
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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OVERVIEW

The immediate controlling shareholder of the Company is Best Outlook, which is a company incorporated in the BVI with limited liability. Best Outlook is wholly owned by Mr. Kang, our chairman, who was brought up and lives in China. Mr. Kang has not been a full time governmental official or an employee of a state-owned entity for a substantial amount of time. Immediately after completion of the Global Offering, Mr. Kang will, through Best Outlook and Neo Pioneer, control the exercise of voting rights with respect to more than 30% of our Shares. Because Long Thrive and the Transferees and Mr. Kang are considered to be a closely allied group of shareholders, Mr. Kang, Best Outlook, Neo Pioneer, Long Thrive and the Transferees (as a group) will therefore be regarded as the controlling shareholders (as defined in the Listing Rules) of our Company upon Listing. Apart from our Company, Mr. Kang also owns Yuanda Group, which is principally engaged in the business of investment holdings. Companies under the Yuanda Group engage in the manufacture and sale of elevators, mechanical equipment, environmental protection engineering and engineering design. Our Directors are of the view that the businesses conducted by our Controlling Shareholders and their respective associates are not in competition with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we are satisfied that we can conduct our business independently of our Controlling Shareholders and their respective associates (other than our Company) after completion of the Global Offering, notwithstanding our existing relationship with Yuanda Singapore as described below.

Delineation of Businesses

During the Track Record Period, Yuanda Singapore has undertaken curtain wall projects in Singapore for which we supplied the curtain wall products. We have already established our wholly owned subsidiary in Singapore to undertake projects. However, as the ability to contract for large-scale curtain wall work in Singapore is dependent on local contracting experience, and given our lack of direct local contracting experience, we expect that we will continue to cooperate with Yuanda Singapore on the contracting of large-scale curtain wall work in Singapore for such period until our wholly owned subsidiary will be able to undertake projects in Singapore on its own. As the Singapore market only accounted for approximately 0.1%, 0.6% and 0.7% of our revenue during the years ended December 31, 2008, 2009 and 2010, respectively, we do not consider the revenues generated from the Singapore market to be of material importance to our operation. In addition, it is expected that our own Singapore subsidiary will gradually take over the contracting work in Singapore. Our Controlling Shareholders have also undertaken to us that upon Listing, Yuanda Singapore will only bid and contract for curtain wall projects with our written consent and it will purchase all of its supplies of curtain wall products from us. Yuanda Singapore will cease its curtain wall business upon our notification, which is currently expected to be in 2014, when our own subsidiary would be able to gain its own accreditation to undertake large-scale projects in Singapore and Yuanda Singapore would have completed all its contracts on hand. Our Directors are therefore of the view that the curtain wall business of Yuanda Singapore will not compete with our business. Save for Yuanda Singapore, none of the other business of our Controlling Shareholders and their respective associates are engaged in the business that we are engaged in or compete or may compete with us. The businesses of these companies are unrelated to the curtain wall business that we are engaged in.

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Yuanda Singapore is primarily engaged in curtain wall works and trading as well as investment holding. As of the Latest Practicable Date, Yuanda Singapore holds a 22.3% interest in Brilliant Elevator. Brilliant Elevator is principally engaged in the manufacture and sale of elevators. As we have already established a wholly owned subsidiary to undertake our curtain wall business which we intend to expand and will gradually replace and take over the curtain wall works in Singapore being carried out by Yuanda Singapore, and we have no interest in developing the elevator business. Yuanda Singapore and its associated interest in Brilliant Elevator have not been injected into the Group as part of the Reorganization.

The information relating to the profit/(loss) and net assets of Yuanda Singapore during the Track Record Period is set out below:

<u>Year</u>	<u>NAV (SGD)</u>	<u>Profit/(loss) (SGD)</u>
2008	(640,699)	(1,180,888)
2009	524,583	(1,134,718)
2010 (unaudited)	537,473	12,889

In Singapore, curtain wall contracting operates on a qualification system. Only companies that have obtained a grade 6 qualification can contract for public curtain wall projects. Our wholly owned subsidiary established in Singapore does not currently possess a grade 6 qualification and is unable to contract for public curtain wall projects. It is only upon our completing certain local projects that we would be able to obtain a grade 6 qualification to undertake public curtain wall projects. During the interim period before we obtain the grade 6 qualification, we will co-operate with Yuanda Singapore on any public curtain wall projects by supplying curtain wall products to Yuanda Singapore. Details of such arrangement are further described in the section headed “Connected Transactions – Supply of Curtain Wall Products to Yuanda Singapore”.

It is currently expected that Yuanda Singapore will be able to complete all of its contracts on hand by 2014 and our Singapore subsidiary will obtain the necessary qualification to undertake public and large scale contracts within three years.

Independent Business Operations

Our Company holds the relevant licenses that are essential to our business operations and we have such operation capability of our own, whether in terms of capital, equipment, employees, suppliers or customers, that enable us to operate our business independently of the business of our Controlling Shareholders and their respective associates.

Although we will enter into continuing connected transactions with Brilliant Elevator (please refer to the section entitled “Connected Transactions” in this prospectus for further details) in respect of the spray painting service that it will continue to provide to us after completion of the Global Offering, our Directors are of the view that this service can be easily replaced by other processors on similar terms as provided by Brilliant Elevator, or be undertaken by the Group itself with additional investments in equipment. Therefore, our Directors do not consider that we are in any way dependent on our Controlling Shareholders and their respective associates for any part of our operations.

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Management and Financial Independence

Our business and the business of our Controlling Shareholders are currently managed and operated by separate management teams. Except for Mr. Kang and Mr. Wang Lihui, none of our Directors currently holds directorships or management positions in the business of our Controlling Shareholders. Mr. Kang and Mr. Wang devote the majority of their time in managing our Group. Pursuant to the director service agreement between Mr. Kang and Mr. Wang and our Company, Mr. Kang and Mr. Wang agree to continue to devote the majority of their time and resources to the management of our business. In this connection, our Directors are of the view that our business is being managed separately and independently from the business of our Controlling Shareholders.

In addition, our Company operates financially independently from our Controlling Shareholders and their respective associates. We do not share any banking or credit facilities with our Controlling Shareholders and their respective associates and, as of the Latest Practicable Date, there is no financing arrangement between our Company and our Controlling Shareholders and their respective associates.

In addition, we have an independent financial system and finance team which is responsible for our own treasury function, cash receipts and payments, and independent access to third party financing.

All amounts due to and due from the companies controlled by the Controlling Shareholders, including any guarantees and indemnities provided by our Controlling Shareholders for our benefits or vice versa will be released or fully settled prior to the Listing Date. Accordingly, we believe that we are able to maintain financial independence from our Controlling Shareholders.

Save as disclosed above, none of our Directors has any interest in any business which competes or is likely to compete, whether directly or indirectly, with our business.

NON-COMPETITION UNDERTAKING

In order to avoid potential conflicts of interest between our Controlling Shareholders and our Company, each of Mr. Kang, Best Outlook, Neo Pioneer, Long Thrive and the Transferees has undertaken to us in the Deed of Non-competition dated April 12, 2011 that he/it will not, and will procure his/its associates (other than members of our Group) not to, engage in any business, whether directly or indirectly, on its own or jointly with another person or entity by participating in any businesses or activities which would be in competition with the business of the Group. Under the Deed of Non-competition, we have agreed to exclude Yuanda Singapore from the non-compete covenants of the Controlling Shareholders so as to allow Yuanda Singapore to continue to cooperate with us to undertake large-scale curtain wall contracts in Singapore until our wholly owned subsidiary is fully operational and has gained the necessary contracting experience to undertake large-scale curtain wall projects on its own. Our Controlling Shareholders have, with respect to the curtain wall business of Yuanda Singapore, covenanted to us in the Deed of Non-competition that, as long as the Controlling Shareholders remain the controlling shareholder of our Company, Yuanda Singapore will only bid and contract for curtain wall projects with our written consent and will purchase all of its supplies of curtain wall products from us and upon written notification from us, it will cease to participate in any manner in the contracting for curtain wall business in Singapore. When evaluating whether or not to grant consent to Yuanda Singapore, our Directors (including at least one independent non-executive Director) will consider our available resources and whether or not we can directly contract for the proposed project. It is only in situations when we are unable to contract directly for the project should consent be granted to Yuanda Singapore.

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Any conflicting Director will abstain from voting for any resolutions proposed to grant consent to Yuanda Singapore. Our independent non-executive Directors may from time to time commission at the cost of our Company the assistance of external professional advisors as they consider necessary or desirable to evaluate and assess the consents granted to Yuanda Singapore and any other matters that may rise in relation to the execution of the Deed of Non-competition.

Upon our own subsidiary gaining the accreditation to undertake large-scale curtain wall projects in Singapore, we will evaluate whether we need to cooperate further with Yuanda Singapore. If our Directors other than the conflicting Directors consider that we no longer need to coordinate with Yuanda Singapore to undertake any projects, a written notice will be issued to Yuanda Singapore advising it to cease all curtain wall business from the completion of all remaining projects on hand.

The Deed of Non-competition will take effect upon Listing and will lapse automatically (in respect of the relevant party) if Mr. Kang, Best Outlook, Neo Pioneer, Long Thrive or the Transferees ceases to be our Shareholder.

In order to promote good corporate governance practices and to improve transparency, the deed of non-competition includes the following provisions:

- the independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by Mr. Kang, Best Outlook, Neo Pioneer, Long Thrive and the Transferees;
- each of Mr. Kang, Best Outlook, Neo Pioneer, Long Thrive and the Transferees has undertaken to us that he/it will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-competition;
- we will disclose the review by the independent non-executive Directors with basis on the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- each of Mr. Kang, Best Outlook, Neo Pioneer, Long Thrive and the Transferees will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report.