Yuanheng then held by Mr. Bie. Mr. Huang Guangyu is the brother of Mr. HUANG Brad, who was at the time a director of Showmost. The management of our Group at that time was of the view that it would not be in the best interests of our Group to acquire the 85% shareholding interest in Xi'an Yuanheng because it would be burdensome to operate the operation in Xi'an remotely from Hong Kong; in addition, the revenues of Xi'an Yuanheng for each of the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 amounted to approximately HK\$1,897,000, HK\$6,667,000, HK\$3,786,000 and HK\$1,880,000 respectively, which were immaterial to our Group's operation. On this basis, the management decided that it was in the interest of our Group not to acquire the business in Xi'an Yuanheng and to procure Mr. Bie to dispose of his 85% interest in Xi'an Yuanheng to Mr. Huang Guangyu on 18 September 2008. To the best knowledge of our Directors, Mr. Huang disposed of the 85% shareholding interest in Xi'an Yuanheng to an independent third party on 8 December 2009. Mr. Huang Guangyu is a director of Xi'an Yuanheng but subsequent to his disposal of 85% shareholding interest in Xi'an Yuanheng, he has resigned from his directorship with effect from 10 February 2010. To the best knowledge of our Directors, Mr Li Xuguang (李旭光) held the remaining 15% shareholding interest in Xi'an Yuanheng as at the Latest Practicable Date. Notwithstanding the disposal, to the best knowledge of our Directors, there is no direct or indirect competition in all respects between our Group, Mr. Huang Guangyu and Xi'an Yuanheng.

Our Directors have confirmed that the terms of the construction engineering design services provided by Xi'an Yuanheng were determined by our Group and Xi'an Yuanheng after arm's length negotiation and on normal commercial terms prevailing in the PRC and in particular, the relevant service fee has been determined by making reference to the charging scale prescribed by Shenzhen Decoration Association (深圳市裝飾協會). We believe we will continue to require the design service from Xi'an Yuanheng, since, as our Directors believe, design services from Xi'an Yuanheng have been reliable and satisfactory and complemented significantly with our scheduled projects.

CONNECTED TRANSACTIONS

- Xi'an Yuanheng currently holds 25% of the equity interests in Netfortune (Shanghai), a non-wholly owned subsidiary of our Company, and is thus a substantial shareholder of Netfortune (Shanghai).
- *Pricing:* Our Directors have confirmed that the service fees we paid were negotiated on an arm's length basis and were made with reference to market rates for similar services after making reference to the charging scale prescribed by the Shenzhen Decoration Association (深圳市裝飾協會) and no less favourable to our Group than those obtainable from third parties.
- *Future arrangement:* We have entered into a master agreement with Xi'an Yuanheng expiring on 31 December 2012. Pursuant to this master agreement, our Company shall and shall procure any and all members of our Group to require on a non-exclusive basis, and Xi'an Yuanheng shall provide the design services in support of our Group's business in accordance with any written quotation of Xi'an Yuanheng, which quotation is accepted by our Group. The pricing for the design fees will be determined with reference to the then prevailing market rate and the charging scale prescribed by Shenzhen Decoration Association (深圳市裝飾協會) or other third party institutions in the PRC.

Shenzhen Decoration Association (深圳市裝飾協會) was established in 1986 and is an entity approved by the Shenzhen People's Government (深圳人民政府). It is supervised by the Shenzhen Home Affairs Bureau (深圳市民政局) and the Shenzhen Civilian Organisations Management Bureau (深圳市民間組織管理局), while its operation is guided by the Bureau of Housing & Construction of Shenzhen Municipality (深圳市住房和建設局). It regulates and organizes the decorations industry and was appointed by the government to perform management functions to cooperate with the relevant governmental departments.

To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Shenzhen Decoration Association (深圳市裝飾協會) is independent of and not connected to our Group. The reason for determining the design fees under the master agreement with reference to the charging scale prescribed by the Shenzhen Decoration Association (深圳市裝飾協會) was that our Directors' believe that it would be easier to reach a consensus on the design fees by making reference to a standard prescribed by an independent third party institution with generally recognized standing in the decorations industry in the PRC.

We estimate that the total design payments to Xi'an Yuanheng will amount to approximately HK\$5.5 million, HK\$6.5 million and HK\$7.9 million, respectively, for each of the three years ending 31 December 2012. We have projected these estimated amounts with reference to the historical engagement of service of provision of design services from Xi'an Yuanheng and the historical usage of services and demand for our services during the Track Record Period and also after taking into account the following factors:

- (i) The maximum amount of procurement estimated from Xi'an Yuanheng in the respective years, which accounted for approximately 0.4% of cost of sales of our Group in the respective years;
- (ii) The projected annual growth of 20% in cost of sales of our Group, which is in line with the compound annual growth in revenue during the Track Record Period; and
- (iii) Xi'an Yuanheng provides design services solely to our Group on a project by project basis and with reference to the standard set by the Shenzhen Decoration Association (深圳市裝飾協會).

CONNECTED TRANSACTIONS

Our Directors (including the independent non-executive Directors) are of the opinion that the transactions described in this section have been entered into, and will be carried out in the ordinary and usual course of our business and on normal or better than normal commercial terms, as the case may be, from the perspective of our Company, and that the terms of the transactions and the annual caps below are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The maximum aggregate annual value ("**Annual Caps**"), if any, for the transactions described above shall not exceed the applicable limit set out below:

Nature of transaction	Annual Cap For the year ending 31 December		
	2010	2011	2012
		(in HK\$)	
Provision of design services in relation to our Group's products and projects	5,500,000	6,500,000	7,900,000

The above Annual Caps were determined by applying a 20% increment of the growth in the projected demand for our building facade solutions services from the year commencing 1 January 2010 and the historical usage of services and demand for our services in the past.

The continuing transactions are carried out in the ordinary and usual course of business of our Group and on normal commercial terms. The terms and the Annual Caps as disclosed are fair and reasonable and in the interests of the Shareholders as a whole. In addition, after (i) reviewing the connected party transactions during the Track Record Period; and (ii) discussing with our Directors in relation to the commercial reasoning and pricing policy of the transactions, the continuing transactions described above were conducted in the ordinary and usual course of our Group's business and on normal commercial terms and that such transactions and the Annual Caps are fair and reasonable and in the interests our Company and our Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board of Directors consists of eight Directors, three of whom are independent non-executive Directors. Our Board of Directors has the general powers and duties for the management and conduct of our business.

The table below sets forth certain information regarding our Directors:

Name	Age	Position
HUANG Brad	45	Chairman and Executive Director
KWOK Yeung Kwong (郭仰光)	52	Chief Executive Officer and Executive Director
KO Chuk Kin, Herbert (高焯堅)	47	Executive Director
CHIU Lok Man (趙樂文)	42	Executive Director
HUANG Guangyu (黃廣宇)	38	Non-executive Director
ZHOU Jinsong (周勁松)	39	Independent non-executive Director
YEN Homer Shih Hung (顏世宏)	51	Independent non-executive Director
HONG Winn	40	Independent non-executive Director

Executive Directors

Mr. HUANG Brad, aged 45, joined our Group as a Director on 11 March 2008, and was subsequently designated as chairman of the Board, an executive Director and a member of our Company's remuneration and nomination committee on 10 March 2010. He is primarily responsible for the overall strategy of our Company. Mr. Huang is the brother of Mr. Huang Guangyu, a non-executive Director. Mr. Huang obtained a Bachelor of Science degree in Physics from Zhejiang University in 1985, a Master of Arts degree in Economics from Georgetown University in 1987 and a Master of Business Administration degree from the School of Management in Yale University in 1990. Mr. Huang is a Sterling Fellow of Yale University, where he also serves as a board member of Yale School of Management Board of Advisors and the Chairman of its Greater China Advisory Board. He is also a member of the President's Council on International Activities at Yale University.

Prior to joining us, Mr. Huang was a research assistant at the Hudson Institute, a strategic think tank in Washington D.C. Mr. Huang also worked as an investment banker at Goldman, Sachs & Co. and Credit Suisse. In 1994, Mr. Huang founded Lotus Capital Management, which manages private equity funds investments in Greater China, and has been its chief executive officer since 1994. Mr. HUANG Brad has no equity interest in Lotus China Fund II L.P. (which is one of our Controlling Shareholders), Lotus Capital Finance Corp. holds the majority stake in the equity interests in Lotus Capital Management and Lotus Capital Investment Management Limited, respectively. Accordingly, Lotus Capital Management is an affiliate of Lotus Capital Investment Management Limited, which is the investment manager of Lotus China Fund II, L.P.. Since the establishment of Lotus Capital Management, Mr. Huang has been acting as its chief executive officer. Mr. HUANG Brad, in his capacity as the chief executive officer of Lotus Capital Management, also participates in discharging the duties of Lotus Capital Investment Management, Limited in managing the investment portfolio companies of Lotus China Fund II, L.P. Such duties include evaluating and negotiating promising investment proposals to Lotus China Fund II, L.P., monitoring the management and operations of the investment portfolio companies of Lotus China Fund II, L.P. (including, for example, our Group), monitoring the business and affairs of Lotus China Fund II, L.P., and advising Lotus China Fund II, L.P. as to disposition opportunities.

Save as disclosed herein, Mr. Huang has no other roles or interests in Lotus Capital Finance Corp., Lotus China Fund II, L.P. or Lotus Capital Investment Management, Limited. Please refer to the section headed "Relationship with Controlling Shareholders

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

and non-competition" in this prospectus for further details of Lotus Capital Finance Corp., Lotus China Fund II, L.P., Lotus Capital Management and Lotus Capital Investment Management, Limited. From June 2008 to August 2009, Mr. Huang acted as the chairman and chief executive officer of Macau Investment Holdings Limited (澳門投資控股有限公司), a company listed on the Main Board of the Stock Exchange.

Save as disclosed above, Mr. Huang has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. KWOK Yeung Kwong (郭仰光), aged 52, was appointed as a Director and chief executive officer of our Company on 11 March 2008 and was subsequently designated as an executive Director and a member of our Company's remuneration and nomination committee on 10 March 2010. Mr. Kwok joined our Group since 1982 and has over 25 years of experience in curtain wall engineering technology, project management and aluminium production.

Mr. Kwok obtained a certificate for advance studies in Curtain Wall and Windows Systems and Architectural Metal Products from the United States Aluminium Corporation in 1991. Mr. Kwok served as our director, executive director for China projects and operation director from 1992 to 1997, 1998 to 1999 and 2000 to 2007, respectively. Mr. Kwok is the chief executive officer and director of Far East Aluminium Works Co. Ltd.

Mr. Kwok was arrested by Customs for suspected violation of the Copyright Ordinance and has been released on bail. Our Company considers Mr. Kwok to be a fit person to assume the position of a CEO and as a member of the Board because of Mr. Kwok's experience in the building facade industry and no charges have been made against Mr. Kwok as of the Latest Practicable Date. For details please refer to "Business – Legal Proceedings and Material Claims" of this document.

Mr. Kwok has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. KO Chuk Kin, Herbert (高焯堅), aged 47, was appointed as a Director on 8 March 2010 and was subsequently designated as an executive Director on 10 March 2010. He is also the commercial director of our Company. Mr. Ko has over 20 years of experience in quantity surveying and contract administration. Mr. Ko joined us since March 1996 and is responsible for our business development, tendering, contract administration and other related commercial duties. Mr. Ko is a member of the Hong Kong Institute of Surveyors and is a Registered Professional Surveyor. Mr. Ko received his Bachelor of Science degree in Quantity Surveying from the University of Glamorgan, United Kingdom in 1987 and a Bachelor of Laws degree from University of Wolverhampton, United Kingdom in 1998.

Mr. Ko has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. CHIU Lok Man (趙樂文), aged 42, was appointed as a Director on 8 March 2010 and was subsequently designated as an executive Director on 10 March 2010. He is also the design director of our Company. Mr. Chiu has over 21 years of experience in the building facade industry. Mr. Chiu joined us in 2002 as design manager and was promoted to deputy chief designer of our Company. He was promoted to design director in 2006. Mr. Chiu is experienced in design-project management and is mainly responsible for our resources planning, costs control, design feasibility investigation and development. In 2004, he was awarded our Company's Annual Design Award for the new product design in the Langham

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Place project. [Mr. Chiu also participated in the project design of the Burj Khalifa project in Dubai.] Mr. Chiu was qualified as a member of Chartered Institute of Building (CIOB) in the United Kingdom in 2000.

Mr. Chiu has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Non-executive Director

Mr. HUANG Guangyu (黃廣宇), aged 38, joined our Group as a Director on 31 March 2009 and was subsequently designated as a non-executive Director on 10 March 2010. Mr. Huang is the brother of Mr. HUANG Brad, an executive Director. Mr. Huang is a director and 80% equity holder of Lotus Capital Finance Corp., which in turn owns the majority of the equity interests in Lotus China GP, Limited (the general partner of Lotus China Fund II, L.P. and owns approximately 1.6% of the partnership interests in Lotus China Fund II, L.P. (our Controlling Shareholder)) and Lotus Capital Investment Management, Limited (the investment manager of Lotus China Fund II, L.P.). In addition, Mr. Huang is a director of LCF II Holdings, Limited (our Controlling Shareholder), Lotus China GP, Limited, and Lotus Capital Investment Management, Limited. Please refer to the section headed "Relationship with Controlling Shareholders and non-competition" in this prospectus for further details of Lotus Capital Finance Corp., Lotus China GP, Limited and Lotus Capital Investment Management, Limited. Mr. Huang obtained a Bachelor of Science degree in Mechanical Engineering from Zhejiang University in 1992. From 1992 to 1996, Mr. Huang served as the sales manager of the Eastern China region at the representative office of Mars Inc. in Shanghai. From 1996 to 2004, Mr. Huang worked as the executive vice president of CSK Systems (Shanghai) Co. Ltd. ("CSK") where he was responsible for overseeing the development and day-to-day operations of CSK. From 2004 to 2006, Mr. Huang served as the general manager of Hangzhou Development Centre of SinoCom Shensoft Computer Technology (Shanghai) Co. Ltd. ("**Hangzhou Development Centre**") where he was responsible for the development of the Hangzhou Development Centre and monitoring of its day-to-day operations. Since 2006, Mr. Huang has been serving as the vice-president of Shanghai MBP Software Co., Ltd. and general manager of Lot Software Systems (Hangzhou) Co., Ltd.

Mr. Huang has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Independent non-executive Directors

Mr. ZHOU Jinsong (周勁松), aged 39, was appointed as a Director on 8 March 2010 and was subsequently designated as an independent non-executive Director on 10 March 2010 and the members and chairmans of our audit, remuneration and nomination committee on 10 March 2010. Mr. Zhou graduated from Guangdong Radio and TV University (廣東廣播電視大學) in 1992 and a Master of Business Administration degree from Harbin Institute of Technology (哈爾濱工業大學) in 2003. Mr. Zhou is a Certified Public Accountant licensed in the PRC.

Mr. Zhou has extensive experience in accounting, audit and business advisory in various audit firms and private companies in the PRC. Mr. Zhou was an accountant supervisor in the fund management office of the Shenzhen Cultural Development Department (深圳市宣傳文化事業發展專項基金領導小組辦公室) from 1995 to 2002. Mr. Zhou is currently the vice president of Zhongmao, an accounting firm in Shenzhen. Since January 2009, Mr. Zhou has been acting as an independent non-executive director of Macau Investment Holdings Limited (澳門投資控股有限公司), a company listed on the Main Board of the Stock Exchange.

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Save as disclosed above, Mr. Zhou has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. YEN Homer Shih Hung (顏世宏), aged 51, was appointed as a Director on 8 March 2010 and was subsequently designated as an independent non-executive Director on 10 March 2010 and a member of our audit, remuneration and nomination committee on 10 March 2010. Mr. Yen graduated from the Southern California Institute of Architecture with a Master's degree of Architecture in 1986. Mr. Yen is a professional architect licensed in California, a member of the American Institute of Architects and a member of the Royal Architectural Institute of Canada. Mr. Yen is an experienced real estate developer and has over 15 years of experience in architectural design, development and marketing of a wide variety of real estate projects in Southern California. Mr. Yen was responsible for a diverse portfolio of award winning projects with construction sites in excess of 2,000 homes.

Mr. Yen is currently the chief executive officer of First Pacific Homes, LLC, and the president and chief executive officer of Homer Yen + Architects, Inc., a professional architecture firm in Southern California. Mr. Yen received the Builder of the Year Award in 2005 and the Professional Excellence Award in 2008 from the Chinese American Construction Professionals.

Mr. Yen has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. HONG Winn, aged 40, was appointed as a Director on 8 March 2010 and was subsequently designated as our independent non-executive Director on 10 March 2010 and a member of our audit, remuneration and nomination committee on 10 March 2010. Mr. Hong obtained a Bachelor of Science degree in Aerospace Engineering and a Master of Science degree in Mechanical Engineering from the University of California, Los Angeles (the "UCLA") in 1993 and 1996, respectively. Mr. Hong graduated from the University of Chicago with a Master of Business Administration degree in 2005. Mr. Hong is a senior technology strategist for the Institute for Technology Advancement (the "ITA") at the UCLA focusing on biotechnology, alternative fuel, medical device, and internet, media, and related software technologies. Mr. Hong has over eleven years of experience in high-tech product development and high-tech start-up success and leadership.

Prior to joining us, Mr. Hong was a research scientist at the NASA/Jet Propulsion Laboratory from 1996 to 1999 where he was involved in the design, fabrication and testing of sensors for military, medical, commercial and space exploration applications. From 2000 to 2005, Mr. Hong co-founded companies in the biofuel, green chemicals, water filtration and desalination and medical devices area and held various executive level positions in each of these companies. From June 2005 to December 2007, Mr. Hong worked as a principal for Convergent Ventures, LLC, a venture capital firm that invests seed capital, management and operational expertise in early-stage life science and technology investment opportunities in Southern California.

Mr. Hong has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

The table below sets forth certain information regarding our senior management members:

Name	Age	Position
KWOK Yeung Kwong (郭仰光)	52	Chief Executive Officer
LEE Che Chiu (李志超)	44	Chief Financial Officer
LAU Chi Hong (劉志康)	39	Financial Controller
KO Chuk Kin, Herbert (高焯堅)	47	Commercial Director
LAU Sai Ying, Alan (劉世瑛)	49	Marketing Director
HUI Kin Wai (許堅偉)	49	Technical Director
CHIU Lok Man (趙樂文)	42	Design Director
CHAN Sun Nung (陳新能)	50	Technical Director of Dubai Branch
TIE Loon Seong (戴倫祥)	49	Project Director
MOK Wai Him (莫惠謙)	49	Deputy Project Director
CHONG Ming Ting (莊銘挺)	46	Production Director

Mr. KWOK Yeung Kwong (郭仰光), please refer to "Directors, Senior Management and Employees – Directors – Executive Directors" for Mr. Kwok's biography.

Mr. LEE Che Chiu (李志超), aged 44, is the chief financial officer of our Company. Mr. Lee joined us in 2008 and is responsible for the overall finance and accounting functions of our Group. Mr. Lee accumulated over 15 years of professional and commercial experience and has been involved in merger and acquisition, restructuring and fund-raising exercises through a combination of international accounting firms, MNCs and investment banks. Mr. Lee's professional experiences are mainly gained from KPMG Hong Kong Financial Advisory Services from 1998 to 2004. Mr. Lee also worked in County Natwest in Australia as an equity analyst from 1995 to 1997. Mr. Lee moved into the commercial sector as assistant financial controller at Elite Industrial Holdings Limited, a holding company of a listed company in Singapore and as chief financial officer of a private company. Mr. Lee received his Master of Business Administration degree from the University of Sydney in 1995 and a Bachelor of Economics degree from Monash University in Australia in 1990. Mr. Lee is a fellow member of The Hong Kong Institute of Certified Public Accountants and a CPA member of the CPA Australia and is a Chartered Financial Analyst of the CFA Institute.

Mr. LAU Chi Hong (劉志康), aged 39, is the financial controller of our Company. Mr. Lau has over 15 years of experience in accounting, auditing, and finance. Mr. Lau had worked for one of the big four international accounting firms prior to joining us in 1999. Mr. Lau is responsible for our overall accounting and financial functions. Mr. Lau is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Lau received his Master of Science degree in Financial Management from the University of London in 1998 and a Bachelor of Arts (Honours) degree in Accountancy from The City University of Hong Kong in 1993.

Mr. KO Chuk Kin, Herbert (高焯堅), please refer to "Directors, Senior Management and Employees – Directors – Executive Directors" for Mr. Ko's biography.

Mr. LAU Sai Ying, Alan (劉世瑛), aged 49, is the marketing director of our Company. Mr. Lau has over 17 years of engineering and facade system project management experience in Canada and Hong Kong, Mr. Lau joined us in 1997 and is responsible for our international marketing in exploring and enhancing the existing and new global markets with reference to his strong global marketing experience in this industry. Mr. Lau is a member of Hong Kong Institution of Engineers and a registered professional engineer in

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Hong Kong. Mr. Lau received his Bachelor of Science degree in Civil Engineering from the University of Manitoba, Canada in 1981.

Mr. HUI Kin Wai (許堅偉), aged 49, is the technical director of our Company. Mr. Hui has been in the curtain wall industry since 1980, and has designed and successfully tested more than 100 types of window and curtain wall systems. Mr. Hui acquired his extensive training and experience in the U.S. and he joined us in 1988. Mr. Hui is currently the head of our technical department and is responsible for the technical support to the curtain walls and business system design and development. With his in-depth knowledge of the curtain wall systems and business, Mr. Hui has been promoted as the technical director of our Company in 2006.

Mr. CHIU Lok Man (趙樂文), please refer to "Directors, Senior Management and Employees – Directors – Executive Directors" for Mr. Chiu's biography.

Mr. CHAN Sun Nung (陳新能), aged 50, is the technical director of Dubai branch of our Company. Mr. Chan has over 29 years of experience in curtain wall design and extensive profound knowledge in the facade industry. From 1979 to 1986, Mr. Chan was a senior detail draftsman at Comalco Fabrications (Hong Kong) Limited and from 1986 to 1990, Mr. Chan worked as design engineer at Toyo SASH (Hong Kong) Limited. Mr. Chan then worked as the technical director at Condo Curtain Wall Co., Ltd. from 1990 to 2002. Mr. Chan joined us in 2003 and is responsible for the designs and overall supervision of our facade project of Burj Khalifa, currently the world's tallest building. Mr. Chan was the council member of Hong Kong Facade Association from 2005 to 2007. Mr. Chan received his Master degree in Construction Engineering and Management from Griffith University, Australia in 2006.

Mr. TIE Loon Seong (戴倫祥), aged 49, is the project director of our Company. Mr. Tie has over 20 years of experience in project management and he joined us in 1989. Mr. Tie worked as a project manager in PalMco Mark Hot Construction Services Sdn. Bhd. from 1983 to 1988 and as the technical sales and marketing manager at Rotol Singapore from 1988 to 1989. From 1989 to 1995, Mr. Tie served as a project manager in some of the major projects undertaken by our Group including the Pacific Place 2 project, the Times Square project and the Harbour Plaza Hotel Office Tower 1 & 2 projects. Mr. Tie then left our Group and acted as the general manager of PMB Facade Technology Malaysia, a company specializing in the design, fabrication and installation of curtain walls, claddings and glass walls which is a subsidiary of a company listed in the Stock Exchange of Kuala Lumpur. Mr. Tie rejoined our Group as a senior project manager in 1998 and is currently the head of our project department and is responsible for managing our curtain wall projects of the major commercial property developments in Asia Pacific and North America. Mr. Tie holds a Diploma in Civil Engineering from Federal Institute of Technology in Malaysia in 1986.

Mr. MOK Wai Him (莫惠謙), aged 49, is the deputy project director of our Company. Mr. Mok has over 22 years of experience in project management. Mr. Mok joined us in 1996 as project manager and was promoted to his current position of deputy project director in 2006, with the overall responsibility for our project management. Prior to returning to Hong Kong in 1994, Mr. Mok had worked for Capcis Limited, a subsidiary of University of Manchester Institute of Science and Technology in the United Kingdom which is set up to service the industrial sector for 8 years. Mr. Mok was responsible for the production of specialist electronic instrumentation. Mr. Mok is a member of the Institute of Measurement and Control in the United Kingdom. Mr. Mok received his Bachelor of Science degree in Applied Physics from the University of Essex, United Kingdom and a Master degree in Instrumentation and Analytical Science from the University of Manchester Institute of Science and Technology, United Kingdom in 1986.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. CHONG Ming Ting (莊銘挺), aged 46, is the production director of our Company. Mr. Chong has over 19 years of experience in the production and fabrication of aluminium products. Mr. Chong joined us in 1985 and is responsible for our daily industrial and production management for the factory in Shenzhen, the PRC.

COMPANY SECRETARY

Mr. LEE Che Chiu (李志超) is our company secretary and is an ordinary resident in Hong Kong. For details regarding Mr. Lee's experience, please refer to the paragraph entitled "Senior management" above in this section.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee on 10 March 2010. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company.

The audit committee comprises Mr. Zhou Jinsong as the chairman, Mr. Hong Winn and Mr. Yen Homer Shih Hung as members.

Remuneration Committee

Our Company established a remuneration committee on 10 March 2010. The primary duties of the remuneration committee are to evaluate and make recommendations to the Board regarding the compensation of the chief executive officer and other executive Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management. During the Track Record Period, our remuneration policies for our Directors and senior management members were based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policies, subject to review by and the recommendations of our remuneration committee. Salaries are expected to be raised. For details of our directors' remuneration during the Track Record Period, please refer to pages I-30 to I-31 of Appendix I to this document. For details of our Directors' expected remunerations for the year ending 31 December 2010, please refer to page VII-11 of Appendix VII to this document.

The remuneration committee comprises Mr. Zhou Jinsong as the chairman, Mr. Hong Winn, Mr. Yen Homer Shih Hung, Mr. HUANG Brad, Mr. Kwok Yeung Kwong as members.

Nomination Committee

Our Company established a nomination committee on 10 March 2010 to make recommendations to the Board regarding candidates to fill vacancies on the Board.

The nomination committee comprises Mr. Zhou Jinsong as the chairman, Mr. Hong Winn, Mr. Yen Homer Shih Hung, Mr. HUANG Brad, Mr. Kwok Yeung Kwong as members.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Group's remuneration policies are formulated based on qualifications, years of experiences and the performance of individual employees and are reviewed regularly. The same policies will be adopted.

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us during the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, to those persons who have been or are our directors, was approximately HK\$6.8 million, HK\$7.5 million, HK\$4.9 million and HK\$1.7 million, respectively.

The five highest paid individuals of our Group for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 included three, two, two and one directors, respectively. The aggregate amount of fees, salaries, discretionary bonuses and contributions to retirement benefit plans of the remaining two, three, three and four individuals for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 was approximately HK\$3.6 million, HK\$5.6 million, HK\$5.7 million and HK\$4.5 million, respectively.

Except as disclosed above, no other payments have been paid or are payable, in respect of the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 by us or any of our subsidiaries to our directors or the five highest paid individuals of our Group. It is estimated that under the current arrangements presently in force, the directors will be entitled to receive remuneration and benefits in kind which, for the three months ended 31 December 2009 and the year ended 31 December 2009 are expected to be approximately HK\$0.6 million and HK\$2.3 million, respectively, excluding the discretionary bonuses payable to the executive directors. Under the current arrangements, it is expected that our Directors will be entitled to receive an aggregate remuneration of HK\$4.2 million, for the year ending 31 December 2010, excluding the discretionary bonuses payable to our Directors.

PARTICULARS OF DIRECTORS' SERVICE AGREEMENTS

Details of service agreements entered into between us and each of our executive Directors are summarized in the paragraph headed "Particulars of service agreements" in Appendix VII to this document.

EMPLOYEES

As of 30 September 2009, we had approximately 376 full-time employees. Set out below is a breakdown of the number of our full-time employees by function as of the same date:

Division	Number of Employees
General Management (Office of the Chief Executive Officer)	9
Projects Department	101
Design Department	59
Procurement Department	13
Commercial Division	19
Finance and Accounting Department	22
Human Resources and Administration Department	18
Production	135
Total	376

Under the retirement benefits scheme operated by us, forfeited contributions may be utilized by us to reduce the existing level of contributions and the amounts so utilised by us during the Track Record Period were HK\$97,495, HK\$0.1 million, HK\$1.5 million and HK\$0.6 million, respectively.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

HK\$

Authorised:

10,000,000,000	Shares	100,000,000
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Issued and to be issued, fully paid or credited as fully paid:

1,000,000	Shares in issue	10,000
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RANKING

The Shares will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this document.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial conditions and our results of operations together with our audited consolidated financial statements as at and for the three years ended 31 December 2008 and the nine months ended 30 September 2009 and the accompanying notes included in the Accountants' Report set out in Appendix I to this document (collectively the "Financial Statements"). The Accountants' Report has been prepared in accordance with IFRS issued by IASB. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties.

BASIS OF PRESENTATION

The financial information of our Group contained in this section includes the financial statements of our Company and its subsidiaries made up to each of the year or period ended date. Subsidiaries are entities over which our Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to our Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by our Group.

OVERVIEW

We are a global provider of one-stop building facade solutions for high-end property projects and have undertaken many high profile property projects worldwide. We design, engineer, manufacture and install aluminium and stainless steel products for buildings such as curtain wall and cladding systems, windows, doors, skylights and other related products. We serve a global customer base that is distributed in various parts of the world including the U.S., Canada, the Middle East, the PRC, Hong Kong, Macau, Singapore, Japan and South America. Our growth in revenue and gross profit are principally attributable to our success in expanding to overseas markets generally involving large-scale and high-end projects with attractive margins that require the customised curtain wall solutions that we specialise in. As of the Latest Practicable Date, we had a total of 17 projects that are in progress, including nine projects located in the U.S., Canada and South America, five projects located in Hong Kong, Macau and the PRC, and three projects located in Asia (other than Hong Kong, Macau and the PRC), with an estimated total area of 704,000 sq.m. For each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, our revenue was HK\$885.1 million, HK\$658.6 million, HK\$1,284.7 million and HK\$620.4 million, respectively. Our profit attributable to our equity holders for each of the corresponding periods was HK\$18.4 million, HK\$25.0 million, HK\$105.0 million and HK\$42.6 million, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Pricing of our projects

Our results of operations are affected by the prices that we quote when we bid for new projects. In order to be successful, we need to balance the competing considerations of winning the bid and at the same time maintain our profitability. We seek to submit sufficiently competitive and attractive price quotes in order to successfully bid for the projects, while at the same time avoid overly competitive bids that may have a material adverse impact on our results of operations. We believe effective cost management will

FINANCIAL INFORMATION

assist us in striking a balance between quoting a competitive price and maintaining profitability. By keeping our costs at a manageable level, we seek to price our services at a competitive level whilst at the same time continue to maintain our profitability.

Global economic conditions

Our results of operations are subject to political, economic, legal and social developments in the world because our business, operations and client base are global in nature. Changes in the global world economy or changes in the financial and economic conditions of key places in the world will reduce demand for new property developments and thereby reduce demand for our building facade products, which may affect the prices for our services. A reduced demand and/or lower contract sums could adversely affect our gross profit and negatively impact our cash flow. However, adverse changes in economic conditions generally enable us to achieve a corresponding reduction in costs.

Changes in our costs of materials

Our results of operations are affected by the costs of the materials required for fabrication of the building facade products labour costs in connection with the design and fabrication and shipping costs. During the Track Record Period, material costs amounted to approximately HK\$471.1 million, HK\$323.7 million, HK\$495.3 million, HK\$188.5 million and HK\$369.8 million in each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 and 30 September 2008, respectively and accounted for approximately 57.7%, 56.3%, 48.0%, 38.1% and 48.7%, respectively of our cost of sales for each of the same periods. As such, increases in the prices of materials could adversely affect our gross profit, if such increases are not taken into account in the pricing of our services and products. In particular, we are subject to the volatility of and fluctuations in the prices of aluminium, a key material in our building facade products.

For each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, it is estimated that a general increase/decrease of 1% in the price of aluminium, with all other variables held constant, the consolidated profit for the year/period would decrease/increase by approximately HK\$2.1 million, HK\$1.2 million, HK\$1.7 million and HK\$0.7 million, respectively or approximately 11%, 5%, 2% and 2%, respectively. The extent of decrease/increase in consolidated profit over the period became relatively smaller, due to a decrease in the proportion of the cost of aluminium to our cost of sales from 44% to 38% over the period as well as an increase in the consolidated profit over the period.

Timing of revenue recognition and cash inflows

Our revenue is recognised using the percentage of completion method while we receive cash from customers on progress billings under certain credit terms given to customers. Hence, the timing of our revenue recognition generally does not coincide with our cash inflows. The progress billings represent our work performed and certified by architects. As such, our cashflow position could fluctuate based on the timing of our cash receipts.

FINANCIAL INFORMATION

Failure to complete facade projects according to specifications, quality standards, safety measures or timetable

We have to complete our projects in accordance with the applicable specifications, quality standards, safety measures and timetable. If we fail to comply with any of these requirements, we will be liable to pay penalties or damages and our results of operations and hence our profits will be adversely affected. We have not been claimed for any damages or penalties by our customers for any of the aforesaid reasons. We will continue to give full effort to ensure our current and future projects are completed in accordance with the applicable specifications, quality standards, safety measures and timetable.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND KEY ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 3 to our consolidated financial statements included in Appendix I to this document.

Some of our accounting policies involve judgements and estimates. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant judgements and estimates used in the preparation of our consolidated financial statements.

Judgement on recognition of revenue from construction contracts

Our revenue from construction contracts is recognised using the percentage of completion method when the outcome of a contract can be estimated reliably or to the extent of contract costs incurred that are probably to be recoverable when the outcome of a contract cannot be measured reliably.

Prior to 1 January 2008, we made the judgement that no profit on a contract is recognised when the contract is less than 20% complete, as the contract is in its early stages that its outcome cannot be estimated reliably.

From 1 January 2008 onwards, in respect of any new contracts secured, the outcome of each new contract is assessed individually. When the outcome of the contract can be estimated reliably, contract revenues are recognised upon commencement of contract work and when contract costs are incurred. Such change in judgement was made on the basis that the management of our Group has implemented a new cost control system which enables our Group to estimate the outcome of a contract at an early stage of the contract.

When it is probable that total contract costs will exceed total contract revenues in an early stage of the contract, any expected excess of total contract costs over contract revenue of the contract is immediately recognised as an expense.

Following a detailed review of the outcome of the contracts completed in prior years, we are satisfied that the revised mechanism of recognising revenue from construction contracts is appropriate.

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Judgement on accounting for variation orders of construction contracts

We make claims for additional work performed, which may arise either under specific circumstances provided for under the contracts, or due to variation made to the contract specifications by customers. Where the amounts of such claims have not been formally agreed at the end of the reporting period, the amount recoverable as estimated by our management is included in the contract value in determining the estimated profit or foreseeable loss on the contract.

Estimation involved in revenue and profit recognition of construction contracts

We estimate the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred is different from the amounts that were initially budgeted, such differences will impact the revenue and the profit or loss recognised in the period in which such determination is made. The budget cost of each project will be reviewed periodically and, where significant variances are noted during the revision, revised accordingly.

Estimation in accounting for income taxes

We are subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Estimation in provision for impairment losses on bad and doubtful debts

We make impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and retention receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Estimation in accounting for property, plant and equipment and depreciation

We determine the estimated useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. We will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

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Estimation in fair value and impairment of investments

We classify certain assets as available-for-sale investments and changes in their fair values in other comprehensive income. The fair value of unlisted available-for-sale investments is determined with reference to the quoted market price or secondary market redemption price as provided by the issuer of the underlying investments. When the fair value declines, management makes judgement to determine whether there is an impairment that should be recognised in profit or loss.

DESCRIPTION OF CERTAIN INCOME STATEMENTS ITEMS

The following summarizes components of certain financial statement items that may be helpful to an understanding of our consolidated financial statements and the management's discussion and analysis of our results of operations during the Track Record Period.

Revenue

We derive our revenues during the Track Record Period from our projects located in various regions around the world, including North America, Greater China and Asia (which as used herein consists of Singapore, Japan and the UAE, but excludes the Greater China region). The following table sets forth our revenue for each of the regions described above and the percentage of total revenue represented for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
North America	155,179	17.5	146,686	22.3	796,403	62.0	610,170	63.6	338,567	54.6
Greater China	686,967	77.6	336,535	51.1	300,509	23.4	212,125	22.1	179,780	29.0
Asia	34,898	4.0	150,790	22.9	171,263	13.3	123,768	12.9	90,864	14.6
Others ⁽¹⁾	8,065	0.9	24,630	3.7	16,533	1.3	12,910	1.4	11,218	1.8
Total	<u>885,109</u>	<u>100</u>	<u>658,641</u>	<u>100</u>	<u>1,284,708</u>	<u>100</u>	<u>958,973</u>	<u>100</u>	<u>620,429</u>	<u>100</u>

Note:

(1) Includes a project in Chile and all maintenance projects located in regions specified above.

Our overall revenue decreased from HK\$885.1 million in 2006 to HK\$658.6 million in 2007 and increased to HK\$1,284.7 million in 2008, primarily because (i) most of our sizable projects such as Skyplaza Building at Lantau Island in Hong Kong and Galaxy Starworld Hotel and Venetian Macao Resort Hotel in Macau were substantially completed in 2006 and early 2007, respectively. As a result, such projects contributed a relatively lower amount of revenue in 2007 as compared with 2006; (ii) in 2007, a number of sizable projects in the U.S. such as Veer Towers, Cosmopolitan Resort Hotel & Casino and Mandarin Oriental Hotel were at an early preparatory stage, and thus only a relatively small percentage of contracted revenue were recognized during the year; and (iii) substantial work on the U.S. projects was performed in 2008 which resulted in significant increase in revenue during the year.

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Our overall revenue decreased from HK\$959.0 million for the nine months ended 30 September 2008 to HK\$620.4 million for the nine months ended 30 September 2009, primarily as a result of the downturn in the property markets due to the global financial crisis. In addition, a substantial portion of the work had been performed on most of our projects located in the U.S. in 2008, and the new projects in Canada such as the Shangri-La Toronto project and the Trump International Hotel & Tower project were at an early preparatory stage, and thus only a relatively small percentage of the contract sum was recognized as revenue in 2009. Revenue also decreased because the Costanera Center project in Chile was temporarily suspended in January 2009. We resumed work on the project in December 2009.

Revenues derived from North America decreased from approximately HK\$155.2 million for the year ended 31 December 2006 to approximately HK\$146.7 million for the year ended 31 December 2007, increased to approximately HK\$796.4 million for the year ended 31 December 2008 and then decreased to approximately HK\$338.6 million for the nine months ended 30 September 2009. These changes were primarily due to a substantial amount of work having been performed on our projects in the U.S. such as Veer Towers and Mandarin Oriental Hotel by 31 December 2008, having the largest contribution to revenue in 2008.

Revenues derived from Hong Kong, Macau and PRC decreased from approximately HK\$687.0 million for the year ended 31 December 2006 to approximately HK\$336.5 million for the year ended 31 December 2007, decreased to approximately HK\$300.5 million for the year ended 31 December 2008 and then decreased to approximately HK\$179.8 million for the nine months ended 30 September 2009. These changes occurred primarily because we channelled our efforts and resources during the Track Record Period to develop overseas markets such as the U.S. and Middle East to undertake projects that command higher contract sums and higher profit margins.

Revenues derived from Asia increased from approximately HK\$34.9 million for the year ended 31 December 2006 to approximately HK\$150.8 million for the year ended 31 December 2007, increased to approximately HK\$171.3 million for the year ended 31 December 2008 and then decreased to approximately HK\$90.9 million for the nine months ended 30 September 2009. These changes occurred primarily because we recognized revenues from the Burj Khalifa project in 2007 and revenues from the Sama Tower and Burj Khalifa projects in 2008, due to a significant amount of work having been performed on the Burj Khalifa and Sama Tower projects by 31 December 2008.

Cost of Sales

Cost of sales primarily represents the costs we incur directly in the execution of the contracts for our projects. Cost of sales primarily consists of the cost of contracting work performed, which includes the costs of materials, installation and site costs, design and engineering costs and indirect costs.

Costs of materials include all the costs required in the purchasing of materials such as aluminium, glass, stainless steel and sealant used in the fabrication of our building facade products, and shipping costs.

Costs of installation include costs incurred in engaging subcontractors and labour directly engaged by us to install our building facade products at the project sites. Such costs vary according to the project because the costs of subcontractors and labour costs are different in the various cities where our projects are located. Design and engineering costs include wages and salaries of design and engineering staff involved in our projects. Indirect costs include the capitalized office and administrative costs, finance costs, warranty provisions and costs of maintenance projects.

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The percentage of cost of sales represented by cost of materials decreased from 57.7% of the cost of sales in the year ended 31 December 2006 to 56.3% in the year ended 31 December 2007, and then decreased to 48.0% in the year ended 31 December 2008, and further decreased to 38.1% in the nine months ended 30 September 2009. The percentage of cost of sales represented by installation and site costs decreased from 37.4% in the year ended 31 December 2006 to 33.0% in the year ended 31 December 2007, and then increased to 44.9% in the year ended 31 December 2008, and further increased to 55.9% in the nine months ended 30 September 2009. These changes were attributable to the different stages that our projects were in during the specified periods – our projects in the U.S. and Dubai were in the stages of preparation in 2006 and 2007, accounting for a higher proportion of cost of sales represented by cost of materials incurred in those periods. As many of our projects had proceeded to the installation stage in 2008, installation and site costs represented a higher proportion of cost of sales in the year ended 31 December 2008 and the nine months ended 30 September 2009.

The table below sets forth information relating to the components of our cost of sales and as a percentage of total cost of sales for the periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Costs of materials	471,175	57.7	323,721	56.3	495,304	48.0	369,810	48.7	188,481	38.1
Installation and site costs . .	305,628	37.4	189,753	33.0	463,499	44.9	333,425	43.9	276,511	55.9
Design and engineering costs	15,058	1.8	16,370	2.8	26,723	2.6	20,862	2.8	13,342	2.7
Indirect costs	25,363	3.1	45,913	7.9	46,056	4.5	34,804	4.6	16,068	3.3
Total	<u>817,224</u>	<u>100.0</u>	<u>575,757</u>	<u>100.0</u>	<u>1,031,582</u>	<u>100.0</u>	<u>758,901</u>	<u>100.0</u>	<u>494,402</u>	<u>100.0</u>

Other Income

Other income comprises mainly of: (i) bank interest income; (ii) gain on disposals of scrap materials; (iii) gain on disposals of property, plant and equipment; and (iv) writing back of provision for impairment of trade and retention receivables. An allowance for impairment of trade and other receivables is made when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. Impairment losses are reversed in subsequent periods and recognized under other income when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognized.

Administrative Expenses

Administrative expenses include office staff costs, office rental payments, depreciation and amortization, traveling and entertainment expenses, professional fees and general office expenses.

Income Tax Expenses

Income tax expenses consist of Hong Kong profits tax and overseas income tax. The applicable Hong Kong profits tax rate was 16.5% in each of 2008 and 2009, and 17.5% in each of 2007 and 2006.

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The PRC

Prior to 1 January 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the *PRC Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law* (中華人民共和國外商投資企業和外國企業所得稅法, the "**Former Enterprise Income Tax Law**") promulgated on 9 April 1991 and became effective on 1 July 1991 and the related implementation rules. According to the Former Enterprise Income Tax Law and the relevant implementation rules, the standard foreign enterprise income tax rate had been 33%, consisting of a state portion of 30% and a local portion of 3%.

On 1 January 2008, the new *PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法, the "**New Enterprise Income Tax Law**") and its implementing rules came into effect, providing for a unified tax rate of 25% for both foreign-invested and domestically owned companies. In addition to resident enterprises, those non-resident enterprises may also pay income tax on their income derived from the PRC. Where a non-resident enterprise does not have an office or a premise or a non-resident enterprise has an office or a premise in the PRC but the income derived has no actual relation with such office or premise, the non-resident enterprise shall pay enterprise income tax on income derived from the PRC, and the tax rate under such situation shall be 10%.

In accordance with the *Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Income Taxes* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, which in Hong Kong, applies to income derived in any year of assessment commencing on or after 1 April 2007; and in the PRC, in any year commencing on or after 1 January 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary.

Cayman Islands

We are currently not subject to Cayman Islands income tax pursuant to an undertaking obtained from the Governor in Cabinet. See "Summary of Constitution of our Company and Cayman Islands Company Law" in Appendix VI to this document.

Macau

Macau Profits Complementary tax is calculated at the progress rates from 3% to 12%, 3% to 12%, 9% to 12% and 9% to 12% of the estimated assessable profits for the years ended 31 December 2006, 2007, 2008 and 2009, respectively.

Singapore

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore.

Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accrued in or derived from Singapore and, subject to certain exceptions, on foreign-source income received or deemed to be received in Singapore from outside Singapore. Foreign-source income in the form of dividends, branch profits and services income received or deemed to be received in Singapore by Singapore tax resident companies on or after 1 June 2003 are exempt from tax if certain prescribed conditions are met.

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It was announced in the 2009 Singapore government budget ("**Budget**") that the prescribed conditions for the specified foreign source income mentioned above to be exempted will be temporarily lifted in respect of such income that were earned on or before 21 January 2009 and is received in Singapore between 22 January 2009 to 21 January 2010, both dates inclusive (i.e. the qualifying period). In addition, the exemption would also be expanded to cover all foreign source income that were earned on or before 21 January 2009 and is received during the qualifying period.

Non-resident corporate taxpayers, with certain exceptions, are subject to Singapore income tax on income accrued in or derived from Singapore, and on foreign-source income received or deemed to be received in Singapore from outside Singapore.

The corporate tax rate for the year of assessment 2009 is 18% after allowing for tax exemption on three quarters of up to the first \$10,000 and up to one-half of the next \$290,000 of a company's chargeable income. The above partial tax exemption does not apply to Singapore dividends received by companies.

The corporate income tax rate will be reduced to 17% with effect from the year of assessment 2010. This was announced in the 2009 Budget.

Chile

Companies constituted in Chile are subject to a 17% tax rate on accrued income. Such tax is considered as a credit against taxes payable (if any) by the partners or shareholders of such company following any profits distribution. Foreign partners or shareholders of Chilean companies will pay an overall tax rate of 35% upon profits or dividends distribution, whereas the 17% tax paid by the company itself will be considered as a credit. The 35% tax rate will not apply in the case of a foreign investor that has chosen to be subject to the invariable 42% tax rate provided in the Chilean Foreign Investment Statute.

Dubai

There is no federal legislation imposing corporate or personal income taxes in the UAE. However, with respect to the Emirate of Dubai only, the "Dubai Income Tax Ordinance of 1969" ("**Dubai Tax Ordinance**") was enacted with effect from 1 January 1969 by decree of HH Sheikh Rashid Bin Said Al Maktoum, the then Ruler of Dubai. This Dubai Tax Ordinance specifies that an organisation that conducts trade or business, including the rendering of any services in Dubai, is subject to the following tax scale:

- Income between AED 1,000,000 – AED 2,000,000: 10% rate
- Income between AED 3,000,000 – AED 4,000,000: 30% rate
- Income between AED 4,000,000 – AED 5,000,000: 40% rate
- Income above AED 5,000,000: 50% rate

Nevertheless, Dubai Tax Ordinance has only been applied to, and tax is only levied on, companies active in the oil and gas sector industry, some related service industries and branches of foreign banks operating in Dubai. There is of course always a possibility that tax would be levied across other sectors in future, although the tax free status of Dubai, and the UAE, is one of the main attractions for foreign direct investment into the country.

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There is a tax which is levied at the rate of 5% on goods entering the country, unless tax has already been paid in another GCC country, or the goods are entering one of the free zone areas in the UAE for the purposes of re-export. In certain circumstances it is possible to apply for exemption from import tax in relation to goods, which are imported from other GCC states provided it can be shown that at least 40% of the value of the goods has been added whilst in the exporting state. This applies equally to goods manufactured or processed in the UAE (including the free zones) and exported to another GCC state.

In addition, the local authority in Dubai charges a 5% levy on the annual rent payable under the lease agreement for the premises of each company in Dubai.

U.S.

U.S. corporations (corporations organized or created in the U.S. or under the law of any state), including U.S. corporations that are subsidiaries of foreign corporations, are subject to U.S. income tax generally at a 35% rate on their world wide income (plus applicable state and local taxes). In addition to the regular corporate income tax, the alternative minimum tax (AMT) may be imposed on a corporation having certain "tax preference" items. A corporation pays tax on its "taxable income." Taxable income is the corporation's total income for the year (such as gross receipts, interest, rents and royalties) minus the corporation's deductions for the year (such as compensation and salaries paid, repairs, maintenance, rents paid, interest paid, depreciation, advertising and deductible amounts paid into certain employee benefit programs). Dividends paid on stock are not a deduction from a corporation's income.

A U.S. corporation that anticipates a tax bill of \$500 or more must estimate its income tax liability for the current tax year and pay four quarterly estimated tax installments. Any underpayment of a required installment results in an addition to tax on the amount of the underpayment for the period of underpayment. The addition to tax is based on current interest rates. Corporations are also subject to an environmental tax of 0.12% on certain income in excess of \$2,000,000. A U.S. corporation generally may not file a consolidated return with a foreign corporation.

Canada

The corporation tax rate to which our Company is subject is approximately 38% on taxable income. Taxable income is computed by adding non-deductible items in the financial statements and then deducting allowed tax credits and deductions.

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RESULTS OF OPERATIONS

The following table summarizes the consolidated income statements data from the Financial Statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this document. The financial information contained herein and in the Accountants' Report in Appendix I to this document is prepared in accordance with IFRS.

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
				<i>(Unaudited)</i>	
Revenue	885,109,287	658,641,389	1,284,708,864	958,972,839	620,428,512
Cost of sales	<u>(817,224,472)</u>	<u>(575,757,173)</u>	<u>(1,031,582,336)</u>	<u>(758,901,256)</u>	<u>(494,402,345)</u>
Gross profit	67,884,815	82,884,216	253,126,528	200,071,583	126,026,167
Other income	4,025,890	2,936,363	8,974,267	3,767,197	1,508,779
Administrative expenses	(51,181,242)	(59,597,499)	(115,973,025)	(87,811,357)	(67,087,286)
Other operating expenses	<u>–</u>	<u>–</u>	<u>(8,100,000)</u>	<u>–</u>	<u>(3,400,000)</u>
Profits from operations	20,729,463	26,223,080	138,027,770	116,027,423	57,047,660
Finance costs	(251,312)	(6,487)	(2,486)	(2,435)	–
Gain on disposal of a subsidiary	<u>–</u>	<u>–</u>	<u>1,579,368</u>	<u>–</u>	<u>–</u>
Profit before tax	20,478,151	26,216,593	139,604,652	116,024,988	57,047,660
Income tax	<u>(2,098,737)</u>	<u>(1,453,856)</u>	<u>(36,470,523)</u>	<u>(31,826,000)</u>	<u>(13,662,907)</u>
Profit for the year/period	<u>18,379,414</u>	<u>24,762,737</u>	<u>103,134,129</u>	<u>84,198,988</u>	<u>43,384,753</u>
Attributable to:					
Owners of our Company	18,379,414	25,043,117	104,992,755	84,198,988	42,631,529
Minority interests	<u>–</u>	<u>(280,380)</u>	<u>(1,858,626)</u>	<u>–</u>	<u>753,224</u>
	<u>18,379,414</u>	<u>24,762,737</u>	<u>103,134,129</u>	<u>84,198,988</u>	<u>43,384,753</u>
Earnings per share attributable to owners of our Company:					
Basic (HK\$ cents)	<u>97</u>	<u>133</u>	<u>556</u>	<u>446</u>	<u>226</u>
Diluted (HK\$ cents)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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Comparison of nine months ended 30 September 2009 to nine months ended 30 September 2008

Revenue

Our revenue decreased by approximately HK\$338.6 million, or approximately 35.3%, from approximately HK\$959.0 million for the nine months ended 30 September 2008 to approximately HK\$620.4 million for the nine months ended 30 September 2009 primarily due to the downturn in the property markets in different regions as a result of the global financial crisis and due to the other factors described below.

	Nine Months ended 30 September			
	2008		2009	
	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>			
North America	610,170	63.6	338,567	54.6
Greater China	212,125	22.1	179,780	29.0
Asia	123,768	12.9	90,864	14.6
Others ⁽¹⁾	12,910	1.4	11,218	1.8
Total	958,973	100.0	620,429	100.0

Note:

(1) Includes a project in Chile and maintenance projects in the regions specified above.

Revenue derived from North America decreased by HK\$271.6 million, or approximately 44.5%, from approximately HK\$610.2 million for the nine months ended 30 September 2008 to approximately HK\$338.6 million for the nine months ended 30 September 2009. The decrease in revenue was primarily because a substantial portion of the work on most of our projects in the U.S. such as Veer Towers and Mandarin Oriental Hotel in Las Vegas had been performed by 31 December 2008. Our new projects in Canada such as the Shangri-la Toronto project and the Trump International Hotel & Tower were still at their preliminary design phase during the period and had little or no effect on revenues.

Revenue derived from Greater China decreased by HK\$32.3 million, or approximately 15.2%, from approximately HK\$212.1 million for the nine months ended 30 September 2008 to approximately HK\$179.8 million for the nine months ended 30 September 2009. The decrease in revenue was primarily because we continued to focus our efforts and resources to develop overseas markets such as the U.S. and the Middle East.

Revenue derived from Asia decreased by HK\$32.9 million, or approximately 26.6%, from approximately HK\$123.8 million for the nine months ended 30 September 2008 to approximately HK\$90.9 million for the nine months ended 30 September 2009. The decrease in revenue was primarily because a substantial portion of the work on the Burj Khalifa and Sama Tower projects had been performed by 31 December 2008, which resulted in a decrease in revenue of HK\$89.3 million. Such decrease was partially offset by an increase in revenue of HK\$56.4 million in the Marina Bay Sands Integrated Resort project in Singapore.

Cost of sales

Our cost of sales decreased by approximately HK\$264.5 million, or approximately 34.9%, from approximately HK\$758.9 million for the nine months ended 30 September 2008 to approximately HK\$494.4 million for the nine months ended 30 September 2009. The decrease in the cost of sales was in line with the decrease in revenue for the same period.

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Gross profit and gross profit margin

Gross profit decreased by approximately HK\$74.0 million, or approximately 37.0%, from approximately HK\$200.0 million for the nine months ended 30 September 2008 to approximately HK\$126.0 million for the nine months ended 30 September 2009.

The gross profit margin for the nine months ended 30 September 2008 was approximately 20.9%. The gross profit margin for the nine months ended 30 September 2009 remained stable at 20.3%.

Other income

Other income decreased by approximately HK\$2.3 million, from approximately HK\$3.8 million, for the nine months ended 30 September 2008 to approximately HK\$1.5 million for the nine months ended 30 September 2009. Such decrease was primarily attributable to the decrease in bank interest income and gain on disposals of scrap materials.

Administrative expenses

Administrative expenses decreased by approximately HK\$20.7 million, or approximately 23.6%, from approximately HK\$87.8 million for the nine months ended 30 September 2008 to approximately HK\$67.1 million for the nine months ended 30 September 2009. The decrease was primarily attributable to the decrease in administrative staff costs and the operating expenses of our offices in various regions as a result of our stringent cost measures implemented in response to the global economic crisis.

Other operating expenses

We did not have any other operating expenses incurred for the nine months ended 30 September 2008 and expenses for the nine months ended 30 September 2009 was approximately HK\$3.4 million. The reason for the increase was the recognition of further impairment losses in respect of a piece of freehold land owned by us in the U.S. The impairment loss was recognised due to the decrease in market price of the freehold land. The freehold land was vacant during the Track Record Period.

Finance costs

Finance costs before capitalization to contract work decreased from approximately HK\$1.6 million for the nine months ended 30 September 2008 to HK\$0.01 million for the nine months ended 30 September 2009 primarily due to the decrease in bank borrowings resulting from repayment of such bank borrowings. Finance costs after capitalization represents interest of bank overdrafts.

Tax

Tax decreased by 56.9% to approximately HK\$13.7 million in 2009 from approximately HK\$31.8 million in 2008. The effective tax rate of our Group decreased from approximately 27.4% for the nine months ended 30 September 2008 to approximately 23.9% for the nine months ended 30 September 2009. This was primarily due to the decrease in non-deductible expenses, the decrease in deductible temporary differences not previously recognised and the utilisation of tax losses not previously recognised. The effect of such decrease was partially offset by the recognition of Hong Kong Profits Tax previously not provided for during the period.

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The decrease in non-deductible expenses is primarily due to the tax effect of HK\$1.3 million in respect of professional fees incurred in Hong Kong in relation to the financial advisory services which were not deductible for the purpose of Hong Kong Profits Tax, and the tax effect of HK\$2 million in respect of contract costs incurred in the PRC which were not deductible for the purpose of PRC Enterprise Income Tax during the year ended 31 December 2008. No such expenses were incurred during the nine months ended 30 September 2009. In addition, the decrease in non-deductible expenses is also attributable to the decrease in the tax effect of impairment loss recognized in respect of a piece of freehold land owned by us in the U.S. and the construction in progress erected on this piece of land from HK\$1.4 million during the year ended 31 December 2008 to HK\$0.6 million during the nine months ended 30 September 2009. Such impairment loss is not deductible for the purpose of United States Corporate Income Tax.

The income tax was underprovided in prior periods as our management was initially of the view that certain of our operations of the Group would not be subject to profit/income tax in any jurisdiction.

The management of the Company had sought advice and was advised that the income from these operations might be subject to Hong Kong Profits Tax. As a result, an estimated tax undercharged for the past seven years up to 31 December 2008 plus a penalty in the form of additional tax at a rate of 100% on the estimated tax undercharged, totalling about HK\$6.3 million was made in the consolidated financial statements for the nine months ended 30 September 2009.

Pursuant to the Inland Revenue Ordinance (the "IRO"), the maximum penalty in form of additional tax for omission/understatement of income/profit or failure to notify chargeability of tax to the Inland Revenue Department (the "IRD") is treble the amount of tax undercharged. However, according to the IRD's published penalty policy, subject to various aggravating or mitigating factors, a penalty of 100% of the tax undercharged is generally considered more appropriate if the taxpayers can fully co-operate and work out reasonable proposals within a specified period for the settlement of the IRD's review and challenge (if any).

Profit for the period

Profit for the nine months ended 30 September 2009 decreased by HK\$40.8 million, or approximately 48.5%, to HK\$43.4 million from HK\$84.2 million for the nine months ended 30 September 2008. Net profit margin decreased from 8.8% for the nine months ended 30 September 2008 to 7.0% for the nine months ended 30 September 2009.

Profits attributable to owners of our Company

Based on the above factors, profit attributable to owners of our Company decreased by approximately HK\$41.6 million, or approximately 49.4%, from approximately HK\$84.2 million for the nine months ended 30 September 2008 to approximately HK\$42.6 million for the nine months ended 30 September 2009.

Profits attributable to minority interests

Profit attributable to minority interests was HK\$0.8 million for the nine months ended 30 September 2009 and no profit or loss was attributable to minority interests for the nine months ended 30 September 2008.

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Comparison of year ended 31 December 2008 compared to year ended 31 December 2007

Revenue

Our revenue increased by approximately HK\$626.1 million, or approximately 95.1%, from approximately HK\$658.6 million for the year ended 31 December 2007 to approximately HK\$1,284.7 million for the year ended 31 December 2008.

	Year ended 31 December			
	2007		2008	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
North America	146,686	22.3	796,403	62.0
Greater China	336,535	51.1	300,509	23.4
Asia	150,790	22.9	171,263	13.3
Others ⁽¹⁾	24,630	3.7	16,533	1.3
Total	658,641	100.0	1,284,708	100.0

Note:

(1) Includes a project in Chile and maintenance projects in the regions specified above.

Revenue derived from North America increased significantly from approximately HK\$146.7 million for the year ended 31 December 2007 to approximately HK\$796.4 million for the year ended 31 December 2008. The increase in revenue was mainly due to the recognition of revenues from a number of sizable projects such as Mandarin Oriental Hotel, Veer Towers and Cosmopolitan Resort Hotel & Casino in Las Vegas, USA.

Revenue derived from Greater China decreased from approximately HK\$336.5 million for the year ended 31 December 2007 to approximately HK\$300.5 million for the year ended 31 December 2008. The decrease in revenue was primarily because we continued to focus our efforts and resources to develop overseas markets such as the U.S. and Middle East and secure contracts in these overseas markets that command larger contract sums and higher profit margins.

Revenues derived from Asia increased from approximately HK\$150.8 million for the year ended 31 December 2007 to approximately HK\$171.3 million for the year ended 31 December 2008. The increase in revenue was primarily because we have worked on the Burj Khalifa and Sama Tower projects and worked on the new Darwish Tower project in Dubai.

Cost of sales

Our total cost of sales increased by approximately HK\$455.8 million, or approximately 79.2%, from approximately HK\$575.8 million for the year ended 31 December 2007 to approximately HK\$1,031.6 million for the year ended 31 December 2008. The increase in the cost of sales was in line with the increase in the revenue. This was due primarily to the increase in the number of projects undertaken in 2008, which led to a corresponding increase in the costs of materials and installation and site costs.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by approximately HK\$170.2 million, or approximately 205.3%, from approximately HK\$82.9 million for the year ended 31 December 2007 to approximately HK\$253.1 million for the year ended 31 December

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2008. The gross profit margin for 2007 was approximately 12.6% and the gross profit margin for 2008 increased to 19.7%. This was mainly attributable to the revenue derived from our projects in the U.S. including the Mandarin Oriental Hotel, Veer Towers and the Cosmopolitan Resort Hotel & Casino in Las Vegas, USA, which on average had a higher gross profit margin compared to the projects we undertook in 2007 in Greater China, the revenues from which represented approximately 51.1% of our revenues for the year ended 31 December 2007.

The average gross profit margin of our U.S. projects during the Track Record Period was approximately 24% in 2008. These projects enjoyed a higher profit margin than those projects in Greater China which was 9.6% on average in 2007. The higher gross profit margins of our projects in the U.S. were due to the fact that the market price of building facade products in the U.S. were generally higher than the market price of building facade products in Greater China and that the U.S. clients were willing to pay a premium for quality products.

Other income

Other income increased by approximately HK\$6.1 million from approximately HK\$2.9 million for the year ended 31 December 2007 to approximately HK\$9.0 million for the year ended 31 December 2008. Such increase was primarily attributable to the increase in the gain on disposals of property, plant and equipment, and scrap materials, and an increase in the writing back of provision for impairment of trade and retention receivables, which was partially offset by a decrease in bank interest income.

Administrative expenses

Administrative expenses increased by approximately HK\$56.4 million, or approximately 94.6%, from approximately HK\$59.6 million for the year ended 31 December 2007 to approximately HK\$116.0 million for the year ended 31 December 2008. The increase was mainly due to the substantial increase in staff costs from the increased number of administrative and management staff and the increase in operating expenses of offices in various regions as a result of our expansion into overseas markets.

Other operating expenses

We did not have any operating expenses for the year ended 31 December 2007 and the other operating expenses for the year ended 31 December 2008 were HK\$8.1 million. The reason for the increase was due to the recognition of impairment losses in respect of a piece of freehold land owned by us in the U.S. and the construction in progress erected on this piece of land.

Finance costs

Finance costs before capitalization to contract work increased by approximately HK\$0.6 million, from approximately HK\$1.7 million for the year ended 31 December 2007 to approximately HK\$2.3 million for the year ended 31 December 2008 primarily due to a slight increase in bank borrowings. Finance costs after capitalization represents interest on bank overdrafts.

Tax

Tax increased by HK\$35.0 million to approximately HK\$36.5 million in 2008 from approximately HK\$1.5 million in 2007. The effective tax rate of our Group increased from approximately 5.5% for the year ended 31 December 2007 to approximately 26.1% for the year ended 31 December 2008 primarily due to the increase in profit contribution from our projects in the U.S. where the tax rate is higher.

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Gain on disposal of a subsidiary

Our gain on disposal of a subsidiary was HK\$1.6 million for the year ended 31 December 2008 compared to nil in the year ended 31 December 2007. This was attributable to the disposal of our subsidiary, Xi'an Yuanheng Aluminium Works Company Limited, to Mr. Huang Guangyu for a consideration of HK\$5.3 million.

Profit for the year

Profit for the year ended 31 December 2008 increased by HK\$78.3 million, or approximately 315.7%, to HK\$103.1 million from HK\$24.8 million for the year ended 31 December 2007. Our net profit margin was 8.0% for the year ended 31 December 2008 as compared to a net profit margin of 3.8% for the same period in 2007.

Profits attributable to owners of our Company

Based on the above factors, profit attributable to owners of our Company increased by approximately HK\$80.0 million, or approximately 320.0%, from approximately HK\$25.0 million for the year ended 31 December 2007 to approximately HK\$105.0 million for the year ended 31 December 2008.

Losses attributable to minority interests

Loss attributable to minority interests was HK\$1.9 million for the year ended 31 December 2008 and HK\$0.3 million for the year ended 31 December 2007.

Dividends

On 19 January 2009, we declared dividends of HK\$34.0 million for the year ended 31 December 2008 to Showmost and no dividend was declared for the year ended 31 December 2007.

Comparison of year ended 31 December 2007 compared to year ended 31 December 2006

Revenue

Our revenue decreased by approximately HK\$226.5 million, or approximately 25.6%, from approximately HK\$885.1 million in the year ended 31 December 2006 to approximately HK\$658.6 million for the year ended 31 December 2007.

	Year ended 31 December			
	2006		2007	
	HK\$'000	%	HK\$'000	%
North America	155,179	17.5	146,686	22.3
Greater China	686,967	77.6	336,535	51.1
Asia	34,898	4.0	150,790	22.9
Others ⁽¹⁾	8,065	0.9	24,630	3.7
Total	885,109	100.0	658,641	100.0

Note:

(1) Includes maintenance projects in the regions specified above.

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The decrease in revenue was primarily attributable to our projects in Hong Kong and Macau being close to completion by the end of 2006 while our projects in the U.S. were at an early stage and such projects had a small contribution to revenue. This decrease in revenue was partially offset by an increase in revenues recognized from the Burj Khalifa and the Sama Tower projects.

Cost of sales

Our total cost of sales decreased by approximately HK\$241.4 million, or approximately 29.5%, from approximately HK\$817.2 million for the year ended 31 December 2006 to approximately HK\$575.8 million for the year ended 31 December 2007. The decrease in cost of sales was in line with the decrease in revenue during the year. Due to the smaller number of projects undertaken by us in 2007, we incurred lower material costs and installation and site costs.

Gross profit and gross profit margin

Gross profits increased by approximately HK\$15.0 million, or approximately 22.1%, from approximately HK\$67.9 million for the year ended 31 December 2006 to approximately HK\$82.9 million for the year ended 31 December 2007.

The gross profit margin for 2006 was approximately 7.7%, whereas the gross profit margin for 2007 increased to 12.6%. This was mainly attributable to lower gross profits in 2006 resulting from cost overruns in the World Market Center project and the Skyplaza Building project, and higher profit margins generated by the Burj Khalifa project and the Tokyo Station Yaesu Project North Tower project in 2007. The average gross profit margin of our Burj Khalifa project and the Tokyo Station Yaesu Project North Tower project was approximately 29% in 2007.

The higher gross profit margin in the Burj Khalifa project was due to clients being willing to pay a premium for satisfying their specific technical requirements and while working under time constraints.

Generally, assuming all of the factors remain constant, our profit margin is expected to be higher if we undertake installation work, due to longer credit risks and longer payment collection cycle which will be reflected in our tenders for the projects. Although we did not undertake installation work in the Tokyo Station Yaesu North Tower project, see "Business – Our Global Projects – Overview" for further details, the gross profit margin in that project was higher because the client was willing to pay a premium for satisfying their specific technical requirements in the project.

Other income

Other income remained stable and amounted to HK\$2.9 million and HK\$4.0 million for 2007 and 2006, respectively. This was due primarily to a decrease in interest rates resulting in a drop in interest income.

Administrative expenses

Administrative expenses increased by approximately HK\$8.4 million, or approximately 16.4%, from approximately HK\$51.2 million for the year ended 31 December 2006 to approximately HK\$59.6 million for the year ended 31 December 2007. The increase was primarily attributable to the expenses incurred in connection with the establishment of our branch offices in the U.S. and in Dubai in 2007, which included administrative staff cost, traveling expenses and rental expenses for our new offices.

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Finance costs

Finance costs before capitalization to contract works decreased from HK\$4.0 million for the year ended 31 December 2006 to HK\$1.7 million for the year ended 31 December 2007 primarily due to the decrease in bank borrowings. Finance costs after capitalization represents interest on bank overdrafts.

Tax

Tax decreased by 30.7% to HK\$1.5 million in 2007 from HK\$2.1 million in 2006. The effective tax rate of our Group decreased from approximately 10.2% for the year ended 31 December 2006 to approximately 5.5% for year ended 31 December 2007. This was primarily due to the utilisation of tax losses not previously recognised and an increase in recognition of deferred tax assets in respect of tax losses of previous periods.

Profit for the year

Profit for the year ended 31 December 2007 increased by HK\$6.4 million, or approximately 34.8%, to HK\$24.8 million from HK\$18.4 million for the year ended 31 December 2006. Our net profit margin was 3.8% for the year ended 31 December 2007 as compared to a net profit margin of 2.1% for the same period in 2006.

Profits attributable to owners of our Company

Based on the above factors, profit attributable to owners of our Company increased by approximately HK\$6.6 million, or approximately 36.3%, from approximately HK\$18.4 million for the year ended 31 December 2006 to approximately HK\$25.0 million for the year ended 31 December 2007.

Losses attributable to minority interests

Loss attributable to minority interests was HK\$0.3 million for the year ended 31 December 2007 and there was no profit or loss attributable to minority interests for the year ended 31 December 2006.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we have financed our working capital, capital expenditures, dividend payments to our shareholders and other capital requirements primarily through revenues from our contracts, capital contributions from shareholders and borrowings. We expect to continue to fund our future capital expenditure, working capital and other cash requirements from cash generated from our operations.

Cash Flows

We focus on improving the profitability of our business to enhance our operating cash flow. We closely monitor and manage the level of our trade and retention receivables and trade payables, and our ability to obtain external debt financing through the implementation of internal guidelines and mechanisms, which include regular management reviews of collection of trade and retention receivables, settlement of trade payables, and availability of banking facilities. We centralise our material procurement to control our expenditure incurred on materials. We also have a comprehensive budget review system in place to ensure our projects are within their budget costs.

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The following table is a condensed summary of our consolidated cash flow statements for the periods indicated:

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i> <i>(Unaudited)</i>	<i>HK\$</i>
Net cash inflow from operating activities	2,566,067	83,576,428	256,786,457	105,659,318	95,354,633
Net cash inflow/(outflow) from investing activities	13,265,579	(36,500,208)	(14,573,663)	(13,551,997)	(35,911,865)
Net cash outflow from financing activities	(308,222)	(4,386,533)	(43,089,601)	(33,204,267)	(34,000,000)
Net increase in cash and cash equivalents	15,523,424	42,689,687	199,123,193	58,903,054	25,442,768
Effect of foreign exchange rate changes	1,364,541	791,588	1,265,660	(128,961)	455,293
Cash and cash equivalents at the beginning of the year/period	<u>29,768,992</u>	<u>46,656,957</u>	<u>90,138,232</u>	<u>90,138,232</u>	<u>290,527,085</u>
Cash and cash equivalents at the end of the year/period	<u><u>46,656,957</u></u>	<u><u>90,138,232</u></u>	<u><u>290,527,085</u></u>	<u><u>148,912,325</u></u>	<u><u>316,425,146</u></u>

Cashflows from Operating Activities

Our major operating cash flows are derived mainly from revenues from curtain wall engineering projects undertaken by us.

Our Group derives its cash inflow from operating activities principally from the receipt of payments from contract work and the sources of cash outflow from operations mainly include purchases of materials, wages of design and production staff and installation costs paid to our subcontractors.

Net cash inflow from operating activities for the nine months ended 30 September 2009 amounted to approximately HK\$95.4 million, while our Group's profit before taxation for the same period was approximately HK\$57.0 million. The difference of approximately HK\$38.4 million was mainly due to the combined effect of an increase in the provision for impairment of trade and retention receivables of HK\$3.7 million, a decrease in trade and retention receivables of HK\$163.7 million and a decrease in prepayments, deposits and other receivables of HK\$8.6 million, which were partially offset by a decrease in the movements in net amounts due from and due to contract customers of HK\$126.6 million, and a decrease in the trade and bills payables of HK\$13.2 million.

Net cash inflow from operating activities for the nine months ended 30 September 2008 amounted to approximately HK\$105.7 million, while our Group's profit before taxation for the same period was approximately HK\$116.0 million. The difference of approximately HK\$10.3 million was mainly due to the combined effect of an increase in the movements in net amounts due from and due to contract customers of HK\$186.6 million, an increase in the accruals and other payables of HK\$32.8 million, and a provision for impairment of trade and retention receivables of HK\$11.6 million, which were partially

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offset by an increase in trade and retention receivables of HK\$196.9 million and an decrease in the trade and bills payables of HK\$30.4 million, an increase in prepayments, deposits and other receivables of HK\$11.3 million.

Net cash inflow from operating activities for the year ended 31 December 2008 amounted to approximately HK\$256.8 million, while our Group's profit before taxation for the same period was approximately HK\$139.6 million. The difference of approximately HK\$117.2 million was mainly due to the combined effect of an increase in movement in net amounts due from and due to contract customers of HK\$313.9 million, an increase in the accruals and other payables of HK\$14.5 million, and a provision for impairment of trade and retention receivables of HK\$12.0 million, which were partially offset by an increase in trade and retention receivables of HK\$195.9 million, a decrease in the trade and bills payables of HK\$23.5 million and an increase in prepayments, deposits and other receivables of HK\$4.9 million.

Net cash inflow from operating activities for the year ended 31 December 2007 amounted to approximately HK\$83.6 million, while our Group's profit before taxation for the same period was approximately HK\$26.2 million. The difference of approximately HK\$57.4 million was mainly due to the combined effect of an increase in movement in net amounts due from and due to contract customers of HK\$26.7 million, a decrease in prepayments, deposits and other receivables of HK\$7.3 million, an increase in trade and bills payables of HK\$27.5 million and a decrease in an amount due from the former immediate holding company of HK\$13.0 million, which were partially offset by an increase in trade and retention receivables of HK\$5.9 million, a decrease in other payables and accruals of HK\$5.2 million, interest paid of HK\$1.7 million and the income tax paid of HK\$4.0 million.

Net cash inflow from operating activities for the year ended 31 December 2006 amounted to approximately HK\$2.6 million, while our Group's profit before taxation for the same period was approximately HK\$20.5 million. The difference of approximately HK\$17.9 million was mainly due to the combined effect of an increase in trade and retention receivables of HK\$33.1 million, an increase in prepayments, deposits and other receivables of HK\$12.5 million and interest paid of HK\$4.0 million, and partially offset by an increase in movement in net amounts due from and due to contract customers of HK\$20.0 million, an increase in other payables and accruals of HK\$10.7 million.

Cash Flows from Investing Activities

For the nine months ended 30 September 2009, our net cash used in investing activities was HK\$35.9 million. The primary factors affecting net cash used in investing activities during the period included the purchase of available for sale investments of HK\$14.4 million and an increase in restricted bank deposits of HK\$23.6 million, which were partially offset by proceeds from disposal of available for sale investments of HK\$2.3 million. For the same period in 2008, net cash used in investing activities was HK\$13.6 million. The primary factors affecting net cash used in investing activities during the period included the purchase of property, plant and equipment of HK\$15.4 million.

In 2008, our net cash used in investing activities was HK\$14.6 million, primarily due to the purchase of property, plant and equipment of HK\$16.3 million.

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In 2007, our net cash used in investing activities was HK\$36.5 million, primarily due to the purchase of property, plant and equipment of HK\$39.0 million.

In 2006, our net cash inflow from investing activities was HK\$13.3 million. The primary factors affecting net cash from investing activities in 2006 included the proceeds from disposal of available-for-sale investments of HK\$11.7 million, interest received of HK\$3.0 million and decrease in pledged time deposits of HK\$7.3 million, which were partially offset by the purchase of property, plant and equipment of HK\$6.3 million and purchases of available-for-sale investments of HK\$2.3 million.

Cash Flow from Financing Activities

For the nine months ended 30 September 2009, our net cash used in financing activities was HK\$34 million. The primary factors affecting net cash used in financing activities during the period included dividends paid amounting to HK\$34 million. For the same period in 2008, net cash used in financing activities was HK\$33.2 million, primarily due to net repayment of import loans.

In 2008, our net cash used in financing activities was HK\$43.1 million, primarily due to net repayment of import loans.

In 2007, our net cash used in financing activities was HK\$4.4 million, primarily due to net repayment of import loans.

In 2006, our net cash used in financing activities was HK\$0.3 million. The primary factors affecting net cash from financing activities in 2006 included repayment of bank loans amounting to HK\$10 million and net proceeds from import loans of HK\$9.7 million.

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Net Current Assets

	At 31 December			At 30 September	At 31 January
	2006	2007	2008	2009	2010
	HK\$	HK\$	HK\$	HK\$	HK\$ (unaudited)
Current assets					
Inventories	191,911	502,471	796,933	74,956	59,637
Gross amounts due from					
customers for contract work	70,550,508	44,215,471	50,865,440	91,700,098	50,750,778
Trade and retention receivables	222,543,668	227,688,107	414,203,080	247,326,819	228,097,288
Due from a related party	-	-	5,327,220	5,341,893	-
Due from former immediate					
holding company	13,000,002	-	-	-	-
Prepayments, deposits and					
other receivables	21,719,406	14,428,885	18,530,124	9,934,616	27,045,849
Available-for-sale investments	-	-	-	14,351,000	14,761,000
Current tax assets	-	-	-	94,380	102,180
Pledged time deposits	38,189,400	38,969,400	38,189,400	61,824,816	81,585,306
Bank and cash balances	46,656,957	90,138,232	290,527,085	316,425,146	366,353,189
	<u>412,851,852</u>	<u>415,942,566</u>	<u>818,439,282</u>	<u>747,073,724</u>	<u>768,755,227</u>
Current liabilities					
Gross amounts due to customers					
for contract work	113,568,100	108,498,831	421,879,640	332,448,792	290,420,826
Trade and bills payables	54,260,498	81,764,746	58,228,375	45,024,633	46,118,898
Current tax liabilities	1,276,444	1,167,477	30,581,513	39,964,179	47,264,045
Warranty provision	10,301,487	11,473,330	10,559,444	12,287,293	12,603,382
Other payables and accruals	63,938,835	58,757,852	72,953,834	71,904,279	88,494,738
Due to a former fellow					
subsidiary	1,992,032	-	-	-	-
Interest-bearing bank					
borrowings	47,476,134	43,089,601	-	-	-
	<u>292,813,530</u>	<u>304,751,837</u>	<u>594,202,806</u>	<u>501,629,176</u>	<u>484,901,889</u>
Net current assets	<u>120,038,322</u>	<u>111,190,729</u>	<u>224,236,476</u>	<u>245,444,548</u>	<u>283,853,338</u>

As of 31 January 2010, we had net current assets of HK\$283.9 million, consisting of HK\$768.8 million of current assets and HK\$484.9 million of current liabilities, which represented an increase of HK\$38.5 million from 30 September 2009. This increase was mainly due to an increase in prepayment, deposits and other receivables to HK\$27 million, pledged time deposits to HK\$81.6 million, bank and cash balances to HK\$366.4 million and a decrease in gross amounts due to customers for contract work to HK\$290.4 million. The increase in net current assets was partially offset by a decrease in trade and retention receivables to HK\$228.1 million and gross amounts due from customers for contract work to HK\$50.8 million, and an increase in other payables and accruals to HK\$88.5 million and current tax liabilities to HK\$47.3 million.

As of 30 September 2009, we had net current assets of HK\$245.4 million, consisting of HK\$747.0 million of current assets and HK\$501.6 million of current liabilities, which represented an increase of HK\$21.2 million from 31 December 2008. This increase was mainly due to an increase in gross amounts due from customers for contract work to HK\$91.7 million, available for sale investments to HK\$14.4 million, pledged time deposits to HK\$61.8 million, bank and cash balances to HK\$316.4 million and a decrease in gross

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amounts due to customers for contract work to HK\$332.4 million and trade and bills payables to HK\$45.0 million. The increase in net current assets was partially offset by a decrease in trade and retention receivables to HK\$247.3 million, prepayment, deposits and other receivables to HK\$9.9 million and current tax liabilities to HK\$40.0 million.

As of 31 December 2008, we had net current assets of approximately HK\$224.2 million, consisting of HK\$818.4 million current assets and HK\$594.2 million of current liabilities, which represented an increase of HK\$113.0 million compared to 31 December 2007. This increase was mainly due to an increase in trade and retention receivables to HK\$414.2 million, amount due from a related party to HK\$5.3 million and bank and cash balances to HK\$290.5 million, and a decrease in trade and bills payables to HK\$58.2 million and interest-bearing bank borrowings to nil. The increase in net current assets was partially offset by an increase in the gross amounts due to customers for contract work to HK\$421.9 million, current tax liabilities of HK\$30.6 million and other payables and accruals of HK\$73.0 million.

Our net current assets decreased to approximately HK\$111.2 million as of 31 December 2007, consisting of HK\$415.9 million of current assets and HK\$304.8 million of current liabilities, from approximately HK\$120.0 million as of 31 December 2006. This decrease was mainly due to a decrease in the gross amounts due from customers for contract work to HK\$44.2 million and prepayments, deposits and other receivables to HK\$14.4 million, and an increase in trade and bills payable to HK\$81.8 million. This decrease in net current assets was partially offset by an increase in bank and cash balances to HK\$90.1 million, and a decrease in other payables and accruals to HK\$58.8 million.

Working Capital

Our Directors confirm that we have sufficient working capital for our operations for at least the next 12 months from the date of this document.

We strive to manage our cash flow to ensure that we have sufficient funds to meet our existing and future cash requirements. In addition to cash generated from our operations, we may consider, if necessary, to obtain bank borrowings to fund our working capital requirement.

We also maintain a prudent capital expenditure policy that our capital expenditure plan must be approved by our corporate headquarters and implemented according to our business plan and cash flow situation.

We expect to finance our operations through a combination of cash generated from operations, and when necessary, bank borrowings.

ANALYSIS OF CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Our property, plant and equipment consists of land and buildings, leasehold improvements, plant and machinery furniture, fixtures and equipment, motor vehicles, and tools and mould. As of 31 December 2006, 2007, 2008 and 30 September 2009, we had property, plant and equipment of approximately HK\$21.4 million, HK\$54.5 million, HK\$53.6 million and HK\$44.8 million, respectively. The increase in property, plant and equipment from 31 December 2006 to 31 December 2007 was primarily due to the purchase of a piece of freehold land in the U.S.

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Available-for-sale investments

During the Track Record Period, our investments in available-for-sale investments mainly included investment funds and certificates of deposits. According to our investment policy, all investments by our Company are authorised, reviewed and approved by our chief executive officer and chief financial officer.

The primary investment objective of our Company is to generate an investment income higher than bank interest income from our excess working capital, with emphasis on capital preservation. We do not invest in high-risk and sophisticated financial products.

The following table shows our available-for-sale investments as of dates indicated:

	As of 31 December			As of 30 September
	2006	2007	2008	2009
	<i>(HK\$ in thousands)</i>			
Unlisted investments, at fair value:				
Club debenture	380	380	380	380
Investment funds and certificates of deposits.	10,835	11,146	20,496	32,836
	11,215	11,526	20,876	33,216
Analysed as:				
Current assets	–	–	–	14,351
Non-current assets	11,215	11,526	20,876	18,865
	11,215	11,526	20,876	33,216

All the available-for-sale investments are investment funds and certificate of deposits with 100% principal-protected upon the expiry of the investment horizon.

Available-for-sale investments increased to HK\$33.2 million as of 30 September 2009 from HK\$20.9 million as of 31 December 2008, due primarily to the increase in investment of certificates of deposits.

Available-for-sale investments increased to HK\$20.9 million as of 31 December 2008 from HK\$11.5 million as of 31 December 2007, due primarily to the expiration of certificates of deposits amounting to approximately HK\$9.4 million and re-investing the amounts to certain investment funds.

Available-for-sale investments remained generally stable, amounting to HK\$11.5 million as of 31 December 2007 and HK\$11.2 million as of 31 December 2006.

Inventories

Our inventories consist of materials such as rivets, screws and adhesive papers used in fabrication works. As of 31 December 2006, 2007 and 2008 and 30 September 2009, we had inventories of approximately HK\$0.2 million, HK\$0.5 million, HK\$0.8 million and HK\$0.1 million, respectively. We did not keep inventories for materials used directly in the fabrication of its building facade products. Such materials, which include aluminum, glass and stainless steel, were purchased based on the specific requirements of each project upon the commencement of the projects. These materials were recorded as cost of sales when they are purchased for the projects.

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Gross amounts due from customers for contract work

Gross amounts due from customers for contract work are recorded in the balance sheet at the amount of costs incurred plus recognized profits less foreseeable losses and progress billings.

The gross amounts due from customers for contract work increased to HK\$91.7 million as of 30 September 2009 from HK\$50.9 million as of 31 December 2008, due primarily to an increase in the contract costs incurred plus recognized profits less foreseeable losses in connection with projects in Hong Kong, the UAE and Singapore for which our customers had not yet certified our work performed.

The gross amounts due from customers for contract work increased to HK\$50.9 million as of 31 December 2008 from HK\$44.2 million as of 31 December 2007, due primarily to an increase in the contract costs incurred plus recognized profits less foreseeable losses in connection with projects in Hong Kong and the UAE for which the customers had not yet certified our work performed.

The gross amounts due from customers for contract work decreased to HK\$44.2 million as of 31 December 2007 from HK\$70.6 million as of 31 December 2006, due primarily to more work certified by the customers. Such amounts were recognized as trade and retention receivables when progress billings were receivable.

Trade and retention receivables

Trade receivables represent mainly progress billings receivables from facade building contracting work. Trade receivables are recognized when the value of the subcontract work undertaken by us is certified by the architect. The certified value of such work is generally included in the applications for payment made by the main contractor to the property developer.

Retention receivables represent certified contract payments in respect of work performed for which payments are withheld by customers for retention purposes to ensure completion of the work. The amount retained is withheld on each payment up to a maximum amount equivalent to a stipulated percentage of the contract sum. Provision for impairment is made when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables.

Trade and retention receivables were HK\$247.3 million as of 30 September 2009, compared to HK\$414.2 million as of 31 December 2008. This decrease was mainly because part of the trade and retention receivables in respect of the projects undertaken in 2008 was settled in 2009.

Trade and retention receivables were HK\$414.2 million as of 31 December 2008 compared to HK\$227.7 million as of 31 December 2007. This increase was principally due to an increase in the number of projects in the U.S. undertaken by us in 2008, resulting in an increase in the amount of progress billings receivables from our projects and the amount of retention receivables in respect of our work performed.

Trade and retention receivables remained generally stable, amounting to HK\$227.7 million as of 31 December 2007 and HK\$222.5 million as of 31 December 2006.

Trade and retention receivables represented approximately 53.9%, 54.7%, 50.6% and 33.1% of our current assets as of 31 December 2006, 2007 and 2008 and 30 September 2009, respectively.

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The following table shows the trade receivables and retention receivables and the provision for impairment of the trade and retention receivables, as of 31 December 2006, 2007 and 2008, and 30 September 2009:

	As of 31 December			As of
	2006	2007	2008	30 September 2009
	<i>(HK\$ in thousands)</i>			
Trade receivables	143,054	130,442	235,878	117,522
Retention receivables	96,404	107,915	192,861	147,514
Impairment losses	(16,914)	(10,669)	(14,536)	(17,709)
	<u>222,544</u>	<u>227,688</u>	<u>414,203</u>	<u>247,327</u>

The aging analysis of our trade receivables (net of allowance) as of the dates indicated is as follows:

	As of 31 December			As of
	2006	2007	2008	30 September 2009
	<i>(HK\$ in thousands)</i>			
1 – 30 days	110,162	121,356	118,108	67,184
31 – 60days	29,522	–	89,385	42,114
61- 90 days	58	–	501	–
More than 90 days	977	6,568	22,125	760
Total	<u>140,719</u>	<u>127,924</u>	<u>230,119</u>	<u>110,058</u>

Our trade receivable turnover days was 53 days, 76 days, 52 days and 78 days in each of the years ended 31 December 2006, 2007 and 2008, and the nine months ended 30 September 2009, respectively. Trade receivable turnover days is calculated using the following formula:

Trade receivable turnover (days) = average of beginning and ending balance of trade receivables (net of allowance)/revenue x 365 days for a year or 275 days for nine months.

Our trade receivable turnover increased from 53 days for the year ended 31 December 2006 to 76 days for the year ended 31 December 2007 mainly because three sizeable projects in the U.S. commenced in December 2007 which resulted in higher trade receivable at that time, and then decreased to approximately 52 days for the year ended 31 December 2008 primarily due to the shorter credit terms given to our customers in respect of certain projects in the U.S. Our trade receivable turnover increased to approximately 78 days for the nine months ended 30 September 2009 primarily due to the receivables from the Darwish Tower project. The receivables from the Darwish Tower project was secured by a bank letter of credit with 120 days terms due.

Retention receivables represent certified contract payments in respect of work performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum. Retention receivables are recognised when progress billings were issued to customers.

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Most of our projects last more than twelve months. Generally, 50% of our retention receivables will be released by our customers upon substantial completion of our projects and the remaining portion will be released after the defect liability period and issue of the completion certificates by customers. The duration of defect liability period of our projects is generally 2 years. Therefore, a significant portion of retention receivables remained outstanding at each year/period ended date.

The aging analysis and settlement details of our retention receivables (net of allowance) as of the dates indicated below and their settlement details are as follows:

	As of 31 December			As of 30 September
	2006	2007	2008	2009
	<i>(HK\$ in thousands)</i>			
Amounts expected to be recovered within twelve months	17,558	22,699	36,592	17,424
Amounts expected to be recovered after twelve months	64,266	77,065	147,492	119,845
Retention receivables (net of allowance)	81,824	99,764	184,084	137,269
Less: Amounts recovered up to 31 January 2010.	54,305	48,146	75,657	12,360
Amounts not yet recovered up to 31 January 2010.	27,519	51,618	108,427	124,909

The recovery rates⁽¹⁾ of our retention receivables (net of allowance) are as follows:

	As of 31 December			As of 30 September
	2006	2007	2008	2009
Amounts expected to be recovered within twelve months	100.0%	95.6%	67.2%	0%
Amounts expected to be recovered after twelve months	57.2%	34.3%	34.6%	10.3%
Overall.	66.4%	48.3%	41.1%	9.0%

(1) Recovery rate of retention receivables is calculated based on the amount of retention receivables outstanding (net of allowance) at each year/period ended date which is subsequently recovered at 31 January 2010, divided by the amount of retention receivables outstanding (net of allowance) at each year/period ended date.

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Our retention receivables which have not been recovered for the respective Track Record Period up to 31 January 2010 are as follows:

	As of 31 December			As of 30 September
	2006	2007	2008	2009
	<i>(HK\$ in thousands)</i>			
Not yet due at the end of reporting years/period (i.e. the projects are still in progress or within defects liability period)	24,790	38,152	96,228	114,735
Past due but not impaired at the end of reporting years/period:				
Past due up to one year.	2,729	12,476	5,855	3,218
Past due over one year	-	990	6,344	6,956
	2,729	13,466	12,199	10,174
	27,519	51,618	108,427	124,909

At 31 December 2006, HK\$27,519,000 or 34% of the retention receivables was not yet recovered at 31 January 2010. Among which, (i) HK\$7,109,000 or 26% was not yet due for payment at 31 January 2010; (ii) HK\$10,444,000 or 38% was subsequently impaired during the Track Record Period; and (iii) HK\$9,966,000 or 36% was overdue at 31 January 2010.

At 31 December 2007, HK\$51,618,000 or 52% of the retention receivables was not yet recovered at 31 January 2010. Among which, (i) HK\$32,335,000 or 63% was not yet due for payment at 31 January 2010; (ii) HK\$9,146,000 or 18% was subsequently impaired during the Track Record Period; and (iii) HK\$10,137,000 or 19% was overdue at 31 January 2010, of which HK\$9,966,000 was brought forward from 2006.

At 31 December 2008, HK\$108,427,000 or 59% of the retention receivables was not yet recovered at 31 January 2010. Among which, (i) HK\$96,228,000 or 89% was not yet due for payment at 31 January 2010; (ii) HK\$2,025,000 or 2% was subsequently impaired during the Track Record Period; and (iii) HK\$10,174,000 or 9% was overdue at 31 January 2010, of which HK\$9,966,000 and HK\$171,000 was brought forward from 2006 and 2007 respectively.

At 30 September 2009, HK\$124,909,000 or 91% of the retention receivables was not yet recovered at 31 January 2010. Among which, (i) HK\$114,735,000 or 92% was not yet due for payment at 31 January 2010; and (ii) HK\$10,174,000 or 8% was overdue at 31 January 2010, of which HK\$9,966,000, HK\$171,000 and HK\$37,000 was brought forward from 2006, 2007 and 2008 respectively.

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At 31 January 2010, the accumulated amounts of our retention receivables (net of allowance) which are past due but not impaired are as follows:

	<i>(HK\$ in thousands)</i>
Amount carried forward from 31 December 2006	9,966
Amount carried forward from 31 December 2007	171
Amount carried forward from 31 December 2008	37
Amount carried forward from 30 September 2009	<u>–</u>
	<u>10,174</u>

Our Directors confirm that (i) HK\$6,956,000 of these retention monies are related to projects completed in 2007, of which the Group has not accepted on the final accounts with the customers due to our request for additional variation orders; and (ii) HK\$3,218,000 of these retention receivables originally due in 2008 are currently pending customer's final approval for release of payment. Our Directors expect that these retention receivables will be settled by the end of December 2010.

Our Directors confirm that there have not been any claims against our performance bonds for unsatisfactory work of our projects during the Track Record Period.

Bank and cash balances

The following table sets forth the breakdown of our bank and cash balances for the periods indicated:

	As of 31 December			As of
	2006	2007	2008	30 September 2009
	<i>(HK\$ in thousands)</i>			
Pledged long term time deposits	9,360	9,360	–	–
Pledged short term time deposits	38,189	38,969	38,189	61,825
Cash and bank balances	<u>46,657</u>	<u>90,138</u>	<u>290,527</u>	<u>316,425</u>
	<u>94,206</u>	<u>138,467</u>	<u>328,716</u>	<u>378,250</u>

Banks and cash balances increased to HK\$378.3 million as of 30 September 2009 from HK\$328.7 million as of 30 September 2008, due primarily to the amount of retention money receivables due and collected in 2009.

Banks and cash balances increased to HK\$328.7 million as of 31 December 2008 from HK\$138.5 million as of 31 December 2007, due primarily to an increase in our revenues for the year ended 31 December 2008, which in turn increased the amount of bank and cash balances.

Banks and cash balances increased to HK\$138.5 million as of 31 December 2007 from HK\$94.2 million as of 31 December 2006, due primarily to collection of the amounts due to us under our building facade contracts in the course of the year.

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Gross amounts due to customers for contract work

Gross amounts due to customers for contract work decreased to HK\$332.4 million as of 30 September 2009 from HK\$421.9 million as of 30 September 2008, due primarily to the acceleration of work performed which in turn was partially offset against the advance payments from our customers.

Gross amounts due to customers for contract work increased to HK\$421.9 million as of 31 December 2008 from HK\$108.5 million as of 31 December 2007, due primarily to the growth in the overseas construction markets resulting in an increase in the number of projects that we undertook in 2008 and an acceleration in the collection of progress billings. In some projects, the main contractors will make advance payments to us in order to cover our initial expenses incurred in purchasing materials and other related expenses.

Gross amounts due to customers for contract work decreased slightly to HK\$108.5 million as of 31 December 2007 from HK\$113.6 million as of 31 December 2006, due primarily to the decrease in the number of projects that we worked on in 2007, resulting in a decrease in the amount of progress billings collected by us and in the amount of advance payments made to us.

Trade and bills payables

We had trade and bills payables of HK\$54.2 million, HK\$81.8 million, HK\$58.2 million and HK\$45.0 million as of 31 December 2006, 2007 and 2008, and 30 September 2009, respectively. The following table sets out the breakdown of our trade and bills payables as of the dates indicated.

	As of 31 December			As of 30 September
	2006	2007	2008	2009
	<i>(HK\$ in thousands)</i>			
Trade payables	54,261	80,966	58,228	45,025
Bills payables	–	799	–	–
	54,261	81,765	58,228	45,025
Total	54,261	81,765	58,228	45,025

Our trade payables represent mainly payables to suppliers. The payables are interest free and are normally settled within six months. The credit period granted by our suppliers is on a case-by-case basis. Our suppliers generally grant us a credit period of 45-90 days.

Trade and bills payables decreased from HK\$81.8 million as of 31 December 2007 to HK\$58.2 million as of 31 December 2008, and then to HK\$45.0 million as of 30 September 2009 primarily because we were able to secure a lower cost of materials from the suppliers in 2008 and for the nine months ended 30 September 2009 and due to the acceleration of work progress of certain projects in 2008 and 2009.

Trade and bills payables increased to HK\$81.8 million as of 31 December 2007 from HK\$54.3 million as of 31 December 2006, primarily due to materials purchased in the second half of 2007 in preparation for the commencement of certain new projects in the U.S. in late 2007.

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The aging analysis of our trade payables as of the dates indicated is as follows:

	As of 31 December			As of 30 September
	2006	2007	2008	2009
	<i>(HK\$ in thousands)</i>			
1 – 30 days	22,336	32,337	36,965	24,693
31 – 60 days	21,598	29,025	13,978	7,438
More than 60 days	10,327	20,403	7,285	12,894
Total	54,261	81,765	58,228	45,025

Our trade payable turnover days was 24 days, 43 days, 25 days and 29 days in the years ended 31 December 2006, 2007 and 2008, and the nine months ended 30 September 2009, respectively. The trade payable turnover days is calculated using the following formula:

Trade payables turnover (days) = average of beginning and ending balance of trade payables/cost of sales x 365 days for a year or 275 days for nine months.

Trade payable turnover increased from 24 days for the year ended 31 December 2006 to 43 days for the year ended 31 December 2007, and then decreased to 25 days for the year ended 31 December 2008 and slightly increased to 29 days for the year ended 30 September 2009. We typically seek to match the cash received with the payment to be paid in order to control our cash flow. The trend in trade payables turnover was in line with the trend in trade receivable for the Track Record Period.

Other payables and accruals

Other payables and accruals decreased to slightly HK\$71.9 million as of 30 September 2009 from HK\$73.0 million as of 31 December 2008.

Other payables and accruals increased to HK\$73.0 million as of 31 December 2008 compared to HK\$58.8 million as of 31 December 2007. This increase was due primarily to an increase in the number of projects that we worked on in 2008.

Other payables and accruals decreased to HK\$58.8 million as of 31 December 2007 compared to HK\$63.9 million as of 31 December 2006. The decrease was due to the smaller number of projects that we worked on in 2006.

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Warranty provisions

	As of 31 December			As of 30 September
	2006	2007	2008	2009
	<i>(HK\$ in thousands)</i>			
At beginning of the year/period	10,230	10,301	11,473	10,559
Additional provisions	3,920	2,900	2,914	5,726
Provisions used	(3,849)	(1,728)	(3,828)	(3,998)
At end of the year/period	10,301	11,473	10,559	12,287

We provide warranties to our customers on facade contracting works in accordance with terms and conditions as stipulated in contracts, under which defective works are rectified or replaced.

The amount of the warranty provision is estimated on the basis of the past experience of the level of defective works. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios for the periods indicated:

	Year ended 31 December			Nine months ended 30 September
	2006	2007	2008	2009
Current ratio ⁽¹⁾	1.4	1.4	1.4	1.5
Gearing ratio ⁽²⁾	27.9%	21.8%	–	–

Notes:

- (1) Current assets/current liabilities.
- (2) Total debt/total equity x 100%.

Current ratio

Our Group has consistently maintained sufficient working capital. The current ratio remained stable at 1.4 in each of the years ended 31 December 2006, 2007 and 2008, and increased slightly to 1.5 for the nine months ended 30 September 2009, respectively.

Gearing ratio

Gearing ratio decreased from 27.9% for the year ended 31 December 2006 to 21.8% for the year ended 31 December 2007. Our Group became debt free in the year ended 31 December 2008 and for the nine months ended 30 September 2009.

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INDEBTEDNESS, CONTINGENT LIABILITIES AND CAPITAL EXPENDITURES

Borrowings

The following table sets forth the maturity profiles of our borrowings as of the dates indicated:

	As of 31 December			As of 30 September 2009	As of 31 January 2010 (unaudited)
	2006	2007	2008		
	<i>(in HK\$ thousands)</i>				
Bank loans					
Due within one year . . .	47,476	43,090	Nil	Nil	Nil

Our banking facilities are secured by: (i) pledges of certain of our land and buildings; (ii) pledges of certain of our available-for-sale investments; (iii) pledges of certain of our long-term and short-term time deposits; and (iv) corporate guarantees.

As of 31 January 2010, we have unutilised banking facilities amounting to HK\$189.8 million.

Contingent Liabilities

We are required under our building facade contracts to provide performance bonds in an amount equivalent to a stipulated percentage of the contract sum. The contingent liabilities of our Group as of the dates indicated below were as follows:

	As of 31 December			As of 30 September 2009	As of 31 January 2010 (unaudited)
	2006	2007	2008		
	<i>(in HK\$ thousands)</i>				
Guarantees provided in relation to performance bonds for construction contracts ⁽¹⁾	89,503	143,977	516,862	544,516	624,536
Draw down rate ⁽²⁾	48.7%	55.4%	82.2%	78.8%	83.1%

- (1) Guarantees provided by banks and insurance companies in relation to performance bonds for construction contracts.
- (2) Draw down rate is calculated based on the amount of guarantees provided by banks and insurance companies in relation to performance bonds for construction contracts in issue at each year/period ended date divided by the total amount of credit limit granted by banks and insurance companies for the purpose of issuing performance bonds for construction contracts at each year/period ended date.
- (3) The total amount of guarantees provided in relation to performance bonds for construction contracts or the total amount of credit limit granted by banks and insurance companies does not include the amount of guarantees of HK\$39,480,000 issued by a related company controlled by a director for the purpose of issuing performance bonds.

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Disclaimers

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 January 2010, we did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

Our Directors confirm that, taking into consideration the financial resources available to us as at the Latest Practicable Date, including banking facilities and other internal resources, we have sufficient working capital for our requirements as at the Latest Practicable Date, including funds necessary to meet our contractual obligations, maintain our operations and complete our existing projects that were under progress at the Latest Practicable Date. Other than the risk factors set out in the section headed "Risk Factors" in this document, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity as at the Latest Practicable Date, including those that may materially and adversely affect our future cash requirements associated with trends known to our Group. As at the Latest Practicable Date, our Directors are not aware of any changes in the applicable legal and regulatory requirements that would have a material adverse impact on our Group's liquidity.

In addition, our Directors confirm that since 31 January 2010 up to the Latest Practicable Date, there has been no material adverse change in the level of indebtedness or contingent liabilities of the Group.

Our Directors confirm that the Group has no plan to raise material debt financing or it is reasonably unlikely to do so in the future. Our Directors also confirm that the covenants related to the existing facilities granted by banks and insurance companies, and the guarantees issued by a related company for the purpose of issuing performance bond have no material impact on the Group's ability to undertake additional debt or equity financing.

Capital Expenditures

The following table sets forth a summary of our capital expenditures during the Track Record Period:

	As of 31 December			As of
	2006	2007	2008	30 September 2009
	<i>(in HK\$ thousands)</i>			
Purchase of property, plant and equipment	6,337	39,006	16,255	1,088

We anticipate that the funds needed for capital expenditures will be financed by cash generated from our operations. If necessary, we may raise additional bank borrowings on terms that are acceptable to us.

Our ability to obtain additional funding in the future is, subject to a variety of uncertainties including our future results of operations, financial condition and cash flows, economic, political and other conditions in the jurisdictions in which we operate.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks including foreign exchange risks, price risks, credit risks, liquidity risks and interest rate risks in the ordinary course of business.

Foreign currency risk

Our Group's foreign currency exposures primarily arises from certain sales or purchases by operating units in currencies other than the unit's functional currency, where these sales or purchases are mainly denominated in U.S. dollars and Renminbi. In view of the fact that the Hong Kong dollar are pegged to the U.S. dollar and that our Group tries to match its assets and liabilities with the same currency, our Group's exposure on U.S. dollars transactions and balances to foreign currency risk is minimal.

At the end of each reporting period, if the Hong Kong dollar had weakened or strengthened 5% against Renminbi, the effect of the fluctuations in the exchange rate on the consolidated financial statements is insignificant.

Our Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currencies should the need arise.

Price risk

Our Group's available-for-sale investments are measured at fair value at the end of each reporting period. Therefore, our Group is exposed to security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

As at 31 December 2006, 2007 and 2008 and 30 September 2009, if the prices of the respective securities had been 5% higher/lower with all other variables held constant, the consolidated other comprehensive income for the year/period would increase/decrease by HK\$0.6 million, HK\$0.6 million, HK\$1.0 million and HK\$1.7 million, respectively as a result of gains/losses on securities classified as available-for-sale.

Credit risk

The carrying amount of the bank and cash balances and the trade and retention receivables included in the balance sheet represents our Group's maximum exposure to credit risk in relation to our Group's financial assets.

Our Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that our Group's credit risk is significantly reduced.

Our Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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Liquidity risk

Our Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

At 31 December 2006, 2007 and 2008 and 30 September 2009, the maturity of our Group's financial liabilities is within one year.

Interest rate risk

Our Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2006, 2007 and 2008 and 30 September 2009, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated profit after tax for the year/period would have been HK\$9,561, HK\$10,870, HK\$99,650 and HK\$0.2 million lower, respectively, arising mainly as a result of lower interest income on bank deposits. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated profit after tax for the year/period would have been HK\$9,561, HK\$10,870, HK\$99,650 and HK\$0.2 million higher, respectively, arising mainly as a result of higher interest income on bank deposits.

DIVIDENDS AND DIVIDEND POLICY

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

Our Directors may deduct from any dividend or other monies payable to any of our equity holders or in respect of any Shares all sums of money (if any) presently payable by such equity holders to us on account of calls or otherwise.

The declaration of dividends is subject to the discretion of our Directors and the amounts of dividends actually declared and paid will depend upon:

- our general business conditions;
- our results of operations;
- our capital requirements and operating cash flow considerations;
- interests of our shareholders; and
- any other factors that the Board may deem relevant.

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Our Board has absolute discretion in deciding whether to declare any dividend for any year and how much dividend to declare if it decides to declare a dividend. Any final dividend for a fiscal year will be subject to our shareholders' approval.

Our past dividend payment history is not, and should not be taken as, an indication of our potential future practice on dividend payments. We cannot assure you that dividends of any amount will be declared or distributed in any year.

No dividend was paid or declared by our Company in 2006, 2007 or 2008. On 19 January 2009, the Board declared dividends of HK\$34 million for payment to our then sole Shareholder, Showmost and distributed such dividends in March 2009. On 25 February 2010, the Board declared Dividends of HK\$24 million for payment to our existing Shareholders, namely, Showmost, Starflash and Full Mission, and distributed such Dividends on 1 March 2010. On [●], we declared Special Dividends of [●] million to our existing Shareholders. Payment of the Dividends and the Special Dividends will be made using our Company's internal resources, namely, the funds in our share premium account. As of 30 September 2009, the balance of our share premium account was approximately HK\$97 million. As a result of our share restructuring as detailed in the paragraph headed "Changes in the authorised and issued share capital of our Company" in the section headed "Further information about our Group" in Appendix VII to this document, and taking into account the declaration and payment of the Dividends, the balance of our share premium account was increased to approximately HK\$201 million for our payment of dividends. Payment of the Special Dividends is conditional. The holders will not be entitled to receive any of the Special Dividends. Save as aforesaid, we do not intend to declare dividends in 2010 for the financial year ended 31 December 2009.

Our dividend policy will be approximately 20% to 30% of our profits available for distribution, which will be recommended by our Board for distribution for each financial year. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year. Historical dividends paid or declared by our Company (including the Special Dividends) may not be indicative of future dividend payments.

DISTRIBUTABLE RESERVE

As of 30 September 2009, we had reserves available for distribution to the Shareholders of our Company in the amount of HK\$40.3 million.

FINANCIAL PERFORMANCE OF THE GROUP FOR THE THREE MONTHS ENDED 31 DECEMBER 2009

Our Group estimates revenue and profit for the three months ended 31 December 2009 to be not less than HK\$234.8 million and HK\$31.0 million, respectively and for the year ended 31 December 2009 to be not less than HK\$855.2 million and HK\$74.4 million, respectively. Our Group's audited revenue and profit for the nine months ended 30 September 2009 were HK\$620.4 million and HK\$43.4 million, respectively.

Our Group's estimated revenue for the three months ended 31 December 2009 contributed to approximately 27.5% of our Group's estimated revenue for the year ended 31 December 2009, which was higher than our Group's average quarterly revenue of HK\$206.8 million for the nine months ended 30 September 2009.

FINANCIAL INFORMATION

The higher estimated revenue and profit for the three months ended 31 December 2009 was primarily due to: (i) recognition of revenues under the percentage of completion method as a result of our review as budgeted cost, which identified cost savings in our U.S. projects, namely the Mandarin Oriental Hotel and Veer Towers projects. These projects were substantially completed at costs that were less than previously budgeted costs; (ii) recognition of revenues as a result of customers' requests for acceleration of the installation work in the One project in Hong Kong, the Shanghai IFC (North Tower) project in the PRC, and the Marina Bay Sands Integrated Resort project in Singapore, as these projects were targeted to be completed in 2010; (iii) recognition of revenue in relation to the one-off compensation of HK\$8.6 million paid to our Group in October 2009 for the work previously performed by our Group prior to the suspension of the Costanera Centre project; and (iv) recognition of revenue under the percentage of completion method as a result of cost savings in relation to subcontracting charges of the Four Seasons Hotel (Macau) project that was completed in 2008. Our Group is in the process of concluding the final settlement amounts with our subcontractors, which are estimated to be less than the amounts budgeted in prior years.

We review the budgeted costs of our projects from time to time. In the fourth quarter of 2009, based on our review of budgeted cost, the costs incurred in our U.S. and Macau projects were found to be less than our budgeted costs, resulting in cost savings in these projects. Our review of budgeted cost is a recurring process. Any cost savings or overruns in our projects may impact our future profits and margins.

Because of the cost savings in our U.S. and Macau projects and the compensation received in respect of the Costanera Centre project, our profits and margins improved in the last quarter of 2009. Our Group's estimated profit for the three months ended 31 December 2009, which contributed to approximately 41.7% of our Group's estimated profit for the year ended 31 December 2009, was higher than the Group's average quarterly profit for approximately HK\$14.5 million for the nine months ended 30 September 2009.

Our Group's revenue and profit in 2010 is expected to be contributed by our newly commenced projects such as (i) 863-865 King's Road, Shopping Centre at Yau Tong Development Phase 4, Kowloon, and Nos. 1, 3 & 5 Village Terrace and No. 20 Shan Kwong Road, Happy Village projects in Hong Kong; (ii) the Trump International Hotel & Tower and The Shangri-La Toronto projects in Canada; and (iii) the Costanera Centre (Tower 2) project in Chile.

From 1 January 2010 to the Latest Practicable Date, we had tendered for nine projects having an aggregate contract sum of HK\$578.0 million.

The net asset value of our Group at 31 December 2009 is estimated to be not less than HK\$340.0 million. The audited net assets value of our Group at 30 September 2009 was HK\$313.7 million.

The figures for the three months ended 31 December 2009 disclosed in this section are not audited and may be subject to adjustments upon completion of the audit of our Group's financial statements for the year ended 31 December 2009.

The estimated results of the Group for the year ended 31 December 2009 may not be indicative of the Group's performance for future periods.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has not been any material adverse change in the financial or trading position of our Group since 30 September 2009 (being the date to which our latest financial results were prepared) as set forth in Appendix I – Accountants' Report.

DISCLOSURE

We confirm that as of the Latest Practicable Date, we are not aware of any circumstances that would give rise to a disclosure requirement.

FUTURE PLANS

FUTURE PLANS

See "Business – Our Business Strategies" for a detailed description of our future plans.

APPENDIX I

ACCOUNTANTS' REPORT OF THE GROUP

The following is the text of a report, prepared for the purpose of inclusion in this document, received from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

[Date]

The Board of Directors
Far East Global Group Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of Far East Global Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for each of the three years ended 31 December 2008 and the nine months ended 30 September 2009 (the "**Relevant Periods**") for inclusion in the document dated [●] issued by the Company (the "**Document**").

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 5 November 1998.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 18 to the Financial Information.

All the companies now comprising the Group have adopted 31 December as the financial year end date.

The consolidated financial statements of the Company for the year ended 31 December 2006 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and were audited by us, in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA.

The consolidated financial statements of the Company for the year ended 31 December 2007 have been prepared in accordance with HKFRSs and were audited by Ernst & Young, Certified Public Accountants registered in Hong Kong, in accordance with HKSAs.

The consolidated financial statements of the Company for the year ended 31 December 2008 and the nine months ended 30 September 2009 have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board and were audited by us, in accordance with HKSAs.

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

We acted as auditors of all the companies now comprising the Group for the Relevant Periods except as disclosed below.

The statutory financial statements of Netfortune (Shanghai) Aluminium Works Company Limited and 西安遠恒鋁質工程有限責任公司 (Xi'an Yuanheng Aluminium Works Company Limited) have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the People's Republic of China (the "PRC") and were audited by the following certified public accountants registered in the PRC.

Name of companies	Financial year	Name of auditors
Netfortune (Shanghai) Aluminium Works Company Limited	Each of the three years ended 31 December 2008	Shanghai Zhong Hui Certified Public Accountants Co., Ltd.
西安遠恒鋁質工程有限責任公司 (Xi'an Yuanheng Aluminium Works Company Limited)*	Each of the two years ended 31 December 2007	Shaanxi Deren Certified Public Accountants Co., Ltd.

* disposed of on 7 November 2008.

The statutory financial statements of FEA Corporate Services Limited, Far East Aluminium Works Company Limited, Better View Investments Limited, FEA Technology Limited, Far East Aluminium Works (Guangzhou) Company Limited, Loyal Truth Investment Limited, Facade Design and Drafting Services Limited, Seniford Engineering Limited, Netfortune Limited and Strong Power International Limited for each of the two years ended 31 December 2007 have been prepared in accordance with HKFRSs and were audited by Ernst & Young, Certified Public Accountants registered in Hong Kong, in accordance with HKSAs.

No statutory audited financial statements of Heng Fai International Limited (incorporated in Hong Kong) has been prepared as no business was conducted since its incorporation.

The audited financial statements of Far East Aluminium Works (Singapore) Pte. Limited for each of the three years ended 31 December 2008 have been prepared in accordance with Singapore Financial Reporting Standards and were audited by Ernst & Young, Certified Public Accountants registered in Singapore, in accordance with Singapore Standards on Auditing.

No audited financial statements of Far East Aluminium Works (U.S.) Corporation, Far East Facade, Incorporated, Far East Aluminium Works Canada Corporation, Far East Aluminium Works Chile Limitada, Netfortune Engineering (FEA) Macau Limited, Far East Aluminium (BVI) Limited, Heng Fai International Limited (incorporated in the British Virgin Islands), Far East Facade Investments Limited, Far East Facade (UAE) Limited, World Eastern Cladding Works (LLC), FEA Investments Limited, Far East Aluminium (Asia) Limited, Willbert Limited, Far East Facade (HK) Limited, Far East Facade (UK) Limited and FEA Engineering Limited have been prepared for the Relevant Periods as there are no statutory audit requirements in the countries of their incorporations.

The Financial Information has been prepared by the Directors of the Company based on the audited consolidated financial statements of the Company in accordance with IFRSs, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of [●]. IFRSs include International Accounting Standards and interpretations. No adjustments were considered necessary to restate these consolidated financial statements for the purpose of this report.

APPENDIX I

ACCOUNTANTS' REPORT OF THE GROUP

The Directors are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs, disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of [●]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

As a basis for forming our opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information in accordance with HKSAs issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guidance 3.340 "Prospectus and the Reporting Accountants" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

For the purpose of this report, the directors of the Company have prepared the comparative financial information of the Group for the nine months ended 30 September 2008 (the "**Comparative Financial Information**") in accordance with IFRSs. We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the Group management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

In our opinion, for the purpose of this report the Financial Information gives a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006, 2007 and 2008 and 30 September 2009 and of the Group's results and cash flows for the Relevant Periods.

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

CONSOLIDATED INCOME STATEMENTS

	Note	For the year ended 31 December			For the nine months ended 30 September	
		2006	2007	2008	2008	2009
		HK\$	HK\$	HK\$	HK\$	HK\$
					<i>(unaudited)</i>	
Revenue/Turnover	6	885,109,287	658,641,389	1,284,708,864	958,972,839	620,428,512
Cost of sales		<u>(817,224,472)</u>	<u>(575,757,173)</u>	<u>(1,031,582,336)</u>	<u>(758,901,256)</u>	<u>(494,402,345)</u>
Gross profit		67,884,815	82,884,216	253,126,528	200,071,583	126,026,167
Other income	7	4,025,890	2,936,363	8,974,267	3,767,197	1,508,779
Administrative expenses		<u>(51,181,242)</u>	<u>(59,597,499)</u>	<u>(115,973,025)</u>	<u>(87,811,357)</u>	<u>(67,087,286)</u>
Other operating expenses		<u>-</u>	<u>-</u>	<u>(8,100,000)</u>	<u>-</u>	<u>(3,400,000)</u>
Profit from operations		20,729,463	26,223,080	138,027,770	116,027,423	57,047,660
Finance costs	8	<u>(251,312)</u>	<u>(6,487)</u>	<u>(2,486)</u>	<u>(2,435)</u>	<u>-</u>
Gain on disposal of a subsidiary	30	<u>-</u>	<u>-</u>	<u>1,579,368</u>	<u>-</u>	<u>-</u>
Profit before tax		20,478,151	26,216,593	139,604,652	116,024,988	57,047,660
Income tax expense	9	<u>(2,098,737)</u>	<u>(1,453,856)</u>	<u>(36,470,523)</u>	<u>(31,826,000)</u>	<u>(13,662,907)</u>
Profit for the year/period	10	<u>18,379,414</u>	<u>24,762,737</u>	<u>103,134,129</u>	<u>84,198,988</u>	<u>43,384,753</u>
Profit for the year/period attributable to:						
Owners of the Company		18,379,414	25,043,117	104,992,755	84,198,988	42,631,529
Minority interests		<u>-</u>	<u>(280,380)</u>	<u>(1,858,626)</u>	<u>-</u>	<u>753,224</u>
		<u>18,379,414</u>	<u>24,762,737</u>	<u>103,134,129</u>	<u>84,198,988</u>	<u>43,384,753</u>
Earnings per share						
Basic (HK\$ cents)	14	<u>97</u>	<u>133</u>	<u>556</u>	<u>446</u>	<u>226</u>
Diluted (HK\$ cents)	14	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i> <i>(unaudited)</i>	<i>HK\$</i>
Profit for the year/period.	18,379,414	24,762,737	103,134,129	84,198,988	43,384,753
Other comprehensive income after tax					
Exchange differences on translating foreign operations	1,364,541	977,677	1,510,739	(116,856)	492,201
Fair value changes of available- for-sale investments	(612,000)	1,085,000	(790,096)	–	328,770
Other comprehensive income for the year/period, net of tax	752,541	2,062,677	720,643	(116,856)	820,971
Total comprehensive income for the year/period	19,131,955	26,825,414	103,854,772	84,082,132	44,205,724
Total comprehensive income for the year/period attributable to:					
Owners of the Company	19,131,955	27,105,794	105,206,087	84,082,132	43,452,500
Minority interests.	–	(280,380)	(1,351,315)	–	753,224
	19,131,955	26,825,414	103,854,772	84,082,132	44,205,724

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December			At 30
		2006	2007	2008	September
		HK\$	HK\$	HK\$	2009
				HK\$	
Non-current assets					
Property, plant and equipment	15	21,361,541	54,515,949	53,580,172	44,794,932
Prepaid land lease payments	16	2,656,691	2,376,684	2,096,677	1,886,672
Available-for-sale investments	17	11,214,600	11,526,000	20,875,904	18,864,674
Deferred tax assets	26	3,700,000	6,162,000	–	–
Rental and utility deposits		2,187,977	2,213,183	2,749,232	2,753,359
Pledged time deposits	22	9,360,000	9,360,000	–	–
		<u>50,480,809</u>	<u>86,153,816</u>	<u>79,301,985</u>	<u>68,299,637</u>
Current assets					
Inventories	19	191,911	502,471	796,933	74,956
Gross amounts due from customers for contract work	20	70,550,508	44,215,471	50,865,440	91,700,098
Trade and retention receivables	21	222,543,668	227,688,107	414,203,080	247,326,819
Due from a related party	33(b)	–	–	5,327,220	5,341,893
Due from former immediate holding company	33(b)	13,000,002	–	–	–
Prepayments, deposits and other receivables		21,719,406	14,428,885	18,530,124	9,934,616
Available-for-sale investments	17	–	–	–	14,351,000
Current tax assets		–	–	–	94,380
Pledged time deposits	22	38,189,400	38,969,400	38,189,400	61,824,816
Bank and cash balances	22	46,656,957	90,138,232	290,527,085	316,425,146
		<u>412,851,852</u>	<u>415,942,566</u>	<u>818,439,282</u>	<u>747,073,724</u>
Current liabilities					
Gross amounts due to customers for contract work	20	113,568,100	108,498,831	421,879,640	332,448,792
Trade and bills payables	23	54,260,498	81,764,746	58,228,375	45,024,633
Current tax liabilities		1,276,444	1,167,477	30,581,513	39,964,179
Warranty provision	24	10,301,487	11,473,330	10,559,444	12,287,293
Other payables and accruals		63,938,835	58,757,852	72,953,834	71,904,279
Due to a former fellow subsidiary	33(b)	1,992,032	–	–	–
Interest-bearing bank borrowings	25	47,476,134	43,089,601	–	–
		<u>292,813,530</u>	<u>304,751,837</u>	<u>594,202,806</u>	<u>501,629,176</u>
Net current assets		<u>120,038,322</u>	<u>111,190,729</u>	<u>224,236,476</u>	<u>245,444,548</u>
NET ASSETS		<u>170,519,131</u>	<u>197,344,545</u>	<u>303,538,461</u>	<u>313,744,185</u>
Capital and reserves					
Share capital	27	147,264,000	147,264,000	147,264,000	147,264,000
Reserves	28	22,974,751	50,080,545	154,831,707	164,284,207
Equity attributable to owners of the Company		170,238,751	197,344,545	302,095,707	311,548,207
Minority interests		280,380	–	1,442,754	2,195,978
TOTAL EQUITY		<u>170,519,131</u>	<u>197,344,545</u>	<u>303,538,461</u>	<u>313,744,185</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December			At 30
		2006	2007	2008	September
		HK\$	HK\$	HK\$	HK\$
Non-current assets					
Interests in subsidiaries	18	43,652,000	43,652,000	43,652,000	43,652,000
Current assets					
Due from subsidiaries	33(b)	144,183,268	146,298,549	180,298,549	180,298,549
Due from former immediate holding company	33(b)	13,000,000	–	–	–
Bank and cash balances	22	–	–	9,830	9,531
		<u>157,183,268</u>	<u>146,298,549</u>	<u>180,308,379</u>	<u>180,308,080</u>
Current liabilities					
Due to subsidiaries	33(b)	13,155,093	2,299,039	2,346,448	36,346,448
Net current assets		<u>144,028,175</u>	<u>143,999,510</u>	<u>177,961,931</u>	<u>143,961,632</u>
NET ASSETS		<u>187,680,175</u>	<u>187,651,510</u>	<u>221,613,931</u>	<u>187,613,632</u>
Capital and reserves					
Share capital	27	147,264,000	147,264,000	147,264,000	147,264,000
Reserves	28(b)	40,416,175	40,387,510	74,349,931	40,349,632
TOTAL EQUITY		<u>187,680,175</u>	<u>187,651,510</u>	<u>221,613,931</u>	<u>187,613,632</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium account	Investment revaluation reserve	Foreign currency translation reserve	Statutory reserves	(Accumulated losses)/ Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2006	147,264,000	130,605,896	-	755,782	12,134	(127,531,016)	-	151,106,796	280,380	151,387,176
Total comprehensive income for the year	-	-	(612,000)	1,364,541	-	18,379,414	-	19,131,955	-	19,131,955
At 31 December 2006 and at 1 January 2007	147,264,000	130,605,896	(612,000)	2,120,323	12,134	(109,151,602)	-	170,238,751	280,380	170,519,131
Total comprehensive income for the year	-	-	1,085,000	977,677	-	25,043,117	-	27,105,794	(280,380)	26,825,414
At 31 December 2007 and at 1 January 2008	147,264,000	130,605,896	473,000	3,098,000	12,134	(84,108,485)	-	197,344,545	-	197,344,545
Total comprehensive income for the year	-	-	(790,096)	1,003,428	-	104,992,755	-	105,206,087	(1,351,315)	103,854,772
Disposal of a subsidiary	-	-	-	(454,925)	-	-	-	(454,925)	2,794,069	2,339,144
Proposed final dividend	-	(34,000,000)	-	-	-	-	34,000,000	-	-	-
Changes in equity for the year	-	(34,000,000)	(790,096)	548,503	-	104,992,755	34,000,000	104,751,162	1,442,754	106,193,916
At 31 December 2008 and at 1 January 2009	147,264,000	96,605,896	(317,096)	3,646,503	12,134	20,884,270	34,000,000	302,095,707	1,442,754	303,538,461
Total comprehensive income for the period	-	-	328,770	492,201	-	42,631,529	-	43,452,500	753,224	44,205,724
Dividend paid	-	-	-	-	-	-	(34,000,000)	(34,000,000)	-	(34,000,000)
Changes in equity for the period	-	-	328,770	492,201	-	42,631,529	(34,000,000)	9,452,500	753,224	10,205,724
At 30 September 2009	147,264,000	96,605,896	11,674	4,138,704	12,134	63,515,799	-	311,548,207	2,195,978	313,744,185
At 31 December 2007 and at 1 January 2008	147,264,000	130,605,896	473,000	3,098,000	12,134	(84,108,485)	-	197,344,545	-	197,344,545
Total comprehensive income for the period (unaudited)	-	-	-	(116,856)	-	84,198,988	-	84,082,132	-	84,082,132
At 30 September 2008 (unaudited)	147,264,000	130,605,896	473,000	2,981,144	12,134	90,503	-	281,426,677	-	281,426,677

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$ (unaudited)	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	20,478,151	26,216,593	139,604,652	116,024,988	57,047,660
Adjustments for:					
Finance costs	251,312	6,487	2,486	2,435	–
Interest income	(2,978,428)	(2,510,162)	(1,606,770)	(1,137,701)	(599,628)
Gain on disposal of a subsidiary (note 30)	–	–	(1,579,368)	–	–
Loss/(gain) on disposal of property, plant and equipment	–	(2,000)	69,235	(12,705)	134,823
Warranty provision	3,920,000	2,900,000	2,914,587	1,215,000	5,726,000
Depreciation, net of amounts capitalized to long term contracts	1,912,178	2,272,167	3,421,246	2,820,464	2,505,712
Amortisation of prepaid land lease payments	280,007	280,007	280,007	210,005	210,005
Impairment of available-for-sale investments	580,000	–	–	–	–
Impairment of property, plant and equipment	–	–	8,100,000	–	3,400,000
Provision for impairment of trade and retention receivables	–	1,170,000	11,975,537	11,585,321	3,730,291
Written off of inventories	–	–	–	–	200,816
Written back of provision for impairment of trade and retention receivables	(1,015,791)	(414,160)	(2,626,971)	–	(556,800)
Operating profit before working capital changes	23,427,429	29,918,932	160,554,641	130,707,807	71,798,879
Increase in rental and utility deposits	(1,054,771)	(25,206)	(536,049)	(745,028)	(4,127)
Decrease/(increase) in inventories	29,018	(310,560)	(294,462)	(778,575)	521,161
Movements in net amounts due from and due to contract customers	20,025,499	26,695,222	313,931,537	186,619,191	(126,606,705)
(Increase)/decrease in trade and retention receivables	(33,062,461)	(5,900,279)	(195,863,539)	(196,945,224)	163,702,770
(Increase)/decrease in prepayments, deposits and other receivables	(12,460,383)	7,290,521	(4,939,719)	(11,319,301)	8,595,508
Decrease in amount due from former immediate holding company	–	13,000,002	–	–	–
Increase in amounts due from a related party	–	–	–	–	(14,673)
Increase/(decrease) in trade and bills payables	2,004,666	27,504,248	(23,536,371)	(30,389,674)	(13,203,742)
Decrease in warranty provision	(3,848,637)	(1,728,157)	(3,828,473)	(2,271,193)	(3,998,151)
Increase/(decrease) in accruals and other payables	10,725,759	(5,180,983)	14,536,573	32,840,242	(1,049,555)
Increase/(decrease) in amount due to a former fellow subsidiary	1,030,494	(1,992,032)	–	–	–
Cash generated from operations	6,816,613	89,271,708	260,024,138	107,718,245	99,741,365
Income tax paid	(222,867)	(4,024,823)	(894,488)	(432,833)	(4,374,621)
Interest paid	(4,027,679)	(1,670,457)	(2,343,193)	(1,626,094)	(12,111)
Net cash generated from operations	2,566,067	83,576,428	256,786,457	105,659,318	95,354,633

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	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$ (unaudited)	HK\$
CASH FLOWS FROM INVESTING ACTIVITIES					
Disposal of a subsidiary (note 30)	-	-	(609,832)	-	-
Purchase of property, plant and equipment	(6,337,170)	(39,005,970)	(16,255,301)	(15,359,588)	(1,088,470)
Purchase of available-for-sale investments	(2,340,000)	(2,340,000)	(10,140,000)	(10,140,000)	(14,351,000)
Proceeds from disposals of property, plant and equipment	-	2,000	684,700	684,700	223,393
Proceeds from disposals of available-for-sale investments	11,702,100	3,113,600	-	-	2,340,000
Interest received	2,978,428	2,510,162	1,606,770	1,137,701	599,628
Decrease/(increase) in restricted bank deposits	7,262,221	(780,000)	10,140,000	10,125,190	(23,635,416)
Net cash (used in)/generated from investing activities	13,265,579	(36,500,208)	(14,573,663)	(13,551,997)	(35,911,865)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of bank loans	(10,000,000)	-	-	-	-
Dividend paid	-	-	-	-	(34,000,000)
Increase/(decrease) in import loans	9,691,778	(4,386,533)	(43,089,601)	(33,204,267)	-
Net cash used in financing activities	(308,222)	(4,386,533)	(43,089,601)	(33,204,267)	(34,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,523,424	42,689,687	199,123,193	58,903,054	25,442,768
Effect of foreign exchange rate changes	1,364,541	791,588	1,265,660	(128,961)	455,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	29,768,992	46,656,957	90,138,232	90,138,232	290,527,085
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	46,656,957	90,138,232	290,527,085	148,912,325	316,425,146
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances (note 22)	46,656,957	90,138,232	290,527,085	148,912,325	316,425,146

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NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309, Uglund House, George Town, Grand Cayman, Cayman Islands, British West Indies. The address of its principal place of business is 17/F., Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the Financial Information.

Pursuant to a special resolution passed by the sole shareholder of the Company on 7 April 2008 and approved by the Registrars of the Companies of the Cayman Islands, the name of the Company was changed from FEA Holdings Limited to Far East Group Limited and the Company adopted the Chinese name 遠東集團有限公司 as part of its legal name.

Pursuant to a special resolution passed by the sole shareholder of the Company on 23 November 2009 and approved by the Registrars of the Companies of the Cayman Islands, the name of the Company was changed from Far East Group Limited (遠東集團有限公司) to Far East Global Group Limited (遠東環球集團有限公司).

During the year ended 31 December 2007, AVIC International Holding (HK) Limited ("AVIC", formerly known as CATIC International Holdings Limited), a company incorporated in Bermuda whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, sold the entire equity interest in the Company to Showmost Group Limited ("Showmost"), a company incorporated in the British Virgin Islands.

In the opinion of the directors of the Company, as at 30 September 2009, Showmost, a company incorporated in the British Virgin Islands, is the immediate parent; Lotus China Fund II, L.P., a private equity fund incorporated in the Cayman Islands, is the ultimate parent.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the Relevant Periods, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for accounting periods beginning on 1 January 2009.

IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with IFRSs and the applicable disclosure required by [●] and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries made up to 30 September/31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the subsidiary and also any related accumulated foreign currency translation reserve.

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Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the portion of interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statements of changes in equity within equity. Minority interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between minority and owners of the Company. Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Financial Information is presented in Hong Kong dollar ("**HK\$**"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

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

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(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Freehold land	Not depreciated
Land and buildings.	Over the lease terms
Leasehold improvements	4 years
Plant and machinery	5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4 – 5 years
Tools and moulds	4 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Leases payment (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(e) Inventories

Inventories for construction contracts, comprising raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is determined by reference to the underlying specific contracts in progress in which the inventories will ultimately be used.

(f) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded in the statement of financial position at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the statement of financial position as "Gross amounts due from customers for contract work." When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the statement of financial position as "Gross amounts due to customers for contract work." Progress billings not yet paid by the customer are included in the statement of financial position under "Trade receivables." Amounts received before the related work is performed are included in the statement of financial position under "Trade payables."

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

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(h) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investment are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

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(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(m) Financial guarantees contract liabilities

Financial guarantee contract liabilities of the Company are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

(n) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

Interest income is recognised on a time-proportion basis using the effective interest method.

(q) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

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(r) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

(t) Related parties

A party is related to the Group if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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(u) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except available-for-sale financial asset, inventories, assets arising from contract customers and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

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

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made judgements relating to revenue recognition of construction contracts that have the most significant effect on the amounts recognised in the Financial Information.

(a) Recognition of revenue from construction contracts

As disclosed in note 3(p) to Financial Information, revenue from construction contracts is recognised using the percentage of completion method when the outcome of a contract can be estimated reliably or to the extent of contract costs incurred that are probably to be recoverable when the outcome of a contract cannot be measured reliably.

Prior to 1 January 2008, the directors made the judgement that no profit on a contract is recognised when the contract is less than 20% complete, as the contract is in its early stages that its outcome cannot be estimated reliably.

From 1 January 2008 onwards, for any new contracts secured, the outcome of each new contract is assessed individually. When the outcome of the contract can be estimated reliably, contract revenues are recognised upon commencement of contract work and when contract costs are incurred. Such change in judgement was made on the ground that the management of the Group has implemented a new cost control system which enables the Group to estimate the outcome of a contract in an early stage of the contract.

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In case it is probable that total contract costs will exceed total contract revenues in an early stage of the contract, any expected excess of total contract costs over contract revenue of the contract is recognised as an expense immediately.

Following a detailed review of the outcome of the contracts completed in prior years, the directors are satisfied that the revised mechanism of recognising revenue from construction contracts is appropriate.

(b) Accounting for variation orders of construction contracts

The Group makes claims for additional work performed, which may arise either under specific circumstances provided for under the contracts, or due to variation made to the contract specifications by customers. Where the amounts of such claims have not been formally agreed at the end of reporting period, the amount recoverable as estimated by management is included in the contract value in determining the estimated profit or foreseeable loss on the contract.

Key sources of estimation uncertainty

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

(a) Revenue and profit recognition of construction contracts

The Group estimated the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and the profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment losses on bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and retention receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Fair value and impairment of investments

The Group classifies certain assets as available-for-sale investments and changes in their fair values in other comprehensive income. The fair value of unlisted available-for-sale investments is determined with reference to the quoted market price or secondary market redemption price as provided by the issuer of the underlying investments. When the fair value declines, management makes judgement to determine whether there is an impairment that should be recognised in profit or loss.

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5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group's foreign currency exposures primarily arise from certain sales or purchases by operating units in currencies other than the unit's functional currency, where these sales or purchases are mainly denominated in United States dollars and Renminbi. In view of the fact that the Hong Kong dollar is pegged to the United States dollar and that the Group tries to match its assets and liabilities with the same currency, the Group's exposure on United States dollars transactions and balances to foreign currency risk is minimal.

At the end of each reporting period, if Hong Kong dollar had weakened or strengthened 5% against Renminbi, the effect of the fluctuation in the exchange rate on the Financial Information is insignificant.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currencies should the need arise.

(b) Price risk

The Group's available-for-sale investments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

As at 31 December 2006, 2007 and 2008 and 30 September 2009, if the prices of the respective securities had been 5% higher/lower with all other variables held constant, the consolidated equity other comprehensive income for the year/period would increase/decrease by HK\$560,730, HK\$576,298, HK\$1,043,795 and HK\$1,660,783 respectively as a result of gains/losses on securities classified as available-for-sale.

(c) Credit risk

The carrying amount of the bank and cash balances and the trade and retention receivables included in the balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

At 31 December 2006, 2007 and 2008 and 30 September 2009, the maturity of the Group's financial liabilities is within one year.

(e) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2006, 2007 and 2008 and 30 September 2009, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated profit after tax for the year/period would have been HK\$9,561, HK\$10,870, HK\$99,650 and HK\$203,025 lower, respectively, arising mainly as a result of lower interest income on bank deposits. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated profit after tax for the year/period would have been HK\$9,561, HK\$10,870, HK\$99,650 and HK\$203,025 higher, respectively, arising mainly as a result of higher interest income on bank deposits.

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(f) Categories of financial instruments at the end of each reporting period

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
Financial assets:				
Loans and receivables (including cash and cash equivalents)	348,492,669	375,301,215	758,624,375	636,539,727
Available-for-sale investments	<u>11,214,600</u>	<u>11,526,000</u>	<u>20,875,904</u>	<u>33,215,674</u>
Financial liabilities:				
Financial liabilities at amortised cost.	<u>125,439,995</u>	<u>147,690,778</u>	<u>79,539,028</u>	<u>68,818,226</u>

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

Available-for-sale investments represent investments in various debt and equity instruments. The fair value of these investments is measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

6. REVENUE/TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the facade contracting business. The Group's revenue/turnover presents revenue from construction contracts.

The Group has four reportable segments principally based on the geographical locations of the projects and are determined as follows:

- North America includes projects in the United States of America and Canada.
- Greater China includes projects in the PRC, Hong Kong and Macau.
- Asia includes projects in Japan, Singapore and the United Arabs of Emirates.
- Others include maintenance projects in all segments and projects in countries not included in the above reportable segments.

The accounting policies of the operating segments are the same as those described in note 3 to the Financial Information.

Segment profits and losses do not include the following items:

- Other income (including interest income)
- Administrative expenses
- Other operating expenses
- Gain on disposal of a subsidiary
- Finance costs

Segment assets do not include the following items:

- Property, plant and equipment
- Prepaid land lease payments
- Available-for-sale investments

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- Deferred tax assets
- Inventories
- Gross amounts due from customers for contract work
- Deposits, prepayment and other receivables (including non-current rental and utility deposits)
- Amount due from related parties
- Amount due from former immediate holding company
- Bank and cash balances and pledged time deposits

Information about reportable segment profit or loss and assets:

	North America	Greater China	Asia	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
For the year ended 30 September 2009					
Revenue from external customers.	338,567,000	179,780,000	90,864,000	11,217,512	620,428,512
Reportable segment profits	84,868,000	28,714,000	3,571,000	8,873,167	126,026,167
Unallocated amounts:					
Other income					1,508,779
Administrative expenses					(67,087,286)
Other operating expenses					(3,400,000)
Finance costs					-
Profit before tax					57,047,660
Other material items:					
Depreciation	2,936,262	2,545,591	635,824	34,725	6,152,402
Amount capitalized	(2,578,380)	(688,933)	(348,199)	(31,178)	(3,646,690)
	357,882	1,856,658	287,625	3,547	2,505,712
Written back of provision for impairment of trade and retention receivables	-	556,800	-	-	556,800
Provision for impairment of trade and retention receivables.	1,609,918	2,120,373	-	-	3,730,291
As at 30 September 2009					
Segment assets	99,454,231	58,875,529	88,997,059	-	247,326,819
Property, plant and equipment					44,794,932
Prepaid land lease payments					1,886,672
Available-for-sale investments					33,215,674
Inventories					74,956
Gross amounts due from customers for contract work					91,700,098
Deposits, prepayment and other receivables					12,687,975
Amount due from a related party					5,341,893
Current tax assets					94,380
Bank and cash balances and pledged time deposits.					378,249,962
Total assets					815,373,361

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	North America	Greater China	Asia	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
For the year ended 30 September 2008 (unaudited)					
Revenue from external customers	610,170,000	212,125,000	123,768,000	12,909,839	958,972,839
Reportable segment profits/(loss)	148,955,000	34,540,000	17,459,000	(882,417)	200,071,583
Unallocated amounts:					
Other income					3,767,197
Administrative expenses					(87,811,357)
Other operating expenses					-
Finance costs					(2,435)
Gain on disposal of a subsidiary					-
Profit before tax					116,024,988
Other material items:					
Depreciation	2,937,057	1,849,225	434,351	30,348	5,250,981
Amount capitalized	(1,548,006)	(538,163)	(314,000)	(30,348)	(2,430,517)
	1,389,051	1,311,062	120,351	-	2,820,464
Written back of provision for impairment of trade and retention receivables	-	-	-	-	-
Provision for impairment of trade and retention receivables	-	11,308,369	-	-	11,308,369
As at 30 September 2008 (unaudited)					
Segment assets	76,669,045	281,335,174	55,043,791	-	413,048,010
Property, plant and equipment					64,507,672
Prepaid land lease payments					2,096,677
Available-for-sale investments					21,193,000
Inventories					1,281,046
Gross amounts due from customers for contract work					91,275,607
Deposits, prepayment and other receivables					28,706,397
Bank and cash balances and pledged time deposits					187,116,535
Total assets					809,224,944

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	North America	Greater China	Asia	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
For the year ended 31 December 2008					
Revenue from external customers.	796,403,000	300,509,000	171,263,000	16,533,864	1,284,708,864
Reportable segment profits/(loss)	189,657,000	46,092,000	19,072,000	(1,694,472)	253,126,528
Unallocated amounts:					
Other income					8,974,267
Administrative expenses					(115,973,025)
Other operating expenses					(8,100,000)
Finance costs					(2,486)
Gain on disposal of a subsidiary					1,579,368
Profit before tax					139,604,652
Other material items:					
Depreciation	3,963,075	3,443,600	837,274	37,288	8,281,237
Amount capitalized	(3,616,413)	(768,382)	(437,908)	(37,288)	(4,859,991)
	346,662	2,675,218	399,366	-	3,421,246
Written back of provision for impairment of trade and retention receivables	-	2,626,971	-	-	2,626,971
Provision for impairment of trade and retention receivables.	-	11,975,537	-	-	11,975,537
As at 31 December 2008					
Segment assets	261,867,530	99,286,327	53,049,223	-	414,203,080
Property, plant and equipment					53,580,172
Prepaid land lease payments					2,096,677
Available-for-sale investments					20,875,904
Inventories					796,933
Gross amounts due from customers for contract work					50,865,440
Deposits, prepayment and other receivables					21,279,356
Due from a related party					5,327,220
Bank and cash balances and pledged time deposits.					328,716,485
Total assets					897,741,267

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	North America	Greater China	Asia	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
For the year ended 31 December 2007					
Revenue from external customers.	146,686,000	336,535,000	150,790,000	24,630,389	658,641,389
Reportable segment profits	4,426,000	32,440,000	37,480,000	8,538,216	82,884,216
Unallocated amounts:					
Other income					2,936,363
Administrative expenses					(59,597,499)
Finance costs.					(6,487)
Profit before tax					26,216,593
Other material items:					
Depreciation	1,606,837	3,474,236	956,578	-	6,037,651
Amount capitalized	(1,125,723)	(1,822,956)	(816,805)	-	(3,765,484)
	481,114	1,651,280	139,773	-	2,272,167
Written back of provision for impairment of trade and retention receivables	-	414,160	-	-	414,160
Provision for impairment of trade and retention receivables.	1,170,000	-	-	-	1,170,000
As at 31 December 2007					
Segment assets	84,558,331	121,604,882	21,524,894	-	227,688,107
Property, plant and equipment					54,515,949
Prepaid land lease payments					2,376,684
Available-for-sale investments					11,526,000
Deferred tax assets.					6,162,000
Inventories					502,471
Gross amounts due from customers for contract work					44,215,471
Deposits, prepayment and other receivables					16,642,068
Bank and cash balances and pledged time deposits.					138,467,632
Total assets					502,096,382

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	North America	Greater China	Asia	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
For the year ended 31 December 2006					
Revenue from external customers.	155,179,000	686,967,000	34,898,000	8,065,287	885,109,287
Reportable segment profits	2,332,000	62,590,000	2,003,000	959,815	67,884,815
Unallocated amounts:					
Other income					4,025,890
Administrative expenses					(51,181,242)
Other operating expenses					-
Finance costs					(251,312)
Profit before tax					20,478,151
Other material items:					
Depreciation	873,185	4,374,258	157,983	-	5,405,426
Amount capitalized	(618,075)	(2,736,175)	(138,998)	-	(3,493,248)
	255,110	1,638,083	18,985	-	1,912,178
Written back of provision for impairment of trade and retention receivables	-	1,015,791	-	-	1,015,791
Provision for impairment of trade and retention receivables.	-	-	-	-	-
As at 31 December 2006					
Segment assets	55,477,670	167,065,998	-	-	222,543,668
Property, plant and equipment					21,361,541
Prepaid land lease payments					2,656,691
Available-for-sale investments					11,214,600
Deferred tax assets.					3,700,000
Inventories					191,911
Gross amounts due from customers for contract work					70,550,508
Deposits, prepayment and other receivables					23,907,383
Due from former immediate holding company					13,000,002
Bank and cash balances and pledged time deposits.					94,206,357
Total assets					463,332,661

Revenue from major customers (which individually contributed 10% or more of the Group's total revenue):

For the nine months ended 30 September 2009, revenue from different single customer of each individual or combined segments, the Group's China segment, the Group's China and Asia segment and the Group's North America segment represents HK\$87,416,289, HK\$62,847,466 and HK\$238,289,588 of the Group's total revenue respectively.

For the nine months ended 30 September 2008, revenue from a single customer of the Group's North America segment represents HK\$578,703,726 of the Group's total revenue.

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For the year ended 31 December 2008, revenue from a single customer of the Group's North America segment represents HK\$751,624,939 of the Group's total revenue.

For the year ended 31 December 2007, revenue from different single customer of each individual segment, the Group's China segment, the Group's North America segment and the Group's Asia segment represents HK\$143,757,177, HK\$147,781,068 and HK\$110,896,934 of the Group's total revenue respectively.

For the year ended 31 December 2006, revenues from each of the three customers of the Group's China segment represent HK\$99,923,119, HK\$131,343,164 and HK\$199,963,416 of the Group's total revenue respectively and revenue from a single customer of the Group's North America segment represents HK\$105,838,612 of the Group's total revenue.

7. OTHER INCOME

	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$ (unaudited)	HK\$
Bank interest income	2,978,428	2,510,162	1,606,770	1,137,701	599,628
Gain on disposals of scrap materials	-	-	4,082,446	1,999,286	317,438
Gain on disposals of property, plant and equipment	-	2,000	560,000	560,000	-
Written back of provision for impairment of trade and retention receivables	1,015,791	414,160	2,626,971	-	556,800
Others	31,671	10,041	98,080	70,210	34,913
	<u>4,025,890</u>	<u>2,936,363</u>	<u>8,974,267</u>	<u>3,767,197</u>	<u>1,508,779</u>

8. FINANCE COSTS

	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$ (unaudited)	HK\$
Interest on bank overdrafts and bank borrowings	4,027,679	1,670,457	2,343,193	1,626,094	12,111
Amount capitalized	(3,776,367)	(1,663,970)	(2,340,707)	(1,623,659)	(12,111)
	<u>251,312</u>	<u>6,487</u>	<u>2,486</u>	<u>2,435</u>	<u>-</u>

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9. INCOME TAX EXPENSE

	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$ (unaudited)	HK\$
Current tax – Hong Kong Profits Tax					
Provision for the year/period	(12,934)	3,015,856	23,971,523	23,400,000	700,000
(Over)/Under provision in prior years	–	–	–	–	6,272,583
	<u>(12,934)</u>	<u>3,015,856</u>	<u>23,971,523</u>	<u>23,400,000</u>	<u>6,972,583</u>
Current tax – overseas Provision for the year/period	<u>1,205,273</u>	<u>900,000</u>	<u>6,337,000</u>	<u>5,420,000</u>	<u>6,690,324</u>
Deferred tax	<u>906,398</u>	<u>(2,462,000)</u>	<u>6,162,000</u>	<u>3,006,000</u>	<u>–</u>
	<u><u>2,098,737</u></u>	<u><u>1,453,856</u></u>	<u><u>36,470,523</u></u>	<u><u>31,826,000</u></u>	<u><u>13,662,907</u></u>

Hong Kong Profits Tax has been provided at a rate of 17.5% based on the estimated assessable profit for the years ended 31 December 2006 and 2007.

Hong Kong Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit for the year ended 31 December 2008 and the nine months ended 30 September 2008 and 2009.

Macau Corporate Tax has been provided on the taxable profit and is calculated at the progressive rate from 3% to 12 % for the years ended 31 December 2006 and 2007 and 9% to 12% for the year ended 31 December 2008 and the nine months ended 30 September 2008 and 2009.

United States Corporate Income Tax has been provided at a rate of 34% based on the estimated assessable profit for the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2008 and 2009 less allowable losses brought forward.

PRC Enterprise Income Tax has been provided at a rate of 33% based on the estimated assessable profit for the years ended 31 December 2006 and 2007 less allowable losses brought forward.

PRC Enterprise Income Tax has been provided at a rate of 25% based on the estimated assessable profit for the years ended 31 December 2008 and the nine months ended 30 September 2008 and 2009 less allowable losses brought forward.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i> <i>(unaudited)</i>	<i>HK\$</i>
Profit before tax	20,478,151	26,216,593	139,604,652	116,024,988	57,047,660
Tax at domestic income tax rate	3,583,676	4,587,904	23,034,768	19,144,123	9,412,864
Tax effect of income that is not taxable	(2,158,880)	(165,935)	(1,738,832)	(759,203)	(1,467,459)
Tax effect of expenses that are not deductible	994,550	929,384	5,532,015	5,905,201	994,137
Underprovision in prior year	-	-	-	-	6,272,583
Tax effect of temporary differences not recognised	(402,004)	57,412	7,442,262	7,055,293	(2,327,356)
Tax effect of utilisation of tax losses not previously recognised	(652,740)	(1,299,802)	(233,425)	-	(2,271,448)
Tax effect of tax losses not recognised	2,685,911	136,248	162,783	157,624	-
Tax effect of recognition of tax losses not previously recognised	-	(802,103)	-	-	-
Effect of different tax rates of subsidiaries	(1,951,776)	(1,989,252)	2,270,952	322,962	3,049,586
Income tax expense	<u>2,098,737</u>	<u>1,453,856</u>	<u>36,470,523</u>	<u>31,826,000</u>	<u>13,662,907</u>

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10. PROFIT FOR THE YEAR/PERIOD

The Group's profit for the year/period is stated after charging/(crediting) the following:

	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$ (unaudited)	HK\$
Auditor's remuneration . . .	496,000	869,953	717,186	547,186	1,144,675
Depreciation	5,405,426	6,037,651	8,281,237	5,250,981	6,152,402
Less: amounts capitalized . . .	(3,493,248)	(3,765,484)	(4,859,991)	(2,430,517)	(3,646,690)
	1,912,178	2,272,167	3,421,246	2,820,464	2,505,712
Amortisation of prepaid land lease payments . . .	280,007	280,007	280,007	210,005	210,005
Gain on disposals of property, plant and equipment	-	(2,000)	(560,000)	(560,000)	-
Loss on disposals of property, plant and equipment	-	-	629,235	547,295	134,823
Operating lease charges - land and buildings. . .	6,522,300	10,207,745	18,635,185	14,372,843	12,057,367
Less: amounts capitalized . . .	(5,094,869)	(7,808,337)	(12,934,944)	(8,392,057)	(9,149,782)
	1,427,431	2,399,408	5,700,241	5,980,786	2,907,585
Cost of contracting works performed	813,304,472	572,857,173	1,028,667,749	757,686,256	488,676,345
Warranty provision	3,920,000	2,900,000	2,914,587	1,215,000	5,726,000
	817,224,472	575,757,173	1,031,582,336	758,901,256	494,402,345
Provision for impairment of trade and retention receivables	-	1,170,000	11,975,537	11,585,321	3,730,291
Written back of provision for impairment of trade and retention receivables	(1,015,791)	(414,160)	(2,626,971)	-	(556,800)
Written off of inventories . . .	-	-	-	-	200,816
Impairment loss of available-for-sale investments	580,000	-	-	-	-
Impairment loss of property, plant and equipment	-	-	8,100,000	-	3,400,000
Staff costs (including director' emoluments):					
Salaries, bonuses and Allowances	67,657,942	84,022,799	104,596,108	79,195,071	69,584,049
Retirement benefits scheme contributions . . .	2,919,213	3,806,270	3,073,033	2,276,206	2,745,560
Less: amount included in cost of contracting works performed	(39,398,466)	(48,473,029)	(57,484,755)	(42,577,597)	(35,851,436)
	31,178,689	39,356,040	50,184,386	38,893,680	36,478,173
Foreign exchange differences, net	8,482	(1,439,583)	2,222,343	1,439,683	(2,383,317)

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11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

For the nine months ended 30 September 2009

Name of director	Fees	Salaries and allowances	Discretionary bonus	Retirement benefits scheme contributions	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Kwok Yeung Kwong (i)	-	1,352,600	-	94,170	1,446,770
HUANG Brad (ii)	-	243,900	-	31,853	275,753
Kwong Wui Chun (iii)	-	-	-	-	-
Chen Jacob, James (iv)	-	-	-	-	-
Huang Guangyu (v)	-	-	-	-	-
	-	1,596,500	-	126,023	1,722,523

For the nine months ended 30 September 2008 (unaudited)

Name of director	Fees	Salaries and allowances	Discretionary bonus	Retirement benefits scheme contributions	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Kwok Yeung Kwong (i)	-	1,317,550	-	87,600	1,405,150
HUANG Brad (ii)	-	125,010	-	16,326	141,336
Kwong Wui Chun (iii)	-	-	-	-	-
Chen Jacob, James (iv)	-	-	-	-	-
Tang Suet Hing (vi)	-	218,266	-	14,317	232,583
Ren Hai Feng (vii)	-	2,021,239	-	46,720	2,067,959
Ng Lai Man (viii)	-	-	-	-	-
	-	3,682,065	-	164,963	3,847,028

For the year ended 31 December 2008

Name of director	Fees	Salaries and allowances	Discretionary bonus	Retirement benefits scheme contributions	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Kwok Yeung Kwong (i)	-	1,932,550	350,000	120,450	2,403,000
HUANG Brad (ii)	-	206,310	-	26,944	233,254
Kwong Wui Chun (iii)	-	-	-	-	-
Chen Jacob, James (iv)	-	-	-	-	-
Tang Suet Hing (vi)	-	218,266	-	14,317	232,583
Ren Hai Feng (vii)	-	2,021,239	-	46,720	2,067,959
Ng Lai Man (viii)	-	-	-	-	-
	-	4,378,365	350,000	208,431	4,936,796

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For the year ended 31 December 2007

Name of director	Fees	Salaries and allowances	Discretionary bonus	Retirement benefits scheme contributions	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Tang Suet Hing (vi)	–	1,035,000	250,000	69,715	1,354,715
Ren Hai Feng (vii)	–	2,368,000	450,000	140,160	2,958,160
Ji Guirong (ix)	–	3,000,000	–	219,000	3,219,000
Zhang Chuanjun (x)	–	–	–	–	–
	–	6,403,000	700,000	428,875	7,531,875

For the year ended 31 December 2006

Name of director	Fees	Salaries and allowances	Discretionary bonus	Retirement benefits scheme contributions	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Tang Suet Hing (vi)	–	975,000	460,000	65,700	1,500,700
Ren Hai Feng (vii)	–	1,980,800	–	128,480	2,109,280
Ji Guirong (ix)	–	3,000,000	–	219,000	3,219,000
Zhang Chuanjun (x)	–	–	–	–	–
	–	5,955,800	460,000	413,180	6,828,980

Note:

- (i) Appointed on 11 March 2008
- (ii) Appointed on 11 March 2008
- (iii) Appointed on 11 March 2008 and resigned on 31 March 2009
- (iv) Appointed on 11 March 2008 and resigned on 31 March 2009
- (v) Appointed on 31 March 2009
- (vi) Appointed on 16 June 2005 and resigned on 11 March 2008
- (vii) Appointed on 30 June 1999 and removed on 13 May 2008 in accordance with the Articles of Association. As the Company was unable to contact Mr. Ren Hai Feng for a period of three months, Mr. Ren Hai Feng was removed from the board of directors.
- (viii) Appointed on 2 April 2008 and resigned on 3 November 2008
- (ix) Appointed on 3 January 2003 and resigned on 18 December 2007
- (x) Appointed on 31 October 2003 and resigned on 18 December 2007

There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

The five highest paid individuals in the Group during the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2008 and 2009 included 3, 2, 2, 2 and 1 directors respectively whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2, 3, 3, 3 and 4 individuals are set out below respectively:

	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i> <i>(unaudited)</i>	<i>HK\$</i>
Basic salaries and allowances	2,619,760	4,304,142	4,417,125	3,303,973	4,365,533
Discretionary bonus	770,000	1,020,000	1,070,000	-	-
Retirement benefit scheme contributions	175,638	267,728	206,444	105,944	166,680
	<u>3,565,398</u>	<u>5,591,870</u>	<u>5,693,569</u>	<u>3,409,917</u>	<u>4,532,213</u>

The emoluments fell within the following band:

	Number of individuals				
	2006	2007	2008	2008	2009
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i> <i>(unaudited)</i>	<i>HK\$</i>
Nil to HK\$1,000,000	-	-	-	-	2
HK\$1,000,001 to HK\$2,000,000	1	2	2	3	2
HK\$2,000,001 to HK\$3,000,000	1	1	1	-	-
	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>

During the year ended 31 December 2008, the Group paid emoluments of HK\$1,261,239 to a director, Mr. Ren Hai Feng, as compensation for loss of office. Save as disclosed above, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

12. PROFIT FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2008 and 2009, the profit attributable to owners of the Company included a (loss)/profit of (HK\$57,981), (HK\$28,655), HK\$33,962,421, (HK\$238,158) and (HK\$299) respectively which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i> <i>(unaudited)</i>	<i>HK\$</i>
Proposed final dividend . .	-	-	34,000,000	-	-

Note:

- (a) A final dividend of HK\$1.8 per ordinary share was proposed for the year ended 31 December 2008.
- (b) The directors did not recommend the payment of any interim or final dividend for the years ended 31 December 2006 and 2007 and the nine months ended 30 September 2008 and 2009.

14. EARNINGS PER SHARE

Basic earnings per share

For the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2008 and 2009, the calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year/period attributable to owners of the Company of HK\$18,379,414, HK\$25,043,117 HK\$104,992,755, HK\$84,198,988 and HK\$42,631,529 respectively and the weighted average number of ordinary shares of 18,880,000 in issue during the Relevant Periods.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the Relevant Periods.

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Tools and mould	Construction in progress	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost								
At 1 January 2006	15,381,020	14,477,744	13,990,305	16,104,605	6,792,777	2,266,024	-	69,012,475
Additions	-	126,070	979,073	4,704,945	424,778	102,304	-	6,337,170
Disposals/write-offs	-	-	-	-	(213,894)	-	-	(213,894)
At 31 December 2006 and 1 January 2007	15,381,020	14,603,814	14,969,378	20,809,550	7,003,661	2,368,328	-	75,135,751
Currency realignment	186,089	-	-	-	-	-	-	186,089
Additions	19,683,548	1,274,816	7,525,094	4,185,451	1,092,443	474,484	4,770,134	39,005,970
Disposals/write-offs	-	-	-	-	(155,000)	-	-	(155,000)
At 31 December 2007 and 1 January 2008	35,250,657	15,878,630	22,494,472	24,995,001	7,941,104	2,842,812	4,770,134	114,172,810
Currency realignment	-	-	-	298,040	-	-	-	298,040
Additions	773,077	410,308	3,670,603	9,622,578	1,770,388	8,347	-	16,255,301
Disposals/write-offs	-	(8,248,574)	(957,088)	(12,254,966)	(3,076,244)	(1,368,134)	-	(25,905,006)
Disposal of a subsidiary	-	-	-	(476,656)	-	-	-	(476,656)
At 31 December 2008 and 1 January 2009	36,023,734	8,040,364	25,207,987	22,183,997	6,635,248	1,483,025	4,770,134	104,344,489
Currency realignment	-	-	-	40,719	-	-	-	40,719
Additions	138,786	12,518	382,638	553,151	-	1,377	-	1,088,470
Disposals/write-offs	-	-	(79,641)	(120,698)	(276,528)	-	-	(476,867)
At 30 September 2009	36,162,520	8,052,882	25,510,984	22,657,169	6,358,720	1,484,402	4,770,134	104,996,811
Accumulated depreciation and impairment								
At 1 January 2006	4,572,135	13,164,088	9,851,905	14,142,673	5,067,528	1,784,349	-	48,582,678
Charge for the year	563,407	1,029,631	1,647,953	1,395,770	528,012	240,653	-	5,405,426
Disposals/write-offs	-	-	-	-	(213,894)	-	-	(213,894)
At 31 December 2006 and 1 January 2007	5,135,542	14,193,719	11,499,858	15,538,443	5,381,646	2,025,002	-	53,774,210
Charge for the year	503,702	538,801	2,331,178	1,808,607	560,304	295,059	-	6,037,651
Disposals/write-offs	-	-	-	-	(155,000)	-	-	(155,000)
At 31 December 2007 and 1 January 2008	5,639,244	14,732,520	13,831,036	17,347,050	5,786,950	2,320,061	-	59,656,861
Currency realignment	-	-	-	52,959	-	-	-	52,959
Charge for the year	503,702	392,128	3,089,598	3,040,741	993,048	262,020	-	8,281,237
Impairment loss	3,329,866	-	-	-	-	-	4,770,134	8,100,000
Disposals/write-offs	-	(8,108,791)	(957,088)	(11,689,810)	(3,027,248)	(1,368,134)	-	(25,151,071)
Disposal of a subsidiary	-	-	-	(175,669)	-	-	-	(175,669)
At 31 December 2008 and 1 January 2009	9,472,812	7,015,857	15,963,546	8,575,271	3,752,750	1,213,947	4,770,134	50,764,317
Currency realignment	-	-	-	3,811	-	-	-	3,811
Charge for the period	288,297	403,603	2,402,917	2,323,804	623,810	109,971	-	6,152,402
Impairment loss	3,400,000	-	-	-	-	-	-	3,400,000
Disposals/write-off	-	-	(23,891)	(8,368)	(86,392)	-	-	(118,651)
At 30 September 2009	13,161,109	7,419,460	18,342,572	10,894,518	4,290,168	1,323,918	4,770,134	60,201,879
Carrying amount								
At 30 September 2009	23,001,411	633,422	7,168,412	11,762,651	2,068,552	160,484	-	44,794,932
At 31 December 2008	26,550,922	1,024,507	9,244,441	13,608,726	2,882,498	269,078	-	53,580,172
At 31 December 2007	29,611,413	1,146,110	8,663,436	7,647,951	2,154,154	522,751	4,770,134	54,515,949
At 31 December 2006	10,245,478	410,095	3,469,520	5,271,107	1,622,015	343,326	-	21,361,541

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

An analysis of the Group's land and buildings is as follows:

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
At cost, located in:				
Mainland China, held under medium term leases	9,381,020	9,567,109	9,567,109	9,567,109
Hong Kong, held under a long term lease	6,000,000	6,000,000	6,000,000	6,000,000
United States of America, freehold	–	19,683,548	20,456,625	20,595,411
	15,381,020	35,250,657	36,023,734	36,162,520

The Group carried out reviews of the recoverable amount of its freehold land and construction in progress for the year ended 31 December 2008 and the nine months period ended 30 September 2009, by reference to market evidence of recent transactions for similar properties by Horizon Village Appraisal, an independent firm of chartered surveyors. The reviews led to the recognition of impairment losses of HK\$8,100,000 and HK\$3,400,000 for the year ended 31 December 2008 and the nine months period ended 30 September 2009 respectively in respect of the Group's freehold land in the United States of America and the construction in progress erected on this freehold land, that has been charged to profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their fair value less costs to sell.

At 31 December 2006, 2007 and 2008 and 30 September 2009, the carrying amount of the Group's land and buildings pledged as security for the Group's generally banking facilities amounted to HK\$9,296,926, HK\$9,069,752, HK\$2,952,940 and HK\$2,818,823 respectively.

16. PREPAID LAND LEASE PAYMENTS

Group

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
At beginning of year/period	3,216,705	2,936,698	2,656,691	2,376,684
Amortisation of prepaid land lease payments	(280,007)	(280,007)	(280,007)	(210,005)
At end of year/period	2,936,698	2,656,691	2,376,684	2,166,679
Current portion included in prepayments, deposits and other receivables	(280,007)	(280,007)	(280,007)	(280,007)
Non-current portion	2,656,691	2,376,684	2,096,677	1,886,672

The Group's prepaid land lease payments represent payments for land use rights located in the Mainland China under medium term leases.

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17. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December			At 30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Unlisted investments, at fair value:				
Club debenture	380,000	380,000	380,000	380,000
Investment funds and certificates of deposits.	10,834,600	11,146,000	20,495,904	32,835,674
	11,214,600	11,526,000	20,875,904	33,215,674
Analysed as:				
Current assets	–	–	–	14,351,000
Non-current assets	11,214,600	11,526,000	20,875,904	18,864,674
	11,214,600	11,526,000	20,875,904	33,215,674

For the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009, fair value (loss)/gain on the Group's available-for-sale investments recognised in other comprehensive income amounted to (HK\$612,000), HK\$1,085,000, (HK\$790,096) and HK\$328,770 respectively.

The above investments were designated as available-for-sale investments on initial recognition.

The fair value of unlisted available-for-sale investments is determined with reference to the quoted market price or secondary market redemption price as provided by the issuer of the underlying investments.

At 31 December 2006, 2007 and 2008 and 30 September 2009, the carrying value of the Group's investment funds and certificates of deposits pledged as security for the Group's general banking facilities amounted to HK\$10,834,600, HK\$11,146,000, HK\$20,495,904 and HK\$18,484,674 respectively.

18. INTERESTS IN SUBSIDIARIES

Company

	At 31 December			At 30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Unlisted investments, at cost.	43,652,000	43,652,000	43,652,000	43,652,000

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Particulars of the subsidiaries at the end of each reporting period are as follows:

Name	Place and date of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 December			At 30 September	
			2006	2007	2008	2009	
Directly held:							
Far East Aluminium (BVI) Limited	British Virgin Islands 9 October 1991	6,000 ordinary shares of US\$1 each	100%	100%	100%	100%	Investment holding
Indirectly held:							
Far East Aluminium Works Company Limited	Hong Kong 13 September 1977	900,000 ordinary shares of HK\$100 each	100%	100%	100%	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade (UK) Limited	United Kingdom 6 August 2008	1 ordinary share of GBP1	–	–	100%	100%	Inactive
World Eastern Cladding Works (LLC)	United Arab of Emirates 27 September 2007	100 ordinary shares of AED3,000 each	–	100%	100%	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade, Incorporated	United States of America 14 March 2007	100,000 ordinary shares of US\$0.01 each	–	100%	100%	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Facade Design and Drafting Services Limited	Hong Kong 23 September 2006	100 ordinary shares of HK\$1 each	–	100%	100%	100%	Inactive
Heng Fai International Limited	British Virgin Islands 17 August 1990	10,000 ordinary shares of HK\$0.1 each	100%	100%	100%	100%	Manufacture of curtain walls, aluminium windows and other related products
Far East Aluminium (Asia) Limited (note (a))	British Virgin Islands 17 August 1992	100 ordinary shares of US\$1 each	100%	100%	100%	–	Investment holding
Netfortune Limited	Hong Kong 23 March 1982	500,000 ordinary shares of HK\$1 each	100%	100%	100%	100%	Installation of curtain walls and aluminium windows and investment holding
Willbert Limited	British Virgin Islands 23 June 1992	1 ordinary share of US\$1	100%	100%	100%	100%	Inactive

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

Name	Place and date of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 December			At 30 September	
			2006	2007	2008	2009	
Far East Aluminium Works (Guangzhou) Company Limited	Hong Kong 24 November 1992	2 ordinary shares of HK\$1 each	100%	100%	100%	100%	Property holding
FEA Technology Limited	Hong Kong 15 December 1992	2 ordinary shares of HK\$1 each	100%	100%	100%	100%	Inactive
FEA Engineering Limited	British Virgin Islands 5 November 1998	100 ordinary shares of US\$1 each	100%	100%	100%	100%	Investment holding
FEA Investments Limited	British Virgin Islands 5 November 1998	1 ordinary share of US\$1	100%	100%	100%	100%	Investment holding
Strong Power International Limited	Hong Kong 28 November 1997	2 ordinary shares of HK\$1 each	100%	100%	100%	100%	Inactive
Better View Investment Limited	Hong Kong 7 September 1998	2 ordinary shares of HK\$1 each	100%	100%	100%	100%	Property holding
Seniford Engineering Limited	Hong Kong 30 September 1998	2 ordinary shares of HK\$1 each	100%	100%	100%	100%	Provision of project management services to Group companies
Loyal Truth Investment Limited <i>(note (b))</i>	Hong Kong 6 November 1998	2 ordinary shares of HK\$1 each	100%	100%	100%	–	Inactive
FEA Corporate Services Limited (Formerly known as Total Real Investment Limited)	Hong Kong 30 September 2003	2 ordinary shares of HK\$1 each	100%	100%	100%	100%	Provision of company secretarial services to Group companies
Far East Aluminium Works (Singapore) Pte. Limited	Singapore 29 April 2003	700,000 ordinary shares of SGD1 each	100%	100%	100%	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

Name	Place and date of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 December			At 30	
			2006	2007	2008	September	
			2009				
Netfortune (Shanghai) Aluminium Works Company Limited (a sino-foreign equity joint venture enterprise)	PRC 19 January 2004	Registered capital of RMB10,000,000	75%	75%	75%	75%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Netfortune Engineering (FEA) Macau Limited	Macau 17 May 2003	25,000 ordinary shares of MOP1 each	100%	100%	100%	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Aluminium Works (U.S.) Corporation	United States of America 12 January 2005	200,000,000 ordinary shares of US\$0.001 each	100%	100%	100%	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade Investments Limited	British Virgin Islands 19 May 2008	10,000 ordinary shares of US\$1 each	–	–	100%	100%	Investment holding
Far East Aluminium Works Canada Corporation	Canada 7 May 2008	100 ordinary shares of CAD1 each	–	–	100%	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Aluminium Works Chile Limitada	Chile 22 January 2008	Registered capital of PESO10,000,000	–	–	100%	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Heng Fai International Limited (Formerly known as Clever Way Enterprises Limited)	Hong Kong 14 December 2007	1 Ordinary share of HK\$1	–	–	–	100%	Inactive
Xi'an Yuanheng Aluminium Works Company Limited ("Xi'an Yuanheng") (a domestic company) (note (c))	PRC 12 October 2001	Registered capital of RMB10,000,000	0%/85% 0%	0%/85% 0%	–	–	Design, manufacture and installation of curtain walls, aluminium windows and other related products

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Name	Place and date of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 December			At 30 September	
			2006	2007	2008	2009	
Far East Facade (UAE) Limited	British Virgin Islands 20 May 2008	10,000 ordinary shares of US\$1 each	-	-	100%	100%	Investment holding
Far East Facade (HK) Limited	British Virgin Islands 20 May 2008	10,000 ordinary shares of US\$1 each	-	-	100%	100%	Investment holding

Note:

- (a) Deregistered on 13 May 2009.
- (b) Deregistered on 20 February 2009.
- (c) Although the Group did not own any equity interest in Xi'an Yuanheng during the Relevant Periods, Xi'an Yuanheng was treated as a subsidiary because the Group was able to control the financial and operating policies of Xi'an Yuanheng as a result of a written consent pursuant to which the equity holder of Xi'an Yuanheng, which was an employee of the Group, agreed to act under the direction of the Group in exercising the rights attached to the 85% equity interests of Xi'an Yuanheng held by this employee of the Group.

Xi'an Yuanheng was disposed of on 7 November 2008.

19. INVENTORIES

Group

	At 31 December			At 30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Consumables	191,911	502,471	796,933	74,956

20. GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

Group

	At 31 December			At 30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Contract costs incurred plus recognised profits less foreseeable losses to date	2,677,170,878	2,885,219,385	3,587,743,758	4,069,646,698
Less: Progress billings	(2,720,188,470)	(2,949,502,745)	(3,958,757,958)	(4,310,395,392)
	<u>(43,017,592)</u>	<u>(64,283,360)</u>	<u>(371,014,200)</u>	<u>(240,748,694)</u>
Gross amounts due from customers for contract work	70,550,508	44,215,471	50,865,440	91,700,098
Gross amounts due to customers for contract work	(113,568,100)	(108,498,831)	(421,879,640)	(332,448,792)
	<u>(43,017,592)</u>	<u>(64,283,360)</u>	<u>(371,014,200)</u>	<u>(240,748,694)</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

21. TRADE AND RETENTION RECEIVABLES

Group

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Trade receivables	143,053,605	130,441,804	235,877,518	117,521,695
Retention receivables	96,403,859	107,915,319	192,861,350	147,514,403
	239,457,464	238,357,123	428,738,868	265,036,098
Impairment losses	(16,913,796)	(10,669,016)	(14,535,788)	(17,709,279)
	<u>222,543,668</u>	<u>227,688,107</u>	<u>414,203,080</u>	<u>247,326,819</u>

The Group's trade receivables mainly represent progress billings receivables from facade building contracting works. The Group adopts credit policies which are consistent with the trade practices prevalent in the building industry in countries which the Group has operations. The Group recognises its trade receivables when the value of the subcontract works is certified by the architect. Pursuant to the trade practices, the main contractor from time to time makes applications for payment certificates which include the certified value of the nominated subcontract works.

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum. No ageing analysis of retention receivables is presented as the retentions are released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects in question.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Trade receivables:				
0 to 30 days	110,161,574	121,356,285	118,107,953	67,183,889
31 to 60 days	29,522,486	–	89,384,882	42,114,477
61 to 90 days	58,813	–	500,832	–
More than 90 days	976,525	6,567,934	22,125,432	759,620
	140,719,398	127,924,219	230,119,099	110,057,986
Retention receivables	81,824,270	99,763,888	184,083,981	137,268,833
	<u>222,543,668</u>	<u>227,688,107</u>	<u>414,203,080</u>	<u>247,326,819</u>

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The movements in provision for impairment of the trade and retention receivables are as follows:

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
At beginning of year/period	17,929,587	16,913,796	10,669,016	14,535,788
Impairment losses reversed	(1,015,791)	(414,160)	(2,626,971)	(556,800)
Provision for impairment	–	1,170,000	11,975,537	3,730,291
Amounts written off as uncollectible	–	(7,000,620)	(5,481,794)	–
At end of year/period	<u>16,913,796</u>	<u>10,669,016</u>	<u>14,535,788</u>	<u>17,709,279</u>

The individually impaired trade and retention receivables relate to contracts under disputes with customers and are expected not to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2006, 2007 and 2008 and 30 September 2009, trade receivables of HK\$30,557,824, HK\$6,567,934, HK\$112,011,146 and HK\$42,874,097 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Up to 3 month	29,735,709	9,000	89,885,714	42,115,858
3 to 6 months	822,115	6,558,934	22,125,432	758,239
	<u>30,557,824</u>	<u>6,567,934</u>	<u>112,011,146</u>	<u>42,874,097</u>

At 31 December 2006, 2007 and 2008 and 30 September 2009, the amount of retentions expected to be recovered after more than twelve months is HK\$64,266,578, HK\$77,064,786, HK\$147,492,118 and HK\$119,845,121 respectively.

The carrying amounts of the Group's trade and retention receivables are denominated in the following currencies:

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Hong Kong dollar	126,517,603	59,531,407	41,484,533	32,399,862
United States dollar	55,477,670	84,558,331	243,789,456	87,633,638
Renminbi	4,542,632	8,539,866	37,431,219	19,011,989
Macau Pataca	36,005,763	53,533,609	20,370,575	7,463,678
United Arab Emirates Dirham	–	21,524,894	49,862,456	61,192,768
Canadian dollar	–	–	18,078,074	11,820,593
Singapore dollar	–	–	3,186,767	27,804,291
	<u>222,543,668</u>	<u>227,688,107</u>	<u>414,203,080</u>	<u>247,326,819</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

22. PLEDGED TIME DEPOSITS AND BANK AND CASH BALANCES

Group

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
Pledged time deposits	47,549,400	48,329,400	38,189,400	61,824,816
Non-current portion	(9,360,000)	(9,360,000)	–	–
	<u>38,189,400</u>	<u>38,969,400</u>	<u>38,189,400</u>	<u>61,824,816</u>
Bank and cash balances	<u>46,656,957</u>	<u>90,138,232</u>	<u>290,527,085</u>	<u>316,425,146</u>

The carrying amounts of the Group's pledged time deposits and bank and cash balances are denominated in the following currencies:

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
Hong Kong dollar	51,154,778	54,638,621	45,999,298	48,496,143
United States dollar	24,322,923	48,731,314	231,574,405	301,791,079
Renminbi	12,659,463	12,966,818	22,204,892	3,256,891
Macau Pataca	4,146,197	3,755,513	11,002,914	697,222
United Arab Emirates Dirham	1,364,575	17,564,684	11,187,082	8,089,890
Canadian dollar	4,128	4,240	1,312,026	5,816,451
Chile Peso	–	–	437,199	1,333
Euro	8,235	8,288	10,886	10,886
Singapore dollar	546,058	798,154	4,987,783	10,090,067
	<u>94,206,357</u>	<u>138,467,632</u>	<u>328,716,485</u>	<u>378,249,962</u>

Company

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
Bank and cash balances	–	–	9,830	9,531

The Group's pledged time deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 25 to the Financial Information.

At 31 December 2006, 2007 and 2008 and 30 September 2009, the bank and cash balances of the Group denominated in Renminbi amounted to HK\$12,659,463, HK\$12,996,818, HK\$22,204,892 and HK\$3,256,891 respectively. Conversion of Renminbi into foreign currencies is subject to the Peoples of Republic China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

23. TRADE AND BILLS PAYABLES

Group

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
Trade payables	54,260,498	80,965,404	58,228,375	45,024,633
Bills payables	–	799,342	–	–
	<u>54,260,498</u>	<u>81,764,746</u>	<u>58,228,375</u>	<u>45,024,633</u>

An ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
0 to 30 days	22,335,661	32,337,044	36,964,706	24,692,625
31 to 60 days	21,597,853	29,024,882	13,978,044	7,438,424
More than 60 days	10,326,984	20,402,820	7,285,625	12,893,584
	<u>54,260,498</u>	<u>81,764,746</u>	<u>58,228,375</u>	<u>45,024,633</u>

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
Hong Kong dollar	28,923,206	29,095,886	22,202,881	12,672,028
United States dollar	12,493,482	45,972,944	18,741,929	18,950,502
Renminbi	12,788,167	6,647,991	16,023,848	10,117,630
Singapore dollar	55,643	47,925	322,247	1,930,714
Chile Peso	–	–	618,735	395,670
United Arab Emirates Dirham	–	–	185,473	948,370
Canadian dollar	–	–	133,262	9,719
	<u>54,260,498</u>	<u>81,764,746</u>	<u>58,228,375</u>	<u>45,024,633</u>

24. WARRANTY PROVISIONS

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
At beginning of the year/period	10,230,124	10,301,487	11,473,330	10,559,444
Additional provisions	3,920,000	2,900,000	2,914,587	5,726,000
Provisions used	(3,848,637)	(1,728,157)	(3,828,473)	(3,998,151)
At end of the year/period	<u>10,301,487</u>	<u>11,473,330</u>	<u>10,559,444</u>	<u>12,287,293</u>

The Group provides warranties to its customers on facade contracting works in accordance with terms and conditions as stipulated in contracts, under which defective works are rectified or replaced.

The amount of the warranty provision is estimated based on the past experience of the level of defective works. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

25. INTEREST-BEARING BANK BORROWINGS

Group

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Import loans, secured	47,476,134	43,089,601	-	-

The borrowings are repayable within one year.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Hong Kong dollar	23,109,809	27,393,580	-	-
United States dollar	24,366,325	15,696,021	-	-
	47,476,134	43,089,601	-	-

The average effective interest rates at the end of each reporting period are as follows:

	At 31 December			At
				30 September
	2006	2007	2008	2009
Import loans	7.8%	6.9%	-	-

The borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The Group's banking facilities are secured by:

- (a) Pledges of the Group's land and buildings with an aggregate carrying amount of approximately HK\$9,296,926, HK\$9,069,752, HK\$2,952,940 and HK\$2,818,823 at 31 December 2006, 2007 and 2008 and 30 September 2009 respectively (note 15).
- (b) Pledges of the Group's available-for-sale investments of HK\$10,834,600, HK\$11,146,000, HK\$20,495,904 and HK\$18,484,674 at 31 December 2006, 2007 and 2008 and 30 September 2009 respectively (note 17).
- (c) Pledges of the Group's time deposits of HK\$47,549,400, HK\$48,329,400, HK\$38,189,400 and HK\$61,824,816 at 31 December 2006, 2007 and 2008 and 30 September 2009 respectively (note 22); and
- (d) Corporate guarantees with an aggregate amount of HK\$178,000,000 executed by AVIC at 31 December 2006 and corporate guarantees with an aggregate amount of HK\$178,000,000 executed by the Company at 31 December 2007 and 2008, and an aggregate amount of HK\$247,000,000 at 30 September 2009.

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26. DEFERRED TAX

Group

The following are the major deferred tax assets recognised by the Group.

	<u>Tax loss</u>	<u>Others</u>	<u>Total</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 January 2006	(4,110,862)	(495,527)	(4,606,389)
Charge to profit or loss for the year	<u>410,862</u>	<u>495,527</u>	<u>906,389</u>
At 31 December 2006 and 1 January 2007	(3,700,000)	–	(3,700,000)
Credit to profit or loss for the year	<u>(2,462,000)</u>	<u>–</u>	<u>(2,462,000)</u>
At 31 December 2007 and 1 January 2008	(6,162,000)	–	(6,162,000)
Charge to profit or loss for the year	<u>6,162,000</u>	<u>–</u>	<u>6,162,000</u>
At 31 December 2008, 1 January 2009 and 30 September 2009	<u>–</u>	<u>–</u>	<u>–</u>

At 31 December 2006, 2007 and 2008 and 30 September 2009, the Group had unused tax losses of arising in Hong Kong, the PRC, Singapore and the United States of America of HK\$38,128,401, HK\$33,239,576, HK\$15,861,216 and HK\$2,094,863 available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$12,268,908, HK\$18,123,529, Nil and Nil of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$25,859,493, HK\$15,116,047, HK\$15,861,216 and HK\$2,094,863 due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses in 2006 and 2007 of HK\$5,173,177 and HK\$1,339,199 that will expire in 2010 respectively. Other tax losses may be carried forward indefinitely.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

The Group is liable to withholding tax on dividends distributed from the Group's PRC subsidiary in respect of their profits generated on or after 1 January 2008. No deferred tax liabilities have been recognised in respect of this as the Group considers that as of the date of this Financial Information, no such liability will be arisen in the foreseeable future.

27. SHARE CAPITAL

Group and Company

	<u>At 31 December</u>			<u>At</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>30 September</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<u>2009</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Authorised:				
20,000,000 ordinary shares of US\$1.00 each.	<u>156,000,000</u>	<u>156,000,000</u>	<u>156,000,000</u>	<u>156,000,000</u>
Issued and fully paid:				
18,880,000 ordinary shares of US\$1.00 each.	<u>147,264,000</u>	<u>147,264,000</u>	<u>147,264,000</u>	<u>147,264,000</u>

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends or issue new shares.

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The Group monitors capital using a gearing ratio, which is bank borrowings divided by the equity attributable to owners of the Company. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each reporting period were as follows:

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	HK\$
Interest-bearing bank borrowings	47,476,134	43,089,601	–	–
Equity attributable to owners of the Company.	170,238,751	197,344,545	302,095,707	311,548,207
Gearing ratio.	28%	22%	0%	0%

The decrease in the gearing ratio during the year ended 31 December 2008 resulted primarily from the Group's repayment of interest-bearing bank borrowings.

The Group is not subject to any externally imposed capital requirements.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity.

(b) Company

	Share premium	Accumulated losses	Proposed dividend	Total
	HK\$	HK\$	HK\$	HK\$
At 1 January 2006	130,605,896	(90,131,740)	–	40,474,156
Loss for the year	–	(57,981)	–	(57,981)
At 31 December 2006 and 1 January 2007	130,605,896	(90,189,721)	–	40,416,175
Loss for the year	–	(28,665)	–	(28,665)
At 31 December 2007 and 1 January 2008	130,605,896	(90,218,386)	–	40,387,510
Profit for the year	–	33,962,421	–	33,962,421
Dividend	(34,000,000)	–	34,000,000	–
At 31 December 2008 and 1 January 2009	96,605,896	(56,255,965)	34,000,000	74,349,931
Loss for the period	–	(299)	–	(299)
Dividend paid	–	–	(34,000,000)	(34,000,000)
At 30 September 2009	96,605,896	(56,256,264)	–	40,349,632

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(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(b) to the Financial Information.

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the balance sheet date and is dealt with in accordance with the accounting policy in note 3(h) to the Financial Information.

(iv) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC and Macau subsidiaries under the applicable laws and regulations in the PRC and Macau respectively.

29. SHARE-BASED PAYMENTS

The Company's former immediate holding company, AVIC, operated a [●] for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Company's operations. Eligible participants of the [●] included employees and directors of the Group. This [●] was adopted on 13 May 2003 ("2003 Scheme"). Since the adoption of the 2003 Scheme, no options had been granted to the directors and other employees of the Group thereunder.

As a result of the sale of the entire equity interest in the Company by AVIC to Showmost during the year ended 31 December 2007, the 2003 Scheme operated by AVIC was no longer applicable to the Company.

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOW

Group

Disposal of a subsidiary

Although the Group did not own any equity interest in Xi'an Yuanheng during the Relevant Periods, Xi'an Yuanheng was treated as a subsidiary because the Group was able to control the financial and operating policies of Xi'an Yuanheng as a result of a written consent pursuant to which the equity holder of Xi'an Yuanheng, Mr. Bie Jiabin, who was an employee of the Group, agreed to act under the direction of the Group in exercising the rights attached to the 85% equity interests of Xi'an Yuanheng held by Mr. Bie Jiabin.

On 18 September 2008, Mr. Bie Jiabin entered into an agreement to transfer the 85% equity interest in Xi'an Yuanheng to a director of the Company, Mr. Huang Guangyu, for a consideration of HK\$5,327,220 under the instruction of the Group. The transfer was completed on 7 November 2008.

As a result of the transfer of the 85% equity interest in Xi'an Yuanheng by Mr. Bie Jiabin to Mr. Huang Guangyu, the Group lost control in and disposed of Xi'an Yuanheng.

Net assets at the date of disposal were as follows:

	HK\$
Property, plant and equipment	300,987
Prepayments, deposits and other receivables	838,480
Bank and cash balances	609,832
Other payables and accruals	(340,591)
	<hr/>
Net assets disposed of	1,408,708
Release of foreign currency translation reserve	(454,925)
Changes in minority interests	2,794,069
Gain on disposal of a subsidiary	1,579,368
	<hr/>
Total consideration – included in amount due from a related party	5,327,220
	<hr/>
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	609,832
	<hr/>

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31. CONTINGENT LIABILITIES

Group

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Guarantees under performance bonds for construction contracts .	89,502,970	143,976,987	516,861,970	544,516,366

Company

At the end of the reporting period, the Company has issued the following guarantees:

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Corporate guarantees for banking facilities granted to a subsidiary .	–	178,000,000	178,000,000	247,000,000

At the end of each reporting period, the directors do not consider it probable that a claim will be made against the Company under the above guarantee. The maximum liability of the Company under above guarantee at the end of each reporting period is as follows:

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Import loans	–	43,089,601	–	–
Guarantees under performance bonds for construction contracts .	–	106,108,987	104,126,484	69,380,880
	–	149,198,588	104,126,484	69,380,880

The fair value of the above guarantee at date of inception is not material and is not recognised in the Financial Information.

32. LEASE COMMITMENTS

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At
				30 September
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
Within one year	6,152,993	4,256,563	9,267,007	7,909,314
In the second year	2,718,155	2,582,573	7,048,770	4,957,451
In the third to fifth years inclusive .	7,581,990	4,762,179	4,247,332	628,832
	16,453,138	11,601,315	20,563,109	13,495,597

Leases are negotiated for a term ranging from one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

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33. RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

Group

In addition to those related party transactions and balances disclosed elsewhere in the Financial Information, the Group had the following material transactions with its related parties during the Relevant Periods:

	For the year ended 31 December			For the nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
Compensation of key management personnel (including directors' emoluments as disclosed in note 11):					
Short term employee benefits	12,357,160	14,021,102	5,440,835	3,665,835	4,314,950
Termination benefits.	-	-	1,261,239	1,261,239	-
Post-employment benefits	726,058	769,683	258,675	225,825	243,440
	<u>13,083,218</u>	<u>14,790,785</u>	<u>6,960,749</u>	<u>5,152,899</u>	<u>4,558,390</u>
Purchase of materials from related companies controlled by a close family member of a beneficial shareholder of the Company					
Bon Pacific Building Materials (H.K.) Company Limited (note (i))	-	-	13,056,910	10,583,504	5,168,823
Gortech Trading Company Limited (note (ii))	-	-	8,923,539	8,501,861	478,619
Design fee paid to a related company controlled by a director (note (iii)).	-	-	-	-	1,880,266
Corporate guarantee issued by a related company controlled by a director for performance bonds of the Group (note (iii) & (iv))	-	-	39,480,000	39,480,000	39,480,000
	<u>-</u>	<u>-</u>	<u>39,480,000</u>	<u>39,480,000</u>	<u>39,480,000</u>

- (i) Mr. Tsang Lik Chung, a beneficial shareholder of the Company, is interested in the transaction to the extent that his son, Mr. Tsang King Fung, is a beneficial shareholder of the related company, Bon Pacific Building Materials (H.K.) Company Limited.
- (ii) Mr. Tsang Lik Chung, a beneficial shareholder of the Company, is interested in the transaction to the extent that his son, Mr. Tsang King Fung, is a beneficial shareholder of the related company, Gortech Trading Company Limited.
- (iii) Mr. Huang Guangyu, a director of the Company, is interested in the transaction to the extent that he is the controlling shareholder of the related company, Xi'an Yuanheng.
- (iv) The corporate guarantee was released on 20 February 2010.

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(b) Balances with related parties

Group

(i) Due from a related party

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
Due from a director:				
Mr. Huang Guangyu . . .	–	–	5,327,220	5,341,893
	<u>–</u>	<u>–</u>	<u>5,327,220</u>	<u>5,341,893</u>

The amount due from a director is unsecured, interest-free and has no fixed terms of repayment. Pursuant to section 161B of the Hong Kong Companies Ordinance, the maximum outstanding balance for the year ended 31 December 2008 and the nine months ended 30 September 2009 is HK\$5,327,220 and HK\$5,341,893 respectively. The amount was repaid on 30 December 2009.

(ii) Due from former immediate holding company

The amount due from former immediate holding company is unsecured, interest-free and has no fixed terms of repayment.

(iii) Due to a former fellow subsidiary

The amount due to a former fellow subsidiary is unsecured, interest-free and has no fixed terms of repayment.

(iv) Trade payables

	At 31 December			At
	2006	2007	2008	30 September
	HK\$	HK\$	HK\$	2009
Due to related companies controlled by a close family member of a beneficial shareholder of the Company:				
Bon Pacific Building Materials (H.K.) Company Limited . . .	–	4,645,025	2,296,373	1,237,996
Gortech Trading Company Limited . . .	–	2,005,884	583,359	226,424
	<u>–</u>	<u>6,650,909</u>	<u>2,879,732</u>	<u>1,464,420</u>

Details of the transactions with these companies during the Relevant Periods are set out in note 33(a) above.

Company

(i) Due from/to subsidiaries

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(ii) Due from former immediate holding company

The amount due from former immediate holding company is unsecured, interest-free and has no fixed terms of repayment.

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34. SUBSEQUENT EVENTS

- (a) On 20 November 2009, the Group entered into an agreement to dispose of land and buildings located in Hong Kong with carrying amount of HK\$2,818,823 at 30 September 2009 at a total consideration of HK\$12,300,000. The disposal was completed on 15 January 2010 and the gain on disposal was approximately HK\$9,381,000 at the date of completion.
- (b) On 8 July 2009, the Group entered into a conditional agreement to dispose of prepaid land lease payments and land and buildings with carrying amount at 30 September 2009 of HK\$2,166,679 and HK\$730,706 respectively at a total consideration of HK\$6,768,000. The disposal has not been completed up to the date of this report. The directors of the Company confirmed that the disposal will be completed and the gain on disposal was estimated to be approximately HK\$3,994,000 at the date of completion.
- (c) On 30 November 2009, the authorised share capital of the Company was increased by HK\$390,000 by the creation of 39,000,000 new shares of HK\$0.01 each, of which 1,000,000 new shares of HK\$0.01 each were allotted and issued to Showmost at par. Immediately thereafter, the Company repurchased all of the 18,880,000 shares of US\$1 each at a price of HK\$10,000,000 and then cancelled 20,000,000 shares of US\$1 each in the authorised share capital of the Company. As a result of the repurchase of 18,880,000 shares, the reserves of the Company were increased by approximately HK\$137,264,000.
- (d) Pursuant to the resolutions passed by the shareholders of the Company on 10 March 2010:
 - (i) the authorised share capital of the Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of 9,961,000,000 shares of HK\$0.01 each; and
 - (ii) conditional on the share premium account of the Company being credited, the directors of the Company were authorised to capitalize the sum of HK\$8,490,000, standing to the credit of the share premium account of the Company by issuing 849,000,000 shares of HK\$0.01 each, credited as fully paid at par, to the shareholders of the Company whose names appeared on the register of members of the Company as at the close of business on 10 March 2010. As a result of the issue of the 849,000,000 shares, the reserves of the Company were decreased by approximately HK\$8,490,000.
- (e) On 25 February 2010, the Company declared dividends of HK\$24,000,000. The dividends were paid on 1 March 2010.
- (f) On [●], the Company declared special dividends of [●]. The special dividend will be paid.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2009.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

APPENDIX IV

PROPERTY VALUATION REPORT

The following is the text of a letter with the summary of values and valuation certificate received from CB Richard Ellis Limited, prepared for the purpose of incorporation in the document, in connection with their valuation as at 31 December 2009 of all the property interests of the Group.

CBRE

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地產代理 (公司) 牌照號碼

Estate Agent's Licence (Co.) No. C-004065

17 March 2010

The Board of Directors

Far East Global Group Limited

17/F, Eight Commercial Tower

No. 8 Sun Yip Street

Chai Wan

Hong Kong

Dear Sirs,

In accordance with the instructions from Far East Global Group Limited (the "Company") for us to value the property interests held by the Company and its subsidiaries (hereinafter together know as the "Group") in Hong Kong, Dubai, Canada, the United States of America (the "USA") and the People's Republic of China (the "PRC"). We confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 31 December 2009 (the "date of valuation").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS") and the RICS Appraisal and Valuation Standards (5th Edition) published by The Royal Institution of Chartered Surveyors and effective from May 2003. We have also complied with all requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32) and [●].

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Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

For the property interests in Group I, which are held by the Group for occupation in Hong Kong and the PRC, we have valued each of those property interests by the direct comparison approach assuming sales of each of these property interests in its existing state with the benefit of vacant possession and making references to comparable sale transactions as available in the relevant markets. We have also valued the property interests by the capitalization approach taking into account the current rents passing of the property interests and the reversionary potentials of the tenancies.

For the property interests in Group II, which are held by the Group for future development in the USA, we have relied on the valuation reports signed by Glenn J. Rigdon provided by Horizon Village Appraisal regarding the property located in the USA.

For the property interests in Group III, which are rented by the Group in Canada, Dubai, Hong Kong, Singapore, the PRC and the USA, are considered to have no commercial value due mainly to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by Commerce & Finance Law Offices (the "**PRC Legal Opinion**"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, planning approvals, statutory notices, easements, tenancies and floor areas (including Gross Floor Areas, Net Floor Areas, Saleable Gross Floor Areas and Non-saleable Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

APPENDIX IV**PROPERTY VALUATION REPORT**

Unless otherwise stated, all monetary amounts are stated in this report are in Hong Kong Dollars. The exchange rates adopted in our valuations are approximately USD1 = HK\$7.78, RMB1 = HK\$1.15.

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited

Leo MY Lo
MHKIS MRICS
Director
Valuation & Advisory Services

Note: Mr Lo is a member of the Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors. He has over 6 years' valuation experience in Hong Kong, the PRC and Asia-Pacific region.

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SUMMARY OF VALUES

Property interests	Capital value in existing state as at 31 December 2009 (HK\$)	Interests attributable to the Group	Capital value attributable to the Group as at 31 December 2009 (HK\$)
Group I – Property interests held by the Group for occupation in Hong Kong and the PRC			
1. Portion 1 of Unit A and Portion 2 of Unit A (including Flat Roof appurtenant thereto) on 4th Floor and Car Parking Space No. 12 on Ground Floor, Chaiwan Industrial Center, No.20 Lee Chung Street, Chai Wan, Hong Kong	12,000,000	100%	12,000,000
2. Room 606, 607, 1906 and 1907, Golden Magnolia Plaza (金玉蘭廣場), No. 1 Dapu Road, Luwan District, Shanghai City, the PRC	14,200,000	100%	14,200,000
3. Various industrial premises located at Xinhe Industrial Village (新和工業村), Fuyong Town (福永鎮), Baoan District (寶安區), Shenzhen, the PRC	6,000,000	100%	6,000,000
		Group I Sub-total:	<u>32,200,000</u>

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Property interests	Capital value in existing state as at 31 December 2009 (HK\$)	Interests attributable to the Group	Capital value attributable to the Group as at 31 December 2009 (HK\$)
Group II – Property interests held by the Group for future development in USA			
4. Parcel No. 140-18-602-001 Clark County, Nevada, USA	15,200,000	100%	15,200,000
		Group II Sub-total:	<u>15,200,000</u>
Group III – Property interests rented by the Group in Canada, Dubai, Hong Kong, Singapore, the PRC and USA			
5. 5 properties rented by the Group located in Dubai			No commercial value
6. 2 properties rented by the Group located in Canada			No commercial value
7. 2 properties rented by the Group located in Singapore			No commercial value
8. A property rented by the Group located in Hong Kong			No commercial value
9. 2 properties rented by the Group located in USA			No commercial value
10. 5 properties rented by the Group located in Shanghai, the PRC			No commercial value
11. A property rented by the Group located in Beijing, the PRC			No commercial value
		Grand total:	<u><u>47,400,000</u></u>

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Group I – Property interests held by the Group in Hong Kong and the PRC

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)
1. Portion 1 of Unit A and Portion 2 of Unit A (including Flat Roof appurtenant thereto) on 4th Floor and Car Parking Space No. 12 on Ground Floor, Chaiwan Industrial Center, No. 20 Lee Chung Street, Chai Wan, Hong Kong	The property comprises a unit on 4th Floor and a car parking space in a 23-storey building with a total saleable area of approximately 7,505 sq.ft. The property was completed in 1976.	The property is currently vacant.	12,000,000 (100% interests attributable to the Group: HK\$12,000,000)
3 of 141 share of the Chai Wan Inland Lot No. 54 and No. 47			

Notes:

1. The registered owner of the property is Far East Aluminium Works Company Limited, which is the wholly-owned subsidiary of the Company.
2. The property is held under the Condition of Sale No. 10498 and No. 10499 for a term of 75 years from 17 August 1973 and renewable for further 75 years.
3. The property is subject to the following encumbrance:
 - (a) The property is subject to a Mortgage to in favour of The Hongkong and Shanghai Banking Corporation Limited via a Memorial No. UB5074917.
4. The property lies within an area zoned "Other Specified Uses" under the Chai Wan Outline Zoning Plan No. S/H20/17.
5. Pursuant to Agreement for Sale and Purchase dated 20 November 2009, Far East Aluminium Works Company Limited agreed to transfer the property to New Empire Properties Limited for a consideration of HK\$12,300,000. The sale and purchase of the Property was completed on 15 January 2010. As advised by the Group, the transaction was not completed as at the date of valuation.

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VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)												
2. Room 606, 607, 1906 and 1907, Golden Magnolia Plaza (金玉蘭廣場), No. 1 Dapu Road, Luwan District, Shanghai City, the PRC	<p>The property comprises 4 office units in a 25-storey office building, Shanghai Golden Magnolia Plaza, with a total gross floor area of approximately 598.12 sq.m..</p> <p>The details of the gross floor area of the property are listed as below:</p> <table border="1"> <thead> <tr> <th>Unit No.</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>606</td> <td>149.53</td> </tr> <tr> <td>607</td> <td>149.53</td> </tr> <tr> <td>1906</td> <td>149.53</td> </tr> <tr> <td>1907</td> <td>149.53</td> </tr> <tr> <td>Total:</td> <td>598.12</td> </tr> </tbody> </table>	Unit No.	Gross Floor Area (sq.m.)	606	149.53	607	149.53	1906	149.53	1907	149.53	Total:	598.12	The property is occupied by the Group as an office.	14,200,000 (100% interests attributable to the Group: HK\$14,200,000)
Unit No.	Gross Floor Area (sq.m.)														
606	149.53														
607	149.53														
1906	149.53														
1907	149.53														
Total:	598.12														
	<p>The property was completed in around 2004.</p> <p>The land use rights of the land on which the property is situated is held for composite use for a term of 50 years expiry at 5 November 2042.</p>														

Notes:

1. Pursuant to the following Shanghai Certificate of Real Estate Ownership issued by Shanghai Housing and Land Administration, the building ownership of the property with a total gross floor area of approximately 598.12 sq.m. has been granted to the Group.

Shanghai Certificate of Real Estate Ownership Certificates Number	Date of Issuance	Owner	Gross Floor Area (sq.m.)
Hu Fang Di Shi Zi (2001) No. 001625	7 March 2001	Better View Investment Limited (啓先投資有限公司)	149.53
Hu Fang Di Shi Zi (2001) No. 001626	7 March 2001	Far East Aluminium Works (Guangzhou) Co., Ltd	149.53
Hu Fang Di Shi Zi (1999) No. 001143	18 March 1999	Far East Aluminium Works (Guangzhou) Co., Ltd	149.53
Hu Fang Di Shi Zi (1999) No. 001142	18 March 1999	Better View Investment Limited (啓先投資有限公司)	149.53
		Total:	598.12

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- (i) The Group is the legal owner and has duly obtained the building ownership and corresponding land use rights of the property as mentioned in note 1 above. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the property.
- (ii) The Group has paid property tax, land use tax for owned property in accordance with the relevant taxation regulations on property tax and land use tax for foreign enterprises.

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VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)
3. Various industrial premises located at Xinhe Industrial Village (新和工業村), Fuyong Town (福永鎮), Baoan District (寶安區), Shenzhen, the PRC	<p>The property occupying a site with an area of approximately 7,258 sq.m. has been developed into an industrial development comprises various buildings with a total gross floor area of approximately 7,098 sq.m..</p> <p>The details of the gross floor area of the property are listed as below:</p>	As advised, the property is occupied by various third parties temporarily for industrial use.	6,000,000 (100% interests attributable to the Group, HK\$6,000,000 (refer to Note 4 for details))
		Gross Floor Area <hr/> (sq.m.)	
	Staff Quarters Block 1	821.50	
	Staff Quarters Block 2	930.00	
	Warehouse Block A	3,220.60	
	Warehouse Block B	1,240.40	
	Warehouse Block D	884.60	
		7,097.50	
	<p>The property was completed in phases between 1989 to 1993.</p> <p>The land use rights of the property are held for a term expiring on 22 December 2040 for industrial use.</p>		

Notes:

- Pursuant to the following State-owned Land Use Rights Grant Contacts, a land use rights of the property with a total area of approximately 7,258 sq.m. has been contracted to be granted to the Group in a total consideration of RMB163,305.

State-owned Land Use Rights Grant Contact Number	Date of Issuance	Site Area (sq.m)	Use/Term
Bao Guo He Zi (1992) No. 139	N/A	5,175	Light Industrial Development: 50 years;
Bao Guo He Zi (1992) No. 141	25 March 1992	2,083	Industrial Ancillary: 50 years; Expiring on 22 December 2040
	Total:	7,258	

- Pursuant to the approval letters Bao Guo Tu Rang Zi (1992) No. 048 and 050 dated 10 July 1992, Land Bureau of Bao'an County approved to grant the land use rights as mentioned in note 1 above to the Group.

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3. Pursuant to following Realty Title Certificates dated 27 January 2010, the building ownership of the property with a total gross floor area of approximately 6,167.50 sq.m. erected on the site (Plot No. A205-0045) with a site area of approximately 6,931.50 sq.m. has been granted to the Group with a land use term expiring on 22 December 2040 for industrial use.

Realty Title Certificate Number	Gross Floor Area (sq.m.)	Use/ Location
Shen Fang Di Zi No. 5000425248	255.30	Staff quarters: Level 1 Block 1
Shen Fang Di Zi No. 5000425250	283.30	Staff quarters: Level 2 Block 1
Shen Fang Di Zi No. 5000425252	283.30	Staff quarters: Level 3 Block 1
Shen Fang Di Zi No. 5000425254	1,610.30	Warehouse: Level 1 Block A
Shen Fang Di Zi No. 5000425256	1,610.30	Warehouse: Level 2 Block A
Shen Fang Di Zi No. 5000425258	1,240.40	Warehouse: Level 1 Block B
Shen Fang Di Zi No. 5000425260	884.60	Warehouse: Level 1 Block D
Total:	6,167.50	

4. As advised by the Group's PRC legal advisor, a portion of the property (Staff Quarters Block 2, the "building"), with a gross floor area of approximately 930 sq.m., has not obtained any Building Ownership Certificate by the Group. We have, therefore, ascribed "no commercial value" to the building. Had the Group obtained all the Building Ownership Certificates of the building, the capital value of the building as at the date of valuation would be in the sum of HK\$900,000.
5. Pursuant to a transfer contract dated 8 July 2009 between the Group and Shenzhen Shenzhen Xinhe Shareholding Company (深圳市新和股份合作有限公司) (the "Party B"), the Group has agreed to transfer the property to Party B.
6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- (i) According to the relevant PRC law, the Realty Title Certificate is the approval for real estate owner to legally own the land use rights and entitle to occupy, use, operate and dispose of corresponding buildings. The Group is the legal owner of the property as mentioned in note 3 above, and is entitled to occupy, use and transfer the property.
 - (ii) Transfer of the property is subject to relevant provisions of Chinese real estate laws and regulations, the formal signing of transfer of real estate contract need to be registered with relevant administrative department. Therefore, the transfer contract as mentioned in note 5 above is only a letter of intention concerning the transfer of the property. Both parties involved should carry out the foregoing procedures according to the law, and finalise transferring of the property. In the case of government reason, the assignment cannot be not completed, the Group needs to refund RMB 3 Million to Shenzhen Xinhe Shareholding Company as agreed in the contract.
 - (iii) Regarding to the Staff Quarters Block 2 with a gross floor area of approximately 930 sq.m., as the Group did not obtain the relevant Real Title Certificate for the property, the Group's rights on the property is unprotected by law. The Group provided no planning permission or construction and operating approval for the property as mentioned in note 4 above, therefore, according to relevant law and regulations, the property may be categorised as illegal building, and shall bear the legal risk of being compulsory demolished by relevant authority.

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VALUATION CERTIFICATE

Group II – Property interests held by the Group for future development in USA

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)
4. Parcel No. 140-18-602-001 Clark County, Nevada, USA	The property comprises an industrial site with an area of approximately 20,234 sq.m.	The property is currently vacant.	15,200,000 (100% interests attributable to the Group: HK\$15,200,000)

Notes:

1. In accordance with available conveyance information supplied by the Clark County Assessor’s Office, the herein described parcel is owned by the Far East Aluminium Works Corp., 2685 S. Rainbow Blvd. #201, Las Vegas, NV 89146-5189 on the date of value.
2. Pursuant to the recent search on the property, the Clark County Assessor’s Office indicated that the property is zoned as M-D, Designed Manufacturing District. This zoning designation limits the development of the parcel to specific industrial uses. The property is subject to the building restrictions related to property located in the Airport Environs (AE-70) and the Accident Potential Zone (A-EII) overlay districts.
3. Pursuant to the recent search on the property, the Clark County Recorder’s office indicated that the property is not subject to a mortgage.
4. Our valuation conclusion was reached having regard to the valuation report undertaken by Glenn J. Rigdon of Horizon Village Appraisal who has been an Accredited Senior Appraiser – Real Estate/Urban with the American Society of Appraisers since 1993 and is a Member of the Royal Institution of Chartered Surveyors, membership number 1289045 and has 25 years of experience in the appraisal of vacant land and commercial property.

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VALUATION CERTIFICATE

Group III – Property interests rented by the Group in Canada, Dubai, Hong Kong, Singapore, the PRC and the USA

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)	
5.	5 properties rented by the Group located in Dubai	As advised by the Company, the property comprises 5 properties with a total gross floor area of approximately 6,515 sq.ft.	The property is leased by the Group as office and staff quarters.	No commercial value

Notes:

1. Pursuant to the tenancy agreements provided by the Company. Some details on the property in Dubai are summarized as below:

No.	Property Address	Landlord	Tenant	Gross floor area/ sq.ft	Lease Term		Monthly rental (AED)	Use
					From	To		
i.	Apartment 305, South Ridge 6, Bur Dubai	Ahmed Abdulla Abdulrahman Jaber belshalat	Kwan Wai Hong (on behalf of Dubai Branch)	900	03/06/2009	04/06/2010	7,500.00	Staff quarters
ii.	Office No. 412 Al Attar Shopping Mall, Plot No.(318-819), Al Karama	Mr. Ahmed Abdul Rahim Al Attar	World Eastern Cladding Works LLC	1,415	25/10/2009	24/10/2010	7,083.33	Office
iii.	Office No. 421, Al Attar Shopping Mall, Plot No.(318-819), Al Karama	Mr. Ahmed Abdul Rahim Al Attar	Far East Aluminium Works Company Limited (Dubai Branch)	900	04/12/2009	03/12/2010	6,833.33	Staff quarters
iv.	Flat No. 2806 (4B/R), Al Waleed Paradise, Emirates Hills First	Al Waleed Real Estate	World Eastern Cladding Works LLC	2,157	12/11/2009	11/11/2010	11,250.00	Staff quarters
v.	Flat No. 408, Al Alka 3, The Greens	Mr. Khawaja Ahmed Farooq	Wong Kin Kin (on behalf of World Eastern Cladding Works LLC)	1,143	20/12/2009	19/12/2010	5,000.00	Staff quarters
Total				6,515				

2. We were advised the landlords of the property are independent third parties from the Group.

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Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)
6. 2 properties rented by the Group located in Canada	As advised by the Company, the property comprises 2 properties, with a total net floor area of approximately 1,922 sq.ft. used as a staff quarters and an office.	The property is leased by the Group as office and staff quarters	No commercial value

Notes:

- Pursuant to the tenancy agreements provided by the Company. Some details on the property in Canada are summarized as below:

No.	Property address	Landlord	Tenant	Net floor area/sq.ft.	Lease term		Monthly rental (CAD)	Use
					From	To		
i.	Suite 202, 7050 Woodbine Ave, Markham L3R 4G8	GE Real Estate	Eastern Way Corporation Limited, and sub-leased to Far East Aluminium Works Canada Corporation	1,222	01/04/2008	28/02/2010	2,480.66	Office
ii.	Unit 1233, 33 Cox Blvd, Markham, ON L3R 8A6	Ho, Siu Han	Far East Aluminium Works Canada Corporation	700	01/09/2009	31/08/2010	1,761.90	Staff quarters
			Total	<u>1,922</u>				

- We were advised the landlords of the property are independent third parties from the Group.

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Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)
7. 2 properties rented by the Group located in Singapore	As advised by the Company, the property comprises 2 properties, with a total net floor area of approximately 1,481 sq.m., used as a staff quarters and an office.	The property is leased by the Group as office and staff quarters.	No commercial value

Notes:

- Pursuant to the tenancy agreements provided by the Company. Some details on the property in Singapore are summarized as below:

No.	Property address	Landlord	Tenant	Net floor area/sq.m.	Lease term		Monthly rental (SGD)	Use
					From	To		
i.	No. 10 Jalan Besar #12-01 Sim Lim Tower Singapore 208787	San-ACE electronics(S) Pte Ltd	Far East Aluminium Works (Singapore) Pte. Ltd.	551	15/05/2008	14/05/2010	2,233	Office
ii.	175B, Bencoolen Street, #07-12 Burlington Square Singapore 189651	Sylvia Ho Swee Lian	Far East Aluminium Works (Singapore) Pte. Ltd.	930	01/08/2008	31/07/2010	2,600	Staff quarters
Total				1,481				

- We were advised the landlords of the property are independent third parties from the Group.

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Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)
8. A property rented by the Group located in Hong Kong	As advised by the Company, the property comprises an office with a net floor area of approximately 17,000 sq.ft.	The property is leased by the Group as an office.	No commercial value

Notes:

- Pursuant to the tenancy agreement provided by the Company. Some details on the property in Hong Kong are summarized as below:

Property address	Landlord	Tenant	Net floor area/sq.ft.	Lease term		Monthly rental (HKD)	Use
				From	To		
Units 1-12 on 17th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Hong Kong	Fortune Charter Properties Limited	Far East Aluminium Works Company Limited	17,000	21/4/2008	20/4/2011	204,730	Office
				with an option to renew the tenancy agreement for a further term of 2 years from the expiration of the term of tenancy at prevailing market rent.			

- We were advised the landlords of the property are independent third parties from the Group.

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Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)
9. 2 properties rented by the Group located in USA	As advised by the Company, the property comprises 2 properties, with a total gross floor area of approximately 7,700 sq.ft., used as office and staff quarters.	The property is leased by the Group as office and staff quarters.	No commercial value

Notes:

- Pursuant to the tenancy agreements provided by the Company. Some details on the property in the USA are summarized as below:

No.	Property Address	Landlord	Tenant	Gross floor area/sq.ft	Lease Term		Monthly rental (USD)	Use
					From	To		
i.	2685 S Rainbow Rd, Suite 201, Las Vegas, NV 89146	MPC-Rainbow (tenants in common)	Far East	5,300	01/09/2009	31/08/2010	8,454.40	Office
			Aluminium Works (U.S.) Corporation		01/09/2010	31/08/2011	8,750.30	
ii.	2651 Rimpacific Circle, Las Vegas, NV 89146	Ping He	Far East	2,400	(Month-to-Month)		1,450.00	Staff Quarter
			Total					
							<u>7,700</u>	

- We were advised the landlords of the property are independent third parties from the Group.

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Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)
10. 5 properties rented by the Group located in Shanghai, the PRC	As advised by the Company, the property comprises 5 properties used as office and warehouse.	The property is leased by the Group as office units and warehouses.	No commercial value

Notes:

1. Pursuant to the tenancy agreements provided by the Company. Some details on the property in Shanghai are summarized as below:

No.	Property address	Landlord	Tenant	Gross floor area/sq.m.	Lease Term		Monthly rental (RMB)	Use
					From	To		
i.	Room 602, No. 1 Dapu Road, Golden Magnolia Plaza, Luwan District, Shanghai City, the PRC	Ying Weimin (應偉民)	Netfortune (Shanghai) Aluminium Works Company Limited (上海力進鋁質工程有限公司)	249.68	01/10/2007	30/09/2010	20,000.00	Office
ii.	Village Limin, Pujiang Town, Minhang District, Shanghai City, the PRC	Shanghai Lubo Construction Auxiliary Material Co., Ltd. (上海盧博工程配套材料有限公司)	Netfortune (Shanghai) Aluminium Works Company Limited (上海力進鋁質工程有限公司)	Building: 3,722 Vacant land: 2,144	10/01/2007	09/01/2010 31/03/2010	50,416.66 63,126.75	Warehouse
iii.	Village Limin, Pujiang Town, Minhang District, Shanghai City, the PRC	Shanghai Lubo Construction Auxiliary Material Co., Ltd. (上海盧博工程配套材料有限公司)	Netfortune (Shanghai) Aluminium Works Company Limited (上海力進鋁質工程有限公司)	1,500	15/07/2009	14/07/2010	18,250.00	Warehouse
iv.	Village Limin, Pujiang Town, Minhang District, Shanghai City, the PRC	Shanghai Lubo Construction Auxiliary Material Co., Ltd. (上海盧博工程配套材料有限公司)	Netfortune (Shanghai) Aluminium Works Company Limited (上海力進鋁質工程有限公司)	1,147	(Month-to-Month)		16,800.00	Warehouse
v.	Village Limin, Pujiang Town, Minhang District, Shanghai City, the PRC	Shanghai Licheng Industrial Co., Ltd (上海立成實業公司)	Netfortune (Shanghai) Aluminium Works Company Limited (上海力進鋁質工程有限公司)	Building: 1,600 Vacant land: 2,467	31/07/2006	01/08/2011	28,783.33	Warehouse

2. We were advised the landlords of the property are independent third parties from the Group.

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PROPERTY VALUATION REPORT

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
 - (i) For the tenancy agreements as mentioned in Note 1 No. i, the Landlord has provided valid title documents or consignment certificate of the property to the Group. The tenancy agreement is legal and valid, the Group is entitled to legally use the property. However, the tenancy agreement has not been registered, the tenancy agreement therefore cannot enforce against any third party.
 - (ii) Regarding the tenancy agreements as mentioned in Note 1 No. ii-v, the Landlord has not provided any valid title documents of the property to the Group. The tenancy agreements bear the risk of being null and void by relevant authority with the proposal from any third party with rights, and therefore may interfere the Group to occupy the premises continuously.
 - (iii) Regarding the tenancy agreements as mentioned in Note 1 No. ii-v, the Landlord has not provided any planning and construction approvals of the property to the Group. Pursuant to the relevant law and regulations regarding town and country construction and planning, the property abovementioned may be categorized as illegal building, and shall bear the risk of being compulsory demolished by relevant authority, and therefore may interfere the Group to occupy the premises continuously.
 - (iv) Regarding the tenancy agreements as mentioned in Note 1 No. ii-v, the property has not obtained fire-fighting approval and relevant permits prior it was being put into use. Pursuant to the relevant law and regulations regarding fire-fighting, the Group may be ordered to terminate using premises, shut down business and operation.

APPENDIX IV

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 December 2009 (HK\$)
11. A property rented by the Group located in Beijing, the PRC	As advised by the Company, the property comprises an office unit with a gross floor area of approximately 183.74 sq.m.	As advised, the property is leased by the Group for office use.	No commercial value

Notes:

- Pursuant to the tenancy agreements provided by the Company. Some details on the property in Beijing are summarized as below:

Property Address	Landlord	Tenant	Gross floor area/ sq.m.	Lease Term		Annual rental (RMB)	Use
				From	To		
Unit 1809, 15/F, No. 9, East Third Ring Central Road, Chaoyang District, Beijing City, the PRC	Beijing Wanhua Shiyuan Ya'ao Real Estate Broker Co., Ltd. (北京萬華世緣亞奧房地產經紀有限公司)	Netfortune (Shanghai) Aluminium Works Company Limited Beijing Office (上海力進鋁制工程有限公司北京分公司)	183.74	01/11/2009	01/11/2010	18,000	Office
		Total	183.74				

- We were advised the owner of the property is an independent third party from the Group.
- We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
 - For the tenancy agreement as mentioned in Note 1 above, the Landlord has provided valid title documents or consignment certificate of the property to the Group. The tenancy agreement is legal and valid, the Group is entitled to legally use the property.
 - According to relevant provisions, the lessor has the responsibility to apply registration of tenancy agreement or the lessor could be imposed a fine of RMB200-RMB500.

APPENDIX V

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Set out hereunder are the principal laws and regulations governing the operation of our Group in the various jurisdictions in which we operate.

CANADA

Laws and regulations regarding the construction industry in Canada

Ontario's Building Code Act, 1992 and Building Code

This Act prohibits any person from constructing or demolishing a building unless a building permit has been obtained from the Chief Building Official, a statutory officer appointed for each municipality. It is an offence to carry out any construction without a permit. It is an offence for a contractor to construct or demolish a building even if the owner has the contractual responsibility to obtain the building permit but fails to do so.

A building permit must be issued by the Chief Building Official (or Registered Code Agency) if the building permit drawings do not contravene the Building Code, which is a regulation promulgated under the *Building Code Act, 1992*. The Building Code is objective based and sets out standards for the construction of various types of buildings. Buildings are categorized by, amongst other things, their intended occupancy, size, height and construction materials.

The Act further provides for powers on the part of the Chief Building Official or his or her inspectors to issue stop work orders and various other forms of emergency orders with respect to construction if non-compliance with the Act or matters of safety are involved.

Appeals may be taken from the decision of the Chief Building Official and his or her inspectors to either the Building Code Commission on technical compliance or alternative compliance issues or the Ontario Superior Court.

Amongst the "applicable law" which a building permit may not be in contravention of are sections 33 and 34 of the *Ontario Heritage Act*, section 41 of the *Ontario Planning Act*, section 34 and 38 of the *Ontario Planning Act*.

The Building Code Act also restricts who may provide designs for a building or building component, including curtain walls and other building facades, if it is intended that the design will be submitted for the issuance of a building permit. A person may not prepare a design or give other information or opinion concerning whether a building or part of a building complies with the Building Code, if the design, information or opinion is to be submitted to a chief building official in connection with an application for a permit or a report based upon a general review of the construction of a building or part of a building required by the building code unless he or she is a designer who is appropriately qualified and meets the requirements for a designer set out in the Building Code.

Ontario's Planning Act

As described previously, certain sections of the Planning Act constitute "applicable law" which must not be contravened if a building permit is to be obtained.

Section 34 of the Act provides municipalities with the ability to pass zoning by-laws which regulate the type of uses to which land may be put. Most zoning by-laws in Ontario prohibit the use of land for any purpose except those specifically permitted in the zoning by-law. Most zoning by-laws separate the municipality into areas or zones, within which

APPENDIX V

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

compatible uses are permitted. Typically there are various residential areas, commercial or mixed commercial areas, employment or industrial areas and areas which are to be left open and undeveloped. Agricultural, rural and other zones are prevalent outside the built-up areas of the Province. Institutional uses are often but not always permitted in many of these zones. Most zoning by-laws attempt to segregate incompatible uses, for example noisy and odiferous industrial uses from residential uses.

Zoning by-laws also contain performance standards that must be complied with. Amongst the standards commonly imposed are height limits, minimum distances from the edges of the property for buildings or structures, parking and loading requirements and maximum densities or coverage of the lot or parcel.

There are special types of zoning by-laws which can contain further restrictions, including interim control by-laws which are temporary in their effect but can be passed and implemented by a municipality on short notice. Furthermore, there are by-laws which place temporary holding restrictions on properties but which acknowledge the underlying appropriateness of the property for specific uses. These holding by-laws often contain conditions which have to be satisfied before the "holding" symbol can be lifted from the property.

The Act further permits municipalities to pass by-laws requiring the approval of development drawings showing certain elements of a development. These drawings, often termed site plan drawings, constrain the location of buildings on the site, location of driveways, loading areas, entrances, parking areas, landscaping and can require off-site improvements be provided by the owner or developer. Conditions can be imposed and an agreement setting out the obligations can be required of the owner and registered on title so that it binds future owners. As applicable law, site plan approval is required before a building permit can be issued.

Ontario's Heritage Act

If a property on which development or redevelopment is proposed has been appropriately designated in accordance with the *Ontario Heritage Act*, no alteration or demolition of that building can occur unless a permit is obtained from the municipality. This requirement is additional to compliance with all of the requirements of the *Planning Act*. Compliance with this Act constitutes applicable law that restricts the availability of a building permit.

Ontario's Professional Engineers Act and Architects Act

These two Acts regulate and licence professional engineers and architects respectively. Both Architects and Professional Engineers are not subject to the provisions prohibiting persons from carrying on the activities which are reserved under the *Building Code Act* to designers.

Ontario's Environmental Protection Act ("EPA")

This Act is the centrepiece of Ontario's environmental legislation and covers a wide range of environmental matters including the following.

The EPA imposes restrictions on emitting contaminants (including noise) into the environment. The construction or alteration of some types of facilities that may emit contaminants requires approval by the Ministry of the Environment ("MOE").

The EPA imposes obligations in respect of spills. It sets out who is responsible for reporting and responding to spills, and allows the MOE to recover its cleanup costs from responsible parties.

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SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The EPA also governs the management, storage and transportation of waste (including construction and demolition waste).

The MOE has a number of tools to enforce compliance with the EPA, including prosecution and administrative orders. Some MOE decisions (e.g. to issue a cleanup order, or to refuse to issue a permit to a facility) may be appealed to a specialized administrative body, the Environmental Review Tribunal.

There are a number of other environmental statutes at the provincial and federal levels that could apply to the Activities in some cases, depending on factors such as the nature and location of the Activities. These include the Environmental Assessment Act (Ontario), the Ontario Water Resources Act, the Fisheries Act (Canada) and the Canadian Environmental Protection Act, 1999.

Ontario's Construction Lien Act

This Act is designed to provide protection for those who provide value to a property but may have no privity of contract with the owner of the property. Contractors and suppliers of work, services and supplies to real property in Ontario are given special protection by the Construction Lien Act. The Act provides lien rights (security against the property) to contractors and suppliers and sets out a process by which lien claimants can protect and enforce their various rights.

The Act provides that "a person who supplies services or materials to an improvement for an owner, contractor or subcontractor, has a lien upon the interest of the owner in the premises improved for the price of those services or materials." The lien operates to prevent the owner from receiving improvements to land without making payment for the improvement or contractors between the owner and the unpaid or inadequately paid contractor or supplier from failing to adequately compensate those subcontractors.

In addition, the Act establishes holdback of payment obligations. Part IV of the Act provides requires every payer on a contract or subcontract to retain a holdback of 10 per cent of the price of the services or materials actually supplied under the contract or subcontract until all liens that may be claimed against the holdback have expired or have otherwise been satisfied or discharged. As the period during which an unpaid subcontractor can preserve its lien by registering a claim of lien against title to the property is 45 days after the work is supplied to the property, the holdback is usually held for that period. The term "payer" is defined in section 1(1) of the Act as meaning "the owner, contractor, or subcontractor who is liable to pay for the materials or services supplied to an improvement under a contract or subcontract." The purpose of this holdback is to create a fund to which lien claimants, typically subcontractors, may look if they are unable to recover from the person with whom they have a direct contract.

Failure to retain holdbacks can expose the payer to liability for any unpaid claims from subcontractors. Properly retaining the holdback limits the payer's liability to the amount of the required holdback. The Act further imposes trust obligations on payers, including any contractors who themselves use subcontractors or suppliers. All funds received by a contractor are deemed by the Act to be held in trust for that contractor's subcontractors or suppliers to whom the contractor owes money.

A lien must be preserved in accordance with the provisions of the Act. A claim for lien must be perfected by commencing a court action within 45 days of the registration of the notice of claim for lien. The Act provides for various procedures by which a lien can be discharged.

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Ontario's Municipal Act, 2001 and City of Toronto Act, 2006

The *Municipal Act, 2001* provides municipalities with the ability to pass by-laws requiring certain businesses to obtain a business licence.

A similar provision is contained in the *City of Toronto Act, 2006*

The current version of the City of Toronto's Business Licencing by-law is consolidated into the City of Toronto's Municipal Code as Chapter 545 and requires every person who carries on a business that is involved in the repair, alteration or renovation of a building to obtain a business licence. In order to obtain the licence the applicant must be examined by the Examining Board established by the City of Toronto.

Ontario's Occupational Health and Safety Act and Workplace Safety and Insurance Act, 1997

Occupational Health and Safety Act

This Act sets out roles and responsibilities for workplace health and safety on workplace parties, such as employers, supervisors and workers and applies to all provincially regulated workplaces.

The OHS Act sets out the minimum legislated requirements for employers to establish a health and safety policy and programs, joint health and safety committees or health and safety representatives, and the provision of training and supervision to employees. It makes reference to the Regulations made under it which detail specific requirements for the industry in which the work is taking place, such as industrial establishments, construction projects or health care facilities. The legislation requires that employers take every precaution in the circumstances for the protection of workers. Employers are responsible to ensure that they have identified the hazards associated with their work or workplace and take reasonable measures to prevent injury or illness arising from those hazards.

The OHS Act is enforced through the Ontario Ministry of Labour, and carries significant penalties for violations. Corporations may be fined up to \$500,000 per count. Individuals may be fined up to \$25,000 and/or may be sentenced to up to 12 months in prison.

Workplace Safety and Insurance Act

This Act applies to employers that carry on a business activity listed under either Schedule 1 or Schedule 2 of the Workplace Safety and Insurance Act and sets out the provisions for workers compensation insurance. Most employers within Ontario are required to carry workers' compensation coverage for their workers. This coverage generally does not apply to Directors and Officers of the corporation.

The compensation system is funded entirely through employer premiums. Employers are required to register with the Workplace Safety and Insurance Board ("WSIB") within 10 days of hiring their first worker and pay premiums based on their business activity. The WSIB establishes premium rates based on industry activities and adjusts premiums for employers based on their injury experience. Premiums are paid per \$100 of payroll that must be reported to the WSIB at regular intervals.

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Where workers are injured at work, they are entitled to claim for compensation benefits and are generally prohibited from bringing a civil action against their employer or co-workers. This bar against civil action also extends to the injured workers' spouse and dependents. Where an injury does occur, the Act sets out the requirements for premium remittance, injury reporting, payment of benefits to the injured party, re-employment and return to work. It also sets out penalties for corporations and individuals who fail to comply with its provisions.

Employers who are required to be covered under the Workplace Safety and Insurance Act cannot opt out of such coverage.

CHILE

Laws and regulations in relation to foreign investment

Foreign investment is mainly governed by the (i) Foreign Investment Statute (DL 600) and (ii) Chapter XIV of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile.

Foreign Investment Statute (DL 600)

This Statute rules investments made by foreign individuals or companies or by Chileans residing or domiciled abroad, for amounts exceeding US\$5,000,000. Investments made under DL 600 provisions may consist of foreign currencies, physical assets, technology, loans (a 25/75 equity-debt ratio applies) or capitalization of loans or profits. If the investments were to be comprised by physical assets, technology or capitalization of loans or profits, the minimum allowed investment will be of US\$2,500,000.

Investments made in accordance with DL 600 provisions will be governed by a foreign investment contract to be entered into between the particular foreign investor and the State of Chile. Such contract will entitle the foreign investor with, *inter alia*, the following rights:

- Repatriate the capital invested in Chile after one year counted as from the date of the investment. However, capital repatriations shall only be made once (i) the relevant Chilean assets purchased with the investment are sold or (ii) when the Chilean business is liquidated. Dividends or profits are not subject to any term restriction and may be freely repatriated after payment of the relevant taxes, irrespective of their amounts;
- Access to the Chilean formal exchange market (*FEM*), i.e. the market formed by banks and other financial entities so authorized by the Central Bank, in order to acquire the currencies that will be required to repatriate the capital investment and/or the profits; and
- Agree on a fixed tax rate of 42% for a period of 10 years counted as from the company's operations set-out. This right may be waived at any time by the foreign investor who will then be subject to the general Chilean tax system applicable at the time the waiver was done.

Chapter XIV of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile

This Chapter rules all foreign loans, deposits, investments and capital contributions for an aggregate amount equivalent to, or higher than, US\$10,000, which are transferred to Chile and not submitted to the DL 600 regime.

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SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Pursuant to the effective foreign exchange regulations, all transfers of funds into Chile, e.g., loans, deposits, investments or capital contributions, must be made through the FEM and informed to the Central Bank. Nevertheless, no access to the FEM is guaranteed to the foreign investor or the capital contributor or the Chilean borrower, as the case may be, for the repatriation of the capital investment and/or the profits, or the payment of the principal and/or the interest under the foreign loan, as the case may be.

Laws and regulations in relation to taxation

Companies constituted in Chile are subject to a 17% tax rate on accrued income, tax which is ultimately considered as a credit against taxes payable – if any – by the partners or shareholders of such company following any profits distribution. Foreign partners or shareholders of Chilean companies will pay an overall tax rate of 35% upon profits or dividends distribution, whereas, as already mentioned, the 17% tax paid by the company itself will be considered as a credit. The 35% tax rate will not apply in the case of a foreign investor that has chosen to be subject to the invariable 42% tax rate provided in DL 600.

Laws and regulations in relation to labour contracts, health and safety

Hiring

Employment contracts may be agreed for either a fixed or an indefinite term. Fixed-term contracts may be agreed for up to 1 year and, in the case of managers or employees with a professional or technical degree such duration can be extended to 2 years. Although fixed-term agreements can be extended, the second extension will convert the fix-term agreement into an indefinite term-contract. No "probation periods" are applicable under Chilean law.

Vacation

Every employee is annually entitled to a 15-working days-vacation. This vacation period may be cumulative if the parties so agree, but for not more than 2 consecutive periods. The 15-days vacation may neither be waived by the employee nor superseded by the payment of premiums or other benefits; only days in excess of the 15-working days vacation are negotiable.

Working Shift and Overtime

Employees shall weekly work for not more than 45 hours, shift that may be allocated in 5 or 6 days. Employees may not work more than a total of 10 hours a day. Any excess over 45 hours per week will be considered as overtime. However, employees that provide services to different employers; managers, directors or agents with management powers; all those who work with no immediate supervision of the employer; and employees who do not work in the company's facilities are excluded from this limitation; consequently, these employees do not receive payment for the overtime worked for the employer.

Termination of the Labor Contract

The labor contract may only be terminated by agreement between employer and employee; the employee's resignation; the employee's death; the expiration of the fixed term agreed upon in the contract; the accomplishment of the particular work for which the employee was hired; force majeure; and dismissal by the employer.

APPENDIX V

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

If the employer dismisses the employee based on the general ground of the needs of the company, e.g., changes in the condition of the economy, rationalization of the company, or in case of termination at will (when permitted), the following severance compensations will be awarded to the employee: (i) severance compensation for years of services amounting to one month's remuneration for each year or fraction of year over six months spent rendering services in benefit of the same employer, with a limit of 330 days worth of compensation. However, for the purposes of calculating this severance compensation, the monthly base remuneration cannot exceed a maximum of 90 Unidades de Fomento or UF (approximately US\$3,665), cap that may be voluntarily waived by the parties; and (ii) if the dismissal notice is not given with 30 days-notice, the employee will be entitled to receive an additional severance compensation equivalent to one month's remuneration (same cap above applies).

The parties may voluntarily agree upon a better severance system for the employee.

Nonetheless, if the employee is dismissed with due cause no severance compensation right arises in benefit of the employee. If, upon the dismissal, the social security contributions are not duly entered, the dismissal will not actually terminate the labor contract. Hence, the employer could be forced by the Courts to pay to the dismissed employee the remuneration and other payments established in the labor contract until these social security contributions are duly entered.

Discrimination

Chilean Labor law prohibits any discrimination by an employer based on the employee's sex, ethnic background, religion, marital status, syndication, philosophy of life, political opinion, nationality, age or sexual orientation in regards to hiring, compensation, fringe benefits, further education, promotion, working conditions and termination of the employment. The distinctions, exclusions or preferences associated to the qualifications needed for a specific job will not be regarded as discriminatory.

Health and Safety

Chile provides for a public and private medical system for employees including preventive and curative health aid. The preventive medical service provides for periodic health examinations. When employees are found to suffer a specific illness, they are granted sickness leave. During periods of sickness leave the employer cannot terminate the labor contract without cause, but the medical system pays the salary as from the fourth day of illness or as from the first day in case of leaves over 10 days, as the case may be. A monthly cap of approximately 60 UF (approximately US\$2,445) applies. This system is funded through employees' contributions.

The Labor Accident and Occupational Disease Insurance provides for medical and dental attention, hospitalization and medicines as well as indemnities (depending on the type of disabilities suffered) and related expenses.

Indemnities are granted in the form of a pension to the injured employee or to the latter's spouse and dependent children in case of death of the employee. The Labor Accident and Occupational Disease Fund is funded through a base contribution (made by the employer) equivalent to 0.9% of the employee's salary (with a cap of 60 UF (approximately US\$2,445) per each base salary) plus an additional payment which must be borne by the employer exclusively depending on the activity and level of risk of the company (additional rate from 0% up to 3.4%).

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SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Independent Contractor Workers/Outsourcing

It is a common practice in Chile that companies subcontract independent contractors to perform specific tasks or to render special services. If such sub-contractor breaches legal or contractual obligations in detriment of his employees, the principal may become jointly and severally liable or responsible in subsidy. This responsibility is extended to labor and social security obligations. Outsourcing services are permitted only for limited services and for transitory periods of time.

HONG KONG

Laws and regulations in relation to construction, environmental, labour, health and safety

Building Ordinance and its regulations

We are subject to the Building Ordinance, pursuant to which where the work is to be carried out involves building works or street works within the meaning of the Buildings Ordinance, it is unlawful to begin the work without first obtaining the Building Authority's permission of the documents submitted to it in accordance with the regulations and for the commencement of the building works or street works shown in an approved plan. A person acting in contravention of the above requirement commits an offence and is liable on conviction to (i) a fine of HK\$400,000 and to imprisonment for 2 years, and (ii) a fine of HK\$20,000 for each day during which it is proved to the satisfaction of the court that the offence has continued. If building work is carried out without such permission, the Building Authority may require, among other things, that the work be demolished or removed.

In addition, we are also subject to the Buildings Ordinances subsidiary legislations, including but not limited to Building (Construction) Regulations, and Building (Planning) Regulations. Building (Construction) Regulations contains provisions that govern the material to be used in external walls of buildings and cladding, as well as in any building works in general. It further stipulates that curtain walls shall, among other things, (a) safely sustain and transmit to the load-bearing structure the combined dead loads, imposed loads and wind loads without such deflection or deformation as will cause the curtain wall damage or impair its stability, (b) be constructed with such materials and designed in accordance with the provisions stipulated, and (c) be connected to the load-bearing structure in the manner stipulated. The suitability and adequacy of every curtain wall shall be demonstrated by tests.

Building (Planning) Regulations provides every opening placed on an external wall above the ground floor of any building shall be protected by a barrier that meets the stated criteria, and provides that no building or fixture shall (i) obstruct; or endanger the users of any adjacent footpath or street; or (ii) creates any nuisance; or (iii) permits the escape into or over any adjacent footpath or street at a height of lower than a stipulated height of any noxious gases or exhaust from any ventilating system. It also contains restrictions as to site coverage, plot ratio height and other provisions, some of which are applicable to specific types of buildings (e.g. hotels) only.

Builders' Lifts and Tower Working Platforms (Safety) Ordinance

We are subject to the Builders' Lifts and Tower Working Platforms (Safety) Ordinance, which contains provisions in relation to the builder's lifts and tower working platforms (that contains a lifting machine) for construction work which we own, lease, are in charge or have the control or management of, are used in a construction site that we are responsible for.

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We are required to ensure compliance with certain requirements set out in the ordinance, including requirements as to lightings, notices, gates and fences. We shall also ensure that the builders' lift or tower working platform is properly maintained, adequately supported and securely anchored. Any person who contravenes these provisions commits an offence and is liable to a fine of HK\$200,000 and imprisonment for 12 months. We must, also, retain the services of a registered contractor and ensure that no lift work is carried out except by or under the supervision of such registered contractor or a registered examiner employed by such registered contractor.

In addition, we are required to ensure that such builder's lifts or tower working platforms is not used until we receive the relevant certificate or when we are advised by a registered contractor or registered examiner that it is not in safe working order. We shall also immediately notify the relevant government department where an accident occurs or there are certain failures. We must ensure that they are operated only by competent operators.

Occupational Safety and Health Ordinance

We are subject to the Occupational Safety and Health Ordinance, which provides that every employer must, so far as reasonably practicable, ensure the safety and health at work of all his employees. Compliance with the statutory requirements requires, among other things, adherence (so far as reasonably practicable) of the following:

- provision and maintenance of plant and systems of work that are safe and without risks to health;
- making of arrangements for ensuring safety and absence or risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under employer's control:
 - maintenance of the workplace in a condition that is safe and without risks to health; and
 - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- provision and maintenance of a working environment for the employer's employee that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

Factories and Industrial Undertakings Ordinance

Since we are classified as an industrial undertaking, we are also subject to the Factories and Industrial Undertakings Ordinance, which provides that it is the duty of an employer to ensure, so far as is reasonably practicable, the health, safety and welfare at work of all persons employed at such a place. The duties of employers, so far as reasonably practicable, extend to include:

- providing and maintaining plant and work systems that are safe and without risks to health;

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- arranging for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- providing necessary information, instruction, training, and supervision to ensure the health and safety at work of all persons employed;
- providing and maintaining means of access to and egress from the workplaces that are safe and without risks to health; and
- providing and maintaining a working environment for all persons employed that is safe and without risks to health.

A proprietor who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes these requirements willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

We are also subject to the Construction Sites (Safety) Regulations, a subsidiary legislation of the Factories and Industrial Undertakings Ordinance. The Construction Sites (Safety) Regulations govern constructions sites safety. Matters regulated include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; and (v) provision of first aid facilities. Non-compliance with these rules may constitute an offence and persons guilty of such offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

Employees' Compensation Ordinance

We are subject to the Employees' Compensation Ordinance, pursuant to which an employer is liable to pay statutory compensation in the event of personal injury or death being suffered as a result of any accident arising out of and in the course of the employee's employment. It effectively establishes a no-fault and non-contributing employee compensation scheme for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment or by prescribed occupational diseases.

The Employees' Compensation Ordinance provides that if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. Certain exceptions, for example to injuries attributable to the influence of alcohol or resulting from a deliberate self injury, operate to limit employer's obligations. Where a principal contractor contracts with a subcontractor in the course of or for the purposes of his trade or business, the principal contractor will be liable to pay any compensation payable under the Employees' Compensation Ordinance to employees of the subcontractor or his subcontractor. The principal contractor in turn institutes legal proceedings on contractual grounds against the subcontractor to recover compensation paid to the subcontractor's employee as appropriate.

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Section 40 of the Employees' Compensation Ordinance provides that an employer is not permitted to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than that specified in the ordinance. The section further provides that a principal contractor has undertaken to perform any construction work may take out a policy of insurance for an amount not less than HK\$200 million per event in respect of the liability of himself and of his subcontractors under the Employees' Compensation Ordinance and at common law. An employer who fails to comply with provisions in the Ordinance with respect to insurance is liable on conviction to a fine of HK\$100,000 and imprisonment for two years.

Employment Ordinance

We are subject to the provisions on sub-contractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor or every superior sub-contractor. Our Group's liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which we have contracted to perform and whose place of employment is wholly on the site of the building work; and (b) to the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due).

Laws and regulations in relation to environmental protection

Noise Control Ordinance

We are subject to the Noise Control Ordinance. The Noise Control Ordinance controls the noise from, among others, construction activities. We are required to comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works.

Pursuant to the Noise Control Ordinance, construction noise permits must be granted by the Environmental Protection Department in advance to carry out construction activities involving the use of any powered mechanical equipment during the restricted hours (that is between 7 pm and 7 am or at any time on a general holiday), for carrying out prescribed construction work within a designated area outside restricted hours, and for carrying out percussive piling at all times. Without such permit these activities would not be allowed.

Any person who carries out any construction work except as authorised is liable on first conviction to a fine of HK\$100,000 and on subsequent convictions to a fine of HK\$200,000.

In addition, the use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department.

Waste Disposal Ordinance

We are subject to the Waste Disposal Ordinance. The Waste Disposal Ordinance governs the production, storage, collection, and disposal of wastes. The ordinance provides for specific provisions to restrict disposal of livestock waste and chemical waste. The ordinance also contains provisions relating to the licensing and registration of disposal activities.

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The Waste Disposal Ordinance and its subsidiary regulations, notably but not limited to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation. Waste Disposal (Charges for Disposal of Construction Waste) Regulation provides that we may only dispose construction waste at designated prescribed facilities. Under the Waste Disposal (Chemical Waste) (General) Regulation, a person shall not produce or cause to be produced chemical waste unless he is registered. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Where such disposal is required we must engage the services of a licensed collector. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Environmental Protection Department.

The ordinance makes it an offence for a person to use, or permit to be used, any land or premises for the disposal of waste unless he is so licenced by the Environmental Protection Department. Any person who causes or permits to be deposited any waste in any place, except with lawful authority or excuse or except with the permission of the owner or of the lawful occupier, also commits an offence. Offenders are liable for the first offence to a fine of HK\$200,000 and to imprisonment for 6 months, and for subsequent offences to a fine of HK\$500,000 and to imprisonment for 2 years. In addition, if the offence is a continuing offence, a fine of \$10000 is imposed for each day during which it is proved to the satisfaction of the court that the offence has continued.

Environmental Impact Assessment Ordinance

The Environmental Impact Assessment Ordinance provides for the protection of the environment and sets out an environmental impact and assessment process for designated projects as specified in the ordinance. Examples of such designated projects are certain public utility facilities, industrial activities, community facilities, etc. Application of the environmental impact assessment process and the environmental permit system is required prior to their construction and operation (and decommissioning, if applicable), unless otherwise exempted. While such a permit is invariably obtained by the project sponsor, any person may commit an offence if construction is done in breach of the conditions of the permit.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project without an environmental permit for the project; or contrary to the conditions set out in the permit (if so stated thereon). The offender is liable (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for six months; (b) on subsequent convictions on indictment to a fine of HK\$5,000,000 and to imprisonment for two years; (c) on a first summary conviction to a fine of HK\$100,000 and to imprisonment for six months; (d) on subsequent summary convictions to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

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MACAU

Licensing and registration regime of interior fitting-out works

In Macau, for the purpose of the applicability of licensing and registration system, interior fitting-out works are mainly divided into 4 categories: simple work for residential unit (家居簡單裝修工程), non-simple work for residential unit (家居非簡單裝修工程), simple work for non residential unit (非家居簡單裝修工程) and non-simple work for non residential unit (非家居非簡單裝修工程). To classify the work is simple or not, generally speaking, it depends on whether alteration of interior division or usage of the unit involved.

To conduct fitting-out works business in Macau, it is not required to obtain license or register with the Land, Public Works and Transport Bureau of Macau (澳門土地運輸工務局). However, to commence any fitting-out work project in Macau, it is required to give prior notice (for simple work) or obtain work license (for non-simple work) with respect to each project. As for fitting-out work taken place in non residential unit or fitting-out work which is not a simple one, such notification or application of work license has to be submitted together with a declaration of responsibility signed by an individual or company registered arising from such fitting-out work and purchase the required insurance of industry accident and occupational disease.

Laws and regulations in relation to labour related matters

The legal regime in relation to labour matters in Macau is established mainly based on the following legislations:

- 18th of October – Decree Law No. 58/93/M (approval of social security regime);
- 14th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases);
- 22th of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment);
- 18th of February – Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);
- 27th of July – Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights);
- 2nd of August – Law No. 6/2004 (Law of Illegal Immigration and Expulsion);
- 14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work);
- 18th of August – Law No. 7/2008 (Labour Relation Law).

The legal regime of labour matters in Macau is developed based on 27th of July – Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) which prescribed general principles and directions of labour legislations in different aspects.

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Besides of the mentioned legislation, 18th of August – Law No. 7/2008 (Labour Relation Law) plays an important role in labour legal regime which was entered into force since 1 January 2009 replacing the “old labour law” – 3rd of April – Decree-Law No. 24/89/M (Labour Relations, Juridical System). It stipulates the basic requirements and conditions for all labour relations, excepted for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be prevailed by mutual agreement. And all the working conditions of labour relations should not be lower than the basic conditions stipulated therein.

As an employer, our Company shall have to comply with the conditions required under 22nd of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for its working places in order to provide a safe and clean working condition for its employees. Otherwise, fine and cautious measures will be imposed on our Group according to 18th of February – Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments).

As statutory requirements stipulated under 18th of October – Decree Law No. 58/93/M (approval of social security regime) and 4th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), our Company has to participate and contribute to the mandatory social security funds and has purchased compulsory industrial accident insurance for its Macau employees in accordance with relevant applicable legislation, otherwise, an administrative fine will be charged as legal sanction.

All employees of our Company have to be Macau residents, non-permanent or permanent, holders of working permits in case of foreign workers. Except for situations stated under 14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) with a very limit scope, workers other than those abovementioned will consider as illegal workers in Macau and the employers will be criminally liable under 2nd of August – Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the abovementioned administrative regulation.

In relation to the issue of illegal workers in Macau, if it is only the subcontractors of our Company who are engaged in the employment of illegal workers in Macau, it will not lead to any criminal or administrative liability on the part of our Company from the legal perspectives.

The regulatory authorities in charge of labour safety, social security regime and insurance matters are the Labour Department of Macau (澳門勞工事務局), Social Security Fund of Macau (澳門社會保障基金) and Monetary Authority of Macau (澳門金融管理局) respectively.

Laws and regulations in relation to environmental protections

The fundamentals of the legal Regime of safety and environmental law of Macau, which are applicable to every individual and corporate entity, are the Basic Law of Macau, the Law No. 2/91/M of 11th of March which is known as the organic environmental law of Macau (the “**Macau Environment Law**”), 14 of November – Decree Law 54/94/M regarding prevention and control of ambient noise (“**Law of Prevention and Control of Ambient Noise**”) and series of international conventions in related fields applicable in Macau.

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Article 119 of the Basic Law of Macau states that "The Macau Special Administrative Region shall carry out the protection of environment in accordance with law." To implement this article together with the Macau Environmental law, Law of Prevention and Control of Ambient Noise and other applicable international conventions, numbers of environmental legislations in form of law, decree law and administrative regulations have been enacted in various fields such as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods, etc.

As a general rule prescribed in the Macau Environmental Law, any violation of the environmental legislations will, subject to civil liability, administrative fine or criminal punishment, depend on different violations and also administrative injunction is possible to be granted to cease environmental infringement.

Besides, according to the Law of Prevention and Control of Ambient Noise, any work which may produce annoying noise is forbidden to be conducted during whole day of Sunday and public holiday and between 20:00 – 08:00 (next day) of weekday.

The regulatory authority in charge of environmental protection matters is the Environmental Protection Bureau of Macau (澳門環境保護局).

PRC

Laws and regulations regarding the construction industry

Establishment of Foreign-invested Construction Enterprises

In accordance with the *Regulations on Administration of Foreign-invested Construction Enterprises* (外商投資建築業企業管理規定) promulgated by the Ministry of Construction and Ministry of Foreign Trade and Economic Cooperation on 27 September 2002 and implemented on 1 December 2002, a foreign investor establishing a foreign-invested construction enterprise and engaging in construction business shall obtain an approval certificate for a joint venture enterprise issued by the competent administrative department of foreign trade and economics, register its record with the State Administration for Industries and Commerce or its authorized local branch, and obtain a qualification certificate for a construction enterprise issued by the competent construction authority.

Foreign investors can establish construction enterprises in the PRC in the form of a wholly foreign-invested enterprise, a Sino-foreign joint venture or a Sino-foreign cooperative joint venture. Within the scope of the qualification grade, the business scope of a wholly foreign-invested construction enterprise is limited to a certain nature of projects, while a Sino-foreign (cooperative) joint venture construction enterprise can undertake all kinds of projects. Where a Sino-foreign (cooperative) joint venture is established, however, the contribution to the enterprise by the PRC investors shall be at least 25% of its registered capital.

On 19 December 2003, the Ministry of Construction and Ministry of Commerce promulgated supplementary provisions for construction enterprises established by Hong Kong or Macao investors, which expand the scope of Sino-foreign invested projects that these enterprises can undertake.

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Supervision on Construction Enterprises

- *Qualification of Construction Enterprises*

In accordance with the *PRC Construction Law* (中華人民共和國建築法) passed by the Standing Committee of the Eighth National People's Congress on 1 November 1997 and implemented on 1 March 1998, the Regulations on the *Administration of Qualification of Construction Enterprises* (建築業企業資質管理規定, the "**Qualification Regulations**") once promulgated by the Ministry of Construction on 18 April 2001 and implemented on 1 July 2001, and the Qualification Regulations newly promulgated by the Ministry of Construction on 26 June 2007 and implemented on 1 September 2007, construction enterprises are divided into different grades according to their registered capital, professional technical personnel, technological equipment, past performance record of completed construction projects etc., and may only engage in construction activities within its permitted scope after obtaining the corresponding qualifications.

According to the Qualification Regulations, the qualification of construction enterprises shall be classified into three categories: qualification for general contracting, qualification for specialized contracting and qualification for labor sub-contracting.

An enterprise that possesses the qualification for general contracting may undertake the whole of a construction project or a major part of a construction project. Such an enterprise may proceed with the construction of the whole of the project by itself, or subcontract a non-major part of the project or labour services to other enterprises in the construction industry which have the corresponding qualifications to undertake a specialized contract or to undertake a labor service by sub-contract.

An enterprise that possesses the qualification for specialised contracting may undertake a specialised project subcontracted by an enterprise which undertakes the whole of a construction project or which undertakes the contract of a specialised project subcontracted by the construction entity in accordance with the provisions. Such an enterprise may construct the whole of the undertaken project by itself, or subcontract the labor services to an enterprise that possesses the corresponding qualifications for undertaking labor service by subcontracts.

An enterprise that possesses the qualification for labor sub-contracting may undertake the labor services subcontracted by an enterprise that undertakes the whole of a construction project or which undertakes the contract of a specialised project. Such an enterprise may undertake the labor service subcontracted by an enterprise that undertakes the whole of a construction project or which undertakes the contract of a specialised project.

Each category shall be classified into certain types according to the nature of the projects and technical characteristics, and the types are further classified into certain grades according to prescribed conditions.

According to the current Qualification Regulations, the term of validity for the Qualification Certificate of Construction Enterprise is five years, but it also prescribes that qualification certificates issued before the implementation of the current Qualification Regulations shall be keep valid regardless of the five-year term until a notice is given by the construction authority to renew such certificates.

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- *Qualification of Curtain Wall Engineering Specialized Contracting Enterprise*

According to the *Criteria for Grading of Qualifications of Construction Enterprises* (建築業企業資質等級標準) promulgated by the Ministry of Construction on 20 April 2001 and implemented on 1 July 2001, the category of general contracting enterprises includes 12 types, the category of specialized contracting enterprises includes 60 types, and the category of labor subcontracting enterprises includes 13 types. The fourth type among all types for specialized contracting enterprises is set out for curtain wall engineering enterprises, which are divided into three grades.

An enterprise with a Grade One qualification could undertake all kinds of curtain wall engineering projects. An enterprise with a Grade Two qualification could undertake curtain wall engineering projects with the payment amount of a single project not exceeding the amount five times of its registered capital, the area of the single project not exceeding 8,000 sq.m and its height not exceeding 80 meters. An enterprise with a Grade Three qualification could undertake curtain wall engineering projects with the payment amount of a single project not exceeding the amount five times of its registered capital, the area of the single project not exceeding 3,000 sq.m and its height not exceeding 30 meters.

Supervision on Curtain Wall Engineering

- *Administration of Curtain Wall Engineering Projects*

On 8 July 1997, the Ministry of Construction promulgated and implemented the *Provisional Regulations on Strengthening the Administration of Curtain Wall Engineering Projects* (加強建築幕牆工程管理的暫行規定), providing, *inter alia*, for design management, invitation to tender and tendering management, raw material and product management, implementation of project and installation management as well as completion examination and acceptance management, requiring that curtain wall engineering enterprises (including wholly foreign-owned enterprises and Sino-foreign joint ventures) shall undergo the qualification examination by the competent construction authority, shall hold a qualification certificate for construction enterprises, and shall undertake curtain wall engineering projects within the scope determined by the qualification certificate. Contracting of curtain wall engineering projects without qualification or surpassing the scope of qualification is strictly prohibited.

- *Qualification for Design of Curtain Wall Engineering*

According to the *Provisional Measures on Administration of Qualification for Design of Curtain Wall Engineering* (建築幕牆工程設計專項資質管理暫行辦法) promulgated by the Ministry of Construction and implemented on 30 June 2000, the qualifications for specific design work in curtain wall engineering projects shall be divided into Grade A and Grade B, without Grade C in principal.

An enterprise with a Grade A qualification may undertake specific design works for curtain wall engineering projects with all kinds of types and heights in the PRC. An enterprise with a Grade B qualification may undertake specific design work for curtain wall engineering project with all kinds of types and with its height below 80 meters in the PRC. The Ministry of Construction shall be responsible for the unified administration and approval of the Grade A and Grade B qualifications. If it is necessary for remote and economically under-developed areas to set up a Grade C qualification, it shall only be set up upon reporting by the competent provincial construction administrative departments to the Ministry of Construction for its approval. The scope of business undertaken by a Grade C enterprise shall be limited to the location of the enterprise.

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Supervision on Project Subcontracting

In accordance with the *Measures for the Administration on the Construction by Subcontracting of House-building and Municipal Infrastructure Projects* (房屋建築和市政基礎設施工程施工分包管理辦法) promulgated by the Ministry of Construction on 8 November 2003 and implemented on 1 April 2004, the issuer and the subcontractor of the subcontracting project shall enter into a written subcontracting contract and the issuer shall file record of the subcontract with competent construction authority within seven days upon signing of the subcontracting contract. The subcontractor shall be held responsible to the issuer with regard to the contracted project pursuant to the requirements of the subcontracting contract. The issuer and the subcontractor shall be joint liable to the construction unit with regard to the subcontracted project.

Competent construction administrative department of the State Council shall be responsible for the supervision and management of the subcontracting of national housing and municipal infrastructure projects. Competent construction administrative department of local government of at a county level or above shall be responsible for the supervision and management of subcontracting of local housing and municipal infrastructure projects.

Subcontracting of housing and municipal infrastructure projects shall be divided into specialized projects subcontracting and labor subcontracting. The construction unit shall not directly appoint a project subcontractor. Project subcontractors shall have corresponding qualifications, and shall undertake projects within the licensed scope of such qualifications and classes. Individuals are strictly prohibited from subcontracting projects.

Supervision on Overseas Construction and Overseas Labor Cooperation Arrangements

- *Overseas Construction*

In accordance with the *PRC Foreign Trade Law* (中華人民共和國對外貿易法), enterprises engaging in overseas construction projects or overseas labor cooperation arrangements shall obtain corresponding qualifications. In accordance with the *Measures on Administration of Qualification for Contracting Foreign Construction Projects* (對外承包工程資格管理辦法) promulgated by the Ministry of Commerce and Ministry of Construction and implemented on 1 November 2009, enterprises engaging in overseas construction projects shall apply to the Ministry of Commerce for a qualification certificate.

- *Overseas Labor Cooperation Arrangements*

According to the *Measures on Administration of Operational Qualification for Overseas Labor Cooperation Arrangements* (海外勞務合作安排經營資格管理辦法), enterprises may not enter into overseas labor cooperation arrangements until relevant permissions are granted by the Ministry of Commerce. Enterprises are required to obtain the appropriate operational qualification for overseas labor cooperation arrangements pursuant to the measures hereof, and to obtain an operational qualification certificate for overseas labor cooperation arrangements. In addition, overseas enterprises, natural persons or operational entity of foreign institutions in the PRC shall not directly recruit employees within the territory of the PRC.

An enterprise with an operational qualification for overseas construction projects as approved by the Ministry of Commerce may dispatch workers to overseas projects on an as needed basis.

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Laws and regulations regarding processing and assembling business

《廣東省對外加工裝配業務條例》(Regulations of Guangdong Province on Businesses Concerning Processing and Assembling for Foreigners) was promulgated in 1993, which was subsequently amended by 廣東省人民代表大會常務委員會 (Standing Committee of the People's Congress of Guangdong Province) in 2004 and in 2008, respectively. It regulates processing arrangements in the Guangdong Province involving the provision by a PRC party of manufacturing or assembly services at an agreed processing fee to a foreign party which supplies to the PRC party with raw materials, components, packaging materials, equipment or machinery for the production process, amongst others. It stipulates that the processing agreement shall contain, among others, the following terms and conditions and is subject to the approval by 廣東省人民政府 (People's Government of Guangdong Province) and 廣東省對外經濟貿易局 (Economic and Trade Commission of Guangdong Province) or their delegated authorities if applicable:

- (1) rights, duties and obligations of each party
- (2) specifications of the raw materials provided by the foreign party
- (3) specifications of the end products and their acceptance requirements
- (4) particulars of the technological support including, without limitation, expertise, equipment or machinery provided by the foreign party
- (5) venue, time and method of delivery
- (6) calculation of the processing fee and the terms and condition for the payment

Laws and regulations regarding production safety

Effective as of 1 November 2002, enterprises and institutions shall adopt measures for safe production as provided in the *PRC Production Safety Law* (中華人民共和國安全生產法) and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not in compliance with the measures for safe production is not allowed to engage in production and business operation activities. Enterprises and institutions shall offer education and training programs to the employee thereof regarding production safety. The design, manufacture, installation, use, checking, maintenance, repair and disposal of safety equipments shall be in conformity with the national standards or industrial standards. In addition, enterprises and institutions shall provide personal protective equipments that reach the national standards or industrial standards to the employees thereof, supervise and educate them to use these equipments according to the prescribed rules.

Laws and regulations regarding environmental protection

In accordance with the *PRC Environmental Protection Law* (中華人民共和國環境保護法) passed by the Standing Committee of the National People's Congress on 26 December 1989 and effective on the date of promulgation, the competent administrative department of environmental protection of the State Council has formulated the national environmental quality standards. For projects not being specified in the national environment quality standards, the governments of provinces, autonomous regions and municipalities directly under the central government may formulate local environmental quality standards and report them to the competent administrative department of environmental protection of the State Council for record.

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Enterprises discharging any pollutants in their daily operations and manufacture shall observe the national discharge standards which are regulated by the Ministry of Environmental Protection of the PRC, which has established various discharge standards, as amended and revised from time to time, with regards to discharge of water pollutants, solid pollutants, gas exhaust, noises and other pollutants.

On 28 November 1998, the State Council promulgated the Regulations on Administration of Construction Project Environmental Protection (建設項目環境保護管理條例). On 28 October 2002, the Standing Committee of the National People's Congress approved the PRC Law of Appraising of Environmental Impacts (中華人民共和國環境影響評價法) which became effective on 1 September 2003. According to such law and regulation, the PRC government has set up a system to appraise the environmental impact from construction of project, and classify and administer the environmental impact appraisals in accordance with the degree of the environmental impact. For any project the construction of which may result in a material impact on the environment, an environmental impact report which thoroughly appraises the environmental impact is required; for any project which may result in a slight impact on the environment, an environmental impact record analyzing or appraising the specific environmental impact is required; and for any project which may result in minimal impact on the environment, an environmental impact appraisal is not required but filing an environmental impact form is required. Enterprises responsible for construction of the project must submit the aforesaid environmental impact appraisal documents to the relevant administrative departments of environmental protection for examination and approval. For any enterprise which fails to submit the aforesaid environmental impact appraisal documents according to PRC laws and regulations or if the documents are not approved after examination by the relevant administrative departments, the departments responsible for approving the relevant project shall not approve such project and the enterprise shall not commence the construction of the project.

Laws and regulations regarding taxation

Prior to 1 January 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the *PRC Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law* (中華人民共和國外商投資企業和外國企業所得稅法, the "**Former Enterprise Income Tax Law**") promulgated on 9 April 1991 and became effective on 1 July 1991 and the related implementation rules. According to the Former Enterprise Income Tax Law and the relevant implementation rules, the standard foreign enterprise income tax rate used to be 33%, consisting of a state portion of 30% and a local portion of 3%.

On 1 January 2008, the new *PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法, the "**New Enterprise Income Tax Law**") and its implementing rules came into effect, providing for a unified tax rate of 25% for both foreign invested and domestically owned companies. In addition to resident enterprises, those non-resident enterprises may also pay income tax on their income derived for the PRC. Where a non-resident enterprise does not have an office or a premise or a non-resident enterprise has an office or a premise in the PRC but the income derived has no actual relation with such office or premise, the non-resident enterprise shall pay enterprise income tax on income derived from the PRC, and the tax rate under such situation shall be 10%.

In accordance with the *Arrangement between Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Income Taxes* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, which in Hong Kong, applies to income derived in any year of assessment commencing on or after 1 April 2007; and in the PRC, in any year commencing

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on or after 1 January 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary.

Laws and regulations regarding patents

According to the *PRC Patent Law* (中華人民共和國專利法) amended as of 27 December 2008 and came into effect on 1 October 2009, the patent right for inventions will be protected for 20 years and the patent right for utility models and designs shall be protected for 10 years, commencing on their application dates, respectively. Any persons and entities using a patent in the absence of authorization from the patent owner or conducting other activities which infringe upon patent rights will be held liable for compensations to the patent owner, and subject to fines charged by relevant administrative authorities and even criminal punishments.

Laws and regulations regarding labour and social welfare

PRC Labor Contract Law and PRC Labor Law

The *PRC Labor Contract Law* (中華人民共和國勞動合同法, the "**Labor Contract Law**") effective as of 1 January 2008 emphasizes the conclusion of employment contracts in written form and imposes more severe consequences for non-compliance. If the employer fails to conclude a written employment contract with an employee for one month to one year after the actual commencement of work, the employer must pay the employee double salary for the relevant months. If the employer fails to conclude a written employment contract with an employee for more than one year after the actual commencement of work, a non-fixed term of contract shall be regarded as being concluded between the employer and the employee. Enterprises and institutions are forbidden to force the employees to work beyond the time limit and the employers shall pay employees overtime work in accordance with national regulations. In addition, wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely.

According to the *PRC Labor Law* (中華人民共和國勞動法) effective as of 1 January 1995, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by State rules and standards on work place safety and sanitation, educate laborers of work place safety and sanitation. Work place safety and sanitation facilities shall comply with State-fixed standards. The enterprises and institutions shall provide employees with work place safety and sanitation conditions which are in compliance with state stipulations and relevant articles of labor protection.

Social Welfare

The PRC has established a social security system providing people with social security services. Such social security system includes social insurance, social welfare, the special care and placement system, social relief and housing services. As the core of the social security system, social insurance is composed of five parts: old-age insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance (details of which vary with the legal requirements of different regions). An employer is obligated to pay its social security premiums and to withhold and pay its employees' portions to the relevant administrative authorities of the PRC Ministry of Labor and Social Security or its local counterparts.

The PRC has improved the social security policy and established a system of laws and regulations related. In recent years, The PRC successively promulgated the Labor Law, the

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Labor Contract Law, the Provisional Regulations on the Collection and Payment of Social Insurance Premiums, Regulations on Work Injury Insurance, Regulations on Unemployment Insurance, Regulations on Basic Old-age Insurance, Measures for Maternity Insurance of the Staff and Workers in Enterprises and many other regulations.

As for the legal liability of employers, any employer who fails to pay its social insurance premiums or withhold payment of the employee's portion may be ordered by the PRC Ministry of Labor and Social Security or the PRC Tax Bureau to make such payments within a statutory period, and may be liable to pay a penalty.

SINGAPORE

Laws and regulations in relation to business operations in Singapore

The following is a summary of the laws and regulations which would materially affect the current business operations of Far East Aluminium Works (Singapore) Pte. Ltd. (*FEAW(S)*) as at the [Latest Practicable Date]:

(a) Approval and execution of plans of building works

Under the Building Control Act (Chapter 29) of Singapore (*BCA*), no person shall commence or carry out, or permit or authorise the commencement or carrying out of, any building works unless the plans of the building works have been approved by the Commissioner of Building Control (*CBC*) and in the case of structural works, there is in force a permit granted by the CBC to carry out the structural works. Before an application to the CBC for the approval of the plans of the building works is made, every person for whom any relevant building works are or are to be carried out, or the builder of such building works, shall appoint either a registered architect or professional engineer (*Qualified Person*) to prepare the said plans in accordance with the Building Control Regulations 2003, and to supervise the building works.

The carrying out of structural elements and concreting, piling, pre-stressing, tightening of high-friction grip bolts or other critical structural works of a prescribed class of building works would also require the supervision of a Qualified Person or a site supervisor appointed by him. Under the BCA, a builder undertaking any building works shall, *inter alia*, (i) ensure that the building works are carried out in accordance with the plans of the building works supplied to it by the Qualified Person and with any terms or conditions imposed by the CBC in accordance with the BCA and the Building Control Regulations 2003 (*BCR*), (ii) notify the CBC of any contravention of the provisions of the BCA or the building regulations in connection with those building works and (iii) within seven (7) days from the completion of the building works, certify that the new building has been erected or the building works have been carried out in accordance with the BCA and the building regulations and deliver such certificate to the CBC.

If the CBC is of the opinion that any building works, have been or are carried out in such a manner as (i) will cause, or will be likely to cause, a risk of injury to any person or damage to any property, (ii) will cause, or will be likely to cause, a total or partial collapse of any adjoining or other building or street or land; or (iii) will render, or will be likely to render, any adjoining or other building or street or land so dangerous that it will collapse or be likely to collapse either totally or partially, he may, by order, direct the person for whom those building works have been or are being carried out to immediately stop the building works and to take such remedial or other measures as he may specify to prevent the abovementioned situations from happening.

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The BCR sets out certain requirements of the BCA relating to, *inter alia*, design and construction and the installation of exterior features.

FEAW(S) is currently licensed with the BCA under the following category:

<u>Issuing Body</u>	<u>Company Awarded</u>	<u>Name of Certification</u>	<u>Expiry Date</u>
Building and Construction Authority (BCA)	FEAW(S)	General Builder Class 1 (GB1)	29 June 2012
Building and Construction Authority (BCA)	FEAW(S)	Grade L1 Contractor in Curtain Walls (CR16)	1 November 2012
Building and Construction Authority (BCA)	FEAW(S)	Grade L1 Contractor in Doors (CR18)	1 November 2012
Ministry of Manpower	FEAW(S)	Certificate of Registration of a Factory	31 October 2010

FEAW(S) under the GB1 category and is allowed to undertake projects of any value.

The BCA, the Building Control (Amendment) Act 2007 and the Building Control (Licensing of Builders) Regulations 2008 set out the requirements for licensing of builders. If a builder does not hold a valid general or specialist builder’s licence, he is not authorised to carry out general building works or specialist building works, respectively. A builder will be committing a criminal offence and liable on conviction to an imposition of a fine or imprisonment or to both if he carries out such works without a valid licence.

The CBC may by order revoke the builder licence upon the occurrence of certain events as set out in the BCA, including, *inter alia*, (i) the cessation of the business of the licensed builder as a general builder or specialist builder, as the case may be, in Singapore, (ii) the licensed builder has been declared bankrupt or has gone into compulsory or voluntary liquidation other than for the purpose of amalgamation or reconstruction, or (iii) the licensed builder has been convicted of an offence under the BCA. In other cases whether the CBC is of the opinion that there is no cause of sufficient gravity for revocation of the builder licence, the CBC may by order suspend the licence, imposed a financial penalty on the licensed builder, censure the builder concerned or impose such other direction or restriction as the CBC considers appropriate on the builder’s business as a general builder or specialist builder, as the case may be.

As a condition to be met for the builder licence, licensed Class 1 General Builders are required, from 16 June 2009, to deploy a minimum number of Construction Registration of Tradesmen (*CoreTrade*) personnel in their projects which have values of \$20 million or more. The CoreTrade is a registration scheme administered by the BCA for skilled and experienced construction personnel in the various key construction trades. The objective of CoreTrade is to build up a core group of local and experienced foreign workers in key construction trades to anchor and lead the workforce. In civil engineering works, the deployment requirements for this class of projects only involve construction foremen in structural trades and tradesmen in construction plant operation.¹

¹ http://www.bca.gov.sg/CoreTrade/deployment_requirements.html

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Under the Fire Safety Act (Chapter 109A), the person for whom any proposed fire safety works are to be commenced or carried out in any building shall apply to the Commissioner of Civil Defence (CCD) for approval of the plans of the fire safety works in accordance with the Fire Safety (Building Fire Safety) Regulations dated 8 April 1994 (as amended and supplemented on 1 July 2004) and such person shall appoint an appropriate Qualified Person to prepare those plans. No person shall commence or carry out or permit or authorise the commencement or carrying out of any fire safety works in any building unless the CCD has approved all the plans of the fire safety works. Upon completion of any fire safety works, the person for whom the fire safety works had been carried out shall apply for a fire safety certificate from the CCD in respect of the completed fire safety works.

Where, in the opinion of the CCD, any fire safety works are carried out or have been carried out in contravention of the Fire Code, the Fire Safety Act or any regulations made thereunder, he may by order in writing require (i) the cessation of the unauthorised fire safety works until such order is withdrawn, (ii) such work or alteration to be carried out to the unauthorised fire safety works or the building or part thereof to which the unauthorised fire safety works relate as may be necessary to comply with the Fire Code, Fire Safety Act or any regulations made thereunder, or (iii) the demolition of the building or part thereof to which the unauthorised fire safety works relate.

Under the Fire Safety Act, no person shall store or keep, or cause to be stored or kept, any petroleum or flammable material except, *inter alia*, under the authority of and in accordance with the provisions of a licence from the CCD and every condition specified therein, and such licence shall be applied for in accordance with the Fire Safety (Petroleum and Flammable Materials) Regulations 2005.

To the best of the knowledge and belief of our Directors, our Directors confirm that as at the Latest Practicable Date, we have complied with the BCA, BCR, Building Control (Amendment) Act 2007, Building Control (Licensing of Builders) Regulations 2008 and Fire Safety Act (Chapter 109A) of Singapore and there are no offences committed by FEAW(S) under these legislations.

(b) *Building and Construction Industry Security of Payment Act (Cap. 30B)*

Prior to the introduction of the Building and Construction Industry Security of Payment Act (Chapter 30B) of Singapore (*BCISPA*), a construction contract between a main contractor and a sub-contractor would typically contain a "pay when paid" provision. Such provision would provide that the liability of the main contractor to pay money owing to the sub-contractor is contingent or conditional on payment to the main contractor by a third party of the whole or part of that money, or make the due date for payment of money owing by the main contractor to the sub-contractor contingent or conditional on the date on which payment of the whole or any part of that money is made to the main contractor by the third party. With the introduction of the BCISPA by the Ministry of National Development, such "pay when paid" provisions in construction or supply contracts are now rendered unenforceable and have no effect in relation to any payment for construction work carried out or undertaken to be carried out, or for goods or services supplied or undertaken to be supplied, under the contract.

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The BCISPA, regulated by the BCA, confers a statutory entitlement to progress payments on any person who has carried out any construction work or supplied any goods or services under a contract. The BCISPA also contains provisions relating to, *inter alia*, the amount of the progress payment to which a person who has carried out any construction work is entitled under a contract, the valuation of the construction work carried out and the date on which a progress payment becomes due and payable (even where a construction contract does not provide for such date). In addition, the BCISPA, *inter alia*, endorses the following rights:

- (i) the right of a claimant (being the person who is or claims to be entitled to a progress payment) who, in relation to a construction contract, fails to receive payment by the due date of an amount that is proposed to be paid by the respondent (being the person who is or may be liable to make a progress payment under a contract to a claimant) and accepted by the claimant, to make an adjudication application in relation to the payment claim. The BCISPA has established an adjudication process by which a person may claim payments due under a contract and enforce payment of the adjudicated amount;
- (ii) the right of a claimant to suspend the carrying out of construction work or supply of goods or services, and to exercise a lien over goods supplied by the claimant to the respondent that are unfixed and which have not been paid for, or to enforce the adjudication as if it were a judgment debt, if such claimant is not paid after it obtains judgment against the respondent pursuant to an adjudication; and
- (iii) where the respondent fails to pay the whole or any part of the adjudicated amount to a claimant, the right of a principal of the respondent (being the person who is liable to make payment to the respondent for or in relation to the whole or part of the construction work that is the subject of the contract between the respondent and the claimant) to make direct payment of the outstanding amount of the adjudicated amount to the claimant, together with the right for such principal to recover such payment from the respondent.

To the best of the knowledge and belief of our Directors, our Directors confirm that as at the Latest Practicable Date, we have complied with BCISPA and there are no offences committed by FEAW(S) under BCISPA.

(c) *Environmental laws and regulations*

The Environmental Public Health Act (Chapter 95) of Singapore (*EPHA*) requires, *inter alia*, a person, during the erection, alteration, construction or demolition of any building or at any time, to take reasonable precautions to prevent danger to the life, health or well-being of persons using any public places from flying dust or falling fragments or from any other material, thing or substance. The *EPHA* also regulates, *inter alia*, the disposal and treatment of industrial waste and public nuisances. Under the *EPHA*, the Ministry of Environment has empowered the Director-General of Public Health to serve a nuisance order on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with by the Ministry of Environment and/or its statutory board, the National Environmental Agency, summarily under the *EPHA* include any factory or workplace which is not kept in a clean state and any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of

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flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety. The EPHA also requires the occupier of any construction site to employ a competent person to act as an Environmental Control Officer in the construction site for the purpose of exercising general supervision within the construction site of the observance of the provisions of, *inter alia*, the EPHA.

The Environmental Protection and Management Act (Chapter 94A) of Singapore (*EPMA*) seeks to control the levels of pollution in Singapore by regulating the activities of various industries and regulates, *inter alia*, air pollution, water pollution, land pollution and noise control. Under the Environmental Protection and Management Act (Control of Noise at Construction Sites) Regulations (*EPMA Regulations*), the owner or occupier of any construction site shall ensure that the level of noise emitted from his construction site shall not exceed the maximum permissible noise levels prescribed in such Regulations.

The Control of Vectors & Pesticides Act (Chapter 59) of Singapore (*CVPA*) consolidates and amends the law relating to the destruction of vectors and the control of vector-borne diseases. The CVPA provides for the control of the sale and use of pesticides and vector repellents, and also provides for the registration, licensing and certification of persons engaged in vector control work and related matters.

To the best of the knowledge and belief of our Directors, our Directors confirm that as at the Latest Practicable Date, we have complied with the EPHA, the CVPA, the EPMA and the EPMA Regulations and there are no offences committed by FEAWS(S) under these legislations.

(d) Employment of Foreign Workers in Singapore

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act (Chapter 91A) (*EFMA*) and regulated by the Work Permit Department in the Ministry of Manpower (*MOM*). In Singapore, under Section 5(1) of the EFMA, no person shall employ a foreign worker unless he has obtained in respect of the foreign worker a valid work permit, which allows the foreign worker to work for him. Any person who fails to comply with or contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall:

- (a) be liable on conviction to a fine not exceeding \$15,000 or to imprisonment for a term not exceeding 12 months or to both; and
- (b) on a second or subsequent conviction:
 - (i) in the case of an individual, be punished with imprisonment for a term of not less than one month and not more than 12 months and also be liable to a fine not exceeding \$15,000; and
 - (ii) in the case of a body corporate, be punished with a fine not exceeding \$30,000.

Where a court has convicted a person for the contravention of Section 5(1) of the EFMA, the court shall, in addition to imposing on that person any other punishment, order the payment by him of a sum which is equal to the levy which would have been payable if any work pass had been issued for the period during which any foreign employee was employed by the person in contravention of subsection (1), and any such payment ordered shall be recoverable as a fine.

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The availability of the foreign workers to the construction industry is also regulated by the MOM through the following policy instruments:

- (a) approved source countries;
- (b) issuance of work permits;
- (c) the imposition of security bonds and levies;
- (d) dependency ceilings based on the ratio of local to foreign workers; and
- (e) quotas based on Man-Year Entitlements (*MYE*) in respect of workers from Non-Traditional Sources (*NTS*) and the PRC.

The approved source countries for construction workers are Malaysia, the PRC, NTS and North Asian Sources (*NAS*). NTS include countries such as India, Sri Lanka, Thailand, Bangladesh, Myanmar, the Philippines and Pakistan. *NAS* countries include Hong Kong, Macau, South Korea and Taiwan.

Before FEAW(S) is allowed to employ construction workers from the approved source countries, In-Principle Approvals (*IPAs*) have to be sought for each individual's work permit. The foreign construction worker is required to undergo a medical examination by a doctor registered in Singapore and must pass such medical examination before a work permit can be issued to him.

For each *NAS*, *NTS* or PRC construction worker whom we have successfully obtained a work permit, a security bond of \$5,000 in the form of a banker's guarantee or insurance guarantee is required to be furnished to the Controller of Immigration. From 1 January 2010, MOM has increased the minimum insurance coverage from \$5,000 a year to \$15,000 a year. This new requirement will apply to new insurance policies taken up on or after 1 January 2010, or upon renewal of current insurance policies on or after 1 January 2010.

The employment of foreign workers is also subject to the payment of levies. The amount of foreign worker levy payable on each unskilled foreign worker is \$470 per month and with effect from 1 January 2007, the amount of foreign worker levy payable on each skilled foreign worker is \$150 per month and on each unskilled foreign worker is \$470 per month.

The dependency ceiling for the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers. This means that for every full-time Singapore Citizen or Singapore Permanent Resident employed by a company in the construction sector with regular full month CPF contributions made by the employer, the company can employ seven foreign workers.

The *MYE* allocation system is a work permit allocation system pertaining to the employment of construction workers from *NTS* and the PRC (*Restricted Foreign Workers*). *MYEs* represent the total number of *Restricted Foreign Workers* that each main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners. At the time of the *MYE* application, the balance duration of the project must be at least one month and the total remaining contract value of the project must be at least \$500,000. To employ *Restricted Foreign Workers*, the employer must make an application for *MYE*, "Prior Approval" and *IPAs* for individual work permits. The allocation of *MYE* is in the form of the number of

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"man-years" required to complete a project and only main contractors may apply for MYE. All levels of sub-contractors are required to obtain their MYE allocation from their main contractors. A main contractor's MYE will expire on the completion date of the relevant project.

Under the work permit conditions, employers are required to provide acceptable accommodation for their foreign workers. Such accommodation must meet the statutory requirements set by various government agencies, including the National Environment Agency, the PUB, the Singapore Civil Defence Force and the BCA. A list of approved off-site housing is provided by the relevant approving agencies, namely the URA, Singapore Land Authority, Jurong Town Corporation, the HDB and the Agri-Food and Veterinary Authority of Singapore.

Under the work permit conditions, employers of foreign construction workers are also required to comply with the following conditions, including:

- ensuring that the foreign worker performs only those construction activities specified in the conditions;
- ensuring that the foreign worker is not sent to work for any other person;
- providing a safe working environment and acceptable accommodation for their foreign workers;
- insuring and maintaining workmen's compensation insurance in respect of the foreign worker; and
- purchasing and maintaining medical insurance with coverage of at least \$5,000 per twelve-month period of the foreign worker's employment (or for such shorter period where the worker's period of employment is less than twelve months) for the foreign worker's inpatient care and day surgery except as the controller of work passes may otherwise provide by notification in writing.

An employer of foreign workers is also subject to, *inter alia*, the provisions set out in the Employment Act (Chapter 91) of Singapore, the EFMA, the Immigration Act (Chapter 133) of Singapore and the Immigration Regulations.

To the best of the knowledge and belief of our Directors, our Directors confirm that as at the Latest Practicable Date, we have complied with the Employment Act (Chapter 91) of Singapore, the EFMA, the Immigration Act (Chapter 133) of Singapore and the Immigration Regulations and there are no offences committed by FEAWS) under these legislations.

(e) *Workmen's Compensation*

The Work Injury Compensation Act (Chapter 354) of Singapore (*WICA*), which is regulated by the MOM, applies to workmen in all industries in respect of injury suffered by them in the course of their employment and sets out, *inter alia*, the amount of compensation they are entitled to and the method(s) of calculating such compensation. The *WICA* provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to a workman, the employer shall be liable to pay compensation in accordance with the provisions of the *WICA*.

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The WICA provides, *inter alia*, that, where any person (referred to as the principal) in the course of its business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work undertaken by the principal, the principal shall be liable to pay to any workman employed in the execution of the work any compensation which he would have been liable to pay if that workman had been immediately employed by the principal.

The Work Injury Compensation Regulations 2008 amended the WICA and, *inter alia*, extended its coverage and revised compensation norms.

To the best of the knowledge and belief of our Directors, our Directors confirm that as at the Latest Practicable Date, we have complied with WICA and there are no offences committed by FEAW(S) under WICA.

(f) Workplace Safety and Health Safety Measures

Under the MOM's Workplace Safety and Health Act (Chapter 354A) (*WSHA*) of Singapore, every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

To the best of the knowledge and belief of our Directors, our Directors confirm that as at the Latest Practicable Date, we have complied with WSHA and there are no offences committed by FEAW(S) under WSHA.

Workplace Safety and Health (General Provisions) Regulations (WSHR)

More specific duties imposed by the MOM on employers are laid out in the WSHR. Some of these duties include taking effective measures to protect persons at work from the harmful effects of any exposure to any bio-hazardous material which may constitute a risk to their health.

Pursuant to the WSHR, the following equipment, amongst others, are required to be tested and examined by an examiner (*Authorised Examiner*), who is authorised by the Commissioner for Workplace Safety and Health (*CWSH*), before they can be used in a factory and thereafter, at specified intervals:

- hoist or lift
- lifting gears
- lifting appliances and lifting machines

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Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the owner of the equipment/occupier of the factory to ensure that the equipment complies with the provisions of the WSHR and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, *inter alia*, enter, inspect and examine any workplace and any machinery, equipment, plant, installation or article at any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, to take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in the workplace which is required for the purpose of an investigation or inquiry under the WSHA.

Under the WSHA, the CWSH may serve a stop-work order in respect of a workplace if he is satisfied that (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work. The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

In 2000, the MOM introduced a debarment scheme for contractors with bad safety record. The purpose of the debarment scheme is to improve the safety situation in the construction industry. With effect from 1 April 2008, the scheme was revised to raise the workplace safety and health standards. The purpose of such scheme is to encourage construction contractors with poor safety and health records to improve their performance and to improve the safety and health situation in the construction industry. Under this scheme, contractors will be issued with demerit points for breaches under the WSHA and relevant subsidiary legislation. The number of demerit points awarded will depend on the severity of the infringement. A contractor that has received more than 18 demerit points within a 12-month period will receive a formal warning letter from MOM, while the continued accumulation of demerit points will result in more stringent corrective actions. For example, if a worksite of a main contractor accumulates more than 18 demerit points, the worksite will have no access to work permit holders from the PRC and the NTS, who include those from

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Bangladesh, Pakistan and Thailand, for six months. If the main contractor does not make improvements and continues to commit workplace safety and health offences, applications from the company for new and renewal of all types of work passes for all foreign employees will be rejected by MOM. The application of the demerit point scheme to main contractors is detailed as follows:

First Stage: A warning letter will be issued to the main contractor if the total points accumulated by the company exceed 18 demerit points within a 12-month rolling period.

Second Stage: The following will apply to an individual worksite if the total points accumulated by the worksite exceed 18 demerit points:

- Six-month Man-Year Entitlement freeze for first occurrence;
- 12-month Man-Year Entitlement freeze for second occurrence (within 12 months of the first occurrence); and
- 24-month Man-Year Entitlement freeze for third or subsequent occurrences (within 12 months of the previous occurrence).

A main contractor will have its records cleared when all its worksites do not accumulate any demerit points for a rolling period of 12 months.

Post Second Stage: A 24-month Man-Year Entitlement freeze will be extended to all worksites under the company if three of its worksites have each accumulated more than 18 demerit points within any 12-month period i.e. the company's Man-Year Entitlement has been frozen three times within a year.

Applications from the company for new and renewal of all types of work passes for all foreign employees will also be rejected.

MOM has on 18 February 2005 issued HLS Infrastructure with a total of 6 demerit points for the period from 29 January 2004 to 28 January 2005 due to some safety lapses and non-compliance with safe work practices at our Kim Chuan Depot Project. These demerit points have expired on 28 January 2006 and HLS Infrastructure has not received any further demerit points in this regard up to the Latest Practicable Date.

To the best of the knowledge and belief of our Directors, our Directors confirm that as at the Latest Practicable Date, we have complied with WSHR and there are no offences committed by FEAW(S) under WSHR.

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Workplace Safety and Health (Construction) Regulations 2007 (WSHCR)

We are also subject to WSHCR. Under WSHCR, every occupier of a worksite shall implement and maintain at all times a safety and health management system for the purpose of ensuring the safety and protecting the health of every person within the worksite, whether or not the person is at work or is an employee of the occupier. A workplace safety and health co-ordinator shall be appointed by the occupier in respect of every worksite where the contract sum of the building operation or works of engineering construction carried out therein is less than \$10 million. Any occupier of a worksite who contravenes this shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$10,000 and, in the case of continuing offence, to a further fine not exceeding \$1,000 for every day or part thereof during which the offence continues after conviction. The workplace safety and health co-ordinator's duty, in respect of a worksite, is to:

- (a) assist the occupier of the worksite to identify any unsafe condition in the worksite or unsafe work practice which is carried out in the worksite;
- (b) recommend to the occupier of the worksite to implement such reasonably practicable measures to remedy the unsafe condition or unsafe work practice; and
- (c) assist the occupier of the worksite to implement such reasonably practicable measures referred to in sub-paragraph (b) above.

Any workplace safety and health co-ordinator who, without reasonable excuse, contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$1,000 and, in the case of a second and subsequent offence, to a further fine not exceeding \$5,000.

Where the contract sum of the building operation or works of engineering construction to be carried out in a worksite is \$30 million or more, it shall be the duty of the occupier of the worksite to appoint a workplace safety and health auditor to audit the safety and health management system of the worksite at least once every six months. Where the contract sum of the building operation or works of engineering construction to be carried out in a worksite is less than \$30 million, it shall be the duty of the occupier of the worksite to (a) conduct a review of the safety and health management system of the worksite at least once every six months; and (b) if directed by the CWSH, appoint a workplace safety and health auditor to audit the safety and health management system of the worksite.

To the best of the knowledge and belief of our Directors, our Directors confirm that as at the Latest Practicable Date, we have complied with WSHCR and there are no offences committed by FEAW(S) under WSHCR.

Workplace Safety and Health (Registration of Factories) Regulations 2008 (WSH Factories Regulations)

Any person who desires to occupy or use any premises as a factory which falls within the specified classes of factories as set out in the WSH Factories Regulations are required to register the premises (or worksite) as a "factory" with the CWSH pursuant to the WSH Factories Regulations. The application to register the premise as a factory must be made at least one month before the factory starts operation. A certificate of registration issued by the CWSH is valid for a period of one year and

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may be renewed subsequently upon the payment of a renewal fee. Any person who desires to occupy or use any premises as a factory which does not fall within the specified classes of factories described in the WSH Factories Regulations shall submit a notification to the CWSH prior to the commencement of operation of the factory.

To the best of the knowledge and belief of our Directors, our Directors confirm that as at the Latest Practicable Date, we have complied with the WSH Factories Regulations and there are no offences committed by FEAW(S) under the WSH Factories Regulations.

(g) The Sale of Goods Act (United Nations Conventions) Act (Cap. 283A)

The Sale of Goods Act (United Nations Conventions) Act (Cap. 283A) (SGA) applies, *inter alia*, to contracts of sale of goods² between parties whose places of business are in different contracting states (*States*). Contracts for the supply of goods to be manufactured or produced are to be considered sales unless the party who orders the goods undertakes to supply a substantial part of the materials necessary for such manufacture or production.

The fact that the parties have their places of business in different States is to be disregarded whenever this fact does not appear either from the contract or from any dealings between, or from information disclosed by, the parties at any time before or at the conclusion of the contract. Neither the nationality of the parties nor the civil or commercial character of the parties or of the contract is to be taken into consideration in determining the application of the SGA.

The SGA does not apply to contracts in which the preponderant part of the obligations of the party who furnishes the goods consists in the supply of labour or other services.

To the best of the knowledge and belief of our Directors, our Directors confirm that as at the Latest Practicable Date, there are no offences committed by us under the SGA.

THE UNITED ARAB EMIRATES

Laws and regulations in relation to foreign investment

General

The establishment of, or investing in, a company in the United Arab Emirates ("UAE") by foreign investors is mainly governed by the Federal Law No. 8 of 1984 Concerning Commercial Companies as amended ("**UAE Commercial Companies Law**").

² The SGA does not apply to sales: (a) of goods bought for personal, family or household use, unless the seller, at any time before or at the conclusion of the contract, neither knew nor ought to have known that the goods were bought for any such use; (b) by auction; (c) on execution or otherwise by authority of law; (d) of stocks, shares, investment securities, negotiable instruments or money; (e) of ships, vessels, hovercraft or aircraft; or (f) of electricity. (See Article 2, SGA)

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There are seven different types of companies which may be established under the UAE Commercial Companies Law, namely general partnership, simple limited partnership, joint participation (venture), public joint stock company, private joint stock company, limited liability company ("LLC") and partnership limited by shares. To form a limited liability company is the most commonly used method by foreign investors to establish a business in the UAE.

Under the UAE Commercial Transaction Law, Federal Law No. 18 of 1993 ("UAE Commercial Code"), a non-UAE national (individual or company) may not engage in commercial activities, which is defined in the UAE Commercial Code, in the UAE unless he or it has one or more partners who are UAE nationals and on terms and within the limits provided by the UAE Commercial Companies Law.

Pursuant to the definition in the UAE Commercial Code, commercial activities mainly include trading of commodities and other materials, banking, money exchange, stock exchange transactions, investment companies, transactions relating to commercial papers, business relating to marine and air navigation, incorporation of companies, current accounts, insurance, public auction premises, business of hotels, restaurants, cinemas and places of entertainment, water, electricity and gas distribution premises, publication of newspapers and magazines, post, telegraph and telephone business, radio and television broadcasting and public warehouse etc. The UAE Commercial Code also considers the following activities, if practiced as a profession, commercial activities: brokerage, commercial agency, commission agency, commercial representation, supply contracts, purchase and sale of land or real estates, land transportation, real estate activities, industries for the extraction of natural resources, tourism, publishing, manufacturing, animal resources and fisheries activities, third party's work hiring and renting properties etc. Therefore, foreign investors desiring to establish business operations in UAE engaging in any of the commercial activities as defined in the UAE Commercial Code must do so with one or more partners who are UAE nationals.

In addition to the companies which may be established under the UAE Commercial Companies Law, the UAE Civil Transaction Law, Federal Law No. 5 of 1985 ("UAE Civil Code") also provides for certain kinds of formations for civil or professional entities.

Limited Liability Company

The key rule regarding companies established under the UAE Commercial Companies Law is that they must have one or more UAE national shareholders whose share in the company's share capital must not be less than 51%. There are exceptions providing that certain activities, such as real estate-related businesses, can only be conducted by entities that are 100% locally owned.

In order to overcome a foreign investor's lack of control over an LLC due to the minimum 51% UAE shareholding requirement and in an attempt to protect its investment, a custom has developed in the UAE pursuant to which foreign investors enter into side agreements with the UAE national that holds 51% of the LLC's shares. Such side agreement could take the form of either a trust and sponsorship arrangement, pursuant to which the UAE national agrees to act as trustee and hold 51% of the shares of the LLC for and on behalf of the foreign investor as the beneficial owner thereof, or a loan and pledge arrangement, pursuant to which the shareholders enter into a loan and pledge agreement which provides that the foreign investor will contribute the UAE national's 51% share of the minimum share capital of the LLC (as

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a loan to the UAE national) and in return the UAE national will pledge his shares and all rights attaching thereto to the foreign investor as security for the loan.

The common characteristics and aims of these side agreements are generally as follows:

- The UAE national is paid an annual sponsorship fee;
- The foreign investor contributes the entire minimum statutory required share capital;
- The UAE national is not involved in the LLC or its day-to-day management; and
- The profits and losses distribution is based on the beneficial shareholding instead of the registered shareholding percentage as shown on the licence.

In addition to the side agreements, the memorandum of association of an LLC could vest management authority in the foreign shareholder as manager with sole and full power and authority to manage the LLC's affairs. Also, the profits and losses of an LLC may be distributed between the shareholders in whatever proportion they agree and need not reflect the registered shareholding, provided that the UAE shareholder's entitlement as set out in the registered memorandum of association of the LLC may not be less than 20%. The foreign investor's entitlement to this 20% profit is provided for in the side agreements. In addition to the management provisions contained in the memorandum of association, a management arrangement is also usually entered into between the LLC and the foreign shareholder, in terms of which the foreign shareholder is appointed as the manager (as mentioned above) and is entitled to a management fee of up to 10% of the turnover of the LLC for management services.

In principle the validity of the management structure and division of profits and losses in the memorandum of association and the management agreement are widely accepted by the competent authorities and local courts and accordingly, enforceable among the parties thereto. The position is less certain with regard to side agreements in which a party who is not the registered shareholder purports to hold the beneficial ownership of those shares. Whilst it is thought that in such cases the validity of these agreements would be upheld by the local courts, one cannot give any absolute assurances as such arrangements do run contrary to the principles underpinning the UAE Commercial Companies Law. In the event that the local courts do not uphold the agreements the courts may order liquidation and winding up of the LLC and allocation of the assets to the foreign shareholders provided that the foreign shareholder is able to provide conclusive proof that it contributed the assets (or the funding thereof). The above is based on principles set in past judgments by the Dubai Courts. However, since the UAE maintains a civil code legal system, its courts are not bound by the decisions rendered by other UAE courts nor are they bound by their own previous decision (non binding precedent system). Notwithstanding the aforementioned, these are common arrangements favoured by most foreign entities doing business in Dubai through the medium of an LLC.

The Law on the Combating of Commercial Concealment, Federal Law No. 17 of 2004, ("**Anti-Concealment Law**"), which was published in November 2004, aims to criminalize the practice of enabling a non-UAE entity to conduct an economic or professional activity which is prohibited by the UAE laws. This will include where the

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activity is conducted on its own account or in participation with a third party, and where assistance is rendered to a foreigner to avoid its obligations. Thus, the Anti-Concealment Law appears to target the arrangements put in place by side agreements.

Article 2 of the Anti-Concealment Law specifically prohibits a UAE national from concealing a foreigner or allowing a foreigner to use his or her name or licence. A UAE national who contravenes the law faces a fine of up to Dh100,000 (per concealment) for a first offence and a maximum prison sentence of two years, and an additional Dh100,000 for each repeated concealment. The foreigner will be subject to the same penalties and deportation after serving the prison sentence. In addition, a conviction will result in the revocation of the UAE national's licence and a ban on carrying out the activity listed on the licence for a period of two to five years.

The Anti-Concealment Law was originally intended to come into force on 15 November 2007. However, the UAE government by a Cabinet's Resolution No. 229/12, issued in 2007, deferred the enforcement of this law until 31 December 2009.

It is likely that the implementation of the Anti-Concealment Law will be further deferred from 31 December 2009 in order to come into effect in parallel with the planned amendment to the UAE Commercial Companies Law which would allow foreign investors increased ownership of certain business forms and in certain industries in the United Arab Emirates.

Free Zone Entities

In the UAE there are free zones where foreign investors may also establish subsidiaries or branches to operate its business within. There is no minimum UAE national shareholding requirement for entities established in the free zones. However free zone entities generally required further licensing onshore in the UAE, i.e. excluding free zones, in order to conduct business outside of the free zones in which they have been established.

The free zone authorities also generally guarantee investors that they will not be liable for corporation tax for a specific period of time. This guarantee applies regardless of changes which may be introduced to national tax regulations in the UAE. In addition, free zone entities are not liable for import or export duties for goods imported into and exported out of the free zone and may repatriate 100% of their capital and profits without penalty.

Setting up a Branch or Representative Office

The UAE Commercial Companies Law allows a foreign company to exercise its main activity in the UAE by opening a branch or a representative office.

The difference between the two is that the foreign company which opens a branch in the UAE may exercise freely the activities for which it is licenced whereas a representative office may practice only promotional business for the products and services provided by the parent company. Therefore, if a parent company deals in the sale and/or production of certain products and opens a representative office in UAE, the representative office may only promote and market the sale and/or production of such products and facilitate contracts in the UAE as opposed to conducting sales or the production itself.

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In order to establish a foreign branch to conduct its operation in UAE the foreign company needs obtain a licence from the Ministry of Economy. Foreign companies licenced to operate in the UAE may not commence their activities before being registered in the Register of Foreign Companies maintained by the Ministry of Economy.

Whether it is a representative office or a branch of a foreign company in the UAE, it is required that such office or branch appoints a service agent who should be a UAE national. A service agent is not an empowered agent who can bind his principal and such service agent is not responsible to undertake any financial obligations concerning the activities of the company's branch or office within the UAE or abroad. The agent should not interfere in the matters relate to the company's management or activities. The scope of the agent's role is essentially a matter for agreement between the parties. At the very least, the agent should facilitate visa applications and other administrative issues, which require the agent's signature as a matter of law. The service agent is usually paid a fee for his services, expressed to be either a fixed annual sum or a sum calculable by reference to the level of business conducted or generated by the branch or representative office.

Foreign company's branch or representative office is required to submit a bank guarantee of AED 50,000 favoring the Ministry of Economy being part of the licence processing procedure.

In relation to certain activities proposed to be carried on by companies, branch offices, representative offices, and civil companies, the prior consent of a Federal Ministry or competent local authority is required before the requisite licence will be issued. These activities include those relating to oil and gas, banking and investment, financial services, insurance, media, transport, construction contracting, telecommunications, real estate management, architectural and engineering consulting, tourism, shipping, civil aviation, legal services, medical services and education.

Laws and regulation in relation to employment and labour relations

General

The UAE Federal Law No. 8 of 1980 regarding the Regulation of Labour Relations ("UAE Labour Law") applies to all staff and employees working in the UAE, other than those working in certain UAE free zones who have their own labour regulations, whether UAE nationals or non-national expatriates. The UAE Labour Law sets out the basic conditions of employment, regulates working hours, and provides for annual leave, sick leave, maternity leave and overtime pay.

The UAE Labour Law is regularly supplemented and revised by ministerial resolutions issued by the Ministry of Labour and approved by the Council of Ministers. Recently, the Federal Ministerial Decree No. 788 of 2009 on Protection of Wages (the Ministerial Resolution on WPS) establishes a new regime designed to ensure transparency in the payment process and to ensure that employees are paid on time, overseen by a dedicated WPS office within the Ministry of Labour.

To employ a non-national in the UAE, an employer must (a) obtain approval from the Ministry of Labour; and (b) after the Ministry of Labour approves, apply to the Ministry of Immigration and Naturalisation to obtain a residence visa for the employee.

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An employment contract may either be for a fixed term under a limited contract or for an unlimited or indefinite term, each attracting different provisions of the UAE Labour Law; this must be stipulated in a standard form bi-lingual contract of employment filed with the Ministry of Labour.

As regards penalties for any violation, the UAE Labour Law stipulates at Article 181 that "a penalty of imprisonment for a period not exceeding six months and/or a fine not less than AED 3,000 but not exceeding AED 10,000 on anyone who violates any of the UAE Labour Law's provisions, executive regulations or orders.

End of Service Gratuity

Employees working in the UAE are entitled to a statutory end of service gratuity under the UAE Labour Law, provided the employee has completed one year of service, payable at the termination or expiration in case of a limited term contract.

The quantum of the end of service gratuity payment is 21 days' wages (not including allowances and commissions) for each year of the first 5 years of service, and 30 days' wages for each additional year of service, up to a limit of the employee's wages for 2 years.

Where the employee who is employed for an unlimited or indefinite term resigns, the end of service benefit payable is calculated based on the basic wage, which is exclusive of any allowances, and the length of employment periods in accordance to a scale stipulated in the law.

An employee on a limited contract is entitled to gratuity only if he/she has worked continuously until the end of the term specified in the contract. An employee who is bound by a limited contract, who resigns before the expiration of the contractual period, is not entitled to any end of service gratuity payment unless the employee's continuous employment exceeds 5 years. No gratuity payment is due to an employee whose employment contract is terminated for any reasons stipulated in Article 120 of the Labour Law (which generally covers instances of misbehaviour).

If an employer has a provident fund, retirement, insurance or a similar scheme, the law provides for the entitlement of such employees upon termination of the employment. In addition, there are separate laws and regulations applicable in relation to pensions for employees who are UAE nationals.

Emiratization

Emiratization is a movement by the government of the UAE to encourage public and private sectors to proactively employ UAE nationals and thereby reduce its dependence on foreign workers.

Emiratization is based on the designation and job description. For example, private companies with 100 workers or more are required to recruit only UAE nationals as government relations officers, also known as PROs.

Safety and Insurance

The UAE Labour Law does not require an employer to insure itself for claims in relation to injuries or occupational diseases sustained by employees in the work place.

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An employer is required to provide employees with medical care facilities corresponding with those laid down by the Ministry of Health and the Ministry of Labour. In addition, the UAE Labour Law requires employers to provide medical professionals to carry out general medical examinations, at regular intervals of not more than six months. In practice, employers provide employees with medical insurance (excluding dental cover).

In 2006, the government of Abu Dhabi passed a law requiring all companies to provide private medical health insurance for their employees.

Employment of persons below the age of 15 years old is not allowed. The UAE Labour Law also forbids the employment of young persons at night in industrial jobs and bans employment of young persons in any job that is dangerous, arduous or detrimental to health.

The UAE Labour Law includes articles on industrial safety and health care for employees so that it requires employers to protect employees against the hazards of occupational injuries and diseases by providing appropriate safety measures.

In cases of work-related accident, disease or death, the UAE Labour Law sets the terms for employees' compensation, and stipulates that the employer must report instances of work-related injuries and occupational diseases to the police and to the Ministry of Labour. The police must carry out a prompt investigation and issue a report to determine whether the accident was work-related, deliberate, or the result of gross misconduct of the worker. If it is established that the cause of injury or disease was work-related, then in accordance with Article 144 the onus is on the employer to pay for the employee's tests, treatment, medication and rehabilitation equipment, and for all transport in connection with treatment.

Article 147 of the UAE Labour Law requires that a report be prepared by the attending physician, specifying the nature and cause of the employee's injury, the date of its occurrence, the extent it is work-related, the period of treatment, and the degree of disability, and the employee's medical fitness to return to work.

Where an injury prevents an employee from working, Articles 145 and 146 of the UAE Labour Law provide that the employer must pay the employee a cash allowance equal to his full salary for the period of treatment or for six months, whichever is shorter. Where treatment is prolonged for more than six months, the employee is entitled to the allowance equal to half of his salary for a further period of six months or until the employee recovers, declared disabled, or dies, whichever occurs first.

If the employee dies due to a work-related injury or occupational disease, his family shall be entitled to compensation equal to two years of his basic wage calculated on the basis of the last wage received before his death, provided that the amount of compensation shall not be less than AED 18,000 or more than AED 35,000. An employee who suffers permanent total disability is entitled to a similar compensation by his employer as in the case of death.

Article 148 of the UAE Labour Law outlines the procedure for the settlement of disputes regarding the employee's physical fitness for work, the degree of disability and any other matter in relation to his injury and treatment, by a medical board, to be set up by the Ministry of Health.

Where it is established, in enquiries carried out by competent authorities, that an employee willfully brought about his injury with the intention of committing suicide

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or of obtaining compensation or sick leave, or at the time of its occurrence he was under the influence of a narcotic drug or alcohol, or that he intentionally violated the safety instructions posted, then pursuant to Article 153 of the UAE Labour Law such employee would not be entitled to compensation for an injury or disability.

Laws and regulations in relation to construction

There is no specific legislation solely governing construction in the UAE. However, a regulatory regime for the construction industry in the UAE is established through various laws, regulations and local authorities' requirements.

One of the most important such provisions is the mandatory 10 year liability provision that applies in the UAE for design defects in buildings. Article 880 of the UAE Civil Code provides that where an architect produces plans for a building or other fixed installation which is constructed by a contractor under the supervision of the architect, both the architect and the contractor shall be liable to the developer for a period of 10 years for any collapse of the building or any defect that threatens the stability or safety of the building. This 10 year period commences on the date of delivery of the work.

Contract documentation to world recognized standards is well established in the UAE and FIDIC contract documentation is widely used. Many contracting parties within the UAE will agree to have contract works commence on the basis of Letters of Intent (LOI) or Letters of Agreement (LOA) signed off by both parties on the understanding that full contract documentation will be completed later.

The construction sector in the UAE makes significant use of Advance Payment Bonds and Performance Bonds.

Resolution of construction disputes in the UAE is mainly handled through either arbitration or litigation. In the case of arbitration, there are various established arbitration centers in the UAE which could act as forums for arbitration proceedings. In Dubai, the Dubai International Arbitration Centre ("**DIAC**") was established by the Statute No. 10 of 2004 in Dubai. An arbitration award by the DIAC can be registered and enforced at the Dubai Courts. The arbitration center in the free zone Dubai International Financial Centre ("**DIFC**"), DIFC/LCIA Arbitration Centre, is another arbitration forum in Dubai. DIFC/LCIA Arbitration Centre was established by the DIFC Arbitration Law 2008. An arbitration award by the DIFC/LCIA Arbitration Centre may be registered as a judgment of the DIFC Court. The DIFC Courts were established in 2004 in the DIFC under the Dubai Law No. 12 of 2004 and DIFC Law No. 10 of 2004. The DIFC Court and the Dubai Courts have agreed on a protocol for the enforcement of such a judgment in the Dubai Courts, however this protocol has not yet been tested in the Dubai Courts. In June 2006 the UAE ratified the New York Convention for the enforcement of foreign arbitral awards in the UAE. Nevertheless, enforcement of such foreign arbitral awards in the UAE could well involve difficulty given that there is no well established precedent for such enforcement.

The UAE Court process is also established if the Court is the appropriate forum. The Dubai Courts have a 3 tier Civil Court system which includes 2 levels of appeal. All proceedings in the Dubai Courts are conducted in Arabic.

The DIFC Courts operate as a Court of First instance with one final Court of Appeal. All proceedings in the DIFC Courts are conducted in English.

Insurance will be a significant factor in any construction activity in the UAE. Contracts will usually require proof that appropriate professional indemnity, public liability and health and safety insurance is in place.

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Sub-contracts or sub-consultancy agreements in the UAE will normally have a direct link back to the main contract document. Many sub-contract documents include a provision that the sub-contractor will only be paid if and when the main contractor is paid by the developer.

Environmental requirements play a significant role in construction projects in the UAE. Participants will need to give careful regard to the range of local and federal laws that will apply to all construction activity from the planning stage, and through the construction stage, and finally to the completed project.

Laws and regulations in relation to environmental protections

The UAE Federal Environmental Agency ("FEA") was created in 1993 as the main governmental entity to manage the environment of the UAE and to implement national environmental laws. Recently, by a decree containing UAE Federal Law No. 7 of 2009, FEA will be abolished and the Ministry of Environment and Water will assume the functions entrusted to FEA, except that its competencies stipulated under Article 66 of the Federal Decree Law No. 6 of 2009 in relation to peaceful use of nuclear energy shall be transferred to the UAE Federal Authority for Nuclear Regulation.

On a federal level, the main legislation of the environment laws in UAE is the Federal Law No. 24 of 1999 Regarding the Protection and Development of the Environment. In addition to general protection of the environment, such federal law also contains clauses specifically related to protection of water environment, marine environment and soil, air pollution, preservation of natural reserves and wildlife and handling of hazardous materials and wastes. There are also federal laws concerning exploitation, conservation and development of living aquatic resources, control of use of radioactive sources, air pollution as well as control of international trade of endangered species.

The Environment Department of Dubai Municipality and Abu Dhabi Environment Agency were designated as local competent authorities for environment and wildlife issues within the Emirates of Dubai and Abu Dhabi, respectively, as outlined in Federal Law No. 24 of 1999. In addition to the federal legislation, local competent authorities in the Emirates have also developed a body of environment regulations based on local orders covering not only environmental protection issues but also public health and community safety matters.

According to the environmental laws and regulations in the UAE, no projects or installations may commence until it has obtained the relevant licences, approvals or permits. Discharge or disposal of wastewater and regulated wastes and emission of substances which are detrimental to health or would cause air pollution is generally prohibited without the authority's prior permits. The environmental standards imposed are monitored by the local competent authority which has the power to clean up at the polluters' expenses, to enforce discontinuance of the violation and to cancel the violator's licence. The operator of a facility is required to use proper measures to prevent pollution, to perform tests and to report to the authority periodically.

Penalties stipulated in the laws and local orders vary from warnings, fines, temporary premise closure, licence cancellations and imprisonment. Violation to certain laws involving radioactive materials and wastes is also subject to death penalties or life imprisonment. In addition, violators shall bear the costs of removal and rectification expenses. General enforcement of the environment laws will be

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undertaken by the Ministry of Justice of the UAE and the officers of the FEA and the competent authority in each emirate who are appointed to inspect and investigate the implementation and compliance of the laws.

THE STATE OF NEVADA, THE UNITED STATES

Through the date of the document, Far East Global Group Limited has conducted business in the state of Nevada through two subsidiaries incorporated in the State of Nevada, Far East Aluminium Works (U.S.) Corporation and Far East Facade, Inc.

Business Regulation

The State of Nevada provides for the regulation of business generally and in specific industries. In terms the regulations that are applicable to business generally, the State of Nevada requires most business to be conducted through an entity organized under the laws of the State of Nevada or through an entity that qualifies to do business in the State of Nevada as a foreign entity. In either instance, the business submits to the jurisdiction of the State of Nevada and is required to pay nominal annual fees with the Nevada Secretary of State and to obtain a State Business License. Far East Aluminium Works (U.S.) Corporation and Far East Facade, Inc. are both Nevada corporations and hold the appropriate State Business Licenses.

Local Jurisdictional Issues

Far East Aluminium Works (U.S.) Corporation and Far East Facade, Inc. are also required to maintain certain business licenses within any local jurisdiction or municipality in which business is conducted. In and around the Las Vegas, Nevada area, there are four distinct licensing jurisdictions: the City of Las Vegas, the City of North Las Vegas, the City of Henderson and Clark County, Nevada. Currently, all projects are subject to the local licensing jurisdiction of Clark County, Nevada.

Licensing

In addition to general business requirements, Far East Aluminium Works (U.S.) Corporation and Far East Facade, Inc. are required to have certain certificates, permits or licenses in order to conduct business.

In particular, any business or individual who constructs, alters, repairs, improves, moves, wrecks or demolishes any building or other structure, highway, road, railroad, or performs excavation or specialty work in the State of Nevada must obtain a contractors license issued by the Nevada State Contractors Board. In the case of subcontractors performing specialty trade work in conjunction with a larger project overseen by a general contractor, companies may obtain licenses in the various "classifications" of work which they perform. Far East Aluminium Works (U.S.) Corporation is currently licensed by the Nevada State Contractors Board under the appropriate classifications to perform its contracted work in State of Nevada.

In addition, any person or entity conducting a business, offering a service for a fee, or selling a product with the territorial jurisdiction of Clark County, Nevada must obtain the appropriate business license. Far East Aluminium Works (U.S.) Corporation holds a license as a contractor in Clark County, Nevada. Although not operating as a contractor, Far East Facade, Inc. holds the appropriate license for maintaining administrative office space located within the jurisdiction of Clark County, Nevada.

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The failure to maintain required certificates, permits or licenses, or to comply with applicable laws, could result in substantial fines or possible revocation of our authority to conduct certain of our operations. For example, the failure to have the appropriate contractors license in the State of Nevada would result in both civil and criminal penalties and can be used as a grounds for non-payment. The failure to obtain or maintain appropriate local licenses may result in similar penalties and may lead to a shut down of the worksite by local authorities.

Employment

In terms of the laws governing our employment of workers, the State of Nevada has its own laws and regulations that exist in addition to the laws and regulations of the United States. Generally, the laws and regulations govern matters pertaining to payroll taxes, child labor, meal and rest periods, time and manner of payment, minimum wage and overtime, withholding and diverting of wages, discrimination, family and medical leave, occupational safety, workers' compensation and unemployment.

In particular, the Nevada Division of Industrial Relations promotes and enforces safety in the workplace and focuses on workers' compensation, occupational safety and health, and safety consultation and training.

- The Occupational Safety and Health Administration of the Nevada Division of Industrial Relations has established requirements for safety training programs and working conditions which we must meet. Since our employees perform a significant portion of their work installing product on hotel and other commercial structures that may be hazardous, these operating hazards can cause personal injury and loss of life, damage to or destruction of property and equipment damage.
- The Workers' Compensation Section of the Nevada Division of Industrial Relations is responsible for ensuring that all employers are in compliance with the mandatory industrial insurance laws of the State of Nevada. The failure to provide workers' compensation can result in an administrative fine up to \$15,000, the imposition of appropriate premium penalties, the close business until insurance has been obtained, and the financial responsibility for all costs arising from a work-related injury. In addition, there are criminal penalties for claims resulting in substantial bodily harm or death.

Taxation

In terms of taxation, the State of Nevada does not have a state corporate income tax, a state gross receipts tax, a state personal income tax, a franchise tax or a unitary tax. However, the State of Nevada does impose a modified business tax, property (ad valorem) tax on real and personal property, a real property transfer tax, a sales and use tax.

- Modified Business Tax. Every employer that is subject to Nevada's unemployment compensation laws (Nevada Revised Statutes Chapter 612) is also subject to a modified business tax on total gross wages less employee health care benefits paid by the employer. Total gross wages are the total amount of all gross wages and reported tips paid for a calendar quarter. Limited exceptions exist as to the payment of the modified business tax.

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- **Property (Ad Valorem) Tax.** All real and personal property is subject to a property (ad valorem) tax payable to the relevant county in which the property is located. The property (ad valorem) tax is assessed on July 1 and based on the assessed value of the property as of such date. Limited exceptions exist as to the payment of property (ad valorem) taxes.
- **Real Property Transfer Tax.** With the exception of certain transactions, any transfer of real property is subject to the imposition of a transfer tax that is paid to the relevant county upon the recordation of the transfer documents. Limited exceptions exist as to the payment of real property transfer taxes.
- **Sales and Use Tax.** Each retailer that sells tangible property for storage, use or other consumption is required to report and remit sales tax on a monthly basis. In the alternative, a use tax is assessed on all tangible property purchased outside of the State of Nevada and stored, used or consumed in the State of Nevada. It is important to note that any one transaction will not be subject to both a sales and a use tax. Limited exceptions exist as to the payment of sales and use taxes.

Environmental

The environmental laws and regulations that are applicable to our operations include those that govern air quality, waste management, water quality and hazardous materials. Depending upon the type and amount of dust, particles, waste or other materials generated or emitted, the State of Nevada may require permits that regulate the manner in which such dust, particles, waste or other materials may be generated, emitted and disposed.

Environmental laws are complex and subject to frequent change. These laws impose strict liability in some cases without regard to negligence or fault. Sanctions for non-compliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances. In addition, businesses may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources.

Additional Considerations

Far East Aluminium Works (U.S.) Corporation and Far East Facade, Inc. maintain insurance coverage in amounts and against the risks believed to be consistent with industry practice. However, since this insurance may not be adequate to cover all potential losses or liabilities, we may not be able to maintain insurance of the types or at levels we deem necessary or adequate or at rates we consider reasonable.

In addition, as with any other business in the State of Nevada, Far East Aluminium Works (U.S.) Corporation and Far East Facade, Inc. are subject to claims and litigation brought by employees, customers and third parties for personal injuries, property damage, product defects and delay damages, that have, or allegedly have, resulted from the conduct of our operations.

APPENDIX VI SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. Memorandum of Association

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 November 1998 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Memorandum of Association (the "**Memorandum**") and the Articles of Association (the "**Articles**") comprise its constitution.

The Memorandum of Association of our Company was adopted on 10 March 2010, and states, inter alia, that the liability of members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

2. Articles of Association

The Articles of Association of our Company were adopted on 10 March 2010 and include provisions to the following effect:

A. *Classes of Shares*

The share capital of our Company consists of ordinary shares. The capital of our Company at the date of effectiveness of the Articles of Association is HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each.

B. *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in our Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by our Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of our Company or the holder thereof, liable to be redeemed.

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(b) Power to dispose of the assets of our Company or any subsidiary

The management of the business of our Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by our Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by our Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by our Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by our Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in our Company or any such subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with our Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with our Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to our Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it

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is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by our Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which he or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal concerning any other company in which the Director or his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that, the Director and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (v) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries including:
 - (aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or [●] under which the Director or his associates may benefit;
 - (bb) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

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- (vi) any contract or arrangement in which the Director or his associates is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his interest in shares or debentures or other securities of our Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of our Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of our Company and shall then be eligible for re-election at that meeting.

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Our Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between our Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). Our Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. Our Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of our Company notice in writing by a member of our Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to our Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of our Company under the Articles of Association.

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At every annual general meeting of our Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Our Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

C. *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

D. *Variation of rights of existing shares or classes of shares*

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

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E. Alteration of capital

Our Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Our Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;
- (ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares.

Our Company may by special resolution reduce its share capital or, any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

F. Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as

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a special resolution has been duly given and includes a special resolution approved in writing by all of the members of our Company entitled to vote at a general meeting of our Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of our Company aforesaid.

G. Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of our Company.

Where any member of our Company is required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of our Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of our Company duly registered and who shall have paid all sums for the time being due from him payable to our Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of our Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

If a recognised clearing house (or its nominee) is a member of our Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its proxy(ies) or

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representative(s) at any general meeting of our Company or at any general meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of our Company holding the number and class of shares specified in such authorisation.

H. Annual general meetings

Our Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months shall elapse between the date of one annual general meeting of our Company and that of the next.

I. Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of our Company, or any of them, shall be open to the inspection of members of our Company (other than officers of our Company) and no such member shall have any right of inspecting any accounts or books or documents of our Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by our Company in general meeting.

The Directors shall, commencing with the first annual general meeting cause to be prepared and to be laid before the members of our Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of our Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of our Company for the period covered by the profit and loss account and the state of our Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of our Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by our Company as provided in the Articles of Association to every member of our Company and every holder of debentures of our Company provided that our Company shall not be required to send copies of those documents to any person of whose address our Company is not aware or to more than one of the joint holders of any shares or debentures and provided that the audited accounts of our Company shall be sent to the members of our Company at the same time as the notice of the annual general meeting.

Our Company shall at any annual general meeting appoint an auditor or auditors of our Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by our Company at the annual general meeting at which they are appointed provided that in respect of any particular year our Company in general meeting may delegate the fixing of such remuneration to the Directors.

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J. Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by giving notice in writing of not less than 20 clear business days (as defined in [●]) and any other extraordinary general meeting shall be called by giving notice in writing of not less than 10 clear business days (as defined in [●]). The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of our Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from our Company).

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of our Company.

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K. Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by [●] and approved by the Directors.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof. All instruments of transfer shall be retained by our Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which our Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with our Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of our Company; and
- (f) a fee of such maximum as [●] may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to our Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement on the [●] or, subject to [●], by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association, or by advertisement published in the newspapers be suspended and the register of members of our Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

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L. Power of our Company to purchase its own Shares

Our Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of our Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by [●].

M. Power of any subsidiary of our Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

N. Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of our Company such interim dividends as appear to the Directors to be justified by the profits of our Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of our Company all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

No dividend shall carry interest against our Company.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of our Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of our Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to

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be of the same class as the class already held by the allottee. Our Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of our Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of our Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of our Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of our Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of our Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to our Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Our Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to our Company.

The Directors may, with the sanction of the members of our Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of our Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of our Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

O. Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of our Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the

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event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of our Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

P. Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of our Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of our Company shall (subject to our Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to our Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

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If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of our Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of our Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to our Company all moneys which at the date of forfeiture were payable by him to our Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

Q. Inspection of register of members

The register of members of our Company shall be kept in such manner as to show at all times the members of our Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on [●], or subject to [●], by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of our Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under [●]) as the Directors may determine for each inspection.

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R. Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of our Company present in person or by proxy shall be a quorum provided always that if our Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of our Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

The quorum for a separate general meeting of the holders of a separate class of shares of our Company is described in sub-paragraph D. above.

S. Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

T. Procedure on liquidation

If our Company shall be wound up, and the assets available for distribution amongst the members of our Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of our Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of our Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If our Company shall be wound up, the liquidator may with the sanction of a special resolution of our Company and any other sanction required by the Companies Law, divide amongst the members of our Company in specie or kind the whole or any part of the assets of our Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of our Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of our Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of our Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

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U. Untraceable members

Our Company shall be entitled to sell any shares of a member of our Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) our Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, our Company has caused an advertisement to be published in the newspapers or subject to [●], by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

A. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

B. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 November 1998 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

C. Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies

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Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

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D. Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see C above for further details).

E. Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

F. Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

G. Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

H. Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

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- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

I. Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

J. Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

K. Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

L. Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

M. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting

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shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

N. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

O. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

P. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (i) by a special resolution of its members if the company is solvent or (ii) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

Q. Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

R. Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor in Council:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and
- (2) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (i) on or in respect of the shares, debentures or other obligations of our Company; or

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- (ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking is for a period of twenty years from 17 November 1998.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

S. Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

T. General

Maples and Calder, our Company's legal advisers on Cayman Islands law, have sent to our Company a letter of advice summarising aspects of Cayman Islands company law. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX VII STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 November 1998.

As our Company is incorporated in the Cayman Islands, its operations are subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of certain relevant parts of its constitution and certain relevant aspects of the Cayman Islands company law is set out in Appendix VI to this document.

2. Changes in the authorised and issued share capital of our Company

As at the date of incorporation of our Company (5 November 1998), our Company had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On the same day, two shares of US\$1 each then held by the initial subscribers were transferred to CATIC. On 26 November 1998, 5,998 new shares of US\$1 each were allotted and issued to CATIC at the subscription price of HK\$43,652,000, which was paid by way of the sale by CATIC to our Company of 6,000 shares of US\$1 each in the capital of Far East Aluminium (B.V.I.) Limited. Pursuant to resolutions passed by the then sole shareholder of our Company (i.e., CATIC), on 19 December 2005, the authorised share capital of our Company was increased to US\$20,000,000 divided into 20,000,000 shares of a nominal or par value of US\$1 each, and on 21 December 2005 a further 18,874,000 new shares of US\$1 were allotted and issued to CATIC, credited as fully paid up at a total subscription price of HK\$234,217,881 by capitalizing a shareholder's loan in the equivalent amount then due and owed by our Company to CATIC.

On 28 December 2007, Showmost acquired the beneficial interest in 18,880,000 shares of US\$1 each in the share capital of our Company, representing its then entire issued share capital, from CATIC at the consideration of HK\$205,000,000 (with the legal transfer effected on 2 January 2008 upon entry of such transfer in the register of members of our Company and became the sole shareholder of our Company thereafter and up to 30 November 2009).

On 30 November 2009, the authorised share capital of our Company was increased by HK\$390,000 by the creation of 39,000,000 new Shares, of which 1,000,000 new Shares were allotted and issued to Showmost at the subscription price of HK\$0.01 each. Immediately thereafter, our Company then repurchased all of the 18,880,000 shares of US\$1 each then in issue at a price of HK\$10,000,000 and cancelled 20,000,000 shares of US\$1 each in the authorised capital of our Company. Immediately following such steps, the number of issued Shares and the number of unissued Shares (both then having a par value of HK\$0.01 each) in the share capital of our Company were 1,000,000 and 38,000,000.

Pursuant to a resolution in writing passed on 10 March 2010, the authorised share capital of our Company was increased to HK\$100,000,000 by the creation of a further 9,961,000,000 Shares.

The authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 1,037,000,000 Shares will be allotted and issued, fully paid or credited as fully paid, and 8,963,000,000 Shares will remain unissued. The Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company.

Save as disclosed herein and in the following paragraphs of this section headed "Further information about our Group", there has been no alteration in the share capital of our Company since its incorporation.

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3. Resolutions in writing of all Shareholders passed on 10 March 2010

Pursuant to the resolutions in writing of all Shareholders passed on 10 March 2010, conditional upon the same conditions to be satisfied and/or waived as stated in this document:

- (i) our Company approved and adopted the Memorandum of Association and Articles of Association;
- (ii) the authorised share capital of our Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of a further 9,961,000,000 Shares;
- (iii) our Directors were authorised to allot and issue such new Shares;
- (iv) conditional on the share premium account being credited as a result of the issue of new Shares by our Company, the Directors were authorised to capitalize HK\$8,490,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 849,000,000 Shares in aggregate for allotment and issue to Shareholders whose names appear on the register of members of our Company at the close of business on 10 March 2010 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share may be allotted and issued) to their then existing shareholdings in our Company;

4. Group reorganisation

The corporate structure of our Group was well established before the commencement of the Track Record Period.

Save for the restructuring of the share capital by our Company and the transfer of share capital in our Company as more particularly described in the paragraph headed "Changes in the authorised and issued share capital of our Company" and the establishment of some of our subsidiaries and changes of the share capital of some of our subsidiaries (as more particularly described in the paragraph headed "Changes in the share capital of the subsidiaries of our Company" of this section headed "Further information about our Group", our Group did not undergo any corporate reorganisation.

5. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the accountants' report of our Group, the text of which is set out in Appendix I to this document. Summarised below are the changes in the share capital of the following subsidiaries of our Company which took place within the two years immediately preceding the date of this document:

(a) *Better View Investment Limited*

On 2 June 2008, Fairwind Nominees Limited transferred 1 share of par value of HK\$1 in the share capital of Better View Investment Limited at nil consideration to FEA Corporate Services Limited.

(b) *Facade Design and Drafting Services Limited*

On 28 May 2008, FEA Engineering Limited transferred 100 shares of par value of HK\$1 each in the share capital of Facade Design and Drafting Services Limited at a consideration of HK\$100 to Far East Facade (HK) Limited.

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(c) *Far East Aluminium Works Canada Corp.*

On 7 May 2008, Far East Aluminium Works Canada Corp. was established as a corporation under the laws of the Province of Ontario with an authorised share capital of an unlimited number of common shares and an unlimited number of special shares, issuable in series, of which 100 common shares were issued to Far East Facade Investments Limited on the date of incorporation.

(d) *Far East Aluminium Works Chile Limitada*

On 15 July 2008, Strong Power International Limited transferred its 0.01% equity rights in Far East Aluminium Works Chile Limitada at a consideration of CLP1,000 to FEA Corporate Services Limited. On the same day, FEA Engineering Limited transferred its 99.99% equity rights in Far East Aluminium Works Chile Limitada at a consideration of CLP10,000 to Far East Facade Investments Limited.

(e) *Far East Aluminium Works Company Limited*

On 2 June 2008, Justinian (Nominees) Limited transferred 1 share of par value of HK\$100.00 in the share capital of Far East Aluminium Works Company Limited at nil consideration to FEA Corporate Services Limited.

(f) *Far East Aluminium Works (Guangzhou) Company Limited*

- (i) On 2 June 2008, Justinian (Nominees) Limited transferred 1 share of par value of HK\$1 in the share capital of Far East Aluminium Works (Guangzhou) Company Limited at nil consideration to FEA Corporate Services Limited.
- (ii) On 19 August 2008, Far East Aluminium (Asia) Limited transferred 1 share of par value of HK\$1 in the share capital of Far East Aluminium Works (Guangzhou) Company Limited at a consideration of HK\$1 to FEA Investments Limited.

(g) *Far East Facade (HK) Limited*

On 20 May 2008, Far East Facade (HK) Limited was incorporated as a company limited by shares under the laws of the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 10,000 shares were issued to Far East Aluminium (B.V.I.) Limited on 28 May 2008.

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(h) Far East Facade Investments Limited

On 19 May 2008, Far East Facade Investments Limited was incorporated as a company limited by shares under the laws of the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 10,000 shares were issued to Far East Aluminium (B.V.I.) Limited on 28 May 2008.

(i) Far East Facade (UAE) Limited

On 20 May 2008, Far East Facade (UAE) Limited was incorporated as a company limited by shares under the laws of the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 10,000 shares were issued to Far East Aluminium (B.V.I.) Limited on 28 May 2008.

(j) Far East Facade (UK) Limited

On 6 August 2008, Far East Facade (UK) Limited was incorporated as a private limited company under the laws of England and Wales with an authorised share capital of GBP1,000 divided into 1,000 shares of GBP1 each, of which 1 share was issued to Far East Facade Investments Limited.

(k) FEA Corporate Services Limited

- (i) On 2 June 2008, Fairwind Nominees Limited transferred 1 share of par value of HK\$1 in the share capital of FEA Corporate Services Limited at nil consideration to Charisma Professionals Limited.
- (ii) On 19 August 2008, FEA Investments Limited transferred 1 share of par value of HK\$1 in the share capital of FEA Corporate Services Limited at a consideration of HK\$1 to Far East Aluminium (B.V.I.) Limited.
- (iii) On 27 November 2008, Charisma Professionals Limited transferred 1 share of par value of HK\$1 in the share capital of FEA Corporate Services Limited at nil consideration to Far East Aluminium (B.V.I.) Limited.

(l) FEA Technology Limited

- (i) On 2 June 2008, Justinian (Nominees) Limited transferred 1 share of par value of HK\$1 in the share capital of FEA Technology Limited at nil consideration to FEA Corporate Services Limited.
- (ii) On 19 August 2008, Far East Aluminium (Asia) Limited transferred 1 share of par value of HK\$1 in the share capital of FEA Technology Limited at a consideration of HK\$1 to FEA Investments Limited.

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(m) *Heng Fai International Limited*

On 23 January 2009, Ready-Made Incorporations Limited transferred 1 share of par value of HK\$1 in the share capital of Heng Fai International Limited at a consideration of HK\$1 to Far East Aluminium (B.V.I.) Limited.

(n) *Netfortune Engineering (FEA) Macau Limited*

On 4 September 2008, Netfortune Limited transferred 1 share with nominal value of MOP\$24,000 in the share capital of Netfortune Engineering (FEA) Macau Limited at a consideration of MOP\$24,000 to Far East Facade Investments Limited. On the same day, Strong Power International Limited transferred 1 share with nominal value of MOP\$1,000 in the share capital of Netfortune Engineering (FEA) Macau Limited at a consideration of MOP\$1,000 to FEA Corporate Services Limited.

(o) *Netfortune Limited*

On 2 June 2008, Justinian (Nominees) Limited transferred 1 share of par value of HK\$1 in the share capital of Netfortune Limited at nil consideration to FEA Corporate Services Limited.

(p) *Seniford Engineering Limited*

- (i) On 30 May 2008, FEA Engineering Limited transferred 1 share of par value of HK\$1 in the share capital of Seniford Engineering Limited at a consideration of HK\$1 to Far East Facade (HK) Limited.
- (ii) On 2 June 2008, Fairwind Nominees Limited transferred 1 share of par value of HK\$1 in the share capital of Seniford Engineering Limited at nil consideration to FEA Corporate Services Limited.

(q) *Strong Power International Limited*

On 2 June 2008, Fairwind Nominees Limited transferred 1 share of par value of HK\$1 in the share capital of Strong Power International Limited at nil consideration to FEA Corporate Services Limited.

(r) *World Eastern Cladding Works (LLC)*

On 19 February 2009, Ren Haifeng transferred 49 shares in the share capital of World Eastern Cladding Works (LLC) at nil consideration to Kwok Yueng Kwong.

Save as disclosed herein, there had been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

6. Registration under Part XI of the Companies Ordinance

Our Company has established its head office and a principal place of business in Hong Kong at 17th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong, and was registered on 8 February 2010 as a non-Hong Kong company under Part XI of the Companies Ordinance, with Kwok Yeung Kwong (being an executive Director), as an authorised person of our Company for the acceptance of service of process and notices in Hong Kong. The address for service of process and notices on our Company is the same as the address of our head office and principal place of business in Hong Kong.

APPENDIX VII STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

7. Summary of material contracts







The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or its subsidiaries within the two years immediately preceding the date of this document and are or may be material:

- (a) the Deed of Non-Competition; and
- (b) the deed of indemnity dated 10 March 2010 executed by Showmost in favour of our Company for itself and as trustee for its subsidiaries stated therein containing (i) the indemnities in respect of taxation and (ii) certain other indemnities and undertakings as more particularly set out in the paragraph headed "Estate duty, tax and other indemnities" under the section headed "Other information" in this Appendix.

8. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following trademarks:

Trademark	Registered owner	Place of registration	Class	Registration number	Date of expiry
   	Far East Aluminium Works Co., Ltd.	Hong Kong	6, 37, 42	300290853	22 September 2014
	Far East Aluminium Works Co., Ltd.	Hong Kong	6, 37, 42	301233594	4 November 2018
	Far East Aluminium Works Co., Ltd.	Hong Kong	37	199710442	20 October 2015

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Patents

As at the Latest Practicable Date, our Group had registered the following patents:

Patent	Registered owner	Place of registration	Patent Number	Date of expiry
LOUVRE SYSTEM 百頁系統	Far East Aluminium Works Co., Ltd.	Hong Kong	HK1074737	20 July 2013
點式幕牆調節支座	Netfortune (Shanghai)	PRC	ZL200720067439.1	16 February 2017
液壓可傾式真空六爪玻璃提升機	Netfortune (Shanghai)	PRC	ZL200820056341.0	18 March 2018
液壓可旋轉式真空四爪玻璃提升機	Netfortune (Shanghai)	PRC	ZL200820056342.5	18 March 2018
液壓直立真空四爪玻璃提升機	Netfortune (Shanghai)	PRC	ZL200820056343.X	18 March 2018

As at the Latest Practicable Date, our Group had applied for the registration of the following patents:

Patent	Applicant	Place of application	Application number	Date of application
可傾式真空負載提升機	Netfortune (Shanghai)	PRC	200810034770.2	18 March 2008
旋轉式真空負載提升機	Netfortune (Shanghai)	PRC	200810034771.7	18 March 2008
直立式真空負載提升機	Netfortune (Shanghai)	PRC	200810034772.1	18 March 2008
點式玻璃幕牆駁接爪	Netfortune (Shanghai)	PRC	200920075708.8	3 August 2009

Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Registrant	Registrar	Date of Expiry
fareastalum.com	Far East Aluminium Works Company Limited	Network Solutions, LLC.	23 February 2015
fareastgp.com	Far East Aluminium Works Company Limited	Network Solutions, LLC.	21 May 2014
fareastglobal.com	Far East Aluminium Works Company Limited	Network Solutions, LLC.	30 October 2019
fareastalum.com.hk	Far East Aluminium Works Company Limited	Hong Kong Domain Name Registration Company Limited	17 December 2014
fareastgp.com.hk	Far East Aluminium Works Company Limited	Hong Kong Domain Name Registration Company Limited	17 December 2014
fareastglobal.com.hk	Far East Aluminium Works Company Limited	Hong Kong Domain Name Registration Company Limited	2 November 2014

APPENDIX VII STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

9. Particulars of service agreements

Each of the executive Directors has entered into a service agreement with our Company for an initial term of three years and renewable automatically for successive terms of one year each commencing from the day following the expiry of the then current term unless and until (i) terminated by either party thereto giving not less than three months' prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the Director not being re-elected as a Director or being removed by Shareholders at general meeting of our Company in accordance with the Articles of Association. Each of our executive Directors (save for Mr. HUANG Brad) shall be entitled to an annual salary as set out below, subject to an annual review by the remuneration committee of the Board. At the end of every financial year of our Company, each of our executive Directors (save for Mr. HUANG Brad) will be entitled to a discretionary management bonus of an amount recommended by the remuneration committee of the Board in respect of that financial year of our Company. The current basic annual salaries of our executive Directors are as follows:

<u>Name</u>	<u>Annual salary</u>
Kwok Yeung Kwong	HK\$1,560,000
Chiu Lok Man	HK\$840,000
Ko Chuk Kin, Herbert	HK\$1,300,000
Total:	<u>HK\$3,700,000</u>

Mr. HUANG Brad will not receive any salary for his salary as an executive Director of our Group under the terms of the service agreement with our Group.

Each of our non-executive Director and independent non-executive Directors is appointed for a fixed term of two years. The annual fee payable to each of the non-executive Director and the independent non-executive Directors shall be HK\$120,000.

10. Directors' remuneration

The aggregate emoluments of approximately HK\$4.9 million and HK\$1.7 million respectively were paid by our Group to the Directors in respect of the financial year ended 31 December 2008 and the nine months ended 30 September 2009.

Under the current arrangements, it is expected that our Directors will be entitled to receive an aggregate remuneration of HK\$4.2 million, for the year ending 31 December 2010, excluding the discretionary bonuses payable to our Directors.

11. Personal guarantees

Within the two years immediately preceding the date of this document, none of our Directors provided any personal guarantee as security for any debts or liabilities incurred by any member of our Group.

12. Related party transactions

During the two years immediately preceding the date of this document, our Group engaged in the related party transactions as mentioned in note (33) of the accountants' report of our Group set out in Appendix I to this document.

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13. Disclaimers

Save as disclosed in this document:

- (i) there are no existing or proposed service agreements (excluding agreements expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Group and any of our Directors;
- (ii) none of our Directors has any direct or indirect interest in the promotion of or in any assets which have been within the two years immediately preceding the date of this document acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired, disposed of by or leased to any member of our Group; and
- (iii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group.

Save as disclosed herein, no other options had been granted or agreed to be granted by our Company as at the Latest Practicable Date.

OTHER INFORMATION

14. Estate duty, tax and other indemnities

Showmost (the "**Indemnifier**") has, under a deed of indemnity referred to in the paragraph headed "Summary of material contracts" in this Appendix, covenanted with our Company (for itself and as trustee for other members of our Group) that it will pay to our Company and/or other members of our Group in respect of taxation which might be payable by any member of our Group on or before the date on which [●] (the "**Effective Date**").

The Indemnifier will, however, not be liable under the deed of indemnity for taxation:

- (a) to the extent that provision, reserve or allowance has been made for such taxation in the accountants' report on the financial information relating to our Group for the three years ended 31 December 2008 and the nine months ended 30 September 2009 as set out in Appendix I to this document and (where applicable) provision or reserve for which will be made in the audited accounts of the relevant member of our Group covering the period from 1 October 2009 to the Effective Date on a basis consistent with that made in the said audited accounts; or
- (b) to the taxation falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after the Effective Date unless liability for such taxation would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier other than any such act, omission or transaction:
 - (1) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date; or

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- (2) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date; or
 - (3) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of the taxation; or
- (c) to the extent of any provisions or reserve made for taxation in the accountants' report of our Group for the three years ended 31 December 2008 and the nine months ended 30 September 2009 as set out in Appendix I to this document which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifier's liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (d) to any incomes, profits or gains earned, accrued or received by any member of our Group or any event occurred after the Effective Date.

Under the deed of indemnity, the Indemnifier has further covenanted with our Company (for itself and as trust for other members of our Group) that it will indemnify our Company and/or other members of our Group on demand against any damages, losses, liabilities, claims, fines, penalties, orders, expenses and costs, or loss of profits, benefits which are or become payable or suffered by any member of our Group as a direct or indirect result of, inter alia, (a) any failure of the relevant lessors or landlords in obtaining the relevant title certificate, construction licences or government approvals for construction and occupation in respect of properties no. 3 set out in the section headed "Group I – Property interests held by the Group for occupation in Hong Kong and the PRC" and 10 set out in the section headed "Group III – Property interests rented by the Group in Canada, Dubai, Hong Kong, Singapore, the PRC and the USA" in Appendix IV to this document; and (2) any failure of our Group in applying for the relevant environmental approval for the expansion of the production facility situated in property no. 10 set out in the section headed "Group III – Property interests rented by the Group in Canada, Dubai, Hong Kong, Singapore, the PRC and the USA" in Appendix IV to this document.

15. Litigation

World Eastern Cladding Works (LLC) ("**World Eastern**"), one of the subsidiaries of our Company, initiated arbitration proceedings with Al Shafar General Contracting LLC ("**Respondent**") in the Dubai International Arbitration Centre ("**DIAC**") in June 2009 in relation to the termination of the subcontracts ("**Subcontracts**") entered into by World Eastern and the Respondent for the three projects in Business Bay ("**Projects J251 and J252**") and Dubai Land ("**Project J253**") areas. The Respondent was the appointed contractor of, and World Eastern was the appointed subcontractor of, these three projects to perform installation of metal, aluminium and glazing works.

In October 2008, the Respondent terminated the Subcontracts alleging that World Eastern had failed to submit the required bank guarantees, which were to be used as performance bond to guarantee World Eastern's obligations under those Subcontracts, within 28 days from receipt of its letter of appointment. However, World Eastern disputed the allegations as it had in fact submitted a draft bank guarantee to the Respondent for its approval pursuant to the terms of the Subcontracts for Projects J251 and J252 but the Respondent terminated the Subcontracts for Projects J251 and J252 whilst the preparation of the related bank guarantees was still in process. With regard to the Subcontract for Project J253, World Eastern had proposed to submit the requisite bank guarantee after receiving the confirmation of the construction period from the Respondent and such

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proposal was originally accepted by the Respondent. However, the Respondent failed to provide such confirmation and terminated the Subcontract for Project J253 instead.

World Eastern is of the view that the submission of bank guarantees was not a condition precedent of the Subcontracts and those Subcontracts were wrongly terminated by the Respondent and that World Eastern had carried out its duties diligently in proceeding with its works and had updated the Respondent regularly regarding the status of progress, including the installation works and material deliveries since the commencement of the construction of the three projects. World Eastern thus claimed against the Respondent for compensation of works done, costs and expenses and other associated amounts. The total sub-contracting amount of these Subcontracts is AED124,050,000 (approximately HK\$260,505,000) and the tentative amount of compensation claimed by World Eastern is AED38,432,000 (approximately HK\$80,707,200). During the Track Record Period, no revenues were recognized in respect of these three projects nor retention monies were retained by the Respondent.

The following table sets forth a summary of the amounts of contract costs incurred, amounts of provision for expected loss, amounts charged to profit or loss and amounts carried forward as amounts due from/(to) customers for contract works of Projects 251 and 252 and Project 253 during the Track Record Period:

	For the year ended 31 December			For the nine months ended September
	2006	2007	2008	2009
	<i>(in HK\$ thousands)</i>			
Contract costs incurred for the year/period	–	385	13,106	1,383
Provision for expected loss for the year/period	–	–	6,674	–
Amounts charged to profit or loss for the year/period	–	–	20,165 ⁽¹⁾	–
Amounts carried forward as amounts due from/(to) customers for contract work.	–	385	(6,674) ⁽²⁾	(5,291) ⁽³⁾

(1) The amounts charged to profit or loss for the year included in the contract costs incurred in 2007 of HK\$385,000, contract costs incurred in 2008 of HK\$13,106,000 and provision for expected loss made in 2008 of HK\$6,674,000.

(2) The amount represents provision for expected loss carried forward as at 31 December 2008.

(3) The amount represents provision for expected loss brought forward from 31 December 2008 of HK\$6,674,000 less amount of contract costs incurred during the nine months ended 30 September 2009 of HK\$1,383,000.

Our directors confirm that full provision has been made for the expected loss on the Projects J251 and J252 and Project J253.

As the Respondent denied all of World Eastern's allegations and in response counterclaimed for breach of the Subcontracts by World Eastern based on the aforesaid alleged default by World Eastern in providing the requisite bank guarantees and, further, its entitlement to terminate the Subcontracts by alleging the failure on the part of World Eastern in performing its works on schedule, it submitted a counterclaim against World Eastern for compensation of damages pursuant to the terms of the Subcontracts. The Respondent has not yet quantified its counterclaim. On 15 October 2009, DIAC accepted the combination of the above disputes into one arbitration proceeding.

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To date, our Directors believe based on advice from Dubai counsel that World Eastern has merits in the arbitration proceeding for the above disputes. The arbitration proceeding will take some time to resolve and our Company cannot predict when this will be ultimately resolved. Despite the impending status of the arbitration proceeding, our Directors are of the view that the operation and business of our Group will not be affected or interrupted as a result thereby. In addition, as the Respondent has not yet quantified the counterclaim against the Group, our Directors believe that the possibility of an outflow of resources to settle the counterclaim is remote. Therefore, no provision for the counterclaim has been made.

Our Directors confirm that, as at the Latest Practicable Date and save as disclosed above, no member of our Group was engaged in any litigation, arbitration or claim of material importance and, no litigation, arbitration or claim of material importance was pending or threatened against any member of our Group.

16. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$3,380 and are payable by our Company.

17. Promoter

There is no promoter of our Company.

18. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

19. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of its subsidiaries had been issued or agreed to be issued or was proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries was under option or was agreed conditionally or unconditionally to be put under option;
 - (iii) no commission had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any share in our Company or any of its subsidiaries; and
 - (iv) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.
- (b) Our Directors have confirmed that (i) save as disclosed under the paragraphs headed "Liquidity and capital resources" and "Indebtedness, contingent liabilities and capital expenditures" in the section headed "Financial information" in this document, there has been no material adverse change in the

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financial or trading position of our Group since 30 September 2009 (being the date to which the latest audited combined financial information of our Group were made up); and (ii) there had not been any interruption in the business of our Group which might have or have had a material adverse effect on the financial position of our Group in the two years immediately preceding the date of this document.

- (c) Our Company has no founder, management or deferred shares.
- (d) Our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities as at the Latest Practicable Date.