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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offers, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your securities in Far East Global Group Limited, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This document should be read in conjunction with the Forms of Acceptance, the contents of which form part of the terms of the Offers.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Forms of Acceptance.

The Offers are not being made, directly or indirectly, in or into the United States of America or any other jurisdiction if to do so would constitute a violation of the relevant laws in such jurisdiction. Copies of this document and the Forms of Acceptance and any accompanying document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent into or from the United States of America or any other jurisdiction if to do so would constitute a violation of the relevant laws in such jurisdiction and persons receiving this document and the Forms of Acceptance (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions as doing so may invalidate any purported acceptance of the Offers.

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**中國建築國際集團有限公司**  
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

*(a company incorporated in the Cayman Islands with limited liability)*

(Stock code: 3311)



**FAR EAST GLOBAL GROUP LIMITED**  
遠東環球集團有限公司

*(a company incorporated in the Cayman Islands with limited liability)*

(Stock code: 830)

### ADD TREASURE HOLDINGS LIMITED

*(a company incorporated in the British Virgin Islands with limited liability)*

**COMPOSITE OFFER DOCUMENT RELATING TO  
MANDATORY UNCONDITIONAL CASH OFFERS  
BY DEUTSCHE BANK FOR AND ON BEHALF OF  
ADD TREASURE HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
FAR EAST GLOBAL GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO  
BE ACQUIRED OR SUBSCRIBED BY  
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED,  
ADD TREASURE HOLDINGS LIMITED  
AND PERSONS ACTING IN CONCERT WITH ANY OF THEM)  
AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF  
FAR EAST GLOBAL GROUP LIMITED**

**Financial Adviser to the Offeror**



*Deutsche Bank AG, Hong Kong Branch*

**Independent Financial Adviser to the Independent Board Committee  
of Far East Global Group Limited**



*Huntington Asia Limited*

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A letter from Deutsche Bank containing, amongst other things, the details of the terms of the Offers is set out on pages 5 to 13 of this Composite Document.

A letter from the Board is set out on pages 14 to 20 of this Composite Document.

A letter from the Independent Board Committee containing its recommendations to the Shareholders and the Option Holders is set out on pages 21 and 22 of this Composite Document. A letter from Huntington Asia, containing its opinion on the Offers and its advice to the Independent Board Committee, the Shareholders and the Option Holders is set out on pages 23 to 41 of this Composite Document.

The procedures for acceptance and other related information are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances should be received by no later than 4:00 p.m. on Friday, 23 March 2012 (or such other time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code).

2 March 2012

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**Accompanying documents:**

**FORMS OF ACCEPTANCE**

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative. Any changes to the timetable will be announced by the Offeror and/or the Company. Unless otherwise specified, all time references contained in this Composite Document refer to Hong Kong time.*

Despatch date of this Composite Document and  
the commencement of the Offers <sup>(Note 1)</sup> .....Friday, 2 March 2012

Latest time and date for acceptance of the Offers  
if not revised or extended <sup>(Note 2)</sup> .....4:00 p.m. on Friday, 23 March 2012

Closing Date of the Offers  
if not revised or extended <sup>(Note 2)</sup> .....Friday, 23 March 2012

Announcement of the results of the Offers or as to  
whether the Offers have been revised or extended  
on the website of the Stock Exchange <sup>(Note 3)</sup> .....by 7:00 p.m. on Friday, 23 March 2012

Latest date for posting of remittances for the amount  
due in respect of valid acceptances received  
under the Offers <sup>(Note 4)</sup> .....Monday, 2 April 2012

*Notes:*

1. The Offers are made on Friday, 2 March 2012, being the date of posting of this Composite Document, and are capable of being accepted on and from this date.
2. The Offers, which are unconditional, will be closed on Friday, 23 March 2012 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. Acceptances tendered after 4:00 p.m. on Friday, 23 March 2012 will only be valid if the Offers are revised or extended. If the Offeror decides to revise or extend the Offers, an announcement will be made stating the next closing date or that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to those Shareholders and Option Holders who have not accepted the Offers and an announcement will be published. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn except in the circumstances set out in the paragraph headed "Right of Withdrawal" in Appendix I to this Composite Document.
3. An announcement will be issued by 7:00 p.m. on Friday, 23 March 2012 as to whether or not the Offers have been revised or extended and, in relation to any extension of the Offers, to state either (if and to the extent revised or extended) the next closing date or that the Offers will remain open until further notice.
4. The consideration payable for the Shares and the Share Options under the Offers will be posted by ordinary post to the Shareholders and the Option Holders accepting the Offers at their own risk as soon as possible, but in any event within 10 days of the date of receipt by the Receiving Agent (in respect of the Share Offer) or the Company Secretary of the Company (in respect of the Option Offer) of all relevant documents necessary to render the acceptance under the Offers complete and valid.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	the meaning ascribed to it under the Takeovers Code
“Announcement”	the joint announcement of CSCIHL, the Offeror and the Company dated 2 February 2012 in relation to the Subscription and the Offers
“associate(s)”	the meaning ascribed to it under the Takeovers Code
“Board”	the board of directors of the Company
“Business Day”	a day other than a Saturday or Sunday, on which banks in Hong Kong are open for business generally
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	23 March 2012, being the closing date of the Offers (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the Takeovers Code, decide)
“Company”	Far East Global Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock code: 830)
“Completion”	completion of the Subscription, which took place on 28 February 2012
“Composite Document”	this composite document dated 2 March 2012 issued jointly by CSCIHL, the Offeror and the Company in connection with the Offers
“CSCIHL”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock code: 3311), and held as to 61.86% by China Overseas Holdings Limited (among which 2.68% is held by its subsidiary, namely Silver Lot Development Limited). China Overseas Holdings Limited is wholly-owned by China State Construction Engineering Corporation Limited which in turn is held more than 50% by China State Construction Engineering Corporation
“CSCIHL Group”	CSCIHL and its subsidiaries
“Deutsche Bank”	Deutsche Bank AG, Hong Kong Branch

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company
“Encumbrances”	any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form(s) of Acceptance”	the WHITE Form of Acceptance and/or the PINK Form of Acceptance
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Huntington Asia”	Huntington Asia Limited
“Independent Board Committee”	the independent committee of the board of the Company, comprising all the independent non-executive Directors of the Company, namely Mr. Zhou Jinsong, Mr. Yen Homer Shih Hung and Mr. Hong Winn, which has been formed to advise the Shareholders and the Option Holders in respect of the Offers
“Independent Shareholders”	Shareholders other than CSCIHL, the Offeror and parties acting in concert with them
“Last Pre-Announcement Trading Day”	14 November 2011, being the last trading day of the Shares prior to the publication of the Announcement
“Latest Practicable Date”	29 February 2012, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company

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## DEFINITIONS

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“Offer Period”	the period from 2 February 2012, being the date of the Announcement, to 4:00 p.m. on the Closing Date, or such other time or date to which the Offeror may decide to extend the Offers in accordance with the Takeovers Code
“Offeror”	Add Treasure Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CSCIHL
“Offers”	collectively, the Share Offer and the Option Offer
“Option Holder(s)”	the holder(s) of the Share Options
“Option Offer”	the mandatory unconditional cash offer for the cancellation of all the outstanding Share Options made by Deutsche Bank for and on behalf of the Offeror
“PINK Form of Acceptance”	the pink form of acceptance and cancellation of Share Options in respect of the Option Offer
“PRC”	the People’s Republic of China, which for the purpose of this document, shall exclude Taiwan and the Macau Special Administrative Region of the PRC
“Receiving Agent”	Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, being the branch share registrar of the Company and the receiving agent for receiving and processing the acceptances of the Offers
“Red Holdings”	Red Holdings Group Inc., a company incorporated in the State of Florida of the United States of America
“Relevant Period”	the period beginning 6 months prior to the commencement of the Offer Period and ending on, and including, the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Shares
“Share Offer”	the mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired or subscribed by CSCIHL, the Offeror and persons acting in concert with any of them) made by Deutsche Bank for and on behalf of the Offeror

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## DEFINITIONS

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“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 10 March 2011
“Share Option(s)”	the outstanding share option(s) granted under the Share Option Scheme, each of which entitling the relevant Option Holder to subscribe for a new Share
“Shares”	ordinary shares with par value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the 1,038,550,000 Subscription Shares by the Offeror pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 2 February 2012 entered into between the Company and the Offeror in relation to the subscription of the Subscription Shares by the Offeror
“Subscription Shares”	1,038,550,000 Shares subscribed by the Offeror pursuant to the Subscription Agreement
“subsidiaries”	the meaning ascribed to it in Section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“WHITE Form of Acceptance”	the white form of acceptance and transfer of Shares in respect of the Share Offer
“%”	per cent.

*Note:* Certain figures included in this Composite Document have been subject to rounding adjustments. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

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**LETTER FROM DEUTSCHE BANK**

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**Deutsche Bank AG, Hong Kong Branch**

52/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

2 March 2012

*To the Shareholders and the Option Holders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS  
BY DEUTSCHE BANK FOR AND ON BEHALF OF  
ADD TREASURE HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
FAR EAST GLOBAL GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO  
BE ACQUIRED OR SUBSCRIBED BY  
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED,  
ADD TREASURE HOLDINGS LIMITED  
AND PERSONS ACTING IN CONCERT WITH ANY OF THEM)  
AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF  
FAR EAST GLOBAL GROUP LIMITED**

**INTRODUCTION**

As set out in the Announcement, the Company entered into the Subscription Agreement with the Offeror on 2 February 2012. Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue to the Offeror, and the Offeror conditionally agreed to subscribe from the Company, 1,038,550,000 new Shares, for a total consideration of HK\$643,901,000.

Completion was conditional on the satisfaction or waiver of conditions set out in the Announcement. As set out in a subsequent joint announcement of CSCIHL, the Offeror and the Company dated 9 February 2012, the Offeror and the Company entered into an addendum to the Subscription Agreement and mutually agreed that Completion shall take place on the Business Day immediately following the fulfilment or waiver of all the conditions. As all the conditions were fulfilled or waived on 27 February 2012, Completion took place on 28 February 2012. As a result of Completion, CSCIHL's direct or indirect shareholding has increased to 1,142,470,000 Shares representing approximately 53.1% (as at the Latest Practicable Date) or approximately 51.0% (assuming all outstanding Share Options are exercised) of the enlarged issued share capital of the Company.

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## LETTER FROM DEUTSCHE BANK

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Accordingly, the Offeror is required to make the Offers (comprising the Share Offer and the Option Offer) pursuant to Rule 26.1 and Rule 13.1 of the Takeovers Code. The Share Offer is for all the issued Shares not already owned or agreed to be acquired or subscribed by CSCIHL, the Offeror and persons acting in concert with any of them, and the Option Offer is for the cancellation of all the outstanding Share Options.

This letter, together with Appendix I to this Composite Document and the accompanying Forms of Acceptance, sets out the terms of the Offers and certain related information.

### UNCONDITIONAL OFFERS

The Offers are unconditional in all respects and are therefore not conditional upon any minimum level of acceptances being received or subject to any other condition.

### THE OFFERS

Deutsche Bank, hereby unconditionally make the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

#### *Share Offer*

For each Share ..... HK\$1.18 in cash

#### *Option Offer*

For cancellation of each of the 23,600,000 outstanding

Share Options with exercise price at HK\$0.52 ..... HK\$0.66 in cash

For cancellation of each of the 61,903,500 outstanding

Share Options with exercise price at HK\$0.65 ..... HK\$0.53 in cash

The minimum offer price of the Share Offer as required under Rule 26 of the Takeovers Code is HK\$0.62 per Share, being the per-Share price paid by the Offeror under the Subscription (i.e. the highest price paid by CSCIHL, the Offeror or any person acting in concert with any of them for Shares during the Offer Period and within 6 months prior to its commencement). CSCIHL considers that the proposed offer price of the Offers could provide shareholders and/or investors of the Company a good and fair opportunity to exit if they so wish, at a level commensurate with the price paid by investors at the initial public offering of the Company.

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## LETTER FROM DEUTSCHE BANK

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### Comparisons of value

#### *Share Offer*

The offer price of HK\$1.18 per Share under the Share Offer represents:

- (a) a premium of approximately 0.9% over the closing price of HK\$1.17 per Share, as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 100.0% over the closing price of HK\$0.59 per Share, as quoted on the Stock Exchange on the Last Pre-Announcement Trading Day;
- (c) a premium of approximately 100.0% over the average closing price of approximately HK\$0.59 per Share, based on the daily closing prices as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Pre-Announcement Trading Day;
- (d) a premium of approximately 110.7% over the average closing price of approximately HK\$0.56 per Share, based on the daily closing prices as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including the Last Pre-Announcement Trading Day;
- (e) a premium of approximately 122.6% over the average closing price of approximately HK\$0.53 per Share, based on the daily closing prices as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Pre-Announcement Trading Day; and
- (f) a premium of approximately 131.4% over the Group's unaudited consolidated net assets of approximately HK\$0.51 per Share calculated based on the Group's unaudited consolidated net assets of approximately HK\$565,278,625 as at 30 June 2011 and 1,112,877,500 Shares in issue as at the date of the Announcement.

#### *Option Offer*

The offer prices in cash of the Option Offer are the respective "see-through" prices, determined by deducting the relevant exercise price of a Share Option from the offer price per Share under the Share Offer.

### Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.17 per Share on 29 February 2012 and HK\$0.48 per Share on 20 October 2011.

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## LETTER FROM DEUTSCHE BANK

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### **Total consideration**

The Company confirms that no new share options will be granted under the Share Option Scheme until closing of the Offers. As at the Latest Practicable Date, there were (a) 2,153,265,000 Shares in issue (including the Subscription Shares); (b) 23,600,000 Share Options with an exercise price of HK\$0.52 per Share; and (c) 61,903,500 Share Options with exercise price of HK\$0.65 per Share. Other than the above, the Company has no other options, warrants, convertible bond or other securities that carry a right to subscribe for or which are convertible into Shares. On the basis of the above and excluding CSCIHL's direct or indirect shareholding of 1,142,470,000 Shares, the total consideration the Offeror is required to pay under the Offers is approximately HK\$1,241,122,955.

Assuming all outstanding Share Options are exercised prior to the closing date of the Offers and excluding CSCIHL's direct or indirect shareholding of 1,142,470,000 Shares, there will be 1,096,298,500 Shares which will be subject to the Offers. On this basis, the maximum consideration the Offeror is required to pay under the Offers is approximately HK\$1,293,632,230 if the Share Offer is accepted in full.

### **Financial Resources**

The Offeror intends to finance the Offers from internal resources of the CSCIHL Group. Deutsche Bank is satisfied that sufficient financial resources are available to the Offeror to satisfy the Subscription and full acceptances of the Offers.

### **Effects of accepting the Offers**

Acceptance of the Share Offer by any of the Shareholders will be deemed to constitute a warranty by such person that all the Shares to be sold by such person under the Share Offer will be free from Encumbrances whatsoever and together with all rights accruing or attaching thereto as at the date of the Announcement or subsequently attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, paid or made on the Shares on or after the date of the Announcement. Similarly, acceptance of the Option Offer by any Option Holder will be deemed to constitute a warranty by such person that the Share Options cancelled, as the case may be, by them under the Option Offer will be free from Encumbrances whatsoever and together with all rights accruing or attaching thereto as at the date of the Announcement or subsequently attaching to them.

Under the terms of the Option Offer, the Share Options held by the accepting Option Holders, together with all rights attaching thereto, will be entirely cancelled and renounced.

In addition, the Board has resolved that it will not declare any dividends until closing of the Offers.

### **Hong Kong stamp duty**

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by relevant Shareholders at a rate of 0.1% of (a) the market value of the Shares; or (b) the consideration payable by the Offeror in respect of the relevant acceptances of the

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## LETTER FROM DEUTSCHE BANK

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Share Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Shareholder accepting the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptances of the Option Offer.

### **Availability of the Offers**

The Offeror intends to make available the Offers to all the Shareholders and all the Option Holders, including those who are residents outside Hong Kong, to the extent practicable. The availability of the Offers to persons not residents in Hong Kong may be affected by the laws of the relevant jurisdictions. Persons who are not residents in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

The attention of the Shareholders and the Option holders who are not resident in Hong Kong is drawn to sub-paragraph (a)(iii) of paragraph 6 headed "General" in Appendix I to this Composite Document.

The Offers are not being made, directly or indirectly, in or into the United States of America or any other jurisdiction if to do so would constitute a violation of the relevant laws in such jurisdiction. Copies of this document and the Forms of Acceptance and any accompanying document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent into or from the United States of America or any other jurisdiction if to do so would constitute a violation of the relevant laws in such jurisdiction and persons receiving this document and the Forms of Acceptance (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions as doing so may invalidate any purported acceptance of the Offers.

The Offeror reserves the right, subject to the consent of the Executive and to legal requirements, to make special arrangements regarding the terms of the Offers in relation to the Shareholders and the Option Holders whose receipt of the Offers or the Composite Document is subject to the laws of an overseas jurisdiction. In addition, the Offeror also reserves the right, subject to the consent of the Executive, to notify any matter, including the making of the Offers, to the Shareholders and the Option Holders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction of which such persons are residents.

In the event that the receipt of the Composite Document by overseas Shareholders or Option Holders is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that the directors of the Offeror regard as unduly onerous or burdensome or otherwise not in the best interests of the Offeror or the Offeror's shareholders as a whole, the Composite Document, subject to Executive's consent, will not be despatched to such overseas Shareholders or Option Holders.

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## LETTER FROM DEUTSCHE BANK

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### INFORMATION ON THE CSCIHL GROUP

CSCIHL is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy business.

The Offeror is an investment holding company.

### REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The board of directors of CSCIHL believes that the Subscription and the Offers will provide a controlling position in an internationally advanced curtain wall manufacturing and installation company that will complement CSCIHL's already leading technical and project management capabilities thus enabling a synergetic effect.

The transaction will provide CSCIHL with related diverse business development opportunities and further geographical diversification, including potential opportunities for cross-selling strong relationships with international contractors, architects and developers, and obtaining synergies through complementing upstream and downstream chain advantages.

Furthermore, the Company will provide an international platform which allows CSCIHL to seek investment opportunities throughout the international markets.

### INTENTIONS OF CSCIHL IN RELATION TO THE COMPANY

If the Offers are completed, CSCIHL intends that the Company will become its indirect non-wholly owned subsidiary. Subject to due compliance with the Listing Rules, this may or may not include the injection of assets or businesses into the Group by CSCIHL or the acquisition or disposal of assets by the Company. CSCIHL Group is expected to engage the Company as domestic sub-contractor or nominated sub-contractor or novated sub-contractor for construction works and other projects.

CSCIHL intends that the Group will continue its existing principal activities after closing of the Offers, subject to a continuing review of its operations and the development of a plan to realise synergies with CSCIHL's other operations. The Offeror also intends that the employment of key employees of the Group will be continued and there will be no material change in the deployment of financial resources or fixed assets of the Group in the near future.

### PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board comprised two executive Directors, one non-executive Director and three independent non-executive Directors. With effect immediately after the despatch of the Composite Document on 2 March 2012, Mr. Huang Brad, an executive Director

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## LETTER FROM DEUTSCHE BANK

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and the chairman of the Board, will be re-designated as a non-executive Director and will cease to be the chairman of the Board; and Mr. Ko Chuk Kin, Herbert will cease to be the chief executive officer of the Company but will remain as an executive Director. In addition, the following new Directors will be appointed with effect immediately after the despatch of the Composite Document on 2 March 2012: (i) Mr. Zhou Yong will be appointed as a non-executive Director and the chairman of the Board; (ii) Dr. Cheong Chit Sun will be appointed as an executive Director, the vice chairman of the Board and the chief executive officer of the Company; and (iii) Mr. Chan Sim Wang will be appointed as an executive Director and the chief financial officer of the Company.

Particulars of the new Directors are set out below:

**Mr. Zhou Yong**, aged 41. Mr. Zhou graduated from Changsha Academy of Military Engineering and University of South Australia. He is Fellow of The Chartered Institute of Building (UK) and The Institution of Civil Engineers (UK). Mr. Zhou joined China State Construction Engineering Corporation in 1994 and was seconded to the CSCIHL Group in 1996. He has been a director of certain subsidiaries of the CSCIHL Group since 2001. Currently, Mr. Zhou is the executive director, vice-chairman and chief executive officer of CSCIHL. Mr. Zhou was awarded the “Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)” by The Hong Kong Institute of Directors in 2009. Mr. Zhou has more than 19 years’ construction, project and corporate management experience in Mainland China and Hong Kong, in particular, specializes in investment and development new business startup, formulating and executing business strategies for companies.

**Dr. Cheong Chit Sun**, aged 60. Dr. Cheong graduated from the Hong Kong Baptist University (formerly known as Hong Kong Baptist College) and the University of Hull (UK) and obtained a PhD Degree from University of Loughborough (UK). He is Fellow of The Institution of Civil Engineers (UK) and a member of The Hong Kong Institution of Engineers. Dr. Cheong joined the CSCIHL Group in 2003. He has been a director of certain subsidiaries of the CSCIHL Group since 2004. Currently, Dr. Cheong is an executive director of CSCIHL and will be re-designated as non-executive director of CSCIHL immediately after the despatch of the Composite Document on 2 March 2012. Dr. Cheong has over 38 years’ experience in engineering, construction and project management in Hong Kong and overseas.

**Mr. Chan Sim Wang**, aged 43. Mr. Chan graduated from Hong Kong Baptist University (formerly known as Hong Kong Baptist College). Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants, Fellow of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. He joined the CSCIHL Group in 1997 and is a director of a subsidiary of the CSCIHL Group since 2010. He is currently the deputy general manager of Finance and Treasury Department of CSCIHL. Mr. Chan has over 19 years’ experience in finance, accounting and auditing. Mr. Chan has experience in supervising the accounts and finance departments of various subsidiaries of CSCIHL in Mainland China and overseas.

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## LETTER FROM DEUTSCHE BANK

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### MAINTAINING THE LISTING STATUS OF THE COMPANY

CSCIHL has no intention to privatize the Company and intends the Company to remain listed on the Main Board of the Stock Exchange after closing of the Offers.

If, at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares, or
- there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the Shares. In this connection, the Company will take appropriate steps to ensure that sufficient public float will be maintained in compliance with the Listing Rules.

### ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

### TAXATION

The Shareholders and the Option Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. None of CSCIHL, the Offeror, Deutsche Bank, the Company or any of their respective directors nor any persons involved in the Offers accepts responsibility for any taxation effects, or liabilities of, any person or persons as a result of their acceptance of the Offers.

### GENERAL

#### Disclosure of dealings in the securities of the Company

The respective associates of CSCIHL, the Offeror and the Company are hereby reminded to disclose their dealings in the securities of the Company under Rule 22 of the Takeovers Code.

All documents and remittances sent by or to the Shareholders and the Option Holders through the ordinary post will be sent by or to them at their own risk. Such documents and remittances will be sent to the Shareholders or the Option Holders at their respective addresses as stated on the relevant Forms of Acceptance or if no such address is stated, as they appear in the registers of members or the Option Holders, of the Company or, in the case of joint Shareholders, to the person whose name appears first on such register.

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## LETTER FROM DEUTSCHE BANK

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None of the CSCIHL, the Offeror, Deutsche Bank, the Company or any of their respective directors or officers or any other person involved in the Offers will be responsible for any loss or delay in transmission or other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Board; (ii) the letter from the Independent Board Committee; (iii) the letter from Huntington Asia; and (iv) the additional information set out in the appendices, which form part of this Composite Document.

### RECOMMENDATIONS

Your attention is drawn to the recommendations in the letters from the Board, the Independent Board Committee and Huntington Asia set out in this Composite Document.

Yours faithfully,

For and on behalf of

**Deutsche Bank AG, Hong Kong Branch**

**Johnson Ngie**

*Managing Director*

**Joe Wei**

*Director*

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## LETTER FROM THE BOARD

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### FAR EAST GLOBAL GROUP LIMITED

遠東環球集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock code: 830)

*Executive Directors:*

Mr. HUANG Brad (*Chairman*)

Mr. KO Chuk Kin, Herbert (*Chief Executive Officer*)

*Non-executive Director:*

Mr. HUNG Cheung Shew

*Independent non-executive Directors:*

Mr. ZHOU Jinsong

Mr. YEN Homer Shih Hung

Mr. HONG Winn

*Registered office:*

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Head office and principal place*

*of business in Hong Kong:*

16th Floor, Eight Commercial Tower

No. 8 Sun Yip Street

Chai Wan

Hong Kong

2 March 2012

*To the Independent Shareholders and the Option Holders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS  
BY DEUTSCHE BANK FOR AND ON BEHALF OF  
ADD TREASURE HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
FAR EAST GLOBAL GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO  
BE ACQUIRED OR SUBSCRIBED BY  
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED,  
ADD TREASURE HOLDINGS LIMITED  
AND PERSONS ACTING IN CONCERT WITH ANY OF THEM)  
AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF  
FAR EAST GLOBAL GROUP LIMITED**

### INTRODUCTION

As set out in the Announcement, the Company entered into the Subscription Agreement with the Offeror on 2 February 2012. Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue to the Offeror, and the Offeror conditionally agreed to subscribe from the Company, 1,038,550,000 new Shares, for a total consideration of HK\$643,901,000.

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## LETTER FROM THE BOARD

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Completion was conditional on the satisfaction or waiver of conditions set out in the Announcement. As set out in a subsequent joint announcement of CSCIHL, the Offeror and the Company dated 9 February 2012, the Offeror and the Company entered into an addendum to the Subscription Agreement and mutually agreed that Completion shall take place on the Business Day immediately following the fulfilment or waiver of all the conditions. As all the conditions were fulfilled or waived on 27 February 2012, Completion took place on 28 February 2012. As a result of Completion, CSCIHL's direct or indirect shareholding has increased to 1,142,470,000 Shares representing approximately 53.1% (as at the Latest Practicable Date) or approximately 51.0% (assuming all outstanding Share Options are exercised) of the enlarged issued share capital of the Company.

Accordingly, the Offeror is required to make the Offers (comprising the Share Offer and the Option Offer) pursuant to Rule 26.1 and Rule 13.1 of the Takeovers Code. The Share Offer is for all the issued Shares not already owned or agreed to be acquired or subscribed by CSCIHL, the Offeror and persons acting in concert with any of them, and the Option Offer is for the cancellation of all the outstanding Share Options.

The terms of the Offers are set out in the letter from Deutsche Bank as well as in Appendix I to this Composite Document of which this letter forms part, this Composite Document and in the accompanying Forms of Acceptance.

The purpose of this Composite Document is to provide you with, among other things: (i) information relating to the Offers and the Group; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders and the Option Holders in relation to the Offers; and (iii) a letter of advice from Huntington Asia to the Independent Board Committee in relation to the Offers.

### UNCONDITIONAL OFFERS

The Offers are unconditional in all respects and are therefore not conditional upon any minimum level of acceptances being received or subject to any other condition.

### THE OFFERS

Deutsche Bank is making the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

#### *Share Offer*

For each Share ..... HK\$1.18 in cash

#### *Option Offer*

For cancellation of each of the 23,600,000 outstanding

Share Options with exercise price at HK\$0.52 ..... HK\$0.66 in cash

For cancellation of each of the 61,903,500 outstanding

Share Options with exercise price at HK\$0.65 ..... HK\$0.53 in cash

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## LETTER FROM THE BOARD

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The minimum offer price of the Share Offer as required under Rule 26 of the Takeovers Code is HK\$0.62 per Share, being the per-Share price paid by the Offeror under the Subscription (i.e. the highest price paid by CSCIHL, the Offeror or any person acting in concert with any of them for Shares during the Offer Period and within 6 months prior to its commencement). The Board notes that the offer price of the Offers is at a higher level than such minimum offer price, and (from the letter of Deutsche Bank set out in this Composite Document) that CSCIHL considers that the offer price of the Offers could provide shareholders and/or investors of the Company a good and fair opportunity to exit if they so wish, at a level commensurate with the price paid by investors at the initial public offering of the Company.

### **Total consideration**

The Company confirms that no new share options will be granted under the Share Option Scheme until closing of the Offers. As at the Latest Practicable Date, there were (a) 2,153,265,000 Shares in issue (including the Subscription Shares); (b) 23,600,000 Share Options with an exercise price of HK\$0.52 per Share; and (c) 61,903,500 Share Options with exercise price of HK\$0.65 per Share. Other than the above, the Company has no other options, warrants, convertible bond or other securities that carry a right to subscribe for or which are convertible into Shares.

Assuming all outstanding Share Options are exercised prior to the closing date of the Offers and excluding CSCIHL's direct or indirect shareholding of 1,142,470,000 Shares, there will be 1,096,298,500 Shares which will be subject to the Offers. On this basis, the maximum consideration the Offeror is required to pay under the Offers is approximately HK\$1,293,632,230 if the Share Offer is accepted in full.

### **Lapse of Share Options**

Holders of Share Options should note that on the date of this Composite Document they become exercisable (if not previously exercisable) at any time within 14 days after such date, and will lapse upon closing of the Offers, pursuant to the Share Option Scheme.

### **Further details of the Offers**

Further details of the Offers including, among others, the terms, the procedures for acceptance and settlement and the acceptance period are set out in the letter from Deutsche Bank as well as in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

### **INFORMATION ON THE GROUP**

The Group is one of the world's leading providers of one-stop architectural envelope solutions that incorporate system design and engineering, procurement, fabrication, assembly, logistics, installation, post-completion maintenance and project management services. The major products of the Group are curtain wall systems made primarily of fabricated aluminum cladding, stainless steel and glass.

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## LETTER FROM THE BOARD

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As at 30 June 2011, the unaudited net asset value of the Group was approximately HK\$565,278,625.

For the financial years ended 31 December 2009 and 31 December 2010, the audited consolidated net profits (both before and after taxation and extraordinary items) of the Group were approximately as follows:

<b>Audited net profits before taxation and extraordinary items (HK\$)</b>		<b>Audited net profits after taxation and extraordinary items (HK\$)</b>	
<i>For the financial year ended 31 December 2009</i>	<i>2010</i>	<i>For the financial year ended 31 December 2009</i>	<i>2010</i>
98,415,946	137,486,506	74,659,220	115,409,566

### UPDATED INFORMATION ABOUT THE COMPANY

The Board wishes to note here for Shareholders' reference the following previously announced information on its latest affairs and developments.

The Company announced in May 2011 the acquisition of a 55% interest in Red Holdings and stated its intention to treat the Red Holdings group of companies as subsidiaries of the Company upon completion. In the Company's interim results for the 6 months ended 30 June 2011, Red Holdings was accounted for as a jointly controlled entity as the view then taken was that the Company had not secured board control. The Company has since amended the constitutional documents of Red Holdings to rectify this. The Company is currently preparing its financial statements for the year ended 31 December 2011 and the Red Holdings group of companies shall be consolidated and accounted for as subsidiaries of the Company.

Set out below are unaudited management accounts data reflecting financial information of Red Holdings as at 30 November 2011 or for the 7 month period ended on 30 November 2011 (as the case may be), which is the period of time from the Company's announcement of acquisition of a 55% interest in Red Holdings to the latest date for which management accounts of Red Holdings are available.

#### **For the 7 months ended 30 November 2011:**

<b>Total Revenue:</b>	US\$25,745,000
<b>Gross profit:</b>	US\$4,320,000
<b>Operating profit:</b>	US\$333,000
<b>Profit before taxation and extraordinary items:</b>	(US\$143,000)

#### **As at 30 November 2011:**

<b>Current assets:</b>	US\$17,917,000
<b>Total assets:</b>	US\$25,300,000
<b>Current liabilities:</b>	US\$4,931,000
<b>Total liabilities:</b>	US\$12,859,000

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF THE COMPANY

Based on the latest public filings made pursuant to Part XV of the SFO and available as at the Latest Practicable Date, the shareholding structure of the Company as at the Latest Practicable Date was as follows:

	<b>Shareholding structure as at the Latest Practicable Date</b>	
	<i>Number of Shares</i>	<i>%</i>
CSCIHL, the Offeror and persons acting in concert with any of them <sup>(Note 1)</sup>	1,142,470,000	53.1
Shares held directly or indirectly by management of the Company <sup>(Note 2)</sup>	413,149,500	19.2
Public	<u>597,645,500</u>	<u>27.8</u>
	<u>2,153,265,000</u>	<u>100.0</u>

*Note 1:*

Mr. Zhou Yong, a director of CSCIHL and therefore a person deemed to be acting in concert with CSCIHL, sold 3,500,000 Shares on 20 September 2011 at HK\$0.52 per Share. As at the Latest Practicable Date, Mr. Zhou Yong had no shareholding in the Company.

As at the Latest Practicable Date, Deutsche Bank, in its capacity as an Exempt Principal Trader, held 56,259,140 Shares as custodian on behalf of its clients (who are beneficial owners of the shares thereof and who control all the voting rights attached thereto) and did not have discretionary management thereof. As these shares are exempt, they are presumed not to be part of the shareholdings acting in concert with CSCIHL or the Offeror and have therefore not been included.

*Note 2:*

Comprising shareholding in the Company held by connected persons of the Company, including (i) directors of the Company; (ii) Showmost Group Limited (management and controlling shareholder of the Company); and (iii) Full Mission Limited (owned as to 100% by Mr. Huang Brad) in trust for certain employees of the Group.

Set out below are details of the Share Options as at the Latest Practicable Date:

<b>Number of Outstanding Share Options</b>	<b>Date of Grant</b>	<b>Exercise Price(HK\$)</b>
61,903,500 <sup>(Note 3)</sup>	29 June 2010	0.65
23,600,000 <sup>(Note 3)</sup>	4 October 2011	0.52

*Note 3:*

Some of the Share Options were not yet exercisable as of the Latest Practicable Date. However, pursuant to the terms of the Share Option Scheme all Share Options which are outstanding on the date on which the Offers become or are declared unconditional (being the date of this Composite Document) will thereupon become exercisable at any time within 14 days after such date. The Offers are unconditional, and accordingly all the outstanding Share Options become exercisable on the date of this Composite Document. All the Share Options will lapse upon closing of the Offers pursuant to paragraph 7 of the Share Option Scheme.

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## **LETTER FROM THE BOARD**

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### **INTENTIONS OF CSCIHL IN RELATION TO THE COMPANY**

Your attention is drawn to the section headed “Intentions of CSCIHL in relation to the Company” in the letter from Deutsche Bank as set out in this Composite Document for information on the intentions of CSCIHL in relation to the Group. The Board has noted the intention of CSCIHL in respect of the Group and its employees and is willing to cooperate with CSCIHL as regards CSCIHL’s intention on the Group which the Board believes is in the interests of the Company and the Shareholders as a whole.

### **PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY**

Your attention is drawn to the section headed “Proposed Change of Board Composition of the Company” in the letter from Deutsche Bank as set out in this Composite Document for information on the proposed change of board composition of the Company.

### **MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Board notes that CSCIHL has no intention to privatize the Company and intends the Company to remain listed on the Main Board of the Stock Exchange after closing of the Offers.

If, at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares, or
- there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the Shares. In this connection, the Company will take appropriate steps to ensure that sufficient public float will be maintained in compliance with the Listing Rules.

### **INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE OF THE COMPANY**

An independent board committee of the Company has been established to advise the Independent Shareholders and the Option Holders in respect of the Offers. The Independent Board Committee is comprised of all independent non-executive directors of the Company. Mr. Hung Cheung Shew, who is a non-executive director of the Company and an executive director of CSCIHL (Mr. Hung holds 581,584 shares in CSCIHL), is not included in the Independent Board Committee. Huntington Asia has been appointed as the independent financial adviser to advise the Independent Board Committee regarding the Offers. In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee has approved the appointment of Huntington Asia as the independent financial adviser in respect of the Offers.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and letter from Huntington Asia as set out in this Composite Document, which set out their recommendations and opinions in relation to the Offers and the principal factors considered by them before arriving at their recommendations.

### ADDITIONAL INFORMATION

Your attention is also drawn to the letter from Deutsche Bank set out in this Composite Document, the accompanying Forms of Acceptance and the additional information set out in the appendices to, and which forms part of, this Composite Document.

Yours faithfully,  
By order of the Board  
**Huang Brad**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter prepared for the purpose of incorporation in this Composite Document received from the Independent Board Committee containing its advice in respect of the Offers for the purposes of the Takeovers Code.*



### **FAR EAST GLOBAL GROUP LIMITED**

**遠東環球集團有限公司**

*(a company incorporated in the Cayman Islands with limited liability)*

**(Stock code: 830)**

2 March 2012

*To the Independent Shareholders and the Option Holders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS  
BY DEUTSCHE BANK FOR AND ON BEHALF OF  
ADD TREASURE HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
FAR EAST GLOBAL GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO  
BE ACQUIRED OR SUBSCRIBED BY  
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED,  
ADD TREASURE HOLDINGS LIMITED  
AND PERSONS ACTING IN CONCERT WITH ANY OF THEM)  
AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF  
FAR EAST GLOBAL GROUP LIMITED**

We refer to the Composite Document dated 2 March 2012 of which this letter forms part. Unless the context requires otherwise, terms defined in the Composite Document are used herein with those defined meanings.

We are the Independent Board Committee established to advise holders of relevant securities of the Company in respect of the Offers for the purposes of the Takeovers Code.

We have been appointed by the Board to consider and to make recommendations to the Shareholders and the Option Holders as to whether or not the terms of the Offers are fair and reasonable and as to acceptance of the Offers. Huntington Asia has been appointed the independent financial adviser to advise us in this respect. Details of its advice, together with the principal factors and reasons taken into account in arriving at such advice, are set out in the "Letter from Huntington Asia" set out on pages 23 to 41 of the Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We draw your attention to the “Letter from Huntington Asia” and also the “Letter from Deutsche Bank” set out in the Composite Document, and the additional information set out in the appendices to the Composite Document.

Having taken into account the terms of the Offers, the principal reasons and factors considered by and the advice and recommendation of Huntington Asia, and in respect of the Share Options the fact that they are all exercisable with effect from the date of the Composite Document and will lapse upon closing of the Offers (unless previously exercised) pursuant to the terms of the Share Option Scheme, we consider that: (i) the terms of the Share Offer are fair and reasonable so far as the Shareholders are concerned and recommend the Shareholders to accept the Share Offer; and (ii) the terms of the Option Offer are fair and reasonable so far as the Option Holders are concerned and recommend the Option Holders to accept the Option Offer.

Yours faithfully,  
Independent Board Committee

**ZHOU Jinsong**

**YEN Homer Shih Hung**

**HONG Winn**

*Independent Non-executive Directors*

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## LETTER FROM HUNTINGTON ASIA

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*The following is the full text of the letter of advice from Huntington Asia to the Independent Board Committee in respect of the Offers, which has been prepared for the purpose of inclusion in this Composite Document.*



Room 1905, 19/F  
COSCO Tower  
Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

2 March 2012

*To the Independent Board Committee*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS  
BY DEUTSCHE BANK FOR AND ON BEHALF OF  
ADD TREASURE HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
FAR EAST GLOBAL GROUP LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO  
BE ACQUIRED OR SUBSCRIBED BY  
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED,  
ADD TREASURE HOLDINGS LIMITED  
AND PERSONS ACTING IN CONCERT WITH ANY OF THEM)  
AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS OF  
FAR EAST GLOBAL GROUP LIMITED**

### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Independent Shareholders and the Option Holders in respect of the fairness and the reasonableness of the term of the Offers and the acceptance or rejection and approval of the Offers. Details of the Offers are set out in the “Letter from the Board” and the “Letter from Deutsche Bank” contained in the Composite Document dated 2 March 2012 to the Independent Shareholders and the Option Holders, of which this letter form part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

The Independent Board Committee comprising all independent non-executive directors of the Company, namely Mr. Zhou Jinsong, Mr. Yen Homer Shih Hung and Mr. Hong Winn, has been established to advise the Independent Shareholders and the Option Holders in respect of the Offers. Mr. Hung Cheung Shew, who is a non-executive director of the Company and an executive director of CSCIHL (Mr. Hung holds 581,584 shares in CSCIHL), is not included in the Independent Board Committee.

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## LETTER FROM HUNTINGTON ASIA

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### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Composite Document and provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, opinions and representations contained or referred to in the Composite Document were true and accurate at the time when they were made and continued to be true and accurate as at the date of the Composite Document and during the period up to the close of the Offers (and should there be any material changes thereto, Shareholders would be notified as soon as possible). We have also assumed that all statements of belief, opinion and intention made by the Directors, the Offeror and CSCIHL in the Composite Document were reasonably made after due enquiries and considerations. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document to provide a reasonable basis for our opinions and recommendations. The Directors have confirmed that having made all reasonable enquiries, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading.

We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Company, the Offeror and/or CSCIHL. In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders and the Option Holders arising from acceptances or non-acceptances of the Offers as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his/her/its acceptance or non-acceptance of the Offers. In particular, the Independent Shareholders and the Option Holders who are overseas residents or citizens or are subject to overseas taxation or Hong Kong taxation on share dealings should consider their own taxation positions, and if in any doubt, should consult their own professional advisers.

### **BACKGROUND TO AND TERMS OF THE OFFERS**

#### **1. Background of the Offers**

On 2 February 2012, the Offeror, a wholly-owned subsidiary of CSCIHL, entered into the Subscription Agreement with the Company, pursuant to which the Company conditionally agreed to allot and issue to the Offeror, and the Offeror conditionally agreed to subscribe from the Company, 1,038,550,000 new Shares (i.e. the Subscription Shares), for a total consideration of HK\$643,901,000.

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## LETTER FROM HUNTINGTON ASIA

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As at 2 February 2012, CSCIHL, either directly or indirectly via its wholly-owned subsidiary, was interested in an aggregate of 103,920,000 Shares (or approximately 9.3% of the existing issued share capital of the Company). Pursuant to Completion of the Subscription which took place on 28 February 2012, CSCIHL's direct or indirect shareholding increased to 1,142,470,000 Shares, representing 51.0% (assuming all outstanding Share Options are exercised) and approximately 53.1% as at the Latest Practicable Date of the enlarged issued share capital of the Company.

### 2. Principal terms of the Offers

Pursuant to Rule 26.1 and Rule 13.1 of the Takeovers Code, the Offeror is required to make the Offers (comprising the Share Offer and the Option Offer). The Share Offer is for all the issued Shares not already owned or agreed to be acquired or subscribed by CSCIHL, the Offeror and persons acting in concert with any of them, and the Option Offer is for the cancellation of all the outstanding Share Options.

Deutsche Bank has been appointed as the financial adviser to the Offeror in respect of the Offers. Deutsche Bank makes the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the terms as follows:

#### *Share Offer*

For each Share..... HK\$1.18 in cash

#### *Option Offer*

For cancellation of each of the 23,600,000 outstanding Share  
Options with exercise price at HK\$0.52..... HK\$0.66 in cash

For cancellation of each of the 61,903,500 outstanding Share  
Options with exercise price at HK\$0.65..... HK\$0.53 in cash

The minimum offer price of the Share Offer as required under Rule 26 of the Takeovers Code is HK\$0.62 per Share, being the per-Share price paid by the Offeror under the Subscription (i.e. the highest price paid by CSCIHL, the Offeror or any person acting in concert with any of them for Shares during the Offer Period and within 6 months prior to its commencement). According to the "Letter from the Board", CSCIHL considers that the offer price of the Offers could provide shareholders and/or investors of the Company a good and fair opportunity to exit if they so wish, at a level commensurate with the price paid by investors at the initial public offering of the Company. The offer prices in cash of the Option Offer are the respective "see-through" prices, determined by deducting the relevant exercise price of a Share Option from the offer price per Share under the Share Offer.

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## LETTER FROM HUNTINGTON ASIA

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion to Independent Board Committee in respect of the Offers, we have taken into consideration the following principal factors and reasons:

#### 1. Reasons and benefits for the Offers

As stated in the “Letter from Deutsche Bank”, the board of directors of CSCIHL believes that the Subscription and the Offers will provide a controlling position in an internationally advanced curtain wall manufacturing and installation company that will complement CSCIHL’s already leading technical and project management capabilities thus enabling a synergetic effect.

The board of directors of CSCIHL also believes that the transaction will provide CSCIHL with related diverse business development opportunities and further geographical diversification, including potential opportunities for cross-selling strong relationships with international contractors, architects and developers, and obtaining synergies through complementing upstream and downstream chain advantages.

Furthermore the Company will provide an international platform which allows CSCIHL to seek investment opportunities throughout the international markets.

According to the Announcement, the Board considers that the Subscription is beneficial to the Company and its shareholders as a whole to raise capital for future business development of the Group. The Board (including the independent non-executive directors of the Company) considers that the Subscription is on an arm’s length basis and on normal commercial terms and is fair and reasonable and is in the interest of the Company and the Shareholders taken as a whole.

The estimated gross proceeds and net proceeds of the Subscription are HK\$643,901,000 and HK\$643,901,000, respectively (as no expenses will be deducted from the gross proceeds of the Subscription, the gross proceeds will be the same as the net proceeds of the Subscription). On that basis, the net price per Subscription Share is HK\$0.62. The directors of the Company intend that the proceeds will be for working capital for future projects and capital expenditures for business expansions.

#### 2. Historical financial performance of the Group

The Group is one of the world’s leading providers of one-stop architectural envelope solutions that incorporate system design and engineering, procurement, fabrication, assembly, logistics, installation, post-completion maintenance and project management services in North America, South America, Greater China, Asia, as well as the Middle East. The major products of the Group are curtain wall systems made primarily of fabricated aluminum cladding, stainless steel and glass. As at the Latest Practicable Date, the Company is beneficially owned by the Offeror and/or CSCIHL as to 1,142,470,000 Shares or approximately 53.1% of the existing issued share capital of the Company.

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## LETTER FROM HUNTINGTON ASIA

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The following is the financial information of the Company as extracted from its audited consolidated financial statements for the two years ended 31 December 2010 and unaudited consolidated financial statements of the Company for the six months ended 30 June 2011, which was prepared in accordance with International Financial Reporting Standards:

**Table I — Financial highlights of the Group**

<i>HK\$'000</i>	<b>For the year ended</b>		<b>For the six</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2009</b>	<b>2010</b>	<b>30 June</b>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Revenue	860,192	866,664	367,353
Profit from operations	98,416	137,487	67,236
Profit attributable to owners of the Company	74,288	110,113	56,481
Earnings per Share of the Company — Basic (HK cents)	8.74	10.45	5.06
Net assets attributable to owners of the Company	338,155	513,978	554,572

The Group recorded an audited turnover of approximately HK\$866.7 million (2009: approximately HK\$860.2 million) and an audited profit attributable to owners of the Company of approximately HK\$110.1 million (2009: approximately HK\$74.3 million) for the financial year ended 31 December 2010, representing approximately 0.75% increase in turnover and approximately 48.22% increase in profit attributable to owners of the Company as compared with that for the financial year ended 31 December 2009. According to the 2010 annual report of the Group, the increase in turnover was mainly due to the engagement in major projects, such as the Costanera Center in Chile, the Yau Tong Shopping Centre project in Hong Kong, and the Shangri-La Toronto and SAIT Trades & Technology Complex projects in Canada which started to contribute to the revenue in the second half of 2010. The significant increase in profit attributable to owners of the Company was attributable to the satisfactory margins achieved in the US projects like Cosmopolitan Resort Hotel and Casino project in Las Vegas, Trinity Plaza project in San Francisco, The One project and Kerry Centre project in Hong Kong, Shanghai IFC (North Tower) project in Mainland China and Marina Bay Sands Integrated Resort project in Singapore of which the installation works were successfully completed in 2010. It is further stated in the 2010 annual report of the Group that such satisfactory margins were attributable to (1) the dedicated effort of the Group's innovative design teams and well-experienced project teams; (2) the Group's ability to win landmark projects with high margin; (3) the Group's stringent cost control system; and (4) the Group's PRC sourcing and production to complete the projects with satisfactory margins while at the same time delivering total customer satisfaction.

According to the 2011 interim report of the Group, the unaudited turnover for the six months ended 30 June 2011 showed a slight drop by 6.8% to approximately HK\$367.4 million, as compared to approximately HK\$394.0 million for the six months ended 30 June 2010; the slight drop was primarily due to the fact that the major projects in progress like the Kai Tak Cruise Terminal in Hong Kong were in their early preparatory or design stages and the progress of the Costanera Centre in Chile

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## LETTER FROM HUNTINGTON ASIA

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was slower than expected and hence could not contribute to the revenue until the second half of 2011. However, profit attributable to owners of the Company was approximately HK\$56.5 million for the six months ended 30 June 2011, as compared to HK\$54.7 million for the six months ended 30 June 2010, representing a slight increase of approximately 3.3%.

Earnings per Share of the Company amounted to HK\$5.06 cents for the six months ended 30 June 2011, as compared to HK\$5.52 cents for the six months ended 30 June 2010, while net assets attributable to owners of the Company as at 30 June 2011 was approximately HK\$554.6 million, as compared to approximately HK\$514.0 million as at 31 December 2010.

### 3. Business operation review of the Group

The Group is principally engaged in the facade contracting business, including the design, engineering, manufacture and installation of curtain wall systems made primarily of fabricated aluminum cladding, stainless steel and glass in North America, South America, Greater China, Asia, as well as the Middle East. With reference to the turnover and profit of the Group set out above, we consider that the business has been generating steady income and cash flows for the Group.

The Group's revenue is derived from four reportable segments principally based on the geographical locations of the projects and is 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 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.

**Table II — Analysis of turnover of the Group by reportable segments**

<i>HK\$'000</i>	<b>For the six</b>		
	<b>For the year ended</b>		<b>months ended</b>
	<b>31 December</b>	<b>30 June</b>	<b>30 June</b>
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
North America	450,958	385,286	185,367
Greater China	263,228	346,169	136,656
Asia	125,795	54,952	35,455
Others	<u>20,211</u>	<u>80,257</u>	<u>9,875</u>
Total	<u>860,192</u>	<u>866,664</u>	<u>367,353</u>

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## LETTER FROM HUNTINGTON ASIA

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According to the 2010 annual report of the Group, revenue derived from North America segment decreased significantly by approximately HK\$65.7 million, or approximately 14.6%, from approximately HK\$451.0 million for the year ended 31 December 2009 to approximately HK\$385.3 million for the year ended 31 December 2010. The decrease in revenue from the North America segment was primarily due to a substantial portion of the work of the Group's projects in the United States of America having been completed in 2009 and the Group's new projects in Canada starting to contribute to the revenue only in the second half of 2010. Revenue derived from the Greater China segment increased substantially by approximately HK\$82.9 million, or approximately 31.5%, from approximately HK\$263.2 million for the year ended 31 December 2009 to approximately HK\$346.2 million for the year ended 31 December 2010. The increase in revenue from Greater China segment was primarily due to recognition of revenue from a number of sizable projects. The decrease in revenue from the Asia segment was primarily due to substantial portion of work of the projects being completed in 2009, while the Group's revenue was compensated by the increase in revenue from other regions due to the recognition of revenue from the Costanera Center (Tower II) project which resumed in 2010.

According to the 2011 interim report of the Group, revenue derived from the North America segment increased by approximately HK\$19.1 million, or approximately 11.5%, from approximately HK\$166.3 million for the six months ended 30 June 2010 to approximately HK\$185.4 million for the six months ended 30 June 2011. The increase in revenue from the North America segment was primarily because the Group's existing projects in Canada continued to contribute to the revenue in the first half of 2011. In contrast to North America segment, revenue derived from the Greater China segment decreased by approximately HK\$34.4 million, or approximately 20.1%, from approximately HK\$171.1 million for the six months ended 30 June 2010 to approximately HK\$136.7 million for the six months ended 30 June 2011. The decrease in revenue from the Greater China segment was primarily due to the fact that the Group's new projects in Hong Kong were still in their early preparatory stages during the first half of 2011 and made a relatively insignificant contribution to revenue.

As disclosed in an announcement of the Group dated 5 May 2011, the Group entered into an agreement to acquire a 55% equity interest in Red Holdings and its operating subsidiaries. Red Holdings has been engaging in the building façade and curtain wall business in the United States in areas such as New York and Florida. The Directors consider that the acquisition would enable the Group to be better positioned in capturing future opportunities in the North America market.

As stated in the 2011 interim report of the Group, the Group's backlog had expanded significantly following the acquisition of Red Holdings, and the Group and Red Holdings had outstanding contracts of an aggregate remaining value exceeding approximately HK\$2 billion as at 30 August 2011, and about half of this amount being attributable to Red Holdings.

According to the "Letter from the Board", the followings are unaudited management accounts data reflecting financial information of Red Holdings for the seven months ended on 30 November

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## LETTER FROM HUNTINGTON ASIA

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2011 or as at 30 November 2011 (as the case may be), which is the period of time from the Company's announcement of acquisition of a 55% interest in Red Holdings to the latest available management accounts of Red Holdings:

**For the seven months ended 30 November 2011:**

Total Revenue	US\$25,745,000
Gross profit	US\$ 4,320,000
Operating profit	US\$ 333,000
Profit before taxation and extraordinary items	(US\$ 143,000)

**As at 30 November 2011:**

Current assets	US\$17,917,000
Total assets	US\$25,300,000
Current liabilities	US\$ 4,931,000
Total liabilities	US\$12,859,000

#### 4. Intentions of CSCIHL in relation to the Company

According to the "Letter from Deutsche Bank", if the Offers are completed, CSCIHL intends that the Company will become its indirect non-wholly owned subsidiary. Subject to due compliance with the Listing Rules, this may or may not include the injection of assets or businesses into the Group by CSCIHL or the acquisition or disposal of assets by the Company. CSCIHL Group is expected to engage the Company as domestic sub-contractor or novated sub-contractor for construction works and other projects.

CSCIHL intends that the Group will continue its existing principal activities after closing of the Offers, subject to a continuing review of its operations and the development of a plan to realise synergies with CSCIHL's other operations. The Offeror also intends that the employment of key employees of the Group will be continued and there will be no material change in the deployment of financial resources or fixed assets of the Group in the near future.

CSCIHL has no intention to privatize the Company and intends the Company to remain listed on the Main Board of the Stock Exchange after closing of the Offers.

If, at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares, or
- there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the Shares. In this connection, the Company will take appropriate steps to ensure that sufficient public float will be maintained in compliance with the Listing Rules.

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## LETTER FROM HUNTINGTON ASIA

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As at the Latest Practicable Date, the Board comprised two executive Directors, one non-executive Director and three independent non-executive Directors. It is the intention of the Offeror to nominate new Directors to the Board with effect immediately after the despatch of the Composite Document on 2 March 2012. On the same date, Mr. Huang Brad, an executive Director and the chairman of the Board, will be re-designated as a non-executive Director and will cease to be the chairman of the Board; and Mr. Ko Chuk Kin, Herbert will cease to be the chief executive officer of the Company but will remain as an executive Director. Please refer to the section headed “Proposed Change of Board Composition of the Company” in the “Letter from Deutsche Bank” for details.

Based on the above, we note that there would not be any material changes on the business operations of the Group immediately following the Offers.

### 5. Effects on the Shareholding Structure of the Company

Based on the latest public filings made pursuant to Part XV of the SFO, the shareholding structure of the Company as at the Latest Practicable Date is as follows:

	Shareholding structure As at the Latest Practicable Date	
	Number of Shares	%
CSCIHL, the Offeror and persons acting in concert with any of them <sup>(Note 1)</sup>	1,142,470,000	53.1
Shares held directly or indirectly by management of the Company <sup>(Note 2)</sup>	413,149,500	19.2
Public	<u>597,645,500</u>	<u>27.8</u>
	<u>2,153,265,000</u>	<u>100.0</u>

*Note 1:*

Mr. Zhou Yong, a director of CSCIHL and therefore a person deemed to be acting in concert with CSCIHL, sold 3,500,000 Shares on 20 September 2011 at HK\$0.52 per Share. As at the Latest Practicable Date, Mr. Zhou had no shareholding in the Company.

As at the Latest Practicable Date, Deutsche Bank, in its capacity as an Exempt Principal Trader, held 56,259,140 Shares as custodian on behalf of its clients (who are beneficial owners of the shares thereof and who control all the voting rights attached thereto) and did not have discretionary management thereof. As these shares are exempt, they are presumed not to be part of the shareholdings acting in concert with CSCIHL or the Offeror and have therefore not been included.

*Note 2:*

Comprising shareholding in the Company held by connected persons of the Company, including (i) the directors of the Company; (ii) Showmost Group Limited (management and controlling shareholder of the Company); and (iii) Full Mission Limited (owned as to 100% by Mr. Huang Brad) in trust for certain employees of the Group.

Set out below are details of the Share Options as at the Latest Practicable Date:

Number of Outstanding Share Options	Date of Grant	Exercise Price (HK\$)
61,903,500 <sup>(Note 3)</sup>	29 June 2010	0.65
23,600,000 <sup>(Note 3)</sup>	4 October 2011	0.52

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## LETTER FROM HUNTINGTON ASIA

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*Note 3:*

Some of the Share Options were not yet exercisable as of the Latest Practicable Date. However, pursuant to the terms of the Share Option Scheme all Share Options which are outstanding on the date on which the Offers become or are declared unconditional (being the date of this Composite Document) will thereupon become exercisable at any time within 14 days after such date. The Offers are unconditional, and accordingly, all the outstanding Share Options become exercisable on the date of this Composite Document. All the Share Options will lapse upon closing of the Offers pursuant to paragraph 7 of the Share Option Scheme.

### 6. Future Prospects of the Group

We note in the 2011 interim report of the Group which was published in August 2011 that the management expected the global building façade market to be volatile and challenging in the second half of 2011. The Group began the tendering process in large infrastructure projects in Hong Kong such as the Hong Kong section of Guangzhou-Shenzhen-Hongkong Express Rail Link. The Group continued to seek out high margin projects in China alongside Hong Kong developers. The Group saw increasing building activities along with the east coast of the United States as well as Chicago and Los Angeles via Red Holdings in the United States, as well as in the Canada market. The Group had also been invited to explore business opportunities in Saudi Arabia, Europe and other Asian countries.

For the six months ended 30 June 2011, we noted that the Group's revenue was mainly attributable to the North America and Greater China regions which accounted for approximately 50.5% and 37.2% of the Group's total revenue respectively. With the economic recovery of the United States of America and the acquisition of a 55% equity interest in Red Holdings, the contracts from Red Holdings of an aggregate value of approximately HK\$1.0 billion amounted to about half of the Group's outstanding contracts as at 30 June 2011.

The Group saw the potential growth in the Greater China curtain wall market driven by rapid urbanization and the PRC government's policies under its "Twelfth Five Years Plan" to boost the development of infrastructure and construction. Based on the foregoing, the management of the Group remains confident of the long term prospects of the curtain wall markets in different regions, North America and Greater China in particular.

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## LETTER FROM HUNTINGTON ASIA

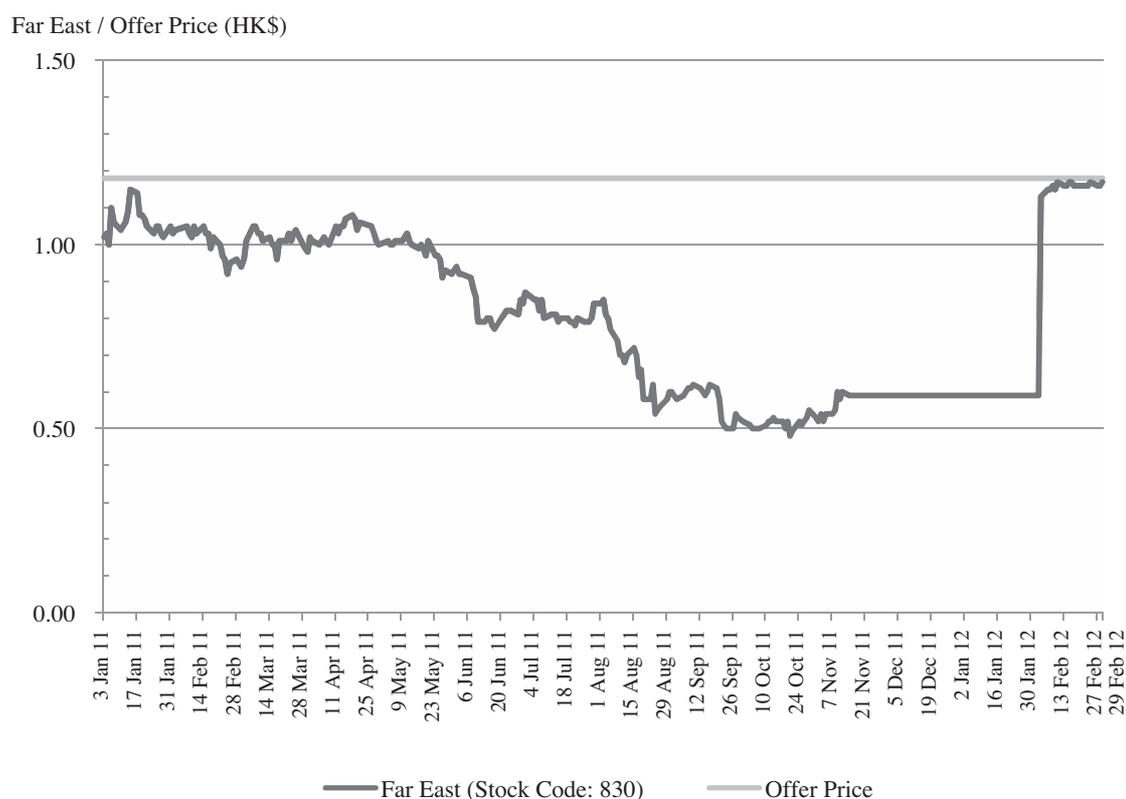
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### 7. Share price performance and trading volume

#### *Share price performance*

In order to assess the fairness and reasonableness of the offer prices of the Offers, we have reviewed the movements in trading price of the Shares during the period from January 2011 and up to the Latest Practicable Date (“Review Period”). The closing prices of the Shares during the Review Period are set out in Chart I below:

**Chart I — Closing prices of the Shares during the Review Period**



Data source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: Trading of Shares was suspended on 5 May 2011; and during the period from 15 November 2011 to 2 February 2012.

As illustrated in Chart I above, the Shares were traded below the offer price of HK\$1.18 per Share under the Share Offer. During the Review Period, the closing prices of the Shares ranged from the lowest of HK\$0.48 per Share (recorded on 20 October 2011) to the highest of HK\$1.17 per Share (recorded on 10, 15, 16, 24 and 29 February 2012). The average closing price of the Shares during the Review Period was approximately HK\$0.86 (with 232 trading days within the Review Period). The closing price of the Shares was HK\$1.17 per Share and HK\$0.59 per Share respectively on the Latest Practicable Date and the Last Pre-Announcement Trading Day.

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## LETTER FROM HUNTINGTON ASIA

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In evaluating the offer price of HK\$1.18 per Share under the Share Offer, we have compared it with the closing prices of the Shares on the Last Pre-Announcement Trading Day and the Latest Practicable Date; the average closing prices of the Shares during the Review Period prior to the Last Pre-Announcement Trading Day; and the average closing price of the Shares from the Last Pre-Announcement Trading Day up to the Latest Practicable Date; and the unaudited consolidated net assets attributable to owners of the Company as at 30 June 2011 (“Reference Closing Prices”) as follows:

**Table VI — Comparison of offer price with the Reference Closing Prices**

	<b>Reference Closing Prices (HK\$)</b>	<b>Premium represented by offer price of the Share Offer over the Reference Closing Prices</b>
Closing price on the Latest Practicable Date	1.17	0.85%
19-day average closing price from the Last Pre-Announcement Trading Day up to the Latest Practicable Date	1.16	1.72%
Closing price on the Last Pre-Announcement Trading Day	0.59	100.00%
5-day average closing price immediately prior to and including the Last Pre-Announcement Trading Day	0.59	100.00%
10-day average closing price immediately prior to and including the Last Pre-Announcement Trading Day	0.56	110.71%
30-day average closing price immediately prior to and including the Last Pre-Announcement Trading Day	0.53	122.64%
60-day average closing price immediately prior to and including the Last Pre-Announcement Trading Day	0.55	114.55%
120-day average closing price immediately prior to and including the Last Pre-Announcement Trading Day	0.68	73.53%
180-day average closing price immediately prior to and including the Last Pre-Announcement Trading Day	0.80	47.50%
210-day average closing price immediately prior to and including the Last Pre-Announcement Trading Day	0.83	42.17%
Unaudited consolidated net assets of the Company attributable to owners of the Company as at 30 June 2011	0.50	136.00%

*Data source: Website of the Stock Exchange (www.hkex.com.hk)*

We note that the offer price of HK\$1.18 per Share under the Share Offer represents a premium over the Reference Closing Prices of the Company as quoted from the Stock Exchange up to and including the Latest Practicable Date.

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## LETTER FROM HUNTINGTON ASIA

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According to information from the website of the Stock Exchange, there were 232 trading days in respect of the Shares during the Review Period, and all of which the closing prices of the Shares were below the offer price of HK\$1.18 per Share under the Share Offer. The closing prices of the Shares started to decline gradually from May and June 2011. We believe that it is in line with the general decline of Hang Seng Index from early March 2011 to the Last Pre-Announcement Trading Date.

During the period after the publication of the Announcement and up to the Latest Practicable Date (“Post-Announcement Period”), the closing prices of the Shares ranged from HK\$1.13 to HK\$1.17 with an average of approximately HK\$1.16. As at the Latest Practicable Date, the offer price under the Share Offer was HK\$1.18, representing a premium of approximately 1.72% to the average closing price of the Shares for the Post-Announcement Period. As such, we believe that the surge in the closing prices of the Shares after the publication of the Announcement was likely due to the market speculation on the change in control of the Company and the Offers.

The Independent Shareholders should note that the closing prices of the Shares were below the Offer Price at all times during the Review Period and rose slightly below the offer prices in the Offers after the publication of the Announcement. Based on the analysis above, we are of the view that the substantial increase may not be representative in view of the likely speculation on the change in control of the Company and the Offers. There is no guarantee that the trading price of the Shares will remain at a level similar to the offer price with the Share Offer during, or in particular after, the Offer Period.

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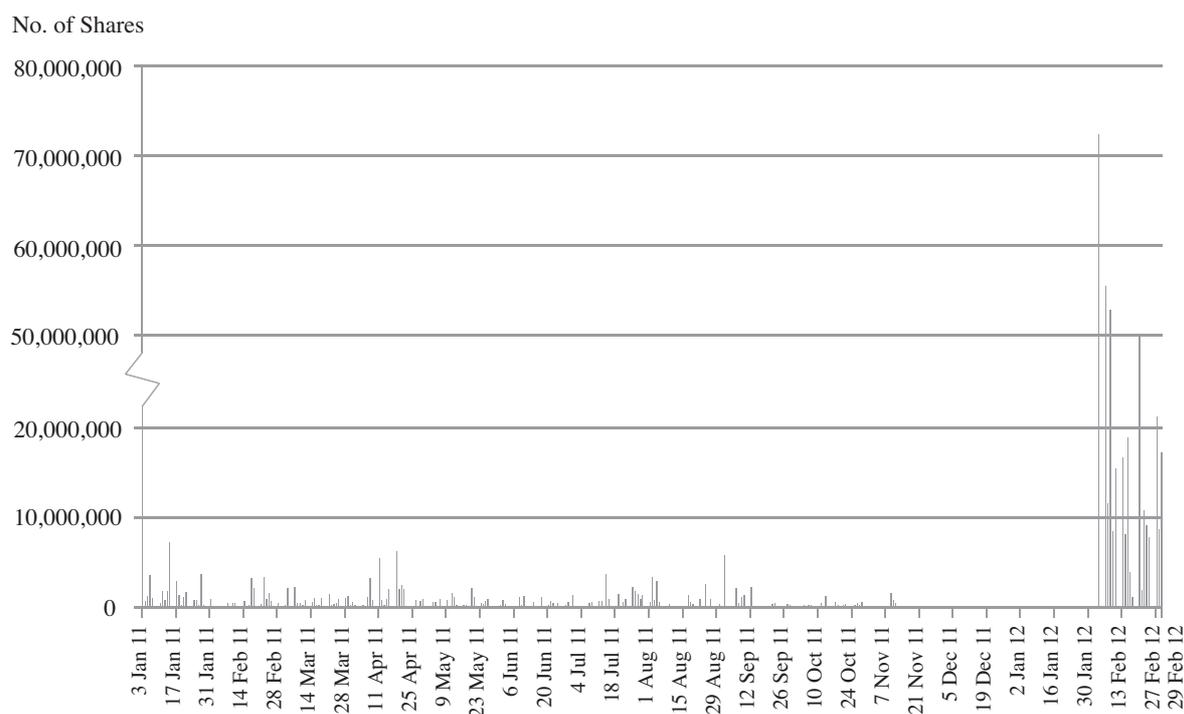
## LETTER FROM HUNTINGTON ASIA

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### *Trading volume*

The chart (“Trading Volume Chart”) below illustrates the daily trading volume of the Shares during the Review Period.

**Chart II — Trading volume of the Company during the Review Period**



*Data source: Website of the Stock Exchange (www.hkex.com.hk)*

*Note: Trading of Shares was suspended on 5 May 2011; and during the period from 15 November 2011 to 2 February 2012.*

In analysing the liquidity of the Shares, the following table sets out the daily average trading volume during the Review Period and the percentage which the daily average trading volume represents of the relevant existing issued share capital of the Company as at the Latest Practicable Date respectively.

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## LETTER FROM HUNTINGTON ASIA

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**Table VII — Daily average trading volume for the Company during the Review Period**

	<b>Daily average trading volume</b>	<b>Based on the entire issued share capital as at the Latest Practicable Date Approximate %</b>
<b>2011</b>		
January	1,585,768	0.074%
February	882,222	0.041%
March	734,783	0.034%
April	1,707,618	0.079%
May	672,684	0.031%
June	499,048	0.023%
July	927,650	0.043%
August	746,826	0.035%
September	781,125	0.036%
October	331,500	0.015%
November (up to the Last Pre-Announcement Trading Date)	364,400	0.017%
<b>2012</b>		
February (from 3 February 2012 to the Latest Practicable Date)	20,655,232	0.959%

Data source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Note 1: The percentages are calculated based on the daily average trading volume divided by the share capital of the Company of 2,153,265,000 Shares as at the Latest Practicable Date*

Given the low trading volume of the Shares during the Review Period, we anticipate that the Independent Shareholders may have difficulties in selling a significant number of Shares in the open market within short period of time if the same trading pattern persists after Offer Period. We therefore consider that the Share Offer provides an opportunity to the Independent Shareholders to realise their investment in the Shares. Nevertheless, Independent Shareholders who wish to dispose of part or all of their Shares during the Offer Period should consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the disposal of such Shares in the open market would exceed that receivable under the Share Offer.

### 8. Comparison with market comparable

For the purpose of assessing the offer price of the Share Offer, we have also identified, reviewed and compared the price to earnings ratio (the “PER”) and the price to net assets attributable to owners ratio (the “PBR”) of Yuanda China Holdings Limited (“Yuanda”, stock code: 2789) as the most

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## LETTER FROM HUNTINGTON ASIA

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comparable to the Group. Yuanda is the only company listed on the Stock Exchange which is mainly engaged in the design, procurement, production, sale and installation of curtain wall systems. Both the Group and Yuanda have very similar business models (both mainly operate curtain wall business) and are operating in similar geographical areas (both operate in the PRC and overseas markets). To the best of our knowledge, Yuanda is an exhaustive list of company comparable to the Group listed on the Stock Exchange.

We have compared the PER and PBR implied by the offer price of the Share Offer with the PER and PBR of Yuanda based on the closing share price as at the Last Pre-Announcement Trading Date and the Latest Practicable Date, and our analysis is set forth in the following tables:

**Table VIII — PER of the Company and Yuanda**

<b>Company</b>	<b>Stock Code</b>	<b>Market capitalisation as at the Last Pre-Announcement Trading Date (HK\$ million)</b>	<b>PER based on share price as at the Last Pre-Announcement Trading Date (Times)</b>	<b>Market capitalisation as at Latest Practicable Date (HK\$ million)</b>	<b>PER based on share price as at Latest Practicable Date (Times)</b>
Yuanda	2789	6,830 <sup>1</sup>	5.00 <sup>3</sup>	7,326 <sup>2</sup>	5.36 <sup>3</sup>
Far East	830	657 <sup>4</sup>	5.65 <sup>6</sup>	2,519 <sup>5</sup>	11.20 <sup>6</sup>
Far East based on the offer price of the Share Offer			11.29 <sup>6</sup>		11.29 <sup>6</sup>

*Data source: Website of the Stock Exchange (www.hkex.com.hk)*

Note 1: Calculated based on 6,208,734,000 shares of Yuanda in issue and closing price of Yuanda of HK\$1.10 as at the Last Pre-Announcement Trading Date (i.e. 14 November 2011)

Note 2: Calculated based on 6,208,734,000 shares of Yuanda in issue and closing price of Yuanda of HK\$1.18 as at the Latest Practicable Date (i.e. 29 February 2012)

Note 3: Calculated based on earnings per share of RMB0.18 (equivalent to approximately HK\$0.22) for the year ended 31 December 2010

Note 4: Calculated based on 1,112,877,500 shares in issue and closing price of HK\$0.59 as at the Last Pre-Announcement Trading Date (i.e. 14 November 2011)

Note 5: Calculated based on 2,153,265,000 shares in issue and closing price of HK\$1.17 as at the Latest Practicable Date (i.e. 29 February 2012)

Note 6: Calculated based on earnings per share of HK\$10.45 cents for the year ended 31 December 2010

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## LETTER FROM HUNTINGTON ASIA

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**Table IX — PBR of the Company and Yuanda**

Company	Stock Code	Net assets attributable to owners of the Company as at 30 June 2011 (HK\$ million)	PBR based on share price as at the Last Pre-Announcement Trading Date (Times)	PBR based on share price as at the Latest Practicable Date (Times)
Yuanda	2789	4,419	1.55 <sup>1</sup>	1.66 <sup>2</sup>
Far East	830	555	1.18 <sup>3</sup>	4.54 <sup>4</sup>
Far East based on the offer price of the Share Offer			2.37 <sup>5</sup>	4.58 <sup>6</sup>

*Data source: Website of the Stock Exchange (www.hkex.com.hk)*

Note 1: Calculated based on 6,208,734,000 shares in issue and closing price of HK\$1.10 as at the Last Pre-Announcement Trading Date (i.e. 14 November 2011)

Note 2: Calculated based on 6,208,734,000 shares in issue and closing price of HK\$1.18 as at the Latest Practicable Date (i.e. 29 February 2012)

Note 3: Calculated based on 1,112,877,500 shares in issue and closing price of HK\$0.59 as at the Last Pre-Announcement Trading Date (i.e. 14 November 2011)

Note 4: Calculated based on 2,153,265,000 shares in issue and closing price of HK\$1.17 as at the Latest Practicable Date (i.e. 29 February 2012)

Note 5: Calculated based on 1,112,877,500 shares in issue and offer price of HK\$1.18 as at the Last Pre-Announcement Trading Date (i.e. 14 November 2011)

Note 6: Calculated based on 2,153,265,000 shares in issue and offer price of HK\$1.18 as at the Latest Practicable Date (i.e. 29 February 2012)

As illustrated in the above tables, the PER implied by the offer price of the Share Offer of approximately 11.29 times the profit attributable to owners of the Company for the year ended 31 December 2010 is at a premium of approximately 125.80% over the PER of Yuanda as at the Last Pre-Announcement Trading Date and approximately 110.63% over the PER of Yuanda as at the Latest Practicable Date. While the PBR implied by the offer price of the Share Offer of approximately 4.58 times the net assets attributable to owners of the Company as at 30 June 2011 is at a premium of approximately 195.48% over the PBR of Yuanda as at the Last Pre-Announcement Trading Date and approximately 175.9% over the PBR of Yuanda as at the Latest Practicable Date.

Overall, based on the comparison of the offer price of the Share Offer with the closing price of the Shares and comparison of the PER and PBR implied by the offer price of the Share Offer with the Group and Yuanda, we consider that the offer price of the Share Offer is attractive to the Shareholders of the Company as a whole.

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## LETTER FROM HUNTINGTON ASIA

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### 9. The Option Offer

As at the Latest Practicable Date, there were 23,600,000 outstanding Share Options with an exercise price of HK\$0.52 per Share and 61,903,500 outstanding Share Options with an exercise price of HK\$0.65 per Share, which entitled the holders thereof to subscribe for up to an aggregate of 85,503,500 new Shares. Based on the offer prices of the Option Offers of HK\$0.66 per Share Option with an exercise price of HK\$0.52 in respect of 23,600,000 outstanding Share Options involving 23,600,000 Shares and HK\$0.53 per Share Option with an exercise price of HK\$0.65 in respect of 61,903,500 outstanding Share Options involving 61,903,500 Shares (each as the Latest Practicable Date), the maximum amount payable under the Option Offer (assuming no option has been exercised from the Latest Practicable Date up to the date of Completion and the Option Offer are accepted in full) is approximately HK\$48.4 million.

We note that the principle of equality of treatment has been applied under the Takeover Code. Given that the exercise prices of the outstanding Share Options are lower than the offer price of the Share Offer and thus are “in-the-money”, and “see-through” prices have been adopted to make the Option Offers, being the intrinsic value for the outstanding Share Options at HK\$0.52 and HK\$0.65 per Share and the offer price of the Share Offer of HK\$1.18 for each offer of the Share, the Share Options will lapse upon the closing of the Option Offers, we are of the opinion that the offer prices of the Option Offer are fair and reasonable.

The Option Holders are hereby advised to consider whether to exercise their Share Options and sell the option shares in the open market if the market price of the Shares exceeds the sum of the exercise prices of the Share Options and the offer prices of the Share Options during the Offer Period and the net proceeds from such sale (after deducting the amount payable for exercising the Share Options and the transaction costs) would exceed the net amount receivable under the Option Offer.

### RECOMMENDATION

Having considered the above principal factors and reasons, in particular the following:

- (1) the offer price of the Share Offer of HK\$1.18 per Share is well above the net price for Subscription Shares of HK\$0.62;
- (2) the offer price of the Share Offer of HK\$1.18 per Share represents a premium ranging from 42.17% to 136.00% over the average closing price of the Shares for 5-day, 10-day, 30-day, 60-day, 120-day, 180-day and 210-day prior to and including the Last Pre-Announcement Trading Day; the closing price of the Share as at the Last Pre-Announcement Trading Day; and the unaudited consolidated net assets of the Company attributable to owners of the Company per Share as at 30 June 2011;
- (3) the offer price of the Share Offer of HK\$1.18 per Share represents a slight premium ranging from 0.85% to 1.72% over the 19-day average closing price of the Shares immediately after the Last Pre-Announcement Trading Day and up to the Latest Practicable Date; and the closing price of the Shares as at the Latest Practicable Date;

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## LETTER FROM HUNTINGTON ASIA

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- (4) the PER implied by the Offer Price of approximately 11.29 times is higher than the PER of the single available comparable company identified and reviewed by us; and the PBR implied by the Offer Price of approximately 4.58 times is higher than the PBR of the comparable company;
- (5) rapidly changing in global financial markets and economy; and the possible intensified competition among curtain wall industry players due to economies of scale; and
- (6) the lack of liquidity of the Shares during the Review Period which may hinder the Independent Shareholders in disposing of their Shares in the open market after the close of the Offers without exerting downward pressure on the price of the Shares;

we consider that the terms of the Share Offer and Option Offer are fair and reasonable so far as the Independent Shareholders and the Option Holders are concerned and acceptable to the Independent Shareholders and the Option Holders. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and the Option Holders to approve and accept the Offers. For those Independent Shareholders and the Option Holders who are attracted by and confident in the future prospects of the Group and/or the Offeror and wish to retain their interest in the Company, they should carefully consider the future intention of the Offeror regarding the Group and evaluate the prospects of the Group under the control of the Offeror after the close of the Offers.

### GENERAL

In the event that the closing price of the Shares exceeds the respective offer prices in the Offers during the period of the Offers, and the sales proceeds (net of transaction costs) would exceed the amount receivable under the Share Offer, the Independent Shareholders and the Option Holders should consider not accepting the Offers and consider seeking to (exercise Share Options early where feasible, in case of Option holders, and) sell their Shares in the market if they are able to do so.

Independent Shareholders and the Option Holders are advised that their decision to realise or to hold their investment in the Shares (and/or exercise Share Options early where feasible, in case of Option Holders) on their own individual circumstances and investment objectives. Those Independent Shareholders and the Option Holders who may not be able to realise a higher return from exercising their Share Options and/or selling their Shares in the open market are recommended to accept the Offer, which provides a reasonable alternative exit so as to realise all or part of their investment in the Shares. Those Independent Shareholders who, after considering the information on CSCIHL and its intentions regarding the Company, are attracted by the synergies gained from the Group following the Offers, should consider retaining some or all of their Shares.

Yours faithfully,  
For and on behalf of  
**Huntington Asia Limited**  
**Helen Zee**  
*Managing Director*

## 1. ACCEPTING THE OFFERS

### 1.1 The Share Offer

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand to the Receiving Agent at Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, with "Share Offer" marked on the envelope.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares, you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer to the Receiving Agent; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Receiving Agent, and send the duly completed and signed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Receiving Agent; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the last date on which acceptances of the Share Offer must be received by the Receiving Agent). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the last date on which acceptances of the Share Offer must be received by the Receiving Agent).
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Acceptance should nevertheless be completed and delivered to the Receiving Agent together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Receiving Agent as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Receiving Agent for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Receiving Agent.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Acceptance and deliver it to the Receiving Agent together with transfer receipt(s) that you have duly signed. Such action will be deemed to be an irrevocable authority to CSCIHL, Deutsche Bank and/or the Offeror or their respective agent(s) to collect from the Receiving Agent on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Receiving Agent as if it was/they were delivered to the Receiving Agent with the **WHITE** Form of Acceptance.
- (f) Unless otherwise decided by the Offeror, acceptance of the Share Offer will be treated as valid only if the completed and signed **WHITE** Form of Acceptance is received by the Receiving Agent no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code), and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Share certificate(s) is/are not in your name, such other documents as are required in order to establish your right to become the registered holder of the relevant Shares;
- (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or

- (iii) certified by the Receiving Agent or the Stock Exchange.
- (g) If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Receiving Agent must be produced.
- (h) Seller's ad valorem stamp duty for transfers of Shares registered by the Receiving Agent arising in connection with acceptance of the Share Offer will be payable by each accepting Shareholder at the rate of 0.1% of (i) the market value of the Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Shareholder accepting the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (i) No acknowledgement of receipt of any **WHITE** Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## 1.2 The Option Offer

- (a) If you accept the Option Offer, you should complete and sign the accompanying **PINK** Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.
- (b) The completed and signed **PINK** Form of Acceptance should be forwarded, together with the relevant certificate(s) of the relevant Share Options stating the number of Share Options in respect of the Share Options granted which you intend to accept the Option Offer, by post or by hand to the Company Secretary of the Company at Far East Global Group Limited, 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong, with "Option Offer" marked on the envelope, as soon as possible and in any event so as to reach the Company Secretary of the Company at the aforesaid address no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code).
- (c) No stamp duty will be deducted from the amount paid to the Option Holders who accept the Option Offer.
- (d) No acknowledgement of receipt of any **PINK** Form of Acceptance and/or certificate(s) of the Share Options will be given.

### 1.3 General

Subject to the terms of the Takeovers Code, acceptance(s) of the Offers may, at the discretion of the Offeror, be treated as valid even if not entirely in order or not accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), but, in such cases, the consideration due will not be despatched until the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) has/have been received by the Receiving Agent. However, subject to the Executive's consent, such acceptances will not be counted as valid acceptances of the Offers unless Rule 30.2 of the Takeovers Code has been fully complied with.

## 2. SETTLEMENT OF THE OFFERS

### 2.1 The Share Offer

Provided that a valid **WHITE** Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Receiving Agent no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code), a cheque for the amount due to each Shareholder less seller's ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Share Offer will be despatched to the Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 10 days of the date of receipt of the completed **WHITE** Form of Acceptance and all the relevant documents by the Receiving Agent from the Shareholder accepting the Share Offer.

### 2.2 The Option Offer

Provided that a valid **PINK** Form of Acceptance and the relevant certificate(s) of the Share Options are complete and in good order in all respects and have been received by the Company Secretary of the Company no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code), a cheque for the amount due to each Option Holder in respect of the Share Options surrendered by him/her under the Option Offer will be despatched to the Option Holder by ordinary post at his/her own risk as soon as possible but in any event within 10 days of the date of receipt of the duly completed **PINK** Form of Acceptance and all relevant documents by the Company Secretary of the Company from the Option Holder accepting the Option Offer.

### 2.3 Consideration

Settlement of the consideration to which any Shareholder or Option Holder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers (save in respect of the payment of seller's ad valorem stamp duty) without regard to any lien, right of setoff, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder or Option Holder, as the case may be.

**3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) the Offeror has the right, subject to the Takeovers Code, to extend the Offers after the despatch of this Composite Document or to revise the terms of the Offers. Any decision to extend the latest time and/or date for acceptances may be made at any time up to, and will be announced no later than, the time on the relevant date stipulated in the section headed “Announcements” in this Appendix, or any such later time and date as the Executive may agree.
- (b) Unless the Offers are validly extended, all acceptances must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Forms of Acceptance and the Offers will be closed on the Closing Date.
- (c) If the Offers are extended, the announcement of such extension will state the next closing date.
- (d) If the Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.
- (e) If in the course of the Offers, the Offeror revises the terms of the Offers, all the Shareholders and the Option Holders, whether or not they have already accepted the Offers, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date.
- (f) The acceptance by or on behalf of a Shareholder of the Share Offer or an Option Holder of the Option Offer in its original and/or any previously revised form shall be treated as an acceptance of the relevant Offer(s) as so revised.
- (g) Any acceptance of the relevant revised Offer(s) and/or any election pursuant thereto shall be irrevocable unless and until the accepting Shareholder/Option Holder becomes entitled to withdraw his/her/its acceptance under the paragraph headed “Right of Withdrawal” below and duly does so.

**4. ANNOUNCEMENTS**

- (a) By 6:00 p.m. (or such later time as the Executive may in exceptional circumstances permit) on the Closing Date, the Offeror will inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Offers. The Offeror will publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offers have been revised or extended. The announcement will state the total number of Shares and Share Options and rights over Shares:
- (i) for which acceptances of the Offers have been received;
  - (ii) held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
  - (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it.

The announcement shall include the details of any relevant securities in the Company which the Offeror or any person acting in concert with the Offeror has borrowed or lent (save for any borrowed Shares which have been on-lent or sold). The announcement will also specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

If the Offeror is unable to comply with any requirements of Rule 19 of the Takeovers Code, the Executive may require that Shareholders and Option Holders who have tendered their Form(s) of Acceptance to accept the Offer(s) be granted a right of withdrawal on terms acceptable to the Executive, until the requirements of Rule 19 of the Takeovers Code can be met.

- (b) In computing the total number of Shares and Share Options represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in this Appendix, and which have been received by the Receiving Agent or the Company Secretary of the Company respectively no later than 4:00 p.m. on the Closing Date (being the latest time and date for acceptance of the Offers) shall be included.

**5. RIGHT OF WITHDRAWAL**

- (a) As the Offers are unconditional in all respects, acceptances by Shareholders or Option Holders shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" in this Appendix, the Executive may require that Shareholders and Option Holders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

**6. GENERAL**

- (a) Each Shareholder and Option Holder by whom, or on whose behalf, a Form of Acceptance is executed, irrevocably undertakes, represents, warrants and agrees to and with CSCIHL, the Offeror and Deutsche Bank, so as to bind him, her or it, their personal representatives, heirs, successors and assigns, to the following effect:
- (i) that the execution of the relevant Form of Acceptance whether or not any boxes are completed shall constitute:-
- (A) an acceptance of the Share Offer or Option Offer in respect of the number of Shares or Share Options inserted or deemed to be inserted in the relevant Form of Acceptance on and subject to the terms set out or referred to in this Composite Document and in such Form of Acceptance and that, subject only to the right of withdrawal set out or referred to in this Appendix, each such acceptance shall be irrevocable, and
- (B) an undertaking to execute any further documents, take any further actions and give any further assurances which may be required in connection with the foregoing including, without limitation, to secure the transfer of the Shares in respect of which he, she or it has accepted or is deemed to have accepted the Offers to the Offeror and the benefit of all dividends and distributions paid, made or declared on or after the close of the Offers;
- (ii) the Shares acquired under the Share Offer and the Share Options tendered under the Option Offer are sold or tendered by such person or persons free from all Encumbrances whatsoever and together with all rights accruing or attaching thereto as at the date of the Announcement or subsequently attaching to them, including in respect of the Shares, the right to receive in full all dividends and other distributions, if any, declared, paid or made on the Shares on or after the date of the Announcement;
- (iii) if such acceptor is an overseas Shareholder or Option Holder, that he, she or it has observed the laws of all relevant territories, obtained any and all requisite governmental, exchange control or other consents which may be required, complied with all requisite formalities and paid any and all transfer or other taxes or duties due from him or her in connection with such acceptance in any territory, that he, she or it has not taken or omitted to take any action which will or may result in CSCIHL, the Offeror, Deutsche Bank or any other person acting or being in breach of the legal or regulatory requirements of any territory in connection with the Offers or his or her acceptance thereof and he, she or it is permitted under the laws of the relevant jurisdictions in connection therewith to receive and accept the Offers (and any revision thereof), and that such acceptance is valid and binding in accordance with the laws of the relevant jurisdictions in connection therewith;

- (iv) that such Shareholder or Option Holder will deliver or procure the delivery to the Receiving Agent (in the case of the Share Offer) or the Company Secretary of the Company (in the case of the Option Offer) of his or her relevant Share or Share Option certificate(s) (if any) and/or transfer receipt(s) and/or any other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof (as applicable);
- (v) that the execution and delivery of the relevant Form of Acceptance to the Receiving Agent (in the case of the Share Offer) or the Company Secretary of the Company (in the case of the Option Offer) constitutes a separate and irrevocable authority and request to the Offeror and/or Deutsche Bank to procure the despatch by post of a cheque in respect of any cash payment in connection with the Offers, at the risk of such Shareholder or Option Holder, to the person or agent whose name and address is set out in the relevant Form of Acceptance or, if none is set out, to the first-named or the sole registered holder of the relevant Shares or Share Options at his or her registered address;
- (vi) that the terms and conditions of the Offers contained in this Composite Document shall be incorporated in and form part of the relevant Form of Acceptance, which shall be read and construed accordingly;
- (vii) that in relation to the Offers, he, she or it will do all such acts and things as shall be necessary or expedient to vest in the Offeror, or its nominees or such other person as the Offeror may decide, the Shares and/or Share Options to which such acceptance relates;
- (viii) that acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to CSCIHL, the Offeror and Deutsche Bank that the number of Shares or Share Options indicated in the Forms of Acceptance is the aggregate number of Shares or Share Options held by such nominee for such beneficial owners who are accepting the Offers;
- (ix) that the Offers and all acceptances thereof, the Forms of Acceptance and all contracts made pursuant to the Offers, and all actions taken or made or deemed to be taken or made pursuant to these terms, are governed by and shall be construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of the relevant Shareholder or Option Holder will constitute a submission by such Shareholder or Option Holder in relation to all matters arising out of the Offers and the relevant Form of Acceptance to the jurisdiction of the courts of Hong Kong and the agreement of such Shareholder or Option Holder that nothing shall limit the right of CSCIHL, the Offeror or Deutsche Bank to bring an action, suit or proceeding arising out of or in connection with the creation, validity, effect, interpretation or performance of the legal relations established in relation to the Offers and the Forms of Acceptance in any other manner permitted by law or in any court of competent jurisdiction;

- (x) that in relation to any acceptance of the Share Offer in respect of a holding of Shares which is in uncertificated form, the Offeror and Deutsche Bank reserve the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Share Offer whether in order to comply with the facilities or requirements of CCASS or otherwise, provided such alterations, additions or modifications are consistent with the requirements of Rule 30.2 of the Takeovers Code or are otherwise made with the consent of the Executive;
  - (xi) that due execution of the relevant Form of Acceptance in respect of the Offers will constitute an irrevocable instruction and authority to CSCIHL, the Offeror and Deutsche Bank, any director of CSCIHL, any director of the Offeror and any director of Deutsche Bank or their respective agents to complete, amend and execute, on behalf of the Shareholders and the Option Holders who accept the Offers, the Forms of Acceptance and any document and, in relation to the Offers, to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as the Offeror shall direct, the Shares or for the cancellation of the Share Option(s) which are the subject of such acceptance;
  - (xii) that in making their decision in respect of the Offers, Shareholders and Option Holders will rely on their own examination of CSCIHL, the Offeror, the Company, and that the terms of the Offers, including the merits and risks involved, and that the contents of this Composite Document, including any general advice or recommendation contained herein, together with the Forms of Acceptance will not be construed as any legal or business advice and that Shareholders and Option Holders should consult their own professional advisers for professional advice; and
  - (xiii) that the terms, provisions, instructions and authorities contained in or deemed to be contained in the Forms of Acceptance constitute part of the terms of the Offers. The provisions of this Appendix shall be deemed to be incorporated into the Forms of Acceptance.
- (b) All communications, notices, Forms of Acceptance, certificate(s) of Shares or certificate(s) of the Share Options, transfer receipt(s), other documents of title or indemnities and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Shareholders and the Option Holders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of CSCIHL, the Offeror, parties acting in concert with any one of them, Deutsche Bank, the Company, the Receiving Agent nor any of their respective directors or other parties involved in the Offers or any of their respective agents shall accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (c) Notwithstanding any other provision in this Composite Document or the Forms of Acceptance and subject to the provisions of the Takeovers Code, the Offeror and Deutsche Bank reserve the right to treat acceptances as valid if received by or on behalf of either of them at any place or places or in any manner determined by either of them otherwise than as set out in this Composite Document or in the Forms of Acceptance, provided however that, subject to the Executive's consent, such acceptances will not be counted as valid acceptances of the Offers unless Rule 30.2 of the Takeovers Code has been fully complied with.
- (d) The accidental omission to despatch this Composite Document and/or the Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (e) References to the Offers in this Composite Document and in the Forms of Acceptance shall include any revision and/or extension thereof.
- (f) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

## 1. THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated results of the Group for each of the three financial years ended 31 December extracted from the audited consolidated financial statements of the Group for 2008, 2009 and 2010 and the Group's unaudited consolidated results for the six months ended 30 June extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011. The auditor's reports issued by RSM Nelson Wheeler in respect of the audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2008, 2009 and 2010 did not contain any qualification. The summary consolidated income statement for the Group for each of the three financial years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011 set out below does not contain any extraordinary items or exceptional items.

Prior to the listing of the Company on 25 February 2010 and 12 March 2010, the Group declared dividend of HK\$24.0 million, representing HK\$24 per ordinary share and special dividend of HK\$198.6 million, representing HK\$198.6 per ordinary share, respectively to its shareholders. An interim dividend of approximately HK\$16.7 million, representing HK\$0.015 per ordinary share, was paid to the shareholders in October 2010. A final dividend of approximately HK\$16.7 million, representing HK\$0.015 per ordinary share, was paid to the shareholders in June 2011. Save for the dividends paid to shareholders mentioned above, no other dividends have been paid or declared by the Group during each of the financial years ended 31 December 2008, 2009, and 2010.

HK\$	For the 6	For the years ended		
	months ended 30 June 2011	2010	31 December 2009 2008	
Revenue/Turnover	367,352,520	866,664,104	860,191,699	1,284,708,864
Gross profit	107,302,998	225,671,283	192,153,238	253,126,528
Profit from operations	67,236,162	137,486,506	98,415,946	138,027,770
Profit before tax	67,236,162	137,486,506	98,415,946	139,604,652
Profit for the period	59,383,276	115,409,566	74,659,220	103,134,129
Profit attributable to Owners of the Company	56,481,285	110,113,165	74,287,799	104,992,755
Profit attributable to Minority Interest	2,901,991	5,296,401	371,421	-1,858,626
Earnings per share				
Basic (HK cents)	5.06	10.45	8.74	12.35
Diluted (HK cents)	4.93	10.37	N/A	N/A
Non-current assets	323,050,702	83,279,019	72,909,752	79,301,985
Current assets	629,492,653	749,843,218	729,276,182	818,439,282
Current liabilities	387,264,730	311,807,185	462,216,831	594,202,806
Net assets	565,278,625	521,315,052	339,969,103	303,538,461

**2. AUDITED FINANCIAL INFORMATION**

- (I) The following is an extract of a report on the Group received from RSM Nelson Wheeler from the 2009 annual report of the Group.

**Independent Auditor's Report****RSM Nelson Wheeler**

中瑞岳華(香港)會計師事務所

Certified Public Accountants

**TO THE SHAREHOLDERS OF  
FAR EAST GLOBAL GROUP LIMITED  
(FORMERLY KNOWN AS FAR EAST GROUP LIMITED)  
(Incorporated in the Cayman Islands with limited liability)**

We have audited the consolidated financial statements of Far East Global Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 109, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements 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.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**RSM Nelson Wheeler***Certified Public Accountants*

Hong Kong

24 April 2010

**Consolidated Income Statement**  
**For the year ended 31 December 2009**

	<i>Notes</i>	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
<b>Revenue/Turnover</b>	6	860,191,699	1,284,708,864
Cost of sales		<u>(668,038,461)</u>	<u>(1,031,582,336)</u>
<b>Gross profit</b>		192,153,238	253,126,528
Other income	7	2,762,196	8,974,267
Administrative expenses		(93,099,488)	(115,973,025)
Other operating expenses		<u>(3,400,000)</u>	<u>(8,100,000)</u>
<b>Profit from operations</b>		98,415,946	138,027,770
Finance costs	8	—	(2,486)
Gain on disposal of a subsidiary		<u>—</u>	<u>1,579,368</u>
<b>Profit before tax</b>		98,415,946	139,604,652
Income tax expense	9	<u>(23,756,726)</u>	<u>(36,470,523)</u>
<b>Profit for the year</b>	10	<u>74,659,220</u>	<u>103,134,129</u>
<b>Profit for the year attributable to:</b>			
Owners of the Company	12	74,287,799	104,992,755
Minority interests		<u>371,421</u>	<u>(1,858,626)</u>
		<u>74,659,220</u>	<u>103,134,129</u>
<b>Earnings per share:</b>			
Basic (HK cents)	14	<u>8.74</u>	<u>12.35</u>
Diluted (HK cents)	14	<u>N/A</u>	<u>N/A</u>

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2009**

	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Profit for the year</b>	<u>74,659,220</u>	<u>103,134,129</u>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	675,954	1,510,739
Fair value changes of available-for-sale investments	<u>450,138</u>	<u>(790,096)</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>1,126,092</u>	<u>720,643</u>
<b>Total comprehensive income for the year</b>	<u><u>75,785,312</u></u>	<u><u>103,854,772</u></u>
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the Company	75,413,891	105,206,087
Minority interests	<u>371,421</u>	<u>(1,351,315)</u>
	<u><u>75,785,312</u></u>	<u><u>103,854,772</u></u>

**Consolidated Statement of Financial Position**  
**At 31 December 2009**

	<i>Notes</i>	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
<b>Non-current assets</b>			
Property, plant and equipment	15	41,264,027	53,580,172
Prepaid land lease payments	16	1,886,672	2,096,677
Available-for-sale investments	17	26,786,042	20,875,904
Rental and utility deposits		<u>2,973,011</u>	<u>2,749,232</u>
		<u>72,909,752</u>	<u>79,301,985</u>
<b>Current assets</b>			
Inventories	19	68,772	796,933
Non-current assets held for sale	20	2,803,922	—
Gross amount due from customers for contract work	21	65,901,529	50,865,440
Trade and retention receivables	22	249,834,506	414,203,080
Amount due from a related party		—	5,327,220
Prepayments, deposits and other receivables		23,058,513	18,530,124
Current tax assets		102,180	—
Available-for-sale investments	17	14,761,000	—
Pledged time deposits	24	57,061,570	38,189,400
Bank and cash balances	24	<u>315,684,190</u>	<u>290,527,085</u>
		<u>729,276,182</u>	<u>818,439,282</u>
<b>Current liabilities</b>			
Gross amount due to customers for contract work	21	261,756,950	421,879,640
Trade and bills payables	25	49,262,007	58,228,375
Current tax liabilities		46,189,755	30,581,513
Warranty provision	26	12,630,124	10,559,444
Other payables and accruals		<u>92,377,995</u>	<u>72,953,834</u>
		<u>462,216,831</u>	<u>594,202,806</u>
<b>Net current assets</b>		<u>267,059,351</u>	<u>224,236,476</u>
<b>NET ASSETS</b>		<u>339,969,103</u>	<u>303,538,461</u>

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**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

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	<i>Notes</i>	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
<b>Capital and reserves</b>			
Share capital	29	10,000	147,264,000
Reserves	30	<u>338,144,928</u>	<u>154,831,707</u>
Equity attributable to owners of the Company		338,154,928	302,095,707
Minority interests		<u>1,814,175</u>	<u>1,442,754</u>
<b>TOTAL EQUITY</b>		<u><u>339,969,103</u></u>	<u><u>303,538,461</u></u>

Approved by the Board of Directors on 24 April 2010

**HUANG Brad**  
*Director*

**KWOK Yeung Kwong**  
*Director*

**Statement of Financial Position**  
**At 31 December 2009**

	<i>Notes</i>	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
<b>Non-current assets</b>			
Interests in subsidiaries	18	<u>43,652,000</u>	<u>43,652,000</u>
<b>Current assets</b>			
Due from subsidiaries	23	180,298,549	180,298,549
Bank and cash balances		<u>19,230</u>	<u>9,830</u>
		<u>180,317,779</u>	<u>180,308,379</u>
<b>Current liabilities</b>			
Due to subsidiaries	23	<u>46,421,662</u>	<u>2,346,448</u>
<b>Net current assets</b>		<u>133,896,117</u>	<u>177,961,931</u>
<b>NET ASSETS</b>		<u>177,548,117</u>	<u>221,613,931</u>
<b>Capital and reserves</b>			
Share capital	29	10,000	147,264,000
Reserves	30	<u>177,538,117</u>	<u>74,349,931</u>
<b>TOTAL EQUITY</b>		<u>177,548,117</u>	<u>221,613,931</u>

Approved by the Board of Directors on 24 April 2010

**HUANG Brad**  
*Director*

**KWOK Yeung Kwong**  
*Director*

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2009**

	Attributable to owners of the Company										
	Share capital	Share premium amount	Share-based payment reserve	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\$	HK\$
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
2008 proposed final dividend (note 13)	—	(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 year	—	—	—	450,138	675,954	—	74,287,799	—	75,413,891	371,421	75,785,312
Issue of shares (note 29)	10,000	—	—	—	—	—	—	—	10,000	—	10,000
Repurchase of shares (note 29)	(147,264,000)	137,264,000	—	—	—	—	—	—	(10,000,000)	—	(10,000,000)
Share-based payments (note 31)	—	—	4,635,330	—	—	—	—	—	4,635,330	—	4,635,330
2009 proposed final dividend (note 13)	—	(24,000,000)	—	—	—	—	—	24,000,000	—	—	—
Dividend paid	—	—	—	—	—	—	—	(34,000,000)	(34,000,000)	—	(34,000,000)
Changes in equity for the year	(147,254,000)	113,264,000	4,635,330	450,138	675,954	—	74,287,799	(10,000,000)	36,059,221	371,421	36,430,642
At 31 December 2009	10,000	209,869,896	4,635,330	133,042	4,322,457	12,134	95,172,069	24,000,000	338,154,928	1,814,175	339,969,103

**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2009**

	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	98,415,946	139,604,652
Adjustments for:		
Finance costs	—	2,486
Interest income	(1,005,354)	(1,606,770)
Net loss on disposals of property, plant and equipment	264,483	69,235
Gain on disposal of a subsidiary	—	(1,579,368)
Warranty provision	6,618,726	2,914,587
Depreciation, net of amounts capitalised to long term contracts	2,875,787	3,421,246
Amortisation of prepaid land lease payments	210,005	280,007
Inventories written off	140,416	—
Impairment of property, plant and equipment	3,400,000	8,100,000
Provision for impairment of trade and retention receivables	4,305,107	11,975,537
Provision for impairment of trade and retention receivables written back	(556,800)	(2,626,971)
Share-based payments	4,635,330	—
Operating profit before working capital changes	119,303,646	160,554,641
Increase in rental and utility deposits	(223,779)	(536,049)
Decrease/(increase) in inventories	587,745	(294,462)
(Decrease)/increase in net gross amount due from and due to customers for contract work	(169,657,153)	313,931,537
Decrease/(increase) in trade and retention receivables	160,620,267	(195,863,539)
Increase in prepayments, deposits and other receivables	(4,528,389)	(4,939,719)
Decrease in amount due from a related party	5,327,220	—
Decrease in trade and bills payables	(8,966,368)	(23,536,371)
Decrease in warranty provision	(4,548,046)	(3,828,473)
Increase in other payables and accruals	19,424,161	14,536,573
Cash generated from operations	117,339,304	260,024,138
Income tax paid	(8,250,664)	(894,488)
Interest paid	(12,111)	(2,343,193)
Net cash generated from operations	109,076,529	256,786,457

**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2009**

	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of a subsidiary	—	(609,832)
Purchases of property, plant and equipment	(3,495,339)	(16,255,301)
Purchase of available-for-sale investments	(22,561,000)	(10,140,000)
Proceeds from disposals of property, plant and equipment	1,026,335	684,700
Proceeds from disposals of available-for-sale investments	2,340,000	—
Interest received	1,005,354	1,606,770
(Increase)/decrease in pledged time deposits	<u>(18,872,170)</u>	<u>10,140,000</u>
Net cash used in investing activities	<u>(40,556,820)</u>	<u>(14,573,663)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of shares	10,000	—
Repurchase of shares	(10,000,000)	—
Decrease in interest-bearing bank borrowings	—	(43,089,601)
Dividend paid	<u>(34,000,000)</u>	<u>—</u>
Net cash used in financing activities	<u>(43,990,000)</u>	<u>(43,089,601)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	24,529,709	199,123,193
Effect of foreign exchange rate changes	627,396	1,265,660
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>290,527,085</u>	<u>90,138,232</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>315,684,190</u></u>	<u><u>290,527,085</u></u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	<u><u>315,684,190</u></u>	<u><u>290,527,085</u></u>

**Notes to the Financial Statements**  
**Year ended 31 December 2009****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, Uglan House, George Town, Grand Cayman, KY1-1104, Cayman Islands. 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's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 March 2010.

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 to Far East Global Group Limited.

During the year, the Group was involved in the facade contracting business, involving the design, engineering, manufacture and installation of curtain wall systems made primarily of fabricated aluminium cladding, stainless steel and glass.

In the opinion of the directors of the Company, as at 31 December 2009, Showmost Group Limited ("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**

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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**

These financial statements have been prepared in accordance with IFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values.

The preparation of financial statements 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 these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

**(A) CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 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.

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 statement of changes in equity within equity. Minority interests are presented in the consolidated income statement and 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 (majority interests). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests 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 consolidated financial statements are 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. Gain 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 and statement of comprehensive income 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.

(C) **PROPERTY, PLANT AND EQUIPMENT**

All property, plant and equipment, other than construction in progress, 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 recognised 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) NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

**(E) 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. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

**(F) 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.

**(G) 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".

**(H) 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 the cumulative gain or loss that had been recognised directly 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.

**(I) 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 investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in the 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.

**(J) 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.

**(K) CASH AND CASH EQUIVALENTS**

For the purpose of the statement 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.

**(L) 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.

**(M) 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.

**(N) 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.

**(O) 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.

**(P) EQUITY INSTRUMENTS**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**(Q) 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.

**(R) 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.

**(S) SHARE-BASED PAYMENTS**

The shareholder of the Company provides employees with the ability to purchase the Company's ordinary shares at a discount to the current market value. The Group records an expense, based on the fair value of the discount related to shares expected to vest (taking in account the post vesting transfer restrictions), on a straight-line basis over the vesting period.

**(T) 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 capitalised 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 capitalisation.

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 capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation 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.

#### **(U) 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. 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.

#### **(V) 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.

**(W) IMPAIRMENT OF ASSETS**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except assets arising from construction contracts, investments, inventories 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 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 are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit 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 cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit 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.

**(X) 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.

**(Y) 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 statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements 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 statements.

*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 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 period 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, residual values 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 and residual values 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) SHARE-BASED PAYMENT EXPENSES**

The fair value of the equity instruments granted to the directors and employees of the Group at the date of grant is expensed over the vesting period with a corresponding adjustment to the share-based payment reserve. In assessing the fair value of the equity instruments, the market-based approach was used. The market-based approach requires the input of subjective data and assumptions, including value multiples of similar listed companies such as the price to earning ratio, price to sales ratio and the price to book ratio, marketability discount, and discount for transfer restrictions in relation to the lock-up arrangements. Any changes in the assumptions and the selection of data inputs can significantly affect the estimate of the fair value of the equity instruments.

**(F) FAIR VALUE AND IMPAIRMENT OF INVESTMENTS**

The Group classifies certain assets as available-for-sale investments and changes in their fair values are recognised as 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.

**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 dollar, Renminbi, United Arab Emirates Dirham, Canadian dollar and Singapore dollar.

In view of the fact that the Hong Kong dollar is pegged to the United States dollar, the Group's exposure on United States dollar transactions and balances to foreign currency risk is minimal.

As at 31 December 2009, if Hong Kong dollar had weakened/ strengthened 5% against United Arab Emirates Dirham, Canadian dollar and Singapore dollar with all other variables held constant, the effect of the fluctuation in the exchange rates on the consolidated profit after tax for the year would have been HK\$1,589,258 (2008: HK\$423,477), HK\$1,517,224 (2008: HK\$43,010) and HK\$2,914,335 (2008: HK\$184,532) higher/lower, respectively.

As at 31 December 2009, if Hong Kong dollar had weakened/ strengthened 5% against Renminbi with all other variables held constant, the effect of the fluctuation in the exchange rate on the consolidated profit after tax for the year would have been HK\$388,914 (2008: HK\$456,522) lower/higher, respectively.

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 2009, if the prices of the respective securities had been 5% higher/lower with all other variables held constant, the consolidated other comprehensive income would increase/decrease by HK\$2,077,352 (2008: HK\$1,043,795) as a result of gains/losses on investments classified as available-for-sale.

**(C) CREDIT RISK**

The carrying amount of the pledged time deposits, bank and cash balances and the trade and retention receivables included in the statement of financial position 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 pledged time deposits, 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.

As at 31 December 2008 and 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. These deposits bear interests at variable rates varied with the then prevailing market condition.

As at 31 December 2009, if interest rates at that date had been 10 basis points higher/lower with all other variables held constant, consolidated profit after tax for the year would have been HK\$118,576 (2008: HK\$99,650) higher/lower, arising mainly as a result of higher/lower interest income on bank deposits.

**(F) CATEGORIES OF FINANCIAL INSTRUMENTS AT THE END OF THE REPORTING PERIOD**

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Financial assets:</b>		
Loans and receivables (including cash and cash equivalents)	630,970,850	758,624,375
Available-for-sale investments	<u>41,547,042</u>	<u>20,875,904</u>
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<u>80,124,344</u>	<u>79,539,028</u>

**(G) FAIR VALUES**

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement 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 represents 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 People's Republic of China (the "PRC"), Hong Kong and Macau.
- Asia includes projects in 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 statements.

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

— Inventories

— Non-current assets held for sale

— Gross amount due from customers for contract work

— Prepayments, deposits and other receivables (including non-current rental and utility deposits)

— Current tax assets

— Amount due from a related party

— Bank and cash balances and pledged time deposits

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**
**INFORMATION ABOUT REPORTABLE SEGMENT PROFIT OR LOSS AND ASSETS**

	North America <i>HK\$</i>	Greater China <i>HK\$</i>	Asia <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
<b>For the year ended 31 december 2009</b>					
Revenue from external customers	<u>450,958,352</u>	<u>263,228,099</u>	<u>125,794,380</u>	<u>20,210,868</u>	<u>860,191,699</u>
Reportable segment profits	<u>128,503,288</u>	<u>36,285,269</u>	<u>9,816,952</u>	<u>17,547,729</u>	<u>192,153,238</u>
Unallocated amounts:					
Other income					2,762,196
Administrative expenses					(93,099,488)
Other operating expenses					(3,400,000)
Finance costs					—
Profit before tax					<u>98,415,946</u>
Other material items:					
Depreciation	3,872,807	3,539,997	866,267	86,231	8,365,302
Amount capitalised	<u>(3,346,091)</u>	<u>(1,466,733)</u>	<u>(601,379)</u>	<u>(75,312)</u>	<u>(5,489,515)</u>
	526,716	2,073,264	264,888	10,919	2,875,787
Provision for impairment of trade and retention receivables written back	—	556,800	—	—	566,800
Provision for impairment of trade and retention receivables	<u>1,609,918</u>	<u>2,695,189</u>	<u>—</u>	<u>—</u>	<u>4,305,107</u>
<b>As at 31 december 2009</b>					
Segment assets	<u>93,869,208</u>	<u>77,505,992</u>	<u>78,459,306</u>	<u>—</u>	<u>249,834,506</u>
Property, plant and equipment					41,264,027
Prepaid land lease payments					1,886,672
Available-for-sale investments					41,547,042
Inventories					68,772
Non-current assets held for sale					2,803,922
Gross amount due from customers for contract work					65,901,529
Prepayments, deposits and other receivables					26,031,524
Current tax assets					102,180
Bank and cash balances and pledged time deposits					<u>372,745,760</u>
Total assets					<u>802,185,934</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	North America <i>HK\$</i>	Greater China <i>HK\$</i>	Asia <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
<b>For the year ended</b>					
<b>31 December 2008</b>					
Revenue from external customers	<u>796,403,000</u>	<u>300,509,000</u>	<u>171,263,000</u>	<u>16,533,864</u>	<u>1,284,708,864</u>
Reportable segment profit/(loss)	<u>189,657,000</u>	<u>46,092,000</u>	<u>19,072,000</u>	<u>(1,694,472)</u>	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					<u>1,579,368</u>
Profit before tax					<u>139,604,652</u>
Other material items:					
Depreciation	3,963,075	3,443,600	837,274	37,288	8,281,237
Amount capitalised	<u>(3,616,413)</u>	<u>(768,382)</u>	<u>(437,908)</u>	<u>(37,288)</u>	<u>(4,859,991)</u>
	346,662	2,675,218	399,366	—	3,421,246
Provision for impairment of trade and retention receivables written back	—	2,626,971	—	—	2,626,971
Provision for impairment of trade and retention receivables	<u>—</u>	<u>11,975,537</u>	<u>—</u>	<u>—</u>	<u>11,975,537</u>
<b>As at 31 december 2008</b>					
Segment assets	<u>261,867,530</u>	<u>99,286,327</u>	<u>53,049,223</u>	<u>—</u>	<u>414,203,080</u>
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 amount due from customers for contract work					50,865,440
Prepayments, deposits and other receivables					21,279,356
Due from a related party					5,327,220
Bank and cash balances and pledged time deposits					<u>328,716,485</u>
Total assets					<u>897,741,267</u>

**REVENUE FROM MAJOR CUSTOMERS (WHICH INDIVIDUALLY CONTRIBUTED 10% OR MORE OF THE GROUP'S TOTAL REVENUE):**

For the year ended 31 December 2009, revenue from different single customer of each individual or combined segments, the Group's Greater China segment, the Group's Greater China and Asia segment and the Group's North America segment represents HK\$110,449,533, HK\$87,063,670 and HK\$315,575,990 of the Group's total revenue respectively.

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.

**7. OTHER INCOME**

	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Bank interest income	1,005,354	1,606,770
Gain on disposals of scrap materials	784,090	4,082,446
Gain on disposals of property, plant and equipment	—	560,000
Provision for impairment of trade and retention receivables written back	556,800	2,626,971
Others	<u>415,952</u>	<u>98,080</u>
	<u>2,762,196</u>	<u>8,974,267</u>

**8. FINANCE COSTS**

	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank overdrafts and bank borrowings	12,111	2,343,193
Amount capitalised	<u>(12,111)</u>	<u>(2,340,707)</u>
	<u>—</u>	<u>2,486</u>

## 9. INCOME TAX EXPENSE

	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	10,000,000	23,971,523
Under provision in prior years	<u>6,272,583</u>	<u>—</u>
	<u>16,272,583</u>	<u>23,971,523</u>
Current tax — overseas		
Provision for the year	<u>7,484,143</u>	<u>6,337,000</u>
Deferred tax (note 28)	<u>—</u>	<u>6,162,000</u>
	<u><u>23,756,726</u></u>	<u><u>36,470,523</u></u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year.

Macau Corporate Tax has been provided on the taxable profit and is calculated at the progressive rate from 9% to 12% (2008: 9% to 12%) for the year.

United States Corporate Income Tax has been provided at a rate of 34% (2008: 34%) based on the estimated assessable profit for the year less allowable losses brought forward.

PRC Enterprise Income Tax has been provided at a rate of 25% (2008: 25%) based on the estimated assessable profit for the year 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.

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

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:

	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Profit before tax	<u>98,415,946</u>	<u>139,604,652</u>
Tax at domestic income tax rate of 16.5% (2008: 16.5%)	16,238,631	23,034,768
Tax effect of income that is not taxable	(586,810)	(1,738,832)
Tax effect of expenses that are not deductible	1,158,702	5,532,015
Tax effect of temporary differences not recognised	153,448	7,442,262
Tax effect of utilisation of tax losses not previously recognised	(2,641,928)	(233,425)
Tax effect of tax losses not recognised	—	162,783
Under provision in prior years	6,272,583	—
Effect of different tax rates of subsidiaries	<u>3,162,100</u>	<u>2,270,952</u>
Income tax expense	<u><u>23,756,726</u></u>	<u><u>36,470,523</u></u>

**10. PROFIT FOR THE YEAR**

The Group's profit for the year is stated after charging/(crediting) the following:

	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Auditor's remuneration	1,489,298	717,186
Depreciation	8,365,302	8,281,237
Less: amounts capitalised	(5,489,515)	(4,859,991)
	2,875,787	3,421,246
Amortisation of prepaid land lease payments	210,005	280,007
Gain on disposals of property, plant and equipment	—	(560,000)
Loss on disposals of property, plant and equipment	264,483	629,235
Operating lease charges — land and buildings	15,805,498	18,635,185
Less: amounts capitalised	(12,363,469)	(12,934,944)
	3,442,029	5,700,241
Impairment on property, plant and equipment	3,400,000	8,100,000
Cost of contracting works performed	666,445,998	1,028,667,749
Warranty provision	6,618,726	2,914,587
Provision for impairment on trade and retention receivables	4,305,107	11,975,537
Provision for impairment on trade and retention receivables written back	(556,800)	(2,626,971)
Inventories written off	140,416	—
Staff costs including directors' emoluments:		
Salaries, bonuses and allowances	91,255,751	104,596,108
Share-based payments	4,635,330	—
Retirement benefits scheme contributions	3,888,291	3,073,033
Less: amount included in cost of contracting works performed	(48,360,950)	(57,484,755)
	51,418,422	50,184,386
Foreign exchange differences, net	<u><u>(4,321,496)</u></u>	<u><u>2,222,343</u></u>

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

## For the year ended 31 december 2009

Name of director	Fees HK\$	Salaries and allowances HK\$	Discretionary bonuses HK\$	Share-based payments HK\$	Retirement	Total HK\$
					benefit scheme contributions HK\$	
Kwok Yeung Kwong (i)	—	2,407,000	600,000	2,305,208	120,450	5,432,658
Huang Brad (i)	—	325,200	—	—	42,471	367,671
Kwong Wui Chun (ii)	—	—	—	—	—	—
Chen Jacob, James (ii)	—	—	—	—	—	—
Huang Guangyu (iii)	—	—	—	—	—	—
	—	2,732,200	600,000	2,305,208	162,921	5,800,329

## For the year ended 31 December 2008

Name of director	Fees HK\$	Salaries and allowances HK\$	Discretionary bonuses HK\$	Share-based payments HK\$	Retirement	Total HK\$
					benefit scheme contributions HK\$	
Kwok Yeung Kwong (i)	—	1,932,550	350,000	—	120,450	2,403,000
Huang Brad (i)	—	206,310	—	—	26,944	233,254
Kwong Wui Chun (ii)	—	—	—	—	—	—
Chen Jacob, James (ii)	—	—	—	—	—	—
Tang Suet Hing (iv)	—	218,266	—	—	14,317	232,583
Ren Hai Feng (v)	—	2,021,239	—	—	46,720	2,067,959
Ng Lai Man (vi)	—	—	—	—	—	—
	—	4,378,365	350,000	—	208,431	4,936,796

Notes:

- (i) Appointed on 11 March 2008.
- (ii) Appointed on 11 March 2008 and resigned on 31 March 2009.
- (iii) Appointed on 31 March 2009.
- (iv) Appointed on 16 June 2005 and resigned on 11 March 2008.

(v) 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.

(vi) Appointed on 2 April 2008 and resigned on 3 November 2008.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the year included 1 (2008: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 4 (2008: 3) individuals are set out below:

	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Basic salaries and allowances	6,191,842	4,417,125
Discretionary bonus	1,140,000	1,070,000
Share-based payments	979,213	—
Retirement benefit scheme contributions	<u>227,730</u>	<u>206,444</u>
	<u><u>8,538,785</u></u>	<u><u>5,693,569</u></u>

The emoluments fell within the following band:

	<b>Number of individuals</b>	
	<b>2009</b>	<b>2008</b>
Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	2	2
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	<u>1</u>	<u>—</u>
	<u><u>4</u></u>	<u><u>3</u></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 year.

## 12. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year attributable to owners of the Company included a loss of approximately HK\$4,711,144 (2008: profit of HK\$33,962,421) which has been dealt with in the financial statements of the Company.

**13. DIVIDENDS**

	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Proposed final dividend of HK\$24 (2008: HK\$1.8) per ordinary share	<u>24,000,000</u>	<u>34,000,000</u>

The proposed final dividend for the year ended 31 December 2009 of HK\$24,000,000, representing HK\$24 per ordinary share, was declared on 25 February 2010 and fully paid on 1 March 2010 before the listing of the Company's shares on the Stock Exchange on 30 March 2010.

The proposed final dividend for the year ended 31 December 2008 of HK\$34,000,000, representing HK\$1.8 per ordinary share, was declared on 19 January 2009 and fully paid during the year ended 31 December 2009.

**14. EARNINGS PER SHARE****BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of HK\$74,287,799 (2008: HK\$104,992,755) and on the assumption that 850,000,000 shares of HK\$0.01 each comprising 1,000,000 shares in issue and 849,000,000 shares to be issued pursuant to the capitalisation issue as if the shares had been in issue throughout the years ended 31 December 2008 and 2009.

The issue of 1,000,000 ordinary shares of HK\$0.01 each at par for a proceed of HK\$10,000 and the repurchase of the 18,880,000 ordinary shares of US\$1.00 each for a consideration of HK\$10,000,000 have not been taken into account in the calculation of the weighted average number of shares in issue during the year ended 31 December 2009 as the net amount paid under these transactions were regarded as distribution to owners of the Company.

**DILUTED EARNINGS PER SHARE**

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2008 and 2009.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Group							Total HK\$
	Land and buildings HK\$	Leasehold improvements HK\$	Plant and machinery HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Tools and mould HK\$	Construction in progress HK\$	
<b>Cost</b>								
At 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-off	—	(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	—	—	—	55,758	—	—	—	55,758
Transferred to non-current assets held for sale	(6,000,000)	—	—	—	—	—	—	(6,000,000)
Additions	138,786	1,867,292	411,072	1,076,812	—	1,377	—	3,495,339
Disposals/write-off	(195,000)	(9,711)	(856,494)	(268,277)	(864,292)	—	—	(2,193,774)
At 31 December 2009	29,967,520	9,897,945	24,762,565	23,048,290	5,770,956	1,484,402	4,770,134	99,701,812
<b>Accumulated depreciation and impairment</b>								
At 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-off	—	(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	—	—	—	7,200	—	—	—	7,200
Transferred to non-current assets held for sale	(3,196,078)	—	—	—	—	—	—	(3,196,078)
Charge for the year	420,416	580,678	3,203,470	3,188,763	825,347	146,628	—	8,365,302
Impairment loss	3,400,000	—	—	—	—	—	—	3,400,000
Disposals/write-off	—	(6,358)	(429,589)	(67,767)	(399,242)	—	—	(902,956)
At 31 December 2009	10,097,150	7,590,177	18,737,427	11,703,467	4,178,855	1,360,575	4,770,134	58,437,785
<b>Carrying amount</b>								
At 31 December 2009	19,870,370	2,307,768	6,025,138	11,344,823	1,592,101	123,827	—	41,264,027
At 31 December 2008	26,550,922	1,024,507	9,244,441	13,608,726	2,882,498	269,078	—	53,580,172

The Group carried out reviews of the recoverable amount of its freehold land in the United States of America and construction in progress erected on this freehold land in 2008 and 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\$3,400,000 (2008: HK\$8,100,000) 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.

An analysis of the Group's land and buildings is as follows:

	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
At cost, located in:		
Mainland China, held under medium term leases	9,567,109	9,567,109
Hong Kong, held under a long term lease	—	6,000,000
United States of America, freehold	<u>20,400,411</u>	<u>20,456,625</u>
	<u>29,967,520</u>	<u>36,023,734</u>

As at 31 December 2009, the carrying amount of the Group's land and buildings pledged as security for the Group's generally banking facilities amounted to HK\$Nil (2008: HK\$2,952,940).

#### 16. PREPAID LAND LEASE PAYMENTS

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
At beginning of the year	2,376,684	2,656,691
Amortisation of prepaid land lease payments	<u>(210,005)</u>	<u>(280,007)</u>
At end of year	2,166,679	2,376,684
Current portion included in prepayments, deposits and other receivables	<u>(280,007)</u>	<u>(280,007)</u>
Non-current portion	<u>1,886,672</u>	<u>2,096,677</u>

The Group's prepaid land lease payments represent payments for land use rights located in the Mainland China under medium term leases.

## 17. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Unlisted investments, at fair value:		
Club debenture	380,000	380,000
Investment funds and certificates of deposits	<u>41,167,042</u>	<u>20,495,904</u>
	<u>41,547,042</u>	<u>20,875,904</u>
Analysed as:		
Current assets	14,761,000	—
Non-current assets	<u>26,786,042</u>	<u>20,875,904</u>
	<u>41,547,042</u>	<u>20,875,904</u>

Fair value gain on the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$450,138 (2008: loss of HK\$790,096) for the year ended 31 December 2009.

The above investments were designated as available-for-sale investments on initial recognition and have no coupon rate.

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.

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\$26,406,042 (2008: HK\$20,495,904) as at 31 December 2009.

## 18. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Unlisted investments, at cost	<u>43,652,000</u>	<u>43,652,000</u>

Particulars of the subsidiaries as at 31 December 2009 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Far East Aluminium (BVI) Limited	British Virgin Islands	6,000 ordinary shares of US\$1 each	100%	—	Investment holding
Far East Aluminium Works Company Limited 遠東鋁質工程有限公司	Hong Kong	900,000 ordinary shares of HK\$100 each	—	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade (UK) Limited	United Kingdom	1 ordinary share of GBP1	—	100%	Inactive
Far East Facade (UAE) Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	—	100%	Investment holding
World Eastern Cladding Works (LLC)	United Arab of Emirates	100 ordinary shares of AED3,000 each	—	100%	Design, manufacture and installation of curtain walls aluminium windows and other related products
Far East Facade, Inc.	United States of America	100,000 ordinary shares of US\$0.01 each	—	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade (HK) Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	—	100%	Investment holding
Facade Design and Drafting Services Limited	Hong Kong	100 ordinary shares of HK\$1 each	—	100%	Inactive

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Heng Fai International Ltd.	British Virgin Islands	10,000 ordinary shares of HK\$0.1 each	—	100%	Manufacture of curtain walls, aluminium windows and other related products
Netfortune Limited 力進有限公司	Hong Kong	500,000 ordinary shares of HK\$1 each	—	100%	Investment holding
Willbert Limited	British Virgin Islands	1 ordinary shares of US\$1	—	100%	Inactive
Far East Aluminium Works (Guangzhou) Company Limited 遠東鋁質工程(廣州)有限公司	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Property holding
FEA Technology Limited 遠東工業科技有限公司 (Formerly known as Far East Global Group Limited) (前稱遠東環球集團有限公司)	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Inactive
FEA Engineering Limited	British Virgin Islands	100 ordinary shares of US\$1 each	—	100%	Investment holding
FEA Investments Limited	British Virgin Islands	1 ordinary share of US\$1	—	100%	Investment holding
Strong Power International Limited 強勢國際有限公司	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Investment holding
Better View Investment Limited 啟先投資有限公司	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Property holding

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Seniford Engineering Limited 先利富工程有限公司	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Inactive
FEA Corporate Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Provision of company secretarial services to Group companies
Far East Aluminium Works (Singapore) Pte. Limited	Singapore	700,000 ordinary shares of SGD1 each	—	100%	Design, manufacture and installation of curtain walls, aluminum windows and other related products
Netfortune (Shanghai) Aluminium Works Company Limited (a sino-foreign equity joint venture enterprise) (上海力進鋁質工程有 限公司(一間中外合資 經營企業))	The People's Republic of China	Registered capital of RMB10,000,000	—	75%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Netfortune Engineering (FEA) Macau Limited 力進工程(遠鋁) 澳門有限公司	Macau	Registered capital of MOP25,000	—	100%	Design, manufacture and installation of curtain walls, aluminum windows and other related products
Far East Aluminum Works (U.S.) Corporation	United States of America	200,000,000 ordinary shares of US\$0.001 each	—	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Far East Facade Investments Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	—	100%	Investment holding
Far East Aluminium Works Canada Corp.	Canada	100 ordinary shares of CAD1 each	—	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) (前稱智威企業有限 公司)	Hong Kong	1 ordinary share of HK\$1	—	100%	Inactive
Far East Aluminium Works Chile Limitada	Chile	Registered share capital of PESO10,000,000	—	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Kam Sau Corporation Limited 錦鏞興業有限公司	Hong Kong	1 ordinary share of HK\$1	—	100%	Inactive

## 19. INVENTORIES

	Group	
	2009 HK\$	2008 HK\$
Consumables	<u>68,772</u>	<u>796,933</u>

## 20. NON-CURRENT ASSETS HELD FOR SALE

On 20 November 2009, the Group entered into a sale and purchase agreement with an independent third party to dispose of a property located in Hong Kong for a consideration of HK\$12,300,000. The carrying amount of the property of HK\$2,803,922 (included in property, plant and equipment), which was disposed of in January 2010, have been classified as non-current assets held for sale in the consolidated statement of financial position.

The proceeds of the disposal exceeded the carrying amount of the property and, accordingly, no impairment loss has been recognised on the classification of the property as held for sale.

## 21. GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	Group	
	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Contract costs incurred plus recognised profits		
less foreseeable losses to date	4,314,703,368	3,587,743,758
Less: Progress billings	<u>(4,510,558,789)</u>	<u>(3,958,757,958)</u>
	<u>(195,855,421)</u>	<u>(371,014,200)</u>
Gross amount due from customers for contract work	65,901,529	50,865,440
Gross amount due to customers for contract work	<u>(261,756,950)</u>	<u>(421,879,640)</u>
	<u>(195,855,421)</u>	<u>(371,014,200)</u>

## 22. TRADE AND RETENTION RECEIVABLES

	Group	
	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	121,619,238	235,877,518
Retention receivables	<u>146,499,363</u>	<u>192,861,350</u>
	268,118,601	428,738,868
Impairment losses	<u>(18,284,095)</u>	<u>(14,535,788)</u>
	<u>249,834,506</u>	<u>414,203,080</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:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables:		
0 to 30 days	55,881,754	118,107,953
31 to 60 days	46,806,615	89,384,882
61 to 90 days	2,143,014	500,832
More than 90 days	<u>9,324,146</u>	<u>22,125,432</u>
	114,155,529	230,119,099
Retention receivables	<u>135,678,977</u>	<u>184,083,981</u>
	<u>249,834,506</u>	<u>414,203,080</u>

The movements in provision for impairment of the trade and retention receivables are as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
At beginning of year	14,535,788	10,669,016
Impairment losses reversed	(556,800)	(2,626,971)
Provision for impairment	4,305,107	11,975,537
Amounts written off as uncollectible	<u>—</u>	<u>(5,481,794)</u>
At end of year	<u>18,284,095</u>	<u>14,535,788</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.

As at 31 December 2009, trade receivables of HK\$58,273,775 (2008: HK\$112,011,146) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	Group	
	2009 HK\$	2008 HK\$
Up to 3 month	48,949,629	89,885,714
3 to 6 months	<u>9,324,146</u>	<u>22,125,432</u>
	<u>58,273,775</u>	<u>112,011,146</u>

The amount of retentions expected to be recovered after more than twelve months is HK\$118,602,588 (2008: HK\$147,492,118).

The carrying amounts of the Group's trade and retention receivables are denominated in the following currencies:

	Group	
	2009 HK\$	2008 HK\$
Hong Kong dollar	54,879,855	41,484,533
United States dollar	79,609,163	243,789,456
Renminbi	15,117,682	37,431,219
Macau Pataca	7,508,455	20,370,575
United Arab Emirates Dirham	28,665,312	49,862,456
Canadian dollar	14,260,045	18,078,074
Singapore dollar	<u>49,793,994</u>	<u>3,186,767</u>
	<u>249,834,506</u>	<u>414,203,080</u>

### 23. DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

### 24. PLEDGED TIME DEPOSITS AND BANK AND CASH BALANCES

	Group	
	2009 HK\$	2008 HK\$
Pledged time deposits	57,061,570	38,189,400
Bank and cash balances	<u>315,684,190</u>	<u>290,527,085</u>
	<u>372,745,760</u>	<u>328,716,485</u>

The Group's pledged time deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 27 to the financial statements.

The carrying amounts of the Group's pledged time deposits and bank and cash balances are denominated in the following currencies:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollar	48,964,566	45,999,298
United States dollar	229,104,084	231,574,405
Renminbi	2,797,294	22,204,892
Macau Pataca	1,507,288	11,002,914
United Arab Emirates Dirham	38,201,045	11,187,082
Canadian dollar	4,696,437	1,312,026
Chile Peso	41,446	437,199
Euro	10,886	10,886
Singapore dollar	47,422,714	4,987,783
	<u>372,745,760</u>	<u>328,716,485</u>

As at 31 December 2009, the bank and cash balances of the Group denominated in Renminbi amounted to HK\$2,797,294 (2008: HK\$22,204,892). 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.

## 25. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables, based of receipt of goods, is as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
0 to 30 days	35,588,862	36,964,706
31 to 60 days	3,808,967	13,978,044
More than 60 days	9,864,178	7,285,625
	<u>49,262,007</u>	<u>58,228,375</u>

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	Group	
	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollar	8,136,442	22,202,881
United States dollar	19,110,332	18,741,929
Renminbi	15,666,206	16,023,848
Singapore dollar	3,191,224	322,247
Chile Peso	395,670	618,735
United Arab Emirates Dirham	1,064,032	185,473
Canadian dollar	<u>1,698,101</u>	<u>133,262</u>
	<u>49,262,007</u>	<u>58,228,375</u>

## 26. WARRANTY PROVISION

	Group	
	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
At beginning of year	10,559,444	11,473,330
Additional provisions	6,618,726	2,914,587
Provisions used	<u>(4,548,046)</u>	<u>(3,828,473)</u>
At end of year	<u>12,630,124</u>	<u>10,559,444</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 and the estimation basis is reviewed on an ongoing basis and revised where appropriate.

## 27. BANKING FACILITIES

As at 31 December 2009, the Group had available HK\$190,285,790 (2008: HK\$104,011,848) of unutilised banking facilities.

As at 31 December 2009, the Group's banking facilities are secured by:

- (a) Pledges of the Group's available-for-sale investments of HK\$26,406,042 (2008: HK\$20,495,904) (note 17).
- (b) Pledges of the Group's time deposits of HK\$57,061,570 (2008: HK\$38,189,400) (note 24); and
- (c) Corporate guarantees with an aggregate amount of HK\$287,000,000 executed by the Company (2008: HK\$178,000,000).

As at 31 December 2008, the Group's banking facilities are also secured by pledges of the Group's land and buildings with an aggregate carrying amount of approximately HK\$2,952,940 (note 15).

## 28. DEFERRED TAX

	Tax losses HK\$
At 1 January 2008	6,162,000
Charged to profit or loss for the year	<u>(6,162,000)</u>
At 31 December 2008, 1 January 2009 and 31 December 2009	<u>—</u>

At 31 December 2009, the Group had unused tax losses arising in Singapore and the United States of America of HK\$Nil (2008: HK\$15,861,216) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of HK\$Nil (2008: HK\$15,861,216) due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

## 29. SHARE CAPITAL

	2009 HK\$	2008 HK\$
Authorised:		
39,000,000 ordinary shares of HK\$0.01 each (2008: 20,000,000 ordinary shares of US\$1.00 each)	<u>390,000</u>	<u>156,000,000</u>
Issued and fully paid:		
1,000,000 ordinary shares of HK\$0.01 each (2008: 18,880,000 ordinary shares of US\$1.00 each)	<u>10,000</u>	<u>147,264,000</u>

By an ordinary resolution passed by the sole shareholder of the Company on 30 November 2009, the authorised share capital of the Company was increased by HK\$390,000 by the creation of 39,000,000 shares of HK\$0.01 each of which 1,000,000 ordinary shares of HK\$0.01 each were issued at par for cash. Immediately thereafter, the Company repurchased all of the 18,880,000 ordinary shares of US\$1.00 each at a price of HK\$10,000,000 and then cancelled 20,000,000 ordinary shares of US\$1.00 each in the authorised share capital of the Company. The amount paid to acquire the 18,880,000 ordinary shares of US\$1.00 each has been deducted from the share capital and share premium account.

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.

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. At 31 December 2008 and 2009, the Group does not have outstanding bank borrowing due to the improvement of the Group's cash position as a result of the cash generated from operating activities of the Group.

At 31 December 2008 and 2009, the Group is not subject to any externally imposed capital requirements.

### 30. RESERVES

#### (A) GROUP

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

#### (B) COMPANY

The amounts of the Company's reserves and the movements therein are presented below.

		Share premium account	Share-based payment reserve	Accumulated losses	Proposed dividend	Total
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 January 2008		130,605,896	—	(90,218,386)	—	40,387,510
Profit for the year		—	—	33,962,421	—	33,962,421
2008 proposed final dividend	13	(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 year		—	—	(4,711,144)	—	(4,711,144)
Repurchase of shares	29	137,264,000	—	—	—	137,264,000
Share-based payments	31	—	4,635,330	—	—	4,635,330
Dividend paid		—	—	—	(34,000,000)	(34,000,000)
2009 proposed final dividend	13	(24,000,000)	—	—	24,000,000	—
At 31 December 2009		<u>209,869,896</u>	<u>4,635,330</u>	<u>(60,967,109)</u>	<u>24,000,000</u>	<u>177,538,117</u>

#### (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 statements.

(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 end of the reporting period and is dealt with in accordance with the accounting policy in note 3(I)(II) to the financial statements.

(iv) *Share-based payment reserve*

The share-based payment reserve represents the fair value of the equity instruments granted to directors and employees of the Group, recognised in accordance with the accounting policy adopted for share-based payments in note 3(S) to the financial statements.

(v) *Statutory reserves*

The statutory reserves, which are non-distributable, are 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.

### 31. SHARE-BASED PAYMENTS

#### *SHARE PURCHASE PLAN*

On 30 November 2009, Showmost, the then sole shareholder of the Company, operated a share purchase plan for the purpose of providing incentives and rewards to eligible directors and employees of the Group (the "Eligible Employees") who contribute to the success of the Group's operations (the "Share Purchase Plan").

The Share Purchase Plan provides Eligible Employees with the ability to purchase the Company's ordinary shares at a discount to the current market value. Under the Share Purchase Plan, 160,000 or 16% of the ordinary shares of the Company (the "Reward Shares") were transferred by the then sole shareholder of the Company, Showmost, to Full Mission Limited ("Full Mission") at a consideration of HK\$35,458,579 on 30 November 2009. The consideration was fully paid on and settled by a six-month bridging loan interest-bearing at 5% per annum of the same amount, granted by Showmost to Full Mission (the "Bridging Loan") on the same date.

Full Mission, a company incorporated in the British Virgin Islands with limited liability, was established for as a special vehicle to hold the Reward Shares by way of trust in favour of each of the Eligible Employees.

The criteria used in selecting the Eligible Employees and his/her entitlement to the Reward 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.

All the legal interests in the Reward 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:

- 25% of the Reward Shares held by Full Mission can be transferred from Full Mission to the Eligible Employees for disposal in proportion to their respective entitlement to the Reward Shares held by Full Mission upon the listing of the shares of the Company on the Stock Exchange;
- Further 25% of the Reward Shares held by Full Mission can be transferred from Full Mission to the Eligible Employees for disposal in proportion to their respective entitlement to the Reward Shares held by Full Mission upon the first anniversary of the listing of the shares of the Company on the Stock Exchange;
- Further 25% of the Reward Shares held by Full Mission can be transferred from Full Mission to the Eligible Employees for disposal in proportion to their respective entitlement to the Reward Shares held by Full Mission upon the second anniversary of the listing of the shares of the Company on the Stock Exchange;
- The remaining 25% of the Reward Shares held by Full Mission can be transferred from Full Mission to the Eligible Employees for disposal in proportion to their respective entitlement to the Reward Shares held by Full Mission upon the third anniversary of the listing of the shares of the Company on the Stock Exchange; 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 Reward Shares held by Full Mission upon the full repayment of the Bridging Loan to Showmost.

By virtue of the declarations of trust, the Eligible Employees would not lose their entitlement to the legal interest in the Reward Shares held by Full Mission if they cease to be employees of the Group prior to the transfer of legal interest in the Reward Shares to them. The transfer of legal interest in the Reward Shares held by Full Mission to the Eligible Employees is not conditional upon the listing of the shares of the Company on the Stock Exchange or the full settlement of the Bridging Loan. After the legal interest of Reward Shares held by Full Mission is transferred to the Eligible Employees, there is no requirement for the Eligible Employees to remain in the Group's employment for a specified period of time and there is no restriction against disposal of the Reward Shares by the Eligible Employees.

During the year ended 31 December 2009, the Group recognised a share-based payment expense with an aggregate amount of HK\$4,635,330 (2008: HK\$ Nil), which comprises (i) the discount provided to Eligible Employees for the purchase of the Reward Shares of HK\$4,103,451 (2008: HK\$ Nil), being the difference between the fair value of the Reward Shares at the grant date and the consideration paid; and (ii) a fair value loss of HK\$531,879 (2008: HK\$ Nil) on the Bridging Loan granted for the purpose of acquiring the Reward Shares, being the difference between the fair value and the nominal value of the Bridging Loan.

The fair value of the Reward Shares was determined as HK\$39,562,030 at the grant date and was measured by an independent valuer using the market-based approach. Under the market-based approach, the fair value of the Reward Shares was determined by reference to the appropriate value multiples of similar listed companies, which includes the price to earning ratio, price to sales ratio and the price to book ratio, with a marketability discount of 33% and a discount of 5% per year for transfer restrictions in relation to the lock-up arrangements.

The fair value of the Bridging Loan was measured by an independent valuer using the effective interest rate method by discounting the nominal amount of the Bridging Loan using an applicable interest rate. The applicable interest rate is estimated by reference to the interest rate which would have been charged to the Eligible Employees as if the Bridging loan were obtained from financial institutions.

## 32. CONTINGENT LIABILITIES

(A) *Group*

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Guarantees under performance bonds for construction contracts	<u>624,535,911</u>	<u>516,861,970</u>

(B) *Company*

At 31 December 2009, the Company has issued the following financial guarantees:

	<b>Company</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Corporate guarantees for banking facilities granted to a subsidiary	<u>287,000,000</u>	<u>178,000,000</u>

At 31 December 2009, the directors of the Company do not consider it probable that a claim will be made against the Company under the above guarantees. The maximum liability of the Company under above guarantees at 31 December 2009 is HK\$89,191,363 (2008: 104,126,484).

The fair value of the financial guarantees at date of inception is not material and is not recognised in the financial statements.

## 33. LEASE COMMITMENTS

As at 31 December 2009 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Within one year	8,201,958	9,267,007
In the second year	4,183,354	7,048,770
In the third to fifth years inclusive	<u>—</u>	<u>4,247,332</u>
	<u>12,385,312</u>	<u>20,563,109</u>

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.

## 34. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

## (A) TRANSACTIONS WITH RELATED PARTIES

	Group	
	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
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))	8,576,362	13,056,910
Gortech Trading Company Limited (note (ii))	705,425	8,923,539
Design fee paid to a related company controlled by a director of the Company (note (iii))	2,426,918	—
Corporate guarantees issued by a related company controlled by a director for performance bonds of the Group (notes (iii) & (iv))	<u>39,480,000</u>	<u>39,480,000</u>

*Notes:*

- (i) Mr. Tsang Lik Chung, a beneficial shareholder of the Company who has significant influence over 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 who has significant influence over 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 non-executive 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 Aluminium Works Company Limited. Mr. Huang Guangyu's equity interests in Xi'an Yuanheng Aluminium Works Company Limited was disposed of to an independent third party on 8 December 2009.
- (iv) The corporate guarantee was released on 20 February 2010.

**(B) BALANCES WITH RELATED PARTIES**

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Trade payables:		
Bon Pacific Building Materials (H.K.) Company Limited (note (a)(i))	1,505,504	2,296,373
Gortech Trading Company Limited (note (a)(ii))	<u>273,030</u>	<u>583,359</u>
	<u><u>1,778,534</u></u>	<u><u>2,879,732</u></u>

**(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL**

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
Short term employee benefits	8,270,450	5,440,835
Share-based payments	3,058,449	—
Termination benefits	—	1,261,239
Post-employment benefits	<u>319,476</u>	<u>258,675</u>
	<u><u>11,648,375</u></u>	<u><u>6,960,749</u></u>

**35. EVENTS AFTER THE REPORTING PERIOD**

- (a) On 20 November 2009, the Group entered into an agreement to dispose of land and buildings located in Hong Kong classified as held for sale with carrying amount at 31 December 2009 of HK\$2,803,922 at a consideration of HK\$12,300,000. The disposal was completed on 15 January 2010 and the gain on disposal was approximately HK\$9,381,078 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 located in the PRC with carrying amount at 31 December 2009 of HK\$2,166,679 and HK\$730,704 respectively at a consideration of HK\$6,768,000. The disposal will be completed subsequent to the issue of these financial statements and the gain on disposal was estimated to be approximately HK\$3,870,617 at the date of completion.
- (c) 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 pursuant to the global offering of the shares of the Company, the directors of the Company were authorised to capitalise 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.

- (d) On 12 March 2010, the Company declared special dividends of HK\$198,600,000. The special dividends were paid on 1 April 2010.
  
- (e) On 30 March 2010, the Company completed its global offering of shares by offering 361,898,000 shares of HK\$0.01 each at a price of HK\$1.18 per share, comprising 271,750,000 new shares offered by the Company and 90,148,000 existing shares of the Company offered by the selling shareholders of the Company. The Company's shares were listed on the Stock Exchange on the same date. The Company generated proceeds amounting to HK\$283,545,000 from the issue of new shares.

**36. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2010.

(II) The following is an extract of a report on the Group received from RSM Nelson Wheeler from the 2010 annual report of the Group.

**Independent Auditor's Report****RSM Nelson Wheeler**

中瑞岳華(香港)會計師事務所

Certified Public Accountants

**TO THE SHAREHOLDERS OF  
FAR EAST GLOBAL GROUP LIMITED***(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Far East Global Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 49 to 117, which comprise the consolidated and Company statements of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**RSM Nelson Wheeler***Certified Public Accountants*

Hong Kong

28 March 2011

**Consolidated Income Statement**  
**For the year ended 31 December 2010**

	<i>Notes</i>	<b>2010</b> <i>HK\$</i>	<b>2009</b> <i>HK\$</i>
<b>Revenue/Turnover</b>	6	866,664,104	860,191,699
Cost of sales		<u>(640,992,821)</u>	<u>(668,038,461)</u>
<b>Gross profit</b>		225,671,283	192,153,238
Other income	7	21,005,519	7,083,692
Administrative expenses		(90,533,546)	(97,420,984)
Other operating expenses		<u>(18,656,750)</u>	<u>(3,400,000)</u>
<b>Profit from operations</b>		137,486,506	98,415,946
Finance costs	8	<u>—</u>	<u>—</u>
<b>Profit before tax</b>		137,486,506	98,415,946
Income tax expense	9	<u>(22,076,940)</u>	<u>(23,756,726)</u>
<b>Profit for the year</b>	10	<u>115,409,566</u>	<u>74,659,220</u>
<b>Profit for the year attributable to:</b>			
Owners of the Company	12	110,113,165	74,287,799
Non-controlling interests		<u>5,296,401</u>	<u>371,421</u>
		<u>115,409,566</u>	<u>74,659,220</u>
<b>Earnings per share:</b>			
Basic (HK cents)	14	<u>10.45</u>	<u>8.74</u>
Diluted (HK cents)	14	<u>10.37</u>	<u>N/A</u>

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2010**

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Profit for the year</b>	<u>115,409,566</u>	<u>74,659,220</u>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	738,049	675,954
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments	(431,262)	—
Fair value changes of available-for-sale investments	<u>474,396</u>	<u>450,138</u>
Other comprehensive income for the year, net of tax	<u>781,183</u>	<u>1,126,092</u>
Total comprehensive income for the year	<u><u>116,190,749</u></u>	<u><u>75,785,312</u></u>
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the Company	110,667,748	75,413,891
Non-controlling interests	<u>5,523,001</u>	<u>371,421</u>
	<u><u>116,190,749</u></u>	<u><u>75,785,312</u></u>

**Consolidated Statement of Financial Position**  
**At 31 December 2010**

	<i>Notes</i>	<b>2010</b> <i>HK\$</i>	<b>2009</b> <i>HK\$</i>
<b>Non-current assets</b>			
Property, plant and equipment	15	33,311,866	41,264,027
Prepaid land lease payments	16	—	1,886,672
Available-for-sale investments	17	47,889,176	26,786,042
Rental and utility deposits		<u>2,077,977</u>	<u>2,973,011</u>
		<u>83,279,019</u>	<u>72,909,752</u>
<b>Current assets</b>			
Inventories	19	79,708	68,772
Non-current assets held for sale	20	2,897,383	2,803,922
Gross amount due from customers for contract work	21	86,183,900	65,901,529
Trade and retention receivables	22	172,192,065	249,834,506
Prepayments, deposits and other receivables		41,518,874	23,058,513
Current tax assets		68,671	102,180
Available-for-sale investments	17	—	14,761,000
Pledged time deposits	24	82,683,621	57,061,570
Bank and cash balances	24	<u>364,218,996</u>	<u>315,684,190</u>
		<u>749,843,218</u>	<u>729,276,182</u>
<b>Current liabilities</b>			
Gross amount due to customers for contract work	21	132,883,727	261,756,950
Trade and bills payables	25	52,127,627	49,262,007
Current tax liabilities		35,365,370	46,189,755
Warranty provision	26	15,189,986	12,630,124
Other payables and accruals		<u>76,240,475</u>	<u>92,377,995</u>
		<u>311,807,185</u>	<u>462,216,831</u>
<b>Net current assets</b>		<u>438,036,033</u>	<u>267,059,351</u>
<b>NET ASSETS</b>		<u>521,315,052</u>	<u>339,969,103</u>

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**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

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	<i>Notes</i>	<b>2010</b> <i>HK\$</i>	<b>2009</b> <i>HK\$</i>
<b>Capital and reserves</b>			
Share capital	29	11,161,080	10,000
Reserves	30	<u>502,816,796</u>	<u>338,144,928</u>
Equity attributable to owners of the Company		513,977,876	338,154,928
Non-controlling interests		<u>7,337,176</u>	<u>1,814,175</u>
<b>TOTAL EQUITY</b>		<u><u>521,315,052</u></u>	<u><u>339,969,103</u></u>

Approved by the Board of Directors on 28 March 2011

**HUANG Brad**  
*Director*

**KWOK Yeung Kwong**  
*Director*

**Statement of Financial Position**  
**At 31 December 2010**

	<i>Notes</i>	<b>2010</b> <i>HK\$</i>	<b>2009</b> <i>HK\$</i>
<b>Non-current assets</b>			
Interests in subsidiaries	18	<u>48,657,939</u>	<u>43,652,000</u>
<b>Current assets</b>			
Due from subsidiaries	23	224,892,110	180,298,549
Prepayments, deposits and other receivables		367,543	—
Bank and cash balances		<u>66,683</u>	<u>19,230</u>
		<u>225,326,336</u>	<u>180,317,779</u>
<b>Current liabilities</b>			
Other payables and accruals		210,000	—
Due to subsidiaries	23	<u>6,671,742</u>	<u>46,421,662</u>
		<u>6,881,742</u>	<u>46,421,662</u>
<b>Net current assets</b>		<u>218,444,594</u>	<u>133,896,117</u>
<b>NET ASSETS</b>		<u>267,102,533</u>	<u>177,548,117</u>
<b>Capital and reserves</b>			
Share capital	29	11,161,080	10,000
Reserves	30	<u>255,941,453</u>	<u>177,538,117</u>
<b>TOTAL EQUITY</b>		<u>267,102,533</u>	<u>177,548,117</u>

Approved by the Board of Directors on 28 March 2011

**HUANG Brad**  
*Director*

**KWOK Yeung Kwong**  
*Director*

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2010**

	Attributable to owners of the Company										
	Share capital	Share premium account	Share-based payment reserve	Investment revaluation reserve	Foreign currency translation reserve	Statutory reserves	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
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 year	—	—	—	450,138	675,954	—	74,287,799	—	75,413,891	371,421	75,785,312
Issue of shares (note 29)	10,000	—	—	—	—	—	—	—	10,000	—	10,000
Repurchase of shares (note 29)	(147,264,000)	137,264,000	—	—	—	—	—	—	(10,000,000)	—	(10,000,000)
Share-based payments (note 31)	—	—	4,635,330	—	—	—	—	—	4,635,330	—	4,635,330
2009 proposed final dividend (note 13)	—	(24,000,000)	—	—	—	—	—	24,000,000	—	—	—
Dividend paid	—	—	—	—	—	—	—	(34,000,000)	(34,000,000)	—	(34,000,000)
Changes in equity for the year	(147,254,000)	113,264,000	4,635,330	450,138	675,954	—	74,287,799	(10,000,000)	36,059,221	371,421	36,430,642
At 31 December 2009 and at 1 January 2010	10,000	209,869,896	4,635,330	133,042	4,322,457	12,134	95,172,069	24,000,000	338,154,928	1,814,175	339,969,103
Total comprehensive income for the year	—	—	—	43,134	511,449	—	110,113,165	—	110,667,748	5,523,001	116,190,749
Capitalisation issue	8,490,000	(8,490,000)	—	—	—	—	—	—	—	—	—
Issue of shares (note 29)	2,715,500	317,947,500	—	—	—	—	—	—	320,665,000	—	320,665,000
Share issue expenses	—	(18,018,450)	—	—	—	—	—	—	(18,018,450)	—	(18,018,450)
Repurchase of shares (note 29)	(56,420)	(3,589,720)	—	—	—	—	—	—	(3,646,140)	—	(3,646,140)
Share-based payments (note 31)	—	—	5,496,410	—	—	—	—	—	5,496,410	—	5,496,410
2010 proposed final dividend (note 13)	—	(16,741,620)	—	—	—	—	—	16,741,620	—	—	—
Dividends paid	—	(215,341,620)	—	—	—	—	—	(24,000,000)	(239,341,620)	—	(239,341,620)
Changes in equity for the year	11,151,080	55,766,099	5,496,410	43,134	511,449	—	110,113,165	(7,258,380)	175,822,948	5,523,001	181,345,949
<b>At 31 December 2010</b>	<b>11,161,080</b>	<b>265,635,986</b>	<b>10,131,740</b>	<b>176,176</b>	<b>4,833,906</b>	<b>12,134</b>	<b>205,285,234</b>	<b>16,741,620</b>	<b>513,977,876</b>	<b>7,337,176</b>	<b>521,315,052</b>

**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2010**

	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	137,486,506	98,415,946
Adjustments for:		
Listing expenses	18,656,750	—
Interest income	(1,888,348)	(1,005,354)
Gain on disposal of available-for-sale investment	(584,963)	—
Net (gain)/loss on disposals of property, plant and equipment	(9,046,364)	264,483
Warranty provision	2,950,126	6,618,726
Depreciation, net of amounts capitalised to long term contracts	2,642,740	2,875,787
Amortisation of prepaid land lease payments	—	210,005
Inventories (written back)/written off	(258,684)	140,416
Impairment of property, plant and equipment	—	3,400,000
Provision for impairment of trade and retention receivables	2,539,844	4,305,107
Provision for impairment of trade and retention receivables written back	(3,330,976)	(556,800)
Share-based payments	5,496,410	4,635,330
Operating profit before working capital changes	154,663,041	119,303,646
Decrease/(increase) in rental and utility deposits	895,034	(223,779)
Decrease in inventories	247,748	587,745
Decrease in net gross amount due from and due to customers for contract work	(144,312,924)	(169,657,153)
Decrease in trade and retention receivables	78,433,573	160,620,267
Increase in prepayments, deposits and other receivables	(19,045,803)	(4,528,389)
Decrease in amount due from a related party	—	5,327,220
Increase/(decrease) in trade and bills payables	2,865,620	(8,966,368)
Decrease in warranty provision	(390,264)	(4,548,046)
(Decrease)/increase in other payables and accruals	(15,426,150)	19,424,161
Cash generated from operations	57,929,875	117,339,304
Income tax paid	(33,119,025)	(8,250,664)
Interest paid	—	(12,111)
Net cash generated from operations	<u>24,810,850</u>	<u>109,076,529</u>

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(1,693,206)	(3,495,339)
Purchase of available-for-sale investments	(23,400,000)	(22,561,000)
Proceeds from disposals of property, plant and equipment	13,442,858	1,026,335
Proceeds from disposals of available-for-sale investments	17,685,963	2,340,000
Interest received	1,499,583	1,005,354
Increase in pledged time deposits	<u>(25,622,051)</u>	<u>(18,872,170)</u>
Net cash used in investing activities	<u>(18,086,853)</u>	<u>(40,556,820)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of shares	320,665,000	10,000
Repurchase of shares	(3,646,140)	(10,000,000)
Share issue and listing expenses	(36,675,200)	—
Dividend paid	<u>(239,341,620)</u>	<u>(34,000,000)</u>
Net cash generated from/(used in)financing activities	<u>41,002,040</u>	<u>(43,990,000)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	47,726,037	24,529,709
Effect of foreign exchange rate changes	808,769	627,396
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>315,684,190</u>	<u>290,527,085</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>364,218,996</u>	<u>315,684,190</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	<u>364,218,996</u>	<u>315,684,190</u>

**Notes to the Financial Statements  
For the year ended 31 December 2010****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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is 16/F., Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 March 2010.

During the year, the Group was involved in the facade contracting business, including the design, engineering, manufacture and installation of curtain wall systems made primarily of fabricated aluminium cladding, stainless steel and glass.

In the opinion of the directors of the Company, as at 31 December 2010, Showmost Group Limited ("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 and controlling party of the Company.

**2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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**

These financial statements have been prepared in accordance with IFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values.

The preparation of financial statements 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 these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

**(A) CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 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 that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

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

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 consolidated financial statements are 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. Gain 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 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.

(C) **PROPERTY, PLANT AND EQUIPMENT**

All property, plant and equipment, other than construction in progress, 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 recognised 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) NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

**(E) 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. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

**(F) 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.

**(G) 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 amount 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 amount 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".

**(H) 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 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.

#### **(I) 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.

#### ***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 investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in the 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.

#### **(J) 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.

#### **(K) CASH AND CASH EQUIVALENTS**

For the purpose of the statement 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.

**(L) 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.

**(M) 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.

**(N) 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.

**(O) 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.

**(P) EQUITY INSTRUMENTS**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**(Q) 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.

**(R) 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.

**(S) SHARE-BASED PAYMENTS**

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to business partners are measured at the fair value of the services or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and recognised as expense.

**(T) 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 capitalised 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 capitalisation.

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 capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation 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.

**(U) 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. 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.

**(V) 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.

**(W) IMPAIRMENT OF ASSETS**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except assets arising from construction contracts, investments, inventories 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 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 are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit 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 cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit 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.

**(X) 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.

**(Y) 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 statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements 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 accounting for variation orders of construction contracts that have the most significant effect on the amounts recognised in the financial statements.

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 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 FOR 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 period 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, residual values 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 and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values 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) SHARE-BASED PAYMENT EXPENSES**

The fair value of the share options granted to the directors and employees at the respective date of grant is expensed over the vesting period with a corresponding adjustment to the share-based payment reserve.

In assessing the fair value of the share options granted, the Black-Scholes option pricing model (the “Black-Scholes Model”) was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

**(F) FAIR VALUE AND IMPAIRMENT OF INVESTMENTS**

The Group classifies certain assets as available-for-sale investments and changes in their fair values are recognised as 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.

**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 dollar and Renminbi, United Arab Emirates Dirham, Canadian dollar and Singapore dollar.

In view of the fact that the Hong Kong dollar is pegged to the United States dollar, the Group’s exposure on United States dollar transactions and balances to foreign currency risk is minimal.

At 31 December 2010, if Hong Kong dollar had weakened/strengthened 5% against United Arab Emirates Dirham and Canadian dollar with all other variables held constant, the consolidated profit after tax for the year would have been HK\$15,655 (2009: HK\$1,589,258) and HK\$1,744,787 (2009: HK\$1,517,224) higher/lower, respectively.

At 31 December 2010, if Hong Kong dollar had weakened/strengthened 5% against Renminbi with all other variables held constant, the consolidated profit after tax for the year would have been HK\$923,690 (2009: HK\$388,914) lower/higher.

At 31 December 2010, if Hong Kong dollar had weakened/strengthened 5% against Singapore dollar with all other variables held constant, the consolidated profit after tax for the year would have been HK\$485,254 lower/higher (2009: HK\$2,914,335 higher/lower).

During the year ended 31 December 2010, the Group entered into a net-settled Renminbi/United States dollar non-deliverable structured forward contract with a monthly notional amount of US\$500,000 for a 24-month period beginning in January 2011. Under this contract, the Group has the opportunity to receive a monthly Renminbi

denominated payment in United States dollar if the market exchange rate is below 6.90 for a maximum period of 15 months. However, the Group is obliged to buy Renminbi at a fixed exchange rate of 6.90 if the market exchange rate is above 6.90. The contract will be terminated if the market Renminbi/United States dollar exchange rate is below 6.90 for more than 15 months during the 24-month period.

At 31 December 2010, the above foreign exchange forward contract did not qualify for hedge accounting under the requirement of IAS 39 Financial Instruments: Recognition and Measurement, and its fair value was determined by the directors as immaterial based on the valuation provided by the counterparty using valuation techniques. Accordingly, no gain or loss on this contract was recognised in profit or loss during the year ended 31 December 2010.

The Group currently does not have a formal foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure 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 2010, if the prices of the respective securities had been 5% higher/lower with all other variables held constant, the consolidated other comprehensive income would increase/decrease by HK\$2,394,459 (2009: HK\$2,077,352) as a result of gains/losses on investments classified as available-for-sale.

**(C) CREDIT RISK**

The carrying amount of the pledged time deposits, bank and cash balances and the trade and retention receivables included in the consolidated statement of financial position 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 pledged time deposits, 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.

As at 31 December 2009 and 2010, 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. These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2010, if interest rates at that date had been 10 basis points higher/lower with all other variables held constant, consolidated profit after tax for the year would have been HK\$153,368 (2009: HK\$118,576) higher/lower, arising mainly as a result of higher/lower interest income on bank deposits.

**(F) CATEGORIES OF FINANCIAL INSTRUMENTS AT THE END OF THE REPORTING PERIOD**

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Financial assets:</b>		
Loans and receivables (including cash and cash equivalents)	624,725,163	630,970,850
Available-for-sale investments	<u>47,889,176</u>	<u>41,547,042</u>
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<u>85,815,194</u>	<u>80,124,344</u>

**(G) FAIR VALUES**

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement 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 represents 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 People's Republic of China (the "PRC"), Hong Kong and Macau.
- Asia includes projects in 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 statements.

Segment profits and losses do not include the following items:

- Other income (including interest income)
- Administrative expenses
- Other operating expenses
- Finance costs

Segment assets do not include the following items:

- Property, plant and equipment
- Prepaid land lease payments
- Available-for-sale investments
- Inventories
- Non-current assets held for sale
- Gross amount due from customers for contract work
- Prepayments, deposits and other receivables (including non-current rental and utility deposits)
- Current tax assets
- Bank and cash balances and pledged time deposits

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Information about reportable segment profit or loss and assets:

	<b>North America</b>	<b>Greater China</b>	<b>Asia</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>For the year ended</b>					
<b>31 December 2010</b>					
Revenue from external customers	<u>385,286,309</u>	<u>346,168,504</u>	<u>54,951,948</u>	<u>80,257,343</u>	<u>866,664,104</u>
Reportable segment profits	<u>129,371,619</u>	<u>71,663,891</u>	<u>8,142,987</u>	<u>16,492,786</u>	225,671,283
Unallocated amounts:					
Other income					21,005,519
Administrative expenses					(90,533,546)
Other operating expenses					<u>(18,656,750)</u>
Profit before tax					<u>137,486,506</u>
Other material items:					
Depreciation	3,054,300	3,647,692	424,069	267,637	7,393,698
Amount capitalised	(2,598,919)	(1,644,824)	(242,274)	(264,941)	(4,750,958)
	455,381	2,002,868	181,795	2,696	2,642,740
Provision for impairment of trade and retention receivables written back	(1,609,917)	(1,721,059)	—	—	(3,330,976)
Provision for impairment of trade and retention receivables	<u>1,634,844</u>	<u>905,000</u>	<u>—</u>	<u>—</u>	<u>2,539,844</u>
<b>As at 31 December 2010</b>					
Segment assets	<u>67,604,083</u>	<u>76,186,464</u>	<u>26,301,916</u>	<u>2,099,602</u>	172,192,065
Property, plant and equipment					33,311,866
Available-for-sale investments					47,889,176
Inventories					79,708
Non-current assets held for sale					2,897,383
Gross amount due from customers for contract work					86,183,900
Prepayments, deposits and other receivables					43,596,851
Current tax assets					68,671
Bank and cash balances and pledged time deposits					<u>446,902,617</u>
Total assets					<u>833,122,237</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	North America <i>HK\$</i>	Greater China <i>HK\$</i>	Asia <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
<b>For the year ended</b>					
<b>31 December 2009</b>					
Revenue from external customers	<u>450,958,352</u>	<u>263,228,099</u>	<u>125,794,380</u>	<u>20,210,868</u>	<u>860,191,699</u>
Reportable segment profits	<u><u>128,503,288</u></u>	<u><u>36,285,269</u></u>	<u><u>9,816,952</u></u>	<u><u>17,547,729</u></u>	192,153,238
Unallocated amounts:					
Other income					7,083,692
Administrative expenses					(97,420,984)
Other operating expenses					<u>(3,400,000)</u>
Profit before tax					<u><u>98,415,946</u></u>
Other material items:					
Depreciation	3,872,807	3,539,997	866,267	86,231	8,365,302
Amount capitalised	(3,346,091)	(1,466,733)	(601,379)	(75,312)	(5,489,515)
	526,716	2,073,264	264,888	10,919	2,875,787
Provision for impairment of trade and retention receivables written back	—	(556,800)	—	—	(556,800)
Provision for impairment of trade and retention receivables	<u>1,609,918</u>	<u>2,695,189</u>	<u>—</u>	<u>—</u>	<u>4,305,107</u>
<b>As at 31 December 2009</b>					
Segment assets	<u><u>93,869,208</u></u>	<u><u>77,505,992</u></u>	<u><u>78,459,306</u></u>	<u><u>—</u></u>	249,834,506
Property, plant and equipment					41,264,027
Prepaid land lease payments					1,886,672
Available-for-sale investments					41,547,042
Inventories					68,772
Non-current assets held for sale					2,803,922
Gross amount due from customers for contract work					65,901,529
Prepayments, deposits and other receivables					26,031,524
Current tax assets					102,180
Bank and cash balances and pledged time deposits					<u>372,745,760</u>
Total assets					<u><u>802,185,934</u></u>

Revenue from major customers (which individually contributed 10% or more of the Group's total revenue):

For the year ended 31 December 2010, revenue from two different customers of the Group's North America segment represents HK\$214,366,667 and HK\$89,564,031 of the Group's total revenue respectively and revenue from two different customers of the Group's Greater China segment represents HK\$128,196,624 and HK\$93,092,603 of the Group's total revenue respectively.

For the year ended 31 December 2009, revenue from different single customer of each individual or combined segments, the Group's Greater China segment, the Group's Greater China and Asia segment and the Group's North America segment represents HK\$110,449,533, HK\$87,063,670 and HK\$315,575,990 of the Group's total revenue respectively.

#### 7. OTHER INCOME

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Bank interest income	1,888,348	1,005,354
Gain on disposals of scrap materials	776,783	784,090
Gain on disposal of available-for-sale investments	584,963	—
Gain on disposals of property, plant and equipment	9,496,078	—
Provision for impairment of trade and retention receivables written back	3,330,976	556,800
Net foreign exchange gains	4,466,367	4,321,496
Inventories written back	258,684	—
Others	203,320	415,952
	<u>21,005,519</u>	<u>7,083,692</u>

#### 8. FINANCE COSTS

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank overdrafts and bank borrowings	—	12,111
Amount capitalised	—	(12,111)
	<u>—</u>	<u>—</u>

## 9. INCOME TAX EXPENSE

	2010 <i>HK\$</i>	2009 <i>HK\$</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	13,000,000	10,000,000
Under provision in prior years	<u>—</u>	<u>6,272,583</u>
	<u>13,000,000</u>	<u>16,272,583</u>
Current tax — overseas		
Provision for the year	<u>9,076,940</u>	<u>7,484,143</u>
	<u><u>22,076,940</u></u>	<u><u>23,756,726</u></u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

Macau Corporate Tax has been provided on the taxable profit and is calculated at the progressive rate from 9% to 12% (2009: 9% to 12%) for the year.

United States Corporate Income Tax has been provided at the federal tax rate of 34% (2009: 34%), and where applicable, plus applicable state tax rate of 8.84% (2009: 8.84%) based on the estimated assessable profit for the year less allowable losses brought forward.

PRC Enterprise Income Tax has been provided at a rate of 25% (2009: 25%) based on the estimated assessable profit for the year.

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:

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Profit before tax	<u>137,486,506</u>	<u>98,415,946</u>
Tax at domestic income tax rate of 16.5% (2009: 16.5%)	22,685,273	16,238,631
Tax effect of income that is not taxable	(1,732,808)	(586,810)
Tax effect of expenses that are not deductible	2,146,910	1,158,702
Tax effect of temporary differences not recognised	(3,812,007)	153,448
Tax effect of utilisation of tax losses not previously recognised	(825,488)	(2,641,928)
Under provision in prior years	—	6,272,583
Effect of different tax rates of subsidiaries	<u>3,615,060</u>	<u>3,162,100</u>
Income tax expense	<u><u>22,076,940</u></u>	<u><u>23,756,726</u></u>

**10. PROFIT FOR THE YEAR**

The Group's profit for the year is stated after charging/(crediting) the following:

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Auditor's remuneration		
— Provision for the year	1,100,000	1,372,600
— Over-provision in prior years	(372,600)	—
	<u>727,400</u>	<u>1,372,600</u>
Depreciation	7,393,698	8,365,302
Less: amounts capitalised	(4,750,958)	(5,489,515)
	<u>2,642,740</u>	<u>2,875,787</u>
Amortisation of prepaid land lease payments	—	210,005
Gain on disposals of property, plant and equipment	(9,496,078)	—
Loss on disposals of property, plant and equipment	449,714	264,483
Operating lease charges — land and buildings	14,540,074	15,805,498
Less: amounts capitalised	(12,662,962)	(12,363,469)
	<u>1,877,112</u>	<u>3,442,029</u>
Impairment on property, plant and equipment	—	3,400,000
Cost of contracting works performed	632,027,092	666,445,998
Warranty provision	2,950,126	6,618,726
Provision for impairment on trade and retention receivables	2,539,844	4,305,107
Provision for impairment on trade and retention receivables written back	(3,330,976)	(556,800)
Inventories (written back)/written off	(258,684)	140,416
Staff costs including directors' emoluments:		
Salaries, bonuses and allowances	87,091,385	91,255,751
Share-based payments	5,496,410	4,635,330
Retirement benefits scheme contributions	4,593,513	3,888,291
Less: amount included in cost of contracting works performed	(42,470,435)	(48,360,950)
	<u>54,710,873</u>	<u>51,418,422</u>
Net foreign exchange gains	<u>(4,466,367)</u>	<u>(4,321,496)</u>

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

## For the year ended 31 December 2010

Name of director	Fees HK\$	Salaries and allowances HK\$	Discretionary bonuses HK\$	Share-based payments HK\$	Retirement	Total HK\$
					benefit scheme contributions HK\$	
Kwok Yeung Kwong	—	2,568,065	800,000	1,535,307	105,120	5,008,492
Huang Brad	60,700	—	—	614,123	7,927	682,750
Huang Guangyu	90,645	—	—	—	—	90,645
Chiu Lok Man (i)	—	691,347	320,000	71,203	9,774	1,092,324
Hong Winn (i)	90,645	—	—	—	—	90,645
Ko Chuk Kin Herbert (i)	—	1,098,482	480,000	118,673	71,352	1,768,507
Yen Homer Shih Hung (i)	90,645	—	—	—	—	90,645
Zhou Jinsong (i)	90,645	—	—	—	—	90,645
	<u>423,280</u>	<u>4,357,894</u>	<u>1,600,000</u>	<u>2,339,306</u>	<u>194,173</u>	<u>8,914,653</u>

## For the year ended 31 December 2009

Name of director	Fees HK\$	Salaries and allowances HK\$	Discretionary bonuses HK\$	Share-based payments HK\$	Retirement	Total HK\$
					benefit scheme contributions HK\$	
Kwok Yeung Kwong	—	2,407,000	600,000	2,305,208	120,450	5,432,658
Huang Brad	—	325,200	—	—	42,471	367,671
Kwong Wui Chun (ii)	—	—	—	—	—	—
Chen Jacob, James (ii)	—	—	—	—	—	—
Huang Guangyu	—	—	—	—	—	—
	<u>—</u>	<u>2,732,200</u>	<u>600,000</u>	<u>2,305,208</u>	<u>162,921</u>	<u>5,800,329</u>

Note:

(i) Appointed on 8 March 2010.

(ii) Resigned on 31 March 2009.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the year included 2 (2009: 1) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2009: 4) individuals are set out below:

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Basic salaries and allowances	4,195,948	6,191,842
Discretionary bonuses	1,050,000	1,140,000
Share-based payments	332,284	979,213
Retirement benefit scheme contributions	<u>156,600</u>	<u>227,730</u>
	<u>5,734,832</u>	<u>8,538,785</u>

The emoluments fell within the following band:

	<b>Number of individuals</b>	
	<b>2010</b>	<b>2009</b>
Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	2
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	<u>—</u>	<u>1</u>
	<u>3</u>	<u>4</u>

During the year, 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.

## 12. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year attributable to owners of the Company included a profit of approximately HK\$24,399,216 (2009: loss of HK\$4,711,144) which has been dealt with in the financial statements of the Company.

## 13. DIVIDENDS

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend — HK\$0.015 (2009: Nil) per ordinary share	16,741,620	—
Special dividend declared on 12 March 2010 approved and paid to the then shareholders before the listing of the Company — HK\$198.6 (2009: Nil) per ordinary share	198,600,000	—
Proposed final dividend — HK\$0.015 (2009: HK\$24) per ordinary share	<u>16,741,620</u>	<u>24,000,000</u>
	<u>232,083,240</u>	<u>24,000,000</u>

The special dividend declared on 12 March 2010 of HK\$198,600,000, representing HK\$198.60 per ordinary share, and the proposed final dividend for the year ended 31 December 2009 of HK\$24,000,000, representing HK\$24 per ordinary share, were paid to the then shareholders before the listing of the Company. The amounts of dividend per share are calculated based on 1,000,000 ordinary shares in issue at 31 December 2009.

The amounts of interim dividend and proposed final dividend per share for the year ended 31 December 2010 are calculated based on the enlarged number of shares after the listing of the Company.

#### 14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	2010 <i>HK\$</i>	2009 <i>HK\$</i>
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	110,113,165	74,287,799
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic earnings per share calculation	1,054,070,137	850,000,000
Effect of dilutive potential ordinary shares arising from share options	<u>7,880,962</u>	<u>—</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u>1,061,951,099</u>	<u>850,000,000</u>

The weighted average number of ordinary shares in issue during the year ended 31 December 2009 and 2010 of 850,000,000 and 1,054,070,137 respectively is calculated on the assumption that 850,000,000 shares of HK\$0.01 each comprising 1,000,000 shares issued on 30 November 2009 and 849,000,000 shares issued pursuant to the capitalisation issue on 10 March 2010 had been in issue throughout year ended 31 December 2009 and 2010.

In addition, the calculation of the weighted average number of ordinary shares in issue during the year ended 31 December 2010 includes the 271,750,000 ordinary shares issued upon completion of global offering of the Company during the year and the 5,642,000 ordinary shares repurchased during the year.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Group							Total HK\$
	Land and buildings HK\$	Leasehold improvements HK\$	Plant and machinery HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Tools and mould HK\$	Construction in progress HK\$	
<b>Cost</b>								
At 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	—	—	—	55,758	—	—	—	55,758
Transferred to non-current assets held for sale	(6,000,000)	—	—	—	—	—	—	(6,000,000)
Additions	138,786	1,867,292	411,072	1,076,812	—	1,377	—	3,495,339
Disposals/write-off	(195,000)	(9,711)	(856,494)	(268,277)	(864,292)	—	—	(2,193,774)
At 31 December 2009 and 1 January 2010	29,967,520	9,897,945	24,762,565	23,048,290	5,770,956	1,484,402	4,770,134	99,701,812
Currency realignment	—	—	—	257,848	—	—	—	257,848
Transferred to non-current assets held for sale	(2,261,059)	—	—	—	—	—	—	(2,261,059)
Additions	—	427,702	267,663	923,793	74,048	—	—	1,693,206
Disposals/write-off	(504,075)	—	(5,088,280)	(3,851,165)	(1,497,414)	—	—	(10,940,934)
At 31 December 2010	27,202,386	10,325,647	19,941,948	20,378,766	4,347,590	1,484,402	4,770,134	88,450,873
<b>Accumulated depreciation and impairment</b>								
At 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	—	—	—	7,200	—	—	—	7,200
Transferred to non-current assets held for sale	(3,196,078)	—	—	—	—	—	—	(3,196,078)
Charge for the year	420,416	580,678	3,203,470	3,188,763	825,347	146,628	—	8,365,302
Impairment loss	3,400,000	—	—	—	—	—	—	3,400,000
Disposals/write-off	—	(6,358)	(429,589)	(67,767)	(399,242)	—	—	(902,956)
At 31 December 2009 and 1 January 2010	10,097,150	7,590,177	18,737,427	11,703,467	4,178,855	1,360,575	4,770,134	58,437,785
Currency realignment	—	—	—	94,529	—	—	—	94,529
Transferred to non-current assets held for sale	(1,530,355)	—	—	—	—	—	—	(1,530,355)
Charge for the year	234,434	950,318	2,436,740	3,123,815	527,339	121,052	—	7,393,698
Disposals/write-off	—	—	(4,702,505)	(3,561,627)	(992,518)	—	—	(9,256,650)
At 31 December 2010	8,801,229	8,540,495	16,471,662	11,360,184	3,713,676	1,481,627	4,770,134	55,139,007
<b>Carrying amount</b>								
At 31 December 2010	18,401,157	1,785,152	3,470,286	9,018,582	633,914	2,775	—	33,311,866
At 31 December 2009	19,870,370	2,307,768	6,025,138	11,344,823	1,592,101	123,827	—	41,264,027

The Group carried out reviews of the recoverable amount of its freehold land in the United States of America and construction in progress erected on this freehold land in the years 2009 and 2010, by reference to market evidence of recent transactions for similar properties by Horizon Village Appraisal, an independent firm of chartered surveyors. No impairment loss (2009: HK\$3,400,000) has been recognised for the year ended 31 December 2010, as the carrying amount approximates the recoverable amount. The recoverable amount of the relevant assets has been determined on the basis of their fair value less costs to sell.

An analysis of the cost of the Group's land and buildings is as follows

	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Located in:		
Mainland China, held under medium term leases	7,306,050	9,567,109
United States of America, freehold	<u>19,896,336</u>	<u>20,400,411</u>
	<u>27,202,386</u>	<u>29,967,520</u>

#### 16. PREPAID LAND LEASE PAYMENTS

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
At beginning of year	2,166,679	2,376,684
Transfer to non-current assets held for sale	(2,166,679)	—
Amortisation of prepaid land lease payments	<u>—</u>	<u>(210,005)</u>
At end of year	—	2,166,679
Current portion included in prepayments, deposits and other receivables	<u>—</u>	<u>(280,007)</u>
Non-current portion	<u>—</u>	<u>1,886,672</u>

The Group's prepaid land lease payments represent payments for land use rights located in the Mainland China under medium term leases.

## 17. AVAILABLE-FOR-SALE INVESTMENTS

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Unlisted investments, at fair value:		
Club debenture	380,000	380,000
Investment funds and certificates of deposits	<u>47,509,176</u>	<u>41,167,042</u>
	<u>47,889,176</u>	<u>41,547,042</u>
Analysed as:		
Current assets	—	14,761,000
Non-current assets	<u>47,889,176</u>	<u>26,786,042</u>
	<u>47,889,176</u>	<u>41,547,042</u>

For the year ended 31 December 2010, fair value gain on the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$474,396 (2009: HK\$450,138).

The investment funds and certificate of deposits were designated as available-for-sale investments on initial recognition. These investments are capital guaranteed.

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.

As at 31 December 2010, 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\$24,109,176 (2009: HK\$26,406,042).

## 18. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Unlisted investments, at cost	<u>48,657,939</u>	<u>43,652,000</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Particulars of the subsidiaries as at 31 December 2010 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing		Principal activities
			Direct	Indirect	
Far East Aluminium (BVI) Limited	British Virgin Islands	6,000 ordinary shares of US\$1 each	100%	—	Investment holding
Far East Aluminium Works Company Limited (遠東鋁質工程 有限公司)	Hong Kong	900,000 ordinary shares of HK\$100 each	—	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade (UK) Limited	United Kingdom	1 ordinary share of GBP1	—	100%	Inactive
Far East Facade (UAE) Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	—	100%	Investment holding
World Eastern Cladding Works (LLC)	United Arab of Emirates	100 ordinary shares of AED3,000 each	—	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade, Incorporated	United States of America	100,000 ordinary shares of US\$0.01 each	—	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade (HK) Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	—	100%	Investment holding
Facade Design and Drafting Services Limited	Hong Kong	100 ordinary shares of HK\$1 each	—	100%	Inactive
Heng Fai International Limited	British Virgin Islands	10,000 ordinary shares of HK\$0.1 each	—	100%	Manufacture of curtain walls, aluminium windows and other related products

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing		Principal activities
			Direct	Indirect	
Netfortune Limited (力進有限公司)	Hong Kong	500,000 ordinary shares of HK\$1 each	—	100%	Investment holding
Willbert Limited	British Virgin Islands	1 ordinary shares of US\$1	—	100%	Property holding
Far East Aluminium Works (Guangzhou) Company Limited (遠東鋁質工程 廣州)有限公司)	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Property holding
FEA Technology Limited (遠東工業科技 有限公司)	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Inactive
FEA Engineering Limited	British Virgin Islands	100 ordinary shares of US\$1 each	—	100%	Investment holding
FEA Investments Limited	British Virgin Islands	1 ordinary share of US\$1	—	100%	Investment holding
Strong Power International Limited (強勢國際有限公司)	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Investment holding
Better View Investment Limited (啟先投資有限公司)	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Property holding
Seniford Engineering Limited (先利富工程有限公司)	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Inactive
FEA Corporate Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	—	100%	Provision of company secretarial services to Group companies
Far East Aluminium Works (Singapore) Pte. Limited	Singapore	700,000 ordinary shares of SGD1 each	—	100%	Design, manufacture and installation of curtain walls, aluminum windows and other related products

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing		Principal activities
			Direct	Indirect	
Netfortune (Shanghai) Aluminium Works Company Limited (a sino-foreign equity joint venture enterprise) (上海力進鋁質工程有限公司(一間中外合資經營企業))	The People's Republic of China	Registered capital of RMB10,000,000	—	75%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Netfortune Engineering (FEA) Macau Limited (力進工程(遠鋁)澳門有限公司)	Macau	25,000 ordinary shares of MOP1 each	—	100%	Design, manufacture and installation of curtain walls, aluminum windows and other related products
Far East Aluminium Works (U.S.) Corporation	United States of America	200,000,000 ordinary shares of US\$0.001 each	—	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade Investments Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	—	100%	Investment holding
Far East Aluminium Works Canada Corporation	Canada	100 ordinary shares of CAD1 each	—	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Heng Fai International Limited	Hong Kong	1 ordinary share of HK\$1	—	100%	Inactive
Far East Aluminium Works Chile Limitada	Chile	Registered share capital of PESO10,000,000	—	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Kam Sau Corporation Limited (錦繡興業有限公司)	Hong Kong	1 ordinary share of HK\$1	—	100%	Inactive

## 19. INVENTORIES

	Group	
	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
Consumables	<u>79,708</u>	<u>68,772</u>

## 20. NON-CURRENT ASSETS HELD FOR SALE

On 8 July 2009, the Group entered into a conditional agreement with an independent third party to dispose of a property located in the PRC for the consideration of HK\$6,768,000. The property was not available for immediate sale in its present condition during the year ended 31 December 2009 and accordingly, no reclassification of the property as held for sale was made. The property was available for immediate sale upon obtaining the revised land use right certificates during the year ended 31 December 2010. Accordingly, the carrying amount of the property, comprising prepaid land lease payments of HK\$2,166,679 and land and buildings of HK\$730,704 have been classified as non-current assets held for sale in the consolidated statement of financial position during the year ended 31 December 2010.

Pursuant to a supplementary agreement entered into on 30 May 2010, the deadline for completing the transaction was extended to 31 December 2011.

The proceeds of the disposal exceeded the carrying amount of the property and accordingly, no impairment loss has been recognised on the classification of the property as held for sale.

## 21. GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	Group	
	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
Contract costs incurred plus recognised profits less foreseeable losses to date	4,577,493,175	4,314,703,368
Less: Progress billings	<u>(4,624,193,002)</u>	<u>(4,510,558,789)</u>
	<u>(46,699,827)</u>	<u>(195,855,421)</u>
Gross amount due from customers for contract work	86,183,900	65,901,529
Gross amount due to customers for contract work	<u>(132,883,727)</u>	<u>(261,756,950)</u>
	<u>(46,699,827)</u>	<u>(195,855,421)</u>

## 22. TRADE AND RETENTION RECEIVABLES

	Group	
	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	81,201,298	121,619,238
Retention receivables	<u>108,483,730</u>	<u>146,499,363</u>
	189,685,028	268,118,601
Impairment losses	<u>(17,492,963)</u>	<u>(18,284,095)</u>
	<u>172,192,065</u>	<u>249,834,506</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 ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	Group	
	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables:		
0 to 30 days	58,462,780	55,881,754
31 to 60 days	4,888,827	46,806,615
61 to 90 days	4,398,174	2,143,014
More than 90 days	<u>8,543,785</u>	<u>9,324,146</u>
	76,293,566	114,155,529
Retention receivables	<u>95,888,499</u>	<u>135,678,977</u>
	<u>172,192,065</u>	<u>249,834,506</u>

As at 31 December 2010, a provision of impairment was made for estimated irrecoverable trade and retention receivables of approximately HK\$17,492,963 (2009: HK\$18,284,095).

Reconciliation of provision for impairment of the trade and retention receivables are as follows:

	Group	
	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
At beginning of year	18,284,095	14,535,788
Impairment losses reversed	(3,330,976)	(556,800)
Provision for impairment	<u>2,539,844</u>	<u>4,305,107</u>
At end of year	<u>17,492,963</u>	<u>18,284,095</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.

As of 31 December 2010, trade receivables of HK\$17,830,786 (2009: HK\$58,273,775) 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:

	Group	
	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
Up to 3 month	9,287,001	48,949,629
3 to 6 months	<u>8,543,785</u>	<u>9,324,146</u>
	<u>17,830,786</u>	<u>58,273,775</u>

The amount of retentions expected to be recovered after more than twelve months is HK\$71,128,305 (2009: HK\$118,602,588).

The carrying amounts of the Group's trade and retention receivables are denominated in the following currencies:

	Group	
	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollar	35,484,018	54,879,855
United States dollar	45,330,481	79,609,163
Renminbi	33,865,822	15,117,682
Macau Pataca	8,936,226	7,508,455
United Arab Emirates Dirham	16,721,250	28,665,312
Canadian dollar	22,273,602	14,260,045
Singapore dollar	<u>9,580,666</u>	<u>49,793,994</u>
	<u>172,192,065</u>	<u>249,834,506</u>

**23. DUE FROM/TO SUBSIDIARIES**

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

**24. PLEDGED TIME DEPOSITS AND BANK AND CASH BALANCES**

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Pledged time deposits	82,683,621	57,061,570
Bank and cash balances	<u>364,218,996</u>	<u>315,684,190</u>
	<u>446,902,617</u>	<u>372,745,760</u>

The Group's pledged time deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 27 to the financial statements.

The carrying amounts of the Group's pledged time deposits and bank and cash balances are denominated in the following currencies:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollar	129,889,760	48,964,566
United States dollar	120,886,813	229,104,084
Renminbi	154,509,370	2,797,294
Macau Pataca	4,737,281	1,507,288
United Arab Emirates Dirham	3,586,117	38,201,045
Canadian dollar	21,231,720	4,696,437
Chile Peso	142,141	41,446
Euro	37,616	10,886
Singapore dollar	<u>11,881,799</u>	<u>47,422,714</u>
	<u>446,902,617</u>	<u>372,745,760</u>

As at 31 December 2010, the bank and cash balances of the Group denominated in Renminbi amounted to HK\$154,509,370 (2009: HK\$2,797,294). 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.

**25. TRADE AND BILLS PAYABLES**

The aging analysis of trade and bills payables, based of receipt of goods, is as follows:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
0 to 30 days	33,369,626	35,588,862
31 to 60 days	4,657,442	3,808,967
More than 60 days	<u>14,100,559</u>	<u>9,864,178</u>
	<u><u>52,127,627</u></u>	<u><u>49,262,007</u></u>

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollar	15,028,936	8,136,442
United States dollar	10,808,849	19,110,332
Renminbi	22,124,330	15,666,206
Singapore dollar	252,730	3,191,224
Chile Peso	474,997	395,670
United Arab Emirates Dirham	190,042	1,064,032
Canadian dollar	<u>3,247,743</u>	<u>1,698,101</u>
	<u><u>52,127,627</u></u>	<u><u>49,262,007</u></u>

**26. WARRANTY PROVISION**

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
At beginning of year	12,630,124	10,559,444
Additional provisions	2,950,126	6,618,726
Provisions used	<u>(390,264)</u>	<u>(4,548,046)</u>
At end of year	<u><u>15,189,986</u></u>	<u><u>12,630,124</u></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 and the estimation basis is reviewed on an ongoing basis and revised where appropriate.

**27. BANKING FACILITIES**

At 31 December 2010, the Group had available and unutilised banking facilities amounted to HK\$303,281,379 (2009: HK\$190,285,790).

These facilities are secured by:

- (a) Pledges of the Group's available-for-sale investments of HK\$24,109,176 (2009: HK\$26,406,042) (note 17).
- (b) Pledges of the Group's time deposits of HK\$82,683,621 (2009: HK\$57,061,570) (note 24); and
- (c) Corporate guarantees with an aggregate amount of HK\$469,600,000 executed by the Company (2009: HK\$287,000,000).

**28. DEFERRED TAX**

Temporary differences arising in connection with interests in subsidiaries are insignificant.

No provision for deferred taxation has been made in the financial statements as the tax effect of temporary difference is immaterial to the Group.

**29. SHARE CAPITAL**

	Note	Nominal value per share	Authorised		Issued and fully paid	
			Number of shares	Amount HK\$	Number of shares	Amount HK\$
At 1 January 2009		US\$1.00	20,000,000	156,000,000	18,880,000	147,264,000
Increase in authorised share capital	(a)	HK\$0.01	39,000,000	390,000	—	—
Issue of shares	(a)	HK\$0.01	—	—	1,000,000	10,000
Repurchase of shares	(a)	US\$1.00	—	—	(18,880,000)	(147,264,000)
Cancellation of shares in authorised share capital	(a)	US\$1.00	(20,000,000)	(156,000,000)	—	—
At 31 December 2009 and 1 January 2010		HK\$0.01	39,000,000	390,000	1,000,000	10,000
Increase in authorised share capital	(b)	HK\$0.01	9,961,000,000	99,610,000	—	—
Capitalisation issue	(b)	HK\$0.01	—	—	849,000,000	8,490,000
Issue of shares	(c)	HK\$0.01	—	—	271,750,000	2,717,500
Repurchase of shares	(d)	HK\$0.01	—	—	(5,642,000)	(56,420)
At 31 December 2010		HK\$0.01	10,000,000,000	100,000,000	1,116,108,000	11,161,080

*Notes:*

- (a) On 30 November 2009, the authorised share capital of the Company was increased by HK\$390,000 by the creation of 39,000,000 shares of HK\$0.01 each of which 1,000,000 ordinary shares of HK\$0.01 each were issued at par for cash. Immediately thereafter, the Company repurchased all of the 18,880,000 ordinary shares of US\$0.01 each at a price of HK\$10,000,000 and then cancelled 20,000,000 ordinary shares of US\$1 each in the authorised share capital of the Company.
- (b) On 10 March 2010, 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 conditional on the share premium account of the Company being credited pursuant to the global offering of the shares of the Company, the directors of the Company were authorised to capitalise 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.
- (c) On 30 March 2010, the Company issued 271,750,000 ordinary shares of HK\$0.01 each at a price of HK\$1.18 each upon completion of the global offering of the shares of the Company.
- (d) During the year ended 31 December 2010, the Company repurchased and cancelled 5,642,000 shares of its own shares through purchases on the Stock Exchange for total consideration of HK\$3,646,140.

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.

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. At 31 December 2009 and 2010, the Group does not have outstanding bank borrowing.

At 31 December 2009 and 2010, the Group is not subject to any externally imposed capital requirements.

**30. RESERVES****(A) GROUP**

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

## (B) COMPANY

The amounts of the Company's reserves and the movements therein are presented below.

	Note	Share premium account HK\$	Share-based payment reserve HK\$	Accumulated losses HK\$	Proposed final dividend HK\$	Total HK\$
At 1 January 2009		96,605,896	—	(56,255,965)	34,000,000	74,349,931
Loss for the year		—	—	(4,711,144)	—	(4,711,144)
Repurchase of shares	29	137,264,000	—	—	—	137,264,000
Share-based payments	31	—	4,635,330	—	—	4,635,330
Dividend paid		—	—	—	(34,000,000)	(34,000,000)
Proposed final dividend	13	(24,000,000)	—	—	24,000,000	—
At 31 December 2009 and 1 January 2010		209,869,896	4,635,330	(60,967,109)	24,000,000	177,538,117
Profit for the year		—	—	24,399,216	—	24,399,216
Capitalisation issue		(8,490,000)	—	—	—	(8,490,000)
Issue of shares		317,947,500	—	—	—	317,947,500
Share issue expense		(18,018,450)	—	—	—	(18,018,450)
Repurchase of shares	29	(3,589,720)	—	—	—	(3,589,720)
Share-based payments	31	—	5,496,410	—	—	5,496,410
Dividends paid		(215,341,620)	—	—	(24,000,000)	(239,341,620)
Proposed final dividend	13	<u>(16,741,620)</u>	<u>—</u>	<u>—</u>	<u>16,741,620</u>	<u>—</u>
At 31 December 2010		<u>265,635,986</u>	<u>10,131,740</u>	<u>(36,567,893)</u>	<u>16,741,620</u>	<u>255,941,453</u>

## (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 statements.

(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 end of the reporting period and is dealt with in accordance with the accounting policy in note 3(i) to the financial statements.

(IV) *SHARE-BASED PAYMENT RESERVE*

The share-based payment reserve represents the fair value of the equity instruments granted under the share purchase plan to directors and employees and the fair value of the actual or estimated number of unexercised share options granted to directors, employees and business partners recognised in accordance with the accounting policy adopted for share-based payments in note 3(s) to the financial statements.

(V) *STATUTORY RESERVES*

The statutory reserves, which are non-distributable, are 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.

### **31. SHARE-BASED PAYMENTS**

#### **SHARE PURCHASE PLAN**

On 30 November 2009, the Company operated a share purchase plan for the purpose of providing incentives and rewards to eligible directors and employees of the Group (the "Eligible Employees") who contribute to the success of the Group's operations (the "Share Purchase Plan").

The Share Purchase Plan provides Eligible Employees with the ability to purchase the Company's ordinary shares at a discount to the current market value. Under the Share Purchase Plan, 160,000 or 16% of the ordinary shares of the Company (the "Reward Shares") were transferred by the then sole shareholder of the Company, Showmost, to Full Mission Limited ("Full Mission") at a consideration of HK\$35,458,579 on 30 November 2009. The consideration was fully paid on and settled by a six-month bridging loan interest-bearing at 5% per annum of the same amount, granted by Showmost to Full Mission (the "Bridging Loan") on the same date.

During the year ended 31 December 2009, the Group recognised a share-based payment expense with an aggregate amount of HK\$4,635,330, which comprises (i) the discount provided to Eligible Employees for the purchase of the Reward Shares of HK\$4,103,451, being the difference between the fair value of the Reward Shares at the grant date and the consideration paid; and (ii) a fair value loss of HK\$531,879 on the Bridging Loan granted for the purpose of acquiring the Reward Shares, being the difference between the fair value and the nominal value of the Bridging Loan.

The fair value of the Reward Shares was determined as HK\$39,562,030 at the grant date and was measured by an independent valuer using the market-based approach. Under the market-based approach, the fair value of the Reward Shares was determined by reference to the appropriate value multiples of similar listed companies, which includes the price to earning ratio, price to sales ratio and the price to book ratio, with a marketability discount of 33% and a discount of 5% per year for transfer restrictions in relation to the lock-up arrangements.

The fair value of the Bridging Loan was determined by the directors of the Company using the effective interest rate method by discounting the nominal amount of the Bridging Loan using an applicable interest rate. The applicable interest rate is estimated by reference to the interest rate which would have been charged to the Eligible Employees as if the Bridging loan were obtained from financial institutions.

#### **EQUITY-SETTLED SHARE OPTION SCHEME**

The Company adopted a share option scheme (the “Scheme”) on 10 March 2010. The purpose of the Scheme is to provide incentives or rewards to the eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Company and its subsidiaries. Eligible participants include the directors, employees, suppliers, customers, consultants, advisers, managers, officers or entities that provide research, development and other technological support to the Company, the Company’s subsidiaries and other entities in which the Company holds any equity interest. The Scheme became effective on 10 March 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue immediately following the completion of the global offering of the Company (i.e. 112,175,000 shares), unless the Company obtains approval from the shareholders in general meeting to refresh such limit for a further 10% of share in issue as at the date of approval of the refreshment. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors. In addition, where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates would result in the securities issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, such further grant is subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company’s shares.

Share options do not confer rights on the holder to dividends or to vote at shareholders’ meetings.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Details of the movements of the share options granted are as follows:

Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share	Outstanding at 1 January 2010	Number of share options		
						Grant during the year	Lapsed during the year	Outstanding at 31 December 2010
Chief executive director and chairman	27 July 2010	27 July 2010 to 28 June 2011	29 June 2011 to 28 June 2020	0.65	—	8,750,000	—	8,750,000
	27 July 2010	29 June 2011 to 28 June 2012	29 June 2012 to 28 June 2020	0.65	—	8,750,000	—	8,750,000
	27 July 2010	29 June 2012 to 28 June 2013	29 June 2013 to 28 June 2020	0.65	—	8,750,000	—	8,750,000
	27 July 2010	29 June 2013 to 28 June 2014	29 June 2014 to 28 June 2020	0.65	—	8,750,000	—	8,750,000
Other executive directors	29 June 2010	29 June 2010 to 28 June 2011	29 June 2011 to 28 June 2020	0.65	—	1,200,000	—	1,200,000
	29 June 2010	29 June 2011 to 28 June 2012	29 June 2012 to 28 June 2020	0.65	—	1,200,000	—	1,200,000
	29 June 2010	29 June 2012 to 28 June 2013	29 June 2013 to 28 June 2020	0.65	—	1,200,000	—	1,200,000
	29 June 2010	29 June 2013 to 28 June 2014	29 June 2014 to 28 June 2020	0.65	—	1,200,000	—	1,200,000
Business partners	29 June 2010	N/A	29 June 2011 to 28 June 2020	0.65	—	4,000,000	—	4,000,000
	29 June 2010	N/A	29 June 2012 to 28 June 2020	0.65	—	4,000,000	—	4,000,000
PRC employees	29 June 2010	29 June 2010 to 28 June 2011	29 June 2011 to 28 June 2020	0.65	—	6,305,500	(96,500)	6,209,000
	29 June 2010	29 June 2011 to 28 June 2012	29 June 2012 to 28 June 2020	0.65	—	6,305,500	(96,500)	6,209,000
Other employees	29 June 2010	29 June 2010 to 28 June 2011	29 June 2011 to 28 June 2020	0.65	—	12,941,000	(112,500)	12,828,500
	29 June 2010	29 June 2011 to 28 June 2012	29 June 2012 to 28 June 2020	0.65	—	12,941,000	(112,500)	12,828,500
	29 June 2010	29 June 2012 to 28 June 2013	29 June 2013 to 28 June 2020	0.65	—	12,941,000	(112,500)	12,828,500
	29 June 2010	29 June 2013 to 28 June 2014	29 June 2014 to 28 June 2020	0.65	—	12,941,000	(112,500)	12,828,500
					—	112,175,000	(643,000)	111,532,000

If the options remain unexercised after a period of 10 years from the date of grant, the options expire.

Options are forfeited if the employee leaves the Group before the options vest.

Options granted to business partners were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, their fair values are measured by reference to the fair value of share options granted.

The estimated fair value of the shares options at the grant date on 29 June 2010 and 27 July 2010 is HK\$12,256,004 and HK\$8,619,188 respectively.

Equity-settled share-based payment expense of HK\$5,496,410 has been recognised for these share options during the year ended 31 December 2010.

The fair value was calculated using the Black-Scholes Model. The inputs into the model are as follows:

	Share option granted on 29 June 2010	Share option granted on 27 July 2010
Weighted average share price	0.634	0.784
Exercise price	0.650	0.650
Expected volatility	46.237% - 49.434%	45.808% - 48.307%
Expected life	2 - 4 years	2 - 4 years
Risk free rate	0.796% - 1.416%	0.554% - 1.100%
Expected dividend yield	3.426%	2.785%

As the Company was newly listed since March 2010, there were no sufficient trading records to make reference of the volatility of the Company's share price. Therefore, the expected volatility was based on the historical volatility of the share prices of comparable companies over the periods that are equal to the expected lives of the share options.

The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### 32. CONTINGENT LIABILITIES

#### (A) GROUP

	Group	
	2010	2009
	HK\$	HK\$
Guarantees under performance bonds for construction contracts	<u>688,467,671</u>	<u>624,535,911</u>

#### (B) COMPANY

At 31 December 2010, the Company has issued the following financial guarantees:

	Company	
	2010	2009
	HK\$	HK\$
Corporate guarantees for banking facilities granted to a subsidiary	<u>469,600,000</u>	<u>287,000,000</u>

At 31 December 2010, the directors of the Company do not consider it probable that a claim will be made against the Company under the above guarantees. The maximum liability of the Company under above guarantees at 31 December 2010 is HK\$93,768,240 (2009: HK\$89,191,363).

The fair value of the financial guarantees at date of inception is not material and is not recognised in the financial statements.

### 33. LEASE COMMITMENTS

At 31 December 2010 the total future minimum lease payments under non-cancellable operating leases are payable as follows

	2010 HK\$	2009 HK\$
Within one year	5,989,057	8,201,958
In the second year	<u>3,646,868</u>	<u>4,183,354</u>
	<u>9,635,925</u>	<u>12,385,312</u>

Operating lease payments represent rentals payable by the Group for certain of its officers, factories and staff quarters. 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.

### 34. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

#### (A) TRANSACTIONS WITH RELATED PARTIES

	Group	
	2010 HK\$	2009 HK\$
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))	3,205,240	8,576,362
Gortech Trading Company Limited (note (i))	76,514	705,425
Design fee paid to a related company controlled by a director of the Company (note (ii))	—	2,426,918
Corporate guarantees issued by a related company controlled by a director for performance bonds of the Group (note (ii) & (iii))	<u>—</u>	<u>39,480,000</u>

**(B) BALANCES WITH RELATED PARTIES**

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Trade payables:		
Bon Pacific Building Materials (H.K.) Company Limited (note (i))	—	1,505,504
Gortech Trading Company Limited (note (i))	—	273,030
	<u>—</u>	<u>1,778,534</u>

**(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL**

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
Short term employee benefits	17,494,063	8,270,450
Share-based payments	2,302,725	3,058,449
Post-employment benefits	<u>545,098</u>	<u>319,476</u>
	<u>20,341,886</u>	<u>11,648,375</u>

*Note:*

- (i) Mr. Tsang Lik Chung, a beneficial shareholder of the Company who has significant influence over the Company, is interested in the transactions to the extent that his son, Mr. Tsang King Fung, is a beneficial shareholder of the related companies, Bon Pacific Building Materials (H.K.) Company Limited and Gortech Trading Company Limited. After the completion of global offering of the Company on 30 March 2010, the beneficial shareholder, Mr Tsang Lik Chung, held less than 20% shareholdings in the Company. As a result, the directors considered that Bon Pacific Building Materials (H.K.) Company Limited and Gortech Trading Company Limited ceased to be related parties of the Group since 30 March 2010 as Mr. Tsang Lik Chung ceased to have significant influence over the Group since then.
- (ii) Mr. Huang Guangyu, a non-executive 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 Aluminium Works Company Limited. Mr. Huang Guangyu's equity interests in Xi'an Yuanheng Aluminium Works Company Limited was disposed of to an independent third party on 8 December 2009.
- (iii) The corporate guarantee was released on 20 February 2010.

**35. EVENTS AFTER THE REPORTING PERIOD**

On 8 November 2010, the Group entered into an agreement to acquire a property located in Hong Kong at a consideration of HK\$48,580,000 out of which HK\$4,858,000 was paid during the year ended 31 December 2010. The remaining balance of HK\$43,722,000 was paid upon completion of the acquisition on 15 February 2011.

**36. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of net foreign exchange gains previously classified under administrative expenses to other income. The new classification of the accounting items was considered to provide a more appropriate presentation of the Group's results.

**37. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2011.

**3. UNAUDITED FINANCIAL INFORMATION**

The following is an extract of a report on the Group received from RSM Nelson Wheeler from the 2011 interim report of the Group.

**Independent Review Report****RSM Nelson Wheeler**

中瑞岳華(香港)會計師事務所

Certified Public Accountants

**INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF  
FAR EAST GLOBAL GROUP LIMITED***(Incorporated in the Cayman Islands with limited liability)***INTRODUCTION**

We have reviewed the interim financial information set out on pages 23 to 42 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**SCOPE OF REVIEW**

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**RSM Nelson Wheeler***Certified Public Accountants*

Hong Kong

30 August 2011

**Condensed Consolidated Income Statement**  
**For the six months ended 30 June 2011**

		<b>Six months ended 30 June</b>	
		<b>2011</b>	<b>2010</b>
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Revenue/Turnover</b>	4	367,352,520	393,960,963
Cost of sales		<u>(260,049,522)</u>	<u>(279,356,981)</u>
<b>Gross profit</b>		107,302,998	114,603,982
Other income		5,560,886	14,596,113
Administrative expenses		(45,627,722)	(41,530,299)
Other operating expenses		<u>—</u>	<u>(18,652,422)</u>
<b>Profit from operations</b>		67,236,162	69,017,374
Finance costs	5	<u>—</u>	<u>—</u>
<b>Profit before tax</b>		67,236,162	69,017,374
Income tax expense	6	<u>(7,852,886)</u>	<u>(13,336,271)</u>
<b>Profit for the period</b>	7	<u>59,383,276</u>	<u>55,681,103</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		56,481,285	54,685,588
Non-controlling interests		<u>2,901,991</u>	<u>995,515</u>
		<u>59,383,276</u>	<u>55,681,103</u>
<b>Earnings per share:</b>	9		
Basic (HK cents)		<u>5.06</u>	<u>5.52</u>
Diluted (HK cents)		<u>4.93</u>	<u>5.52</u>

**Condensed Consolidated Statement of Comprehensive Income  
For the six months ended 30 June 2011**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Profit for the period</b>	<u>59,383,276</u>	<u>55,681,103</u>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	2,365,446	—
Release of investment valuation reserve to profit or loss upon disposal of available-for-sale investments	15,756	(385,398)
Fair value changes of available-for-sale investments	<u>(1,394,016)</u>	<u>167,310</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>987,186</u>	<u>(218,088)</u>
<b>Total comprehensive income for the period</b>	<u>60,370,462</u>	<u>55,463,015</u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	57,001,238	54,467,500
Non-controlling interests	<u>3,369,224</u>	<u>995,515</u>
	<u>60,370,462</u>	<u>55,463,015</u>

**Condensed Consolidated Statement of Financial Position**  
**At 30 June 2011**

	<i>Note</i>	<b>30 June 2011</b>	<b>31 December 2010</b>
		<i>HK\$</i>	<i>HK\$</i>
		<i>(unaudited)</i>	<i>(audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment	10	86,103,960	33,311,866
Investments in jointly controlled entities	11	170,121,471	—
Available-for-sale investments		65,230,916	47,889,176
Rental and utility deposits		<u>1,594,355</u>	<u>2,077,977</u>
		<u>323,050,702</u>	<u>83,279,019</u>
<b>Current assets</b>			
Inventories		84,412	79,708
Non-current assets held for sale		2,897,383	2,897,383
Gross amount due from customers for contract work		110,001,074	86,183,900
Trade and retention receivables	12	202,547,790	172,192,065
Prepayments, deposits and other receivables		83,902,768	41,518,874
Current tax assets		536,671	68,671
Pledged time deposits		32,102,919	82,683,621
Bank and cash balances		<u>197,419,636</u>	<u>364,218,996</u>
		<u>629,492,653</u>	<u>749,843,218</u>
<b>Current liabilities</b>			
Gross amount due to customers for contract work		69,793,880	132,883,727
Trust receipt loans		15,870,384	—
Trade and bills payables	13	49,792,808	52,127,627
Current tax liabilities		39,104,191	35,365,370
Warranty provision		15,826,652	15,189,986
Other payables and accruals	14	<u>196,876,815</u>	<u>76,240,475</u>
		<u>387,264,730</u>	<u>311,807,185</u>
<b>Net current assets</b>		<u>242,227,923</u>	<u>438,036,033</u>
<b>NET ASSETS</b>		<u><u>565,278,625</u></u>	<u><u>521,315,052</u></u>

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**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

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		<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
		<i>(unaudited)</i>	<i>(audited)</i>
<b>Capital and reserves</b>			
Share capital	15	11,117,600	11,161,080
Reserves		<u>543,454,625</u>	<u>502,816,796</u>
Equity attributable to owners of the Company		554,572,225	513,977,876
Non-controlling interests		<u>10,706,400</u>	<u>7,337,176</u>
<b>TOTAL EQUITY</b>		<u><u>565,278,625</u></u>	<u><u>521,315,052</u></u>

Approved by the Board of Directors on 30 August 2011

**HUANG Brad**  
*Director*

**Ko Chuk Kin, Herbert**  
*Director*

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**
**Condensed Consolidated Statement of Changes In Equity  
For the six months ended 30 June 2011**

(unaudited)

	Attributable to owners of the Company										
	Share capital	Share premium account	Share-based payment reserve	Investment revaluation reserve	Foreign currency translation reserve	Statutory reserves	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2010	10,000	209,869,896	4,635,330	133,042	4,322,457	12,134	95,172,069	24,000,000	338,154,928	1,814,175	339,969,103
Total comprehensive income for the period	—	—	—	(218,088)	—	—	54,685,588	—	54,467,500	995,515	55,463,015
Capitalisation issue	8,490,000	(8,490,000)	—	—	—	—	—	—	—	—	—
Issue of shares	2,717,500	317,947,500	—	—	—	—	—	—	320,665,000	—	320,665,000
Share issue expenses	—	(18,018,450)	—	—	—	—	—	—	(18,018,450)	—	(18,018,450)
Repurchase of shares	(56,420)	(3,589,720)	—	—	—	—	—	—	(3,646,140)	—	(3,646,140)
Dividends paid	—	(198,600,000)	—	—	—	—	—	(24,000,000)	(222,600,000)	—	(222,600,000)
Changes in equity for the period	11,151,080	89,249,330	—	(218,088)	—	—	54,685,588	(24,000,000)	130,867,910	995,515	131,863,425
At 30 June 2010	11,161,080	299,119,226	4,635,330	(85,046)	4,322,457	12,134	149,857,657	—	469,022,838	2,809,690	471,832,528
At 1 January 2011	11,161,080	265,635,986	10,131,740	176,176	4,833,906	12,134	205,285,234	16,741,620	513,977,876	7,337,176	521,315,052
Total comprehensive income for the period	—	—	—	(1,378,260)	1,898,213	—	56,481,285	—	57,001,238	3,369,224	60,370,462
Repurchase of shares	(43,480)	(3,848,030)	—	—	—	—	—	(21,450)	(3,912,960)	—	(3,912,960)
Share-based payments	—	—	4,226,241	—	—	—	—	—	4,226,241	—	4,226,241
Dividends paid	—	—	—	—	—	—	—	(16,720,170)	(16,720,170)	—	(16,720,170)
Changes in equity of the period	(43,480)	(3,848,030)	4,226,241	(1,378,260)	1,898,213	—	56,481,285	(16,741,620)	40,594,349	3,369,224	43,963,573
At 30 June 2011	11,117,600	261,787,956	14,357,981	(1,202,084)	6,732,119	12,134	261,766,519	—	554,572,225	10,706,400	565,278,625

**Condensed Consolidated Statement of Cash Flows**  
**For the six months ended 30 June 2011**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<u>(61,902,660)</u>	<u>12,584,936</u>
Purchases of property, plant and equipment	(57,408,461)	(599,693)
Payment for investments in jointly controlled entities	(78,000,000)	—
Proceeds from disposal of non-current assets held for sale	—	12,300,000
Proceeds from disposal of property, plant and equipment	188,664	297,992
Other investing cash flows (net)	<u>32,895,915</u>	<u>(16,016,058)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(102,323,882)</u>	<u>(4,017,759)</u>
Inception of trust receipt loans	15,870,384	—
Issue of shares	—	320,665,000
Share issue and listing expenses	—	(36,670,872)
Repurchase of shares	(3,912,960)	(3,646,140)
Dividends paid	<u>(16,720,170)</u>	<u>(222,600,000)</u>
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<u>(4,762,746)</u>	<u>57,747,988</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(168,989,288)</u>	<u>66,315,165</u>
Effect of foreign exchange rate changes	2,189,928	34,121
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>364,218,996</u>	<u>315,684,190</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>197,419,636</u>	<u>382,033,476</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	<u>197,419,636</u>	<u>382,033,476</u>

**Notes to the Condensed Financial Statements  
For the six months ended 30 June 2011****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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is 16/F., Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 March 2010.

**2. BASIS OF PREPARATION**

These condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010 except as stated below.

The Group acquired investments in jointly controlled entities during the six months ended 30 June 2011 and accordingly adopted the following accounting policy.

**JOINT VENTURE**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in a jointly controlled entity is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly controlled entity's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a jointly controlled entity that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that jointly controlled entity and (ii) the Group's share of the net assets of that jointly controlled entity plus any remaining goodwill relating to that jointly controlled entity and any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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.

### **4. REVENUE/TURNOVER AND SEGMENT INFORMATION**

The Group is principally engaged in the facade contracting business. The Group's revenue/turnover represents 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 People's Republic of China (the "PRC"), Hong Kong and Macau.
- Asia includes projects in Singapore, Japan and the United Arabs of Emirates.
- Others include maintenance projects in all segments and projects in countries not included in the above reportable segments.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**
**INFORMATION ABOUT REPORTABLE SEGMENT PROFIT OR LOSS AND ASSETS:**

	North America	Greater China	Asia	Others	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>For the six months ended</b>					
<b>30 June 2011</b>					
Revenue from external customers	<u>185,367,153</u>	<u>136,655,898</u>	<u>35,454,815</u>	<u>9,874,654</u>	<u>367,352,520</u>
Segment profits	<u>46,155,412</u>	<u>38,783,157</u>	<u>20,039,347</u>	<u>2,325,082</u>	<u>107,302,998</u>
Unallocated amounts:					
Other income					5,560,886
Administrative expenses					<u>(45,627,722)</u>
Profit before tax					<u>67,236,162</u>
<b>As at 30 June 2011</b>					
Segment assets	<u>111,864,358</u>	<u>66,273,419</u>	<u>22,310,411</u>	<u>2,099,602</u>	<u>202,547,790</u>
<b>For the six months ended</b>					
<b>30 June 2010</b>					
Revenue from external customers	<u>166,272,716</u>	<u>171,096,449</u>	<u>34,750,151</u>	<u>21,841,647</u>	<u>393,960,963</u>
Segment profits	<u>71,118,930</u>	<u>25,867,233</u>	<u>12,370,055</u>	<u>5,247,764</u>	<u>114,603,982</u>
Unallocated amounts:					
Other income					14,596,113
Administrative expenses					(41,530,299)
Other operating expenses					<u>(18,652,422)</u>
Profit before tax					69,017,374
<b>As at 31 December 2010</b>					
Segment assets	<u>67,604,083</u>	<u>76,186,464</u>	<u>26,301,916</u>	<u>2,099,602</u>	<u>172,192,065</u>

## 5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest on trust receipt loans	51,480	—
Amount capitalised	<u>(51,480)</u>	<u>—</u>
	<u>—</u>	<u>—</u>

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current tax — Hong Kong Profits Tax		
Provision for the period	6,000,000	13,000,000
Over provision in prior years	<u>(892,138)</u>	<u>—</u>
	5,107,862	13,000,000
Current tax — overseas		
Provision for the period	3,018,024	2,588,315
Over provision in prior years	<u>(273,000)</u>	<u>(2,252,044)</u>
	<u>2,745,024</u>	<u>336,271</u>
	<u>7,852,886</u>	<u>13,336,271</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period.

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.

## 7. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2011 HK\$ (unaudited)	2010 HK\$ (unaudited)
Bank interest income	(1,035,213)	(428,217)
Depreciation	3,457,775	3,706,640
Less: amounts capitalised	(1,938,730)	(2,400,918)
	1,519,045	1,305,722
Net foreign exchange (gains)/losses	(1,283,749)	598,506
Gain on disposal of available-for-sale investments	—	(385,398)
Gain on disposal of non-current assets held for sale	—	(9,496,078)
Gain on disposal of scrap materials	(371,888)	(554,872)
Listing expenses included in other operating expenses	—	18,652,422
Loss on disposal of property, plant and equipment	1,145,446	377,996
Provision for impairment on trade and retention receivables	—	905,000
Provision for impairment on trade and retention receivables written back	(1,730,000)	(3,330,976)
Inventories written back	(212,589)	(139,867)
Directors' emoluments	<u>4,130,603</u>	<u>1,712,227</u>

## 8. DIVIDENDS

	Six months ended 30 June	
	2011 HK\$ (unaudited)	2010 HK\$ (unaudited)
Declared interim dividend — HK\$Nil (2010: HK\$0.015) per ordinary share	—	16,741,620
Special dividend declared on 12 March 2010 approved and paid to the then shareholders before the listing of the Company — HK\$0.234 per ordinary share	—	198,600,000
Final dividend for the year ended 31 December 2010 approved and paid — HK\$0.015 (2009: HK\$24) per ordinary share	<u>16,720,170</u>	<u>24,000,000</u>
	<u>16,720,170</u>	<u>239,341,620</u>

## 9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	56,481,285	54,685,588
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic earnings per share calculation	1,115,612,575	991,004,022
Effect of dilutive potential ordinary shares arising from share options	29,874,086	46,679
Weighted average number of ordinary shares used in diluted earnings per share calculation	1,145,486,661	991,050,701

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of approximately HK\$57,408,461.

## 11. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	30 June	31 December
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Unlisted investment	170,121,471	—

Details of the jointly controlled entities at 30 June 2011 are as follows:

<b>Name</b>	<b>Place of incorporation and operation</b>	<b>Issued and paid up capital</b>	<b>Percentage of ownership interest</b>	<b>Principal activities</b>
Red Holdings Group, Inc.	United States of America	1,000 shares of US\$0.001 each	55% ( <i>direct</i> )	Investment holding
Gamma USA, Inc.	United States of America	1,000 shares of US\$0.001 each	55% ( <i>indirect</i> )	Development, manufacture and installation of architectural glass and aluminium products for the commercial and institutional sectors of South Florida and New York
Gamma Installations, Inc.	United States of America	100 shares of US\$0.001 each	55% ( <i>indirect</i> )	Provision of labour, management and other services to Gamma USA, Inc.

In the opinion of the directors, although the Group is holding 55% equity interest in Red Holdings Group, Inc., the Group is not in a position to control its board of directors and to govern its financial and operating policy decisions. The directors consider that it is appropriate to classify Red Holdings Group, Inc. as jointly controlled entities as none of the participating parties has unilateral control over it by obtaining more than one half of the voting rights in its board of directors.

The acquisition-date fair values of the identifiable assets and liabilities of Red Holdings Group, Inc. and its subsidiaries were determined provisionally due to the short period that has elapsed since the acquisition date and the period ended date. Therefore, these fair values may be subject to further adjustment.

No share of results of jointly controlled entities has been recognised during the six months ended 30 June 2011 as the directors determine that the amount is insignificant.

## 12. TRADE AND RETENTION RECEIVABLES

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables:		
0 to 30 days	53,330,652	58,462,780
31 to 60 days	36,331,568	4,888,827
61 to 90 days	—	4,398,174
More than 90 days	<u>8,556,403</u>	<u>8,543,785</u>
	98,218,623	76,293,566
Retention receivables	<u>104,329,167</u>	<u>95,898,499</u>
	<u><u>202,547,790</u></u>	<u><u>172,192,065</u></u>

At 30 June 2011, the amount of retentions expected to be recovered after more than twelve months is HK\$87,212,529 (31 December 2010: HK\$71,128,305).

## 13. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables, based on receipt of goods, is as follows:

	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(audited)</i>
0 to 30 days	31,537,789	33,369,626
31 to 60 days	3,486,731	4,657,442
More than 60 days	<u>14,768,288</u>	<u>14,100,559</u>
	49,792,808	52,127,627
	<u><u>49,792,808</u></u>	<u><u>52,127,627</u></u>

## 14. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Consideration payable for acquisition	132,600,000	—
Other payables and accruals	<u>64,276,815</u>	<u>76,240,475</u>
	<u>196,876,815</u>	<u>76,240,475</u>

## 15. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount <i>HK\$</i>	Number of shares	Amount <i>HK\$</i>
At 1 January 2010	39,000,000	390,000	1,000,000	10,000
Increase in authorised share capital	9,961,000,000	99,610,000	—	—
Capitalisation issue	—	—	849,000,000	8,490,000
Issue of shares	—	—	271,750,000	2,717,500
Repurchase of shares	<u>—</u>	<u>—</u>	<u>(5,642,000)</u>	<u>(56,420)</u>
At 31 December 2010 (audited)	10,000,000,000	100,000,000	1,116,108,000	11,161,080
Repurchase of shares (note)	<u>—</u>	<u>—</u>	<u>(4,348,000)</u>	<u>(43,480)</u>
At 30 June 2011 (unaudited)	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>1,111,760,000</u>	<u>11,117,600</u>

*Note:* During the six months ended 30 June 2011, the Company repurchased 4,348,000 shares of its own shares through purchases on the Stock Exchange for total consideration of HK\$3,912,960. Of the repurchased shares, 1,430,000 shares were cancelled on 26 May 2011, 1,892,000 shares and 1,026,000 shares were subsequently cancelled on 11 July 2011 and 20 July 2011 respectively.

## 16. CONTINGENT LIABILITIES

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Guarantees under performance bonds for construction contracts	<u>679,447,966</u>	<u>688,467,671</u>

**17. RELATED PARTY TRANSACTIONS**

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the period:

**(A) TRANSACTIONS WITH RELATED PARTIES**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Purchase of materials from related companies controlled by a close family member of a beneficial shareholder of the Company:	<u>—</u>	<u>3,281,754</u>

**(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$</i>	<i>HK\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Short term employee benefits	8,575,939	5,662,319
Post-employment benefits	<u>289,455</u>	<u>268,049</u>
	<u>8,865,394</u>	<u>5,930,368</u>

**18. APPROVAL OF INTERIM FINANCIAL INFORMATION**

The interim financial information were approved and authorised for issue by the Board of Directors on 30 August 2011.

**4. INDEBTEDNESS**

As at 31 January 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had total outstanding borrowings of HK\$82.9 million, comprising secured bank overdrafts and loans of approximately HK\$73.6 million, unsecured other loans of approximately HK\$7.8 million, and finance leases payable of approximately HK\$1.5 million.

As at 31 January 2012, the Group's secured bank overdrafts and loans amounted to HK\$73.6 million and were secured by corporate guarantees executed by the Company of HK\$529.0 million and pledges of certain of the Group's land and buildings, available-for-sale investments, bank deposits and other current assets. In addition, certain subsidiaries of the Group are required to maintain certain financial covenants for the bank overdrafts and loans granted to those subsidiaries.

As at 31 January 2012, the Group provided guarantees to certain financial institutions and main contractors in relation to the issue of performance bonds for the performance and the payment of labour cost and materials of certain construction projects of the Group. The aggregate maximum values of such guarantee amounted to approximately HK\$1,203.7 million as at 31 January 2012.

Save as disclosed above, as at 31 January 2012, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdraft, loan or other similar liabilities under acceptances, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

#### **5. NO MATERIAL CHANGE**

The Directors have confirmed that there has been no material change in the Group's financial or trading position or outlook since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

#### **6. GENERAL**

The auditors of the Company for the three years ended 31 December 2010, RSM Nelson Wheeler, did not issue any qualified opinion on the financial statements of the Group for the three years ended 31 December 2010.

**RESPONSIBILITY STATEMENT**

The directors of CSCIHL and the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

**DISCLOSURE OF INTEREST**

As at the Latest Practicable Date, CSCIHL, the Offeror and parties acting in concert with any of them, were interested in an aggregate of 1,142,470,000 Shares (of which 1,038,550,000 Shares were directly held by the Offeror and 103,920,000 Shares were directly held by China Overseas Insurance Limited (“COIL”). The Offeror and COIL were wholly-owned subsidiaries of CSCIHL.), representing approximately 53.1% (as at the Latest Practicable Date) or approximately 51.0% (assuming all outstanding Share Options are exercised) of the enlarged issued share capital of the Company. As at the Latest Practicable Date, save as disclosed above, none of CSCIHL, the Offeror, their directors and parties acting in concert with any of them, owned or controlled any Shares, warrants, options, derivatives or securities carrying conversion or subscription rights into shares of the Company.

As at the Latest Practicable Date and prior to the posting of this Composite Document, no person has irrevocably committed in favour of CSCIHL, the Offeror and parties acting in concert with any of them to accept or procure the acceptance of the Offers or to reject the Offers received.

As at the Latest Practicable Date, CSCIHL, the Offeror and any party acting in concert with any of them had not borrowed or lent any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company.

**DEALINGS**

During the Relevant Period, save for the acquisition of 1,038,550,000 Shares by the Offeror under the Subscription and as disclosed in the section headed “Shareholding Structure of the Company” in the “Letter from the Board”, none of (i) CSCIHL, the Offeror, their directors, the parties acting in concert with any of them, (ii) persons who had irrevocably committed themselves to accept or reject the Offers nor (iii) persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CSCIHL, the Offeror or any parties acting in concert with any of them, had dealt for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company.

**OTHER ARRANGEMENT IN RELATION TO THE OFFERS**

- (i) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Offers.
- (ii) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between CSCIHL, the Offeror or any party acting in concert with any of them on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Offers.
- (iii) As at the Latest Practicable Date, there was no agreement or arrangement to which CSCIHL or the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a condition to the Offers.
- (iv) As at the Latest Practicable Date, CSCIHL, the Offeror and parties acting in concert with any of them had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offers to any other person.
- (v) As at the Latest Practicable Date, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person with CSCIHL, the Offeror or any party acting in concert with any of them. The directors of the Offeror and Deutsche Bank were not aware of any such arrangements between any other associate of CSCIHL and the Offeror and any other person.

**MARKET PRICES**

The table below shows the closing prices per Share on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Pre-Announcement Trading Day; and (iii) on the Latest Practicable Date:

<b>Date</b>	<b>Closing price</b> <i>HK\$</i>
31 May 2011	0.93
30 June 2011	0.87
29 July 2011	0.84
31 August 2011	0.60
30 September 2011	0.52
31 October 2011	0.53
The Last Pre-Announcement Trading Day	0.59
30 November 2011	Suspended
30 December 2011	Suspended
31 January 2012	Suspended
The Latest Practicable Date	1.17

The highest and lowest closing prices per Share as quoted on the Stock Exchange during the Relevant Period were HK\$1.17 per Share on 29 February 2012 and HK\$0.48 per Share on 20 October 2011.

### CONSENT AND QUALIFICATION

The following are the qualification of the expert whose letter/opinion is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Deutsche Bank	Registered institution with respect to Type 1 regulated activity (dealing securities), Type 4 regulated activity (advising on securities), Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management) under the SFO, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)

Deutsche Bank has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and the references to its name, in the form and context in which they respectively appear.

### MISCELLANEOUS

- (i) The registered office of the Offeror is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the Hong Kong correspondence address of the Offeror is 28/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.
- (ii) The directors of the Offeror are Mr. Zhou Yong and Dr. Cheong Chit Sun.
- (iii) The Offeror is a wholly-owned subsidiary of CSCIHL. The directors of CSCIHL are Mr. Kong Qingping, Mr. Zhou Yong, Mr. Zhang Yifeng, Dr. Cheong Chit Sun, Mr. Zhou Hancheng, Mr. Tian Shuchen, Mr. Hung Cheung Shew, Mr. Li Jian, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See. The registered office of CSCIHL is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (iv) COIL is a wholly-owned subsidiary of CSCIHL. The registered office of COIL is situated at 29th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong. The directors of COIL are Mr. Jiang Shaojie, Mr. Ng Wing Fat Ronnie, Mr. Yang Weidong, Mr. Zhou Jinxing and Mr. Chow Kon Wai.
- (v) Deutsche Bank is making the Offers on behalf of the Offeror and is also the financial adviser to the Offeror in respect of the Offers. The registered office of Deutsche Bank is situated at 52/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

**RESPONSIBILITY STATEMENT**

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the CSCIHL Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Offeror and CSCIHL) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

**SHARE CAPITAL****Authorised and issued share capital**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each, of which HK\$21,532,650 divided into 2,153,265,000 Shares had been issued and were fully paid up.

All of the Shares currently in issue rank *pari passu* in all respects with each other, including the rights in respect of capital, dividends and voting. The Shares are listed and traded on the Main Board of the Stock Exchange.

Subsequent to 31 December 2011, the end of the last financial year of the Company, and up to the Latest Practicable Date, save for the issuance of the Subscription Shares and 1,837,500 Shares issued upon exercise of share options, the Company had not issued any Shares. As at the Latest Practicable Date, except for the Share Options, the Company has not granted any options, warrants and conversion rights affecting the Shares.

**Share Option Scheme**

As at the Latest Practicable Date, there were (a) 23,600,000 Share Options with an exercise price of HK\$0.52 per Share; and (b) 61,903,500 Share Options with an exercise price of HK\$0.65 per Share.

As at the Latest Practicable Date, other than the 2,153,265,000 Shares in issue and outstanding Share Options involving 85,503,500 Shares, the Company has no other Shares, Share Options, options, warrants, derivatives or other securities that carry a right to subscribe for or which are convertible into Shares.

## DISCLOSURE OF INTERESTS

## Interests in the Company

## (a) Interests of Directors in the Company

*Long positions in Shares*

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity	No. of Securities of the Company (Long position)	Approximate percentage of share holding in the Company
Huang Brad	Interest of controlled corporation	61,174,500	2.84%
	Beneficial Owner	10,206,000	0.47%
Ko Chuk Kin, Herbert	Beneficial Owner	6,844,000	0.32%

*Note 1:* The shares were held by Full Mission Limited in trust for certain employees of the Group. As Full Mission Limited was owned as to 100% by Mr. Huang, he was deemed to be interested in all shares held by Full Mission Limited. Mr. Huang had no beneficial interest in the shares of the Company held by Full Mission Limited

*Note 2:* Included in the number disclosed was 3,825,000 shares held by Full Mission Limited in trust for Mr. Ko.

*Rights to acquire Shares*

As at the Latest Practicable Date, the Directors' interests in the Share Options which remain outstanding are set out below.

Holding options under the Share Options with an exercise price of HK\$0.65 per Share

Name of Director	Date of Grant	Exercisable Period (Note 2)	No. of Share Options outstanding	No. of Shares involved	Approximate percentage of shareholding in the Company
Huang Brad	27 July 2010 (Note 1)	29 June 2011 to 28 June 2020	2,500,000	2,500,000	0.12%
		29 June 2012 to 28 June 2020	2,500,000	2,500,000	0.12%
		29 June 2013 to 28 June 2020	2,500,000	2,500,000	0.12%
		29 June 2014 to 28 June 2020	2,500,000	2,500,000	0.12%
Ko Chuk Kin, Herbert	29 June 2010	29 June 2011 to 28 June 2020	750,000	750,000	0.03%
		29 June 2012 to 28 June 2020	750,000	750,000	0.03%
		29 June 2013 to 28 June 2020	750,000	750,000	0.03%
		29 June 2014 to 28 June 2020	750,000	750,000	0.03%

*Note 1:* The grant of share options to Mr. Huang Brad was conditionally made by the Board on 27 June 2010, subject to the shareholders' approval given on 27 July 2010.

*Note 2:* Some of the Share Options are not yet exercisable as at the Latest Practicable Date. However, pursuant to the terms of the Share Option Scheme all Share Options which are outstanding on the date on which the Offers become or are declared unconditional will thereupon become exercisable at any time within 14 days after such date. The Offers are unconditional, and accordingly all the outstanding Share Options become exercisable on the date of this Composite Document. All the Share Options will lapse upon closing of the Offers pursuant to the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO

(including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, the directors intend to accept the Option Offer (as their Share Options would otherwise lapse upon closing of the Offers), and the Share Offer, in respect of their own beneficial holdings.

As at the Latest Practicable Date, no Shares had been borrowed or lent by any of the Directors or by the Company.

### Interests in the Offeror and the Company

As at the Latest Practicable Date, the Group did not have any interest in the shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

As at the Latest Practicable Date, save as disclosed in the “Disclosure of Interests” section above, none of the Directors had any interest in the shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Offeror or the Company.

As at the Latest Practicable Date, none of (a) the subsidiaries of the Company; (b) the pension fund of the Company or of a subsidiary of the Company; or (c) any advisers to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code) had any interest in the Shares, warrants, options or derivatives and securities carrying conversion or subscription rights into shares of the Company.

### Dealings in securities of the Company

During the Relevant Period, save as disclosed below, none of the Directors had dealt for value in the Shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Company:

Name of Director	Date	Type of Transaction	Number of Shares	Average Price per Share (HK\$)
Huang Brad	1 September 2011	Purchases on the exchange	5,000,000	0.58
Huang Brad	6 September 2011	Purchases on the exchange	2,006,000	0.58
Huang Brad	8 September 2011	Purchases on the exchange	1,100,000	0.61
Huang Brad	12 September 2011	Purchases on the exchange	2,100,000	0.62

During the period commencing from 2 February 2012 up to the Latest Practicable Date,

- (i) no subsidiaries of the Company, pension funds of any member of the Group or advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company;
- (ii) no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code (the Directors were not aware of any such arrangements between any other associate of the Company and any other person), and none of them had dealt for value in the Shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Company; and
- (iii) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company as at the Latest Practicable Date, and none of them had dealt for value in the Shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Company.

#### **Dealings in securities of the Offeror**

During the Relevant Period, none of the Directors nor the Company had dealt for value in the shares, options, warrants, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

#### **Miscellaneous**

As at the Latest Practicable Date:

- (i) no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (iii) no material contracts had been entered into by the Offeror in which any Director had any a material personal interest.

**SERVICE CONTRACTS**

As at the Latest Practicable Date, there was no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (a) which (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period; (b) which is a continuous contract with a notice period of 12 months or more; or (c) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

**MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) have been entered into by members of the Group after the date two years before the commencement of the Offer Period and up to and including the Latest Practicable Date and are or may be material:

- (i) the Subscription Agreement;
- (ii) a conditional agreement dated 4 May 2011 entered into between Red Holdings, Gamma USA Inc., Gamma Installations Inc., as sellers, and Venture Synergy Limited, Venture Synergy (US) Acquisition Inc., as purchasers in respect of the acquisition of 55% equity interest in the Red Holdings at an aggregate consideration of US\$28 million;
- (iii) a sale and purchase agreement dated 26 November 2010 entered into between the Willbert Limited, a wholly-owned subsidiary of the Group, as purchaser, and Polaris Securities (Hong Kong) Limited, as vendor in connection with the purchase of the property located at 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong for a consideration of HK\$48,580,000;
- (iv) an underwriting agreement dated 16 March 2010 relating to the Company's Hong Kong public offering and international offering, entered into by, among others, the Company, the sole global coordinator, the selling and controlling shareholders and the underwriters under which the Company paid underwriting commission of HK\$12,811,189;
- (v) a deed of non-competition dated 10 March 2010 executed by Showmost Group Limited, Lotus China Fund II, L.P and LCF II Holdings, Limited and the controlling shareholders in favor of our Company; and
- (vi) a deed of indemnity dated 10 March 2010 executed by Showmost Group Limited in favour of the Company for itself and as trustee for its subsidiaries.

Saved as disclosed above, none of the members of the Group had entered into any contracts after the date two years before the date of the Announcement which are not in the ordinary course of business and which are or may be material.

**LITIGATION**

Save as disclosed above, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

**CONSENT AND QUALIFICATION**

The following is the qualification of each expert retained by the Company whose letter/opinion is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Huntington Asia	Registered to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
RSM Nelson Wheeler	Certified Public Accountants

Each of Huntington Asia and RSM Nelson Wheeler has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and the references to its name, in the form and context in which they are included.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection for so long as the Offers remain open for acceptance: (i) at the office of the Company at 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong during normal business hours between 9:00 a.m. to 5:00 p.m. from Monday to Friday, excluding public holidays; (ii) on the website of the SFC at [www.sfc.hk](http://www.sfc.hk); and (iii) on the website of the Company at [www.fareastglobal.com](http://www.fareastglobal.com):

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the Memorandum and Articles of Association of the Offeror;
- (iii) the annual reports of the Company for two financial years ended 31 December 2010;
- (iv) the interim report of the Company for the six months ended 30 June 2011;
- (v) the letter from Deutsche Bank, the text of which is set out on pages 5 to 13 of this Composite Document;
- (vi) the letter from the Board, the text of which is set out on pages 14 to 20 of this Composite Document;
- (vii) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 21 and 22 of this Composite Document;
- (viii) the letter of advice from Huntington Asia, the text of which is set out on pages 23 to 41 of this Composite Document;
- (ix) the letters of consent from the respective parties referred to in the paragraphs headed “Consent and Qualification” in Appendices III and IV to this Composite Document; and
- (x) the material contracts referred to in the paragraph headed “Material Contracts” in Appendix IV to this Composite Document.