

---

## HISTORY AND REORGANIZATION

---

### HISTORY AND DEVELOPMENT

Our Group’s history began with the establishment of Shenyang Yuanda, our principal operating subsidiary, in China on April 17, 1993 by Shenyang Modern Aluminum Limited (which was subsequently renamed as Yuanda Group) and Goldenwin Company Limited, a company incorporated in Hong Kong. At the time of its establishment, 75% of the registered capital of Shenyang Yuanda was held by Shenyang Modern Aluminum Limited and the remaining 25% was held by Goldenwin Company Limited on trust for Mr. Kang. In 2002, Goldenwin Company Limited transferred its 25% interest in the registered capital of Shenyang Yuanda to Yuanda Singapore, a wholly owned subsidiary of the Yuanda Group, for a consideration of US\$900,000. Please refer to the section entitled “Reorganization — Transfer of interest in Shenyang Yuanda by Goldenwin” in this document for further details about such transfer. Following completion of the transfer and until the commencement of the Reorganization, 75% of the registered capital of Shenyang Yuanda was held by the Yuanda Group and the remaining 25% was held by Yuanda Singapore.

#### **The development of our domestic business**

At the time of its establishment in 1993, Shenyang Yuanda was engaged in engineering design, production and installation of aluminum skylight, aluminum alloy windows and doors, curtain walls and stainless steel products. In 1994, Shenyang Yuanda contracted for the Industrial and Commercial Bank Building in Shenyang. Our successful completion of this project was a significant milestone in our development, as it served to confirm our ability to contract for large and complex curtain wall works in China. For the next few years, we gradually built our name as a leading supplier in Northeast China for high quality curtain wall systems. In 1997, we received the Luban Award (魯班獎), China’s national award for construction excellence in projects for the first time, in relation to Beijing Xidan International Building, a project which was undertaken by us. Since then, we have won over 40 of such awards for projects undertaken in China.

From the time of the establishment of Shenyang Yuanda in 1993 until 1997, our base of operations was in Shenyang, China. In March 1998, we established Shanghai Yuanda which marked the beginning of the development of our regional sales network and manufacturing plants to cover the market in China. Since the establishment of Shanghai Yuanda in 1998, we now have four strategically located manufacturing plants in Shenyang, Shanghai, Chengdu and Foshan in China to serve our customers in different regional markets. As of December 31, 2010, our sales network had also expanded to 34 branch offices or subsidiaries in China covering 30 provinces, autonomous regions and municipalities.

Ever since our inception, we have been committed to building our research and development team and improving our product offerings. As of December 31, 2010, our research, development and design team, which we believe is one of the largest in the global curtain wall industry, consisted of 632 research and development professionals and 1,546 design professionals. With the efforts of our professional research and development team, we launched 81 new curtain wall products into the market during the Track Record Period. On the basis of the structure of traditional curtain wall products, we have developed various products by applying more complex design, new material or advanced technology to serve different functions, such as environmental protection, energy conservation and intelligent control. Such products include double-skin curtain walls, photovoltaic curtain walls, ecologically friendly curtain walls, video curtain walls and membrane structure curtain walls. Our comprehensive product offering lays out a solid foundation for us to expand our business in both China and overseas markets.

## HISTORY AND REORGANIZATION

---

Over the years, we have completed some of the most prestigious buildings in China, including the Theme Pavilion of Expo 2010 Shanghai China, the China National Swimming Center (also known as the “Water Cube”), the National Stadium of China (also known as the “Bird’s Nest”), the Beijing New Poly Plaza and the Yueyang Plaza in Shanghai. Please also refer to the section entitled “Business” in this document for more information on the projects that we have completed.

### **The development of our global business**

In 2002, we contracted for the Excalibur Building in Singapore, the first project which we undertook overseas and one which marked our next phase of development to become a global company in the curtain wall industry. In 2002, we established our first overseas branch in the United Kingdom, followed by a branch in Macao in 2006, and branches in Australia, the United States and Dubai in 2007. As of December 31, 2010, we have an extensive sales and marketing and service network covering 35 countries and regions.

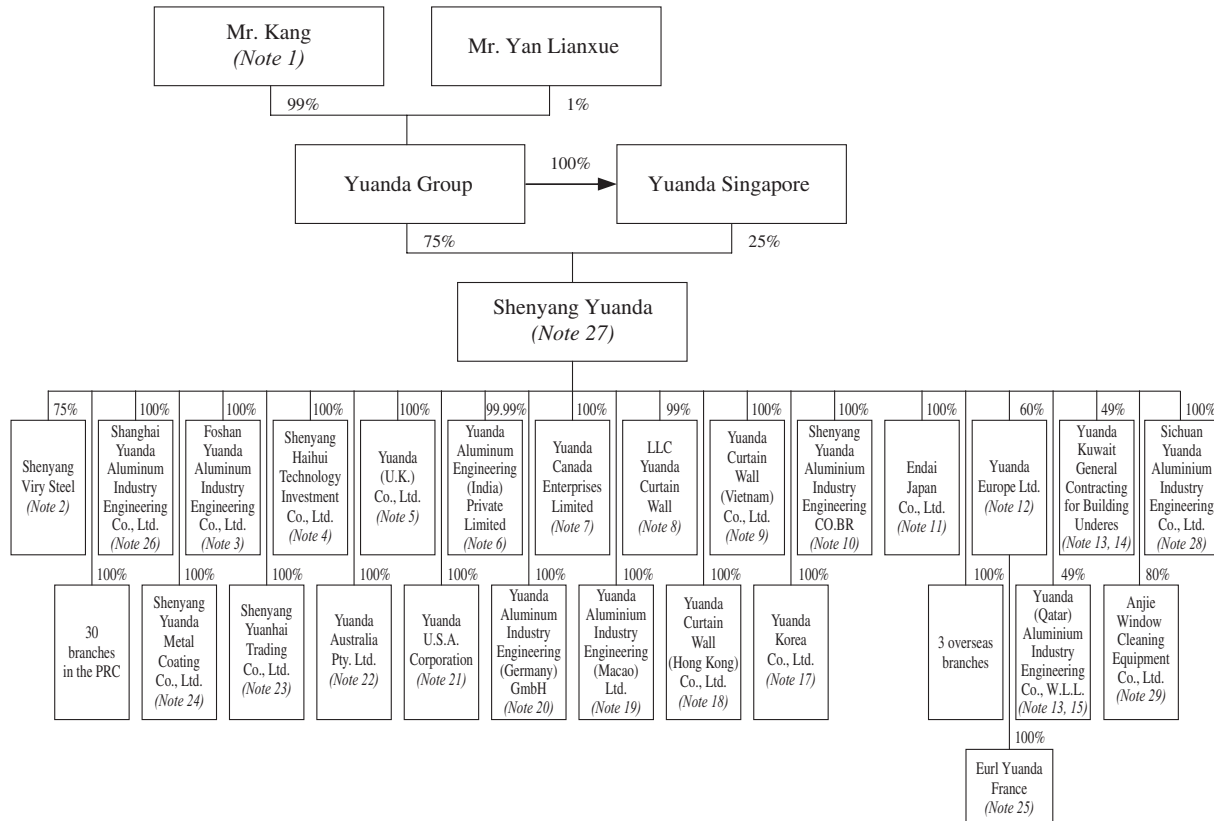
The overseas market made up approximately 33.2%, 38.6% and 35.4% of our revenue for the years ended December 31, 2008, 2009 and 2010, respectively. The projects that we have undertaken overseas included some of the most prestigious and landmark projects around the world, including the Airrail Center Frankfurt, the Russian Federation Tower, the Executive Towers at Dubai Business Bay, the COCOON Tower in Tokyo and the Legacy at the Millennium Park in Chicago.

After approximately 18 years of development, we are now the second largest manufacturer of curtain walls in the world and the largest in China as measured by sales revenue in 2009 according to the Synovate Report and a leading global provider of one-stop solutions for curtain wall systems mainly focusing on public facility and commercial building segments. During the Track Record Period, we successfully completed 513 projects worldwide. See the section entitled “Business” in this document for more information on our Company and our operations.

## HISTORY AND REORGANIZATION

### REORGANIZATION

In early 2010, we commenced the Reorganization. The corporate structure of the Group immediately prior to the Reorganization was as follows:



*Notes:*

1. In January 2004, as part of the incentive package for the management of the Group and in recognition of the Transferees’ contributions to our development, Mr. Kang verbally agreed, at his own discretion, to transfer an aggregate of RMB42,337,981 in the then registered capital of Shenyang Yuanda, equivalent to approximately 20.6% of the registered capital of Shenyang Yuanda, to the Transferees for an aggregate consideration of RMB42,337,981. Under the arrangement between Mr. Kang and the Transferees, in the event of a reorganization involving Shenyang Yuanda, the Transferees will be entitled to the same shareholding interest in the relevant equivalent company after the reorganization. The Transferees comprise six of our Directors, namely: Tian Shouliang, Guo Zhongshan, Wu Qingguo, Si Zuobao, Wang Yijun and Wang Lihui, and six employees of Shenyang Yuanda or its holding company, Yuanda Group, at the relevant time in January 2004, namely: Zhuang Yuguang, Yan Lianxue, Li Qi, Xiong Yudi, Li Dawei and Geng Bin, and Ms. Kang. Li Qi, Xiong Yudi, Li Dawei and Geng Bin are currently employees of the Group, and Zhuang Yuguang and Yan Lianxue are employees of the Yuanda Group. The largest percentage interest in Shenyang Yuanda held by any one of the Transferees was 5.3% immediately prior to the Reorganization.

As the arrangement between Mr. Kang and the Transferees had not previously been documented and there was no correspondence or written communication to evidence the arrangement, on October 5, 2010, Mr. Kang and the Transferees signed a confirmation to record their understandings and arrangements with respect to the transfers. The transfers were made by Mr. Kang as his recognition and acknowledgment of the contributions that the Transferees have made to the development of the Group. The transfers provided the Transferees with an opportunity to take a personal interest in our Company with a view to achieving the objective of motivating the Transferees to optimize their performance for the benefit of our development, and to retain or otherwise maintain ongoing relationships with the Transferees whose contributions will be beneficial to our long-term development. The Transferees are incentivised by the arrangement by, amongst others, the fact that, as Shareholders, they will be able

## HISTORY AND REORGANIZATION

to benefit from the increase in value of their respective interests in the Company through the Company's future growth and development. Pursuant to the terms of the arrangement between Mr. Kang and the Transferees, the effective transfers of the beneficial interests in the equity interests in Shenyang Yuanda took place in January 2004. In order to reduce the administrative burden of having to register the transfers and revise the articles of association of Shenyang Yuanda, the Transferees had agreed for Mr. Kang to hold their interests on their behalf. The Transferees had also authorized Mr. Kang to administer their interests, including the exercise of their respective shareholding rights, which include the exercise of voting rights at shareholders' meetings, the receipt of dividends and contribution of capital, in Shenyang Yuanda. Before 2005, Shenyang Yuanda had not declared any dividends. Shenyang Yuanda declared dividends in 2005, 2006, 2008 and 2009 to, among others, set off and settle the current accounts with Mr. Kang. Such dividends have been fully settled by Shenyang Yuanda. Since it was not necessary to set off and settle any current account with Mr. Kang in 2007, no dividend was declared by Shenyang Yuanda that year. Pursuant to the arrangement between Mr. Kang and the Transferees, Mr. Kang would hold the dividends which the Transferees were entitled to receive from Shenyang Yuanda amounting to an aggregate of RMB200,357,000, being the dividends attributable to the Transferees' equity interests in Shenyang Yuanda, on behalf of the transferees. The reason that Mr. Kang held the dividends on behalf of the Transferees was because he still held the legal titles in the equity interests in Shenyang Yuanda through the Yuanda Group until the Reorganization.

Pursuant to the Reorganization, the Transferees' interests in Shenyang Yuanda were exchanged for Shares in our Company on November 11, 2010 when Best Outlook transferred an aggregate of 2,068 Shares, representing approximately 20.68% interest in the issued share capital of our Company at that time to Long Thrive, an entity established by the Transferees to hold Shares in our Company. The consideration in the amount of RMB42,337,981 due from the Transferees to Mr. Kang for the transfers were set off and fully settled against part of the dividends held by Mr. Kang upon completion of the transfer of Shares in our Company by Best Outlook to Long Thrive on November 11, 2010. In order to assist Mr. Kang to complete the Reorganisation, the Transferees further agreed to lend the balance of the dividends to Mr. Kang and have Mr. Kang to hold such dividends on their behalf. Mr. Kang will settle the outstanding balance through future dividends that he would receive from our Company.

The transfer price was based on the registered capital of Shenyang Yuanda. The Transferees were not granted any special rights in connection with the transfers. Details of the interests of the Transferees held by Mr. Kang on behalf of the Transferees at the time of the transfer in 2004 were as follows:

Name of Transferee	Registered Capital in Shenyang Yuanda transferred	Approximate percentage in the Registered Capital of Shenyang Yuanda
	RMB	
Tian Shouliang .....	3,084,558	1.5%
Guo Zhongshan .....	3,084,558	1.5%
Wu Qingguo .....	2,467,646	1.2%
Si Zuobao .....	3,084,558	1.5%
Wang Yijun .....	3,084,558	1.5%
Wang Lihui .....	1,758,909	0.9%
Zhuang Yuguang .....	10,967,316	5.3%
Yan Lianxue .....	4,112,744	2.0%
Xiong Yudi .....	2,056,372	1.0%
Li Dawei .....	1,850,735	0.9%
Li Qi .....	1,439,460	0.7%
Geng Bin .....	1,233,823	0.6%
Ms. Kang .....	4,112,744	2.0%

Under the aforesaid arrangements, Mr. Kang held beneficial interests representing approximately 20.68% of the registered capital of Shenyang Yuanda on behalf of the Transferees since January 2004. As advised by our PRC legal counsel, such arrangements between the Transferees and Mr. Kang, to which the PRC laws are applicable, were legal and valid.

Such arrangements have been eliminated as part of our Reorganization. Pursuant to the Reorganization, the interests in Shenyang Yuanda held by the Transferees were exchanged for Shares in our Company which the Transferees hold through Long Thrive. Upon completion of [●] but without taking into effect any Shares that may be issued, the Transferees will, through Long Thrive, hold approximately 14.52% of the issued share capital of our

---

## HISTORY AND REORGANIZATION

---

Company. The Transferees confirmed that they are not holding shares in Long Thrive on behalf of any third parties. Given the relationships between the Transferees and Mr. Kang, the Transferees and Mr. Kang should be considered as a “closely allied group of shareholders”.

2. The remaining 25% interest was held by Viry SA, an independent third party.
3. Foshan Yuanda Aluminium Industry Engineering Co., Ltd. is principally engaged in the provision of products and services to companies of our Group.
4. Shenyang Haihui Technology Investment Co., Ltd. is principally engaged in the provision of products and services to companies of our Group.
5. Yuanda (U.K.) Co., Ltd. is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
6. The remaining 0.01% interest was held by Wu Xu, an independent third party. Yuanda Aluminum Engineering (India) Private Limited is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
7. Yuanda Canada Enterprises Limited is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
8. The remaining 1% interest was held on trust for Shenyang Yuanda by Yan Lianxue, who is one of the Transferees and hence one of the Controlling Shareholders. LLC Yuanda Curtain Wall is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
9. Yuanda Curtain Wall (Vietnam) Co., Ltd. is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
10. Shenyang Yuanda Aluminium Industry Engineering CO.BR is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
11. Endai Japan Co., Ltd. is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
12. The remaining 40% interest was held by Peter Tschudin, an independent third party. Yuanda Europe Ltd. is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
13. There are agreements (“Incorporation Agreements”) with respect to the other 51% equity interest in place between Shenyang Yuanda and the holders of such 51% equity interest of each of Yuanda Kuwait General Contracting for Building Underes (“Yuanda Kuwait”) and Yuanda (Qatar) Aluminium Industry Engineering Co., W.L.L. (“Yuanda Qatar”) respectively. Each of Yuanda Kuwait and Yuanda Qatar has been accounted for as a subsidiary of the Group. Please refer to the paragraph entitled “Arrangements in Kuwait and Qatar” in this section of this document for further details.
14. The remaining 51% interest was held by Mohamed Tareq Al Essa, an independent third party. Mohamed Tareq Al Essa only acts as a facilitator for the Company and is not involved in the operation and management of Yuanda Kuwait. Yuanda Kuwait is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
15. The remaining 51% interest was held by Ahmed Omar Bbhaa Ahmed, an independent third party. Ahmed Omar Bbhaa Ahmed only acts as a facilitator for the Company and is not involved in the operation and management of Yuanda Qatar. Yuanda Qatar is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
16. The remaining 1% interest was held by Zhong Yuan, an independent third party. P.T. Shenyang Yuanda Aluminium Industry Engineering was established in Indonesia on October 13, 2010. P.T. Shenyang Yuanda Aluminium Industry Engineering is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.

---

## HISTORY AND REORGANIZATION

---

17. Yuanda Korea Co., Ltd. is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
18. Yuanda Curtain Wall (Hong Kong) Co., Ltd. is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
19. Yuanda Aluminium Industry Engineering (Macao) Ltd. is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
20. Yuanda Aluminium Industry Engineering (Germany) GmbH is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
21. Yuanda U.S.A. Corporation is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
22. Yuanda Australia Pty. Ltd. is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
23. Shenyang Yuanhai Trading Co., Ltd. is principally engaged in the trading of sealant.
24. Shenyang Yuanda Metal Coating Co., Ltd. is principally engaged in the planting and coating of metals.
25. Eurl Yuanda France is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.
26. Shanghai Yuanda Aluminium Industry Engineering Co., Ltd. is principally engaged in the design, procurement, production, sale and installation of curtain wall systems.
27. Shenyang Yuanda is principally engaged in the design, procurement, production, sale and installation of curtain wall systems.
28. Sichuan Yuanda Aluminium Industry Engineering Co., Ltd. was dissolved on November 30, 2010.
29. The remaining 20% interest was held by Zhuang Yu Gang, an independent third party. Anjie Window Cleaning Equipment Co., Ltd. was dissolved on December 29, 2010.
30. Yuanda Curtain Wall (Singapore) Pte. Ltd. was established in Singapore on December 27, 2010. It is principally engaged in the design, procurement, assembly, sale and installation of curtain wall systems.

### **Transfer of interest in Shenyang Yuanda by Goldenwin**

Goldenwin was a company incorporated in Hong Kong on September 3, 1992. At all material times, the only shareholders and directors of Goldenwin were two individuals and each held one of the two issued shares in Goldenwin. The two shareholders and directors of Goldenwin were friends of Ms. Kang and were introduced to Mr. Kang by Ms. Kang. The Directors confirmed that, to their best knowledge and information, each of the two shareholders of Goldenwin is independent of and not connected with the Company and its connected persons. In April 1993, Goldenwin and Shenyang Modern Aluminum Limited (which was subsequently renamed as Yuanda Group) established Shenyang Yuanda. At the time of its establishment, Goldenwin held a 25% equity interest in Shenyang Yuanda on trust for Mr. Kang, based on and as evidenced by the capital contributions made by Mr. Kang and various correspondence and communications between Mr. Kang and one of the shareholders of Goldenwin. The two shareholders of Goldenwin entered into such arrangement as a favor to Mr. Kang.

---

## HISTORY AND REORGANIZATION

---

The main reason why Mr. Kang entered into the trust arrangement with Goldenwin was that there were few curtain wall manufacturers in the PRC in the early 1990s and Mr. Kang had, in the early 1990s, wanted to set up a Sino-foreign joint venture with the belief that it could enhance the profile of Shenyang Yuanda and facilitate its expansion and development in the curtain wall business. As Mr. Kang was based in the PRC and it was then difficult to obtain overseas travel permits to visit Hong Kong and Mr. Kang had no knowledge on how to establish a Hong Kong company to act as the joint venture partner of Yuanda Group in relation to Shenyang Yuanda, Mr. Kang considered that it would be more convenient to seek help from the two shareholders of Goldenwin and entered into the trust arrangement with Goldenwin for it to hold a 25% interest in Shenyang Yuanda. At the time the trust arrangement was entered into in 1993, Mr. Kang, being a PRC resident, was not familiar with the documentation requirements in setting up a trust in Hong Kong. In this connection, no formal trust deed was entered into in 1993 when the trust arrangement was established. Although there was no formal written agreement between Goldenwin and Mr. Kang documenting the trust arrangement, there are various documents which support the existence of such an arrangement between the parties. Mr. Kang was advised by his retained senior counsel that a bare trust or a resulting trust has been established and that Goldenwin has at all material times held the 25% interest in Shenyang Yuanda on behalf of Mr. Kang. A resulting trust is a trust implied by law that a person who holds title or possession to the property was intended by agreement as implied by the circumstances with the intended owner to hold the property on trust for the intended owner. Thus, the holder to the legal title of the property is considered a trustee of a resulting trust for the proper owner as beneficiary. As advised by our PRC legal counsel, the trust arrangement does not contravene the PRC laws which were applicable at the time such arrangement was entered into.

On August 22, 1997, Goldenwin was struck off from the register of companies under section 290A(3) of the Companies Ordinance due to its failure to submit annual returns and the failure to pay the requisite annual registration fees. Pursuant to a notice published in the Gazette on August 22, 1997, Goldenwin was dissolved pursuant to section 290A of the Companies Ordinance from the date of publication of the notice.

As Mr. Kang was not responsible for the maintenance of Goldenwin and he had no official capacity in Goldenwin, Mr. Kang was not aware that Goldenwin was struck off in 1997. Not aware of its dissolution, Mr. Kang procured Goldenwin to enter into a sale and purchase agreement dated June 18, 2002 to transfer its 25% interest in Shenyang Yuanda to Yuanda Singapore for a consideration of US\$900,000. The sale and purchase agreement was signed by one of the directors of Goldenwin in her capacity as a director of Goldenwin. Considering the transfer as an internal reorganization, no consideration was paid by Yuanda Singapore to Goldenwin and the transfer was approved by the Shenyang Dongling District Commission of Foreign Trade and Economic Cooperation (瀋陽市東陵區對外經濟貿易合作局) on July 1, 2002. The renewed business license of Shenyang Yuanda was issued on July 24, 2002 and the transfer was completed on the same date. Mr. Kang became aware in July 2004 that Goldenwin had been struck off when he was considering the use of Goldenwin to conduct business in Hong Kong and asked his advisers at that time to check the scope of business of Goldenwin. Yuanda Singapore's interest in Shenyang Yuanda was transferred to us in November 2010 pursuant to the Reorganization.



---

## HISTORY AND REORGANIZATION

---

In accordance with section 290B of the Companies Ordinance, where a company is dissolved under section 290A of the Companies Ordinance, which is the case for Goldenwin, all property and rights whatsoever vested in or held on trust for the company immediately before the dissolution shall be deemed to be bona vacantia and shall accordingly belong to the Hong Kong government. Such rights include leasehold property but not property held by the company on trust for any other person. The effect of the provisions of the Companies Ordinance is that, upon the dissolution of Goldenwin, all the properties of Goldenwin would pass to the Hong Kong government under section 290A of the Companies Ordinance, except for any property of Goldenwin which has been held on trust for a third party.

In light of the dissolution of Goldenwin pursuant to section 290A of the Companies Ordinance prior to its transfer of the 25% interest in Shenyang Yuanda to Yuanda Singapore, Mr. Kang has sought counsel opinion on whether the relevant interest of Goldenwin in Shenyang Yuanda would be deemed bona vacantia and would have been passed to the Hong Kong government upon its dissolution. Following consultation with his retained senior counsel, Mr. Kang considered that on a balance of probabilities (i) Goldenwin at all material times held the 25% equity interest in Shenyang Yuanda as trustee for Mr. Kang, (ii) Goldenwin's interest in Shenyang Yuanda should not be deemed to be bona vacantia, and (iii) the dissolution of Goldenwin would not affect Mr. Kang's beneficial ownership in the relevant interest of Shenyang Yuanda, based on the following:

- (a) the reason given by Mr. Kang for establishing the trust at the relevant time is not uncommon and is understandable;
- (b) the board minutes of Yuanda Singapore in relation to the transfer of the 25% interest had expressly and clearly referred to the trust in question and was further signed by two directors of Yuanda Singapore other than Mr. Kang;
- (c) the capital contributed by Goldenwin to the capital of Shenyang Yuanda was corroborated by bank slips as being funded by Mr. Kang;
- (d) the tenor of a letter dated September 7, 1993 from one of the directors of Goldenwin to Mr. Kang shows that they did not claim any beneficial interest in Shenyang Yuanda and supports the existence of a trust; and
- (e) the fact that no payment was made by Yuanda Singapore to Goldenwin for the transfer supports the interest was held in trust by Goldenwin for Mr. Kang.

On January 11, 2011, the Shenyang Dongling District Commission of Foreign Trade and Economic Cooperation (瀋陽市東陵區對外貿易經濟合作局) issued a confirmation letter to Shenyang Yuanda confirming that the various changes of the 25% equity interest in Shenyang Yuanda originally held by Goldenwin following its dissolution in 1997 (including the transfer from Goldenwin to Yuanda Singapore in 2002) remain legal and valid. At the time of the transfer of the 25% equity interest in Shenyang Yuanda from Goldenwin to Yuanda Singapore in 2002, the Shenyang Dongling District Commission of Foreign Trade and Economic Cooperation was the competent approval authority for approving the changes of Shenyang Yuanda, and also the original authority for the approval of the transfer. As such, the Company's PRC legal counsel is of the view



---

## HISTORY AND REORGANIZATION

---

that the Shenyang Dongling District Commission of Foreign Trade and Economic Cooperation is a competent and appropriate authority to issue the relevant confirmation letter. Based on:

- (i) the confirmation of Mr. Kang, following his consultation with his retained senior counsel, that, on a balance of probabilities, (a) Goldenwin at all material times held the 25% interest in Shenyang Yuanda for Mr. Kang, (b) Goldenwin's interest in Shenyang Yuanda should not be deemed to be bona vacantia, and (c) the dissolution of Goldenwin would not affect Mr. Kang's beneficial ownership in the relevant interest of Shenyang Yuanda;
- (ii) the confirmation provided by Mr. Kang that there was a bona fide intention to transfer the equity interests in Shenyang Yuanda; and
- (iii) the confirmation letter issued by the Shenyang Dongling District Commission of Foreign Trade and Economic Cooperation dated January 11, 2011, which states that the various changes of the 25% equity interest originally held by Goldenwin following Goldenwin's dissolution in 1997 (including the transfer from Goldenwin to Yuanda Singapore in 2002) remain legal and valid,

our PRC legal counsel confirms that the transfer of the 25% equity interest in Shenyang Yuanda from Goldenwin to Yuanda Singapore would not be affected by the dissolution of Goldenwin and will continue to be effective. The non-disclosure of the trust arrangement does not affect the validity of the legal structure of Shenyang Yuanda as a FIE, and in turn its subsequent conversion into a wholly foreign-owned enterprise. As Shenyang Yuanda was established as a FIE in 1993, before the implementation of the M&A Rules, the acquisition of the entire equity interest of Shenyang Yuanda by Yuanda Hong Kong is not subject to the M&A Rules. The parties involved would not be personally liable in the event that the non-disclosure is challenged by the relevant PRC authorities. Notwithstanding that the Company does not consider that such transfer of the 25% interest in Shenyang Yuanda would be challenged by third parties, the Company cannot rule out all possibilities of challenges by third parties in the future. Such challenge, if successful, would materially and adversely affect our corporate structure and results of operations. Mr. Kang and Best Outlook have, on April 12, 2011, entered into a deed of indemnity with and in favor of our Company, pursuant to which they have agreed to provide indemnities on a joint and several basis in respect of, among others, any fines, liabilities or claims arising from our ownership in the 25% equity interest in Shenyang Yuanda.

### **Arrangements in Kuwait and Qatar**

We own only 49% of the equity interests of our operating companies, Yuanda Kuwait General Contracting for Building Underes ("Yuanda Kuwait") and Yuanda (Qatar) Aluminium Industry Engineering Co., W.L.L. ("Yuanda Qatar"), in Kuwait and Qatar respectively, as both Kuwait and Qatar laws do not allow foreign companies to own a majority interest in a local operating company. We had no operation in Qatar prior to the establishment of Yuanda Qatar and prior to the establishment of Yuanda Kuwait, we supplied products to a local company for projects it undertook in Kuwait.

---

## HISTORY AND REORGANIZATION

---

### *Yuanda Kuwait*

Under Kuwait law, we are not allowed to own a majority interest in the local operating company. In order to enable us to govern and control the financial and operation of Yuanda Kuwait and capture its entire economic interest from its operations, we entered into an agreement on March 30, 2009 (the “Kuwait Incorporation Agreement”) with Mr. Mohamed Tareq Al Essa (the “Kuwait Local Partner”), an independent third party. Pursuant to the Kuwait Incorporation Agreement, the Kuwait Local Partner agreed to be the facilitator of Shenyang Yuanda in relation to the conduct of its business in Kuwait. Yuanda Kuwait was established pursuant to the Kuwait Incorporation Agreement and is held as to 51% by the Kuwait Local Partner and as to 49% by Shenyang Yuanda.

We entered into the Kuwait Incorporation Agreement as part of the procedures/formalities with regard to the governance of Yuanda Kuwait as required under Kuwait law, and to ensure that the articles of association of Yuanda Kuwait are in compliance with the local laws in Kuwait. The present arrangement enables us to govern and control the financial and operation of Yuanda Kuwait and capture its entire economic interest from its operations, as pursuant to the Kuwait Incorporation Agreement, the Kuwait Local Partner has declared that:

- all the capital and assets belong to Shenyang Yuanda;
- he has no share (and hence no voting rights) or the right to get any share in Yuanda Kuwait or any entitlement to the profit of Yuanda Kuwait;
- he is not involved in the day-to-day operation of Yuanda Kuwait, save for assisting Yuanda Kuwait with coordination with the local government authorities;
- all works in relation to tendering execution of contracts and collection of proceeds are carried out by Yuanda Kuwait under the management of Shenyang Yuanda;
- he would not be held liable for any losses; and
- the above terms in Kuwait Incorporation Agreement is irrevocable for three years effective from the date of signing and will be automatically renewed for a similar period unless and until terminated by both parties with a notice at least 90 days in advance.

Through the above arrangement, we are able to control the operation of Yuanda Kuwait. As advised by our legal advisors as to Kuwait law, the Kuwait Incorporation Agreement is legal, valid and binding to its parties and constitutes legally binding and enforceable obligations against the Kuwait Local Partner under Kuwait law and is in compliance with the laws and regulations of Kuwait. In the event of a dispute between Shenyang Yuanda and the Kuwait Local Partner on the rights of Yuanda Kuwait, the said agreement secures Shenyang Yuanda’s rights with regard to the capital and assets and all profits of Yuanda Kuwait.

Based on the above, and in accordance with relevant accounting standards, the Group consolidated Yuanda Kuwait into its consolidated financial statements as a wholly owned subsidiary during the Track Record Period as set out in the Appendix I to this document. The reporting accountants of the Group confirmed that the consolidation of Yuanda Kuwait as a wholly owned subsidiary is in compliance with the relevant accounting standards.

---

## HISTORY AND REORGANIZATION

---

Given that the Kuwait Local Partner is not involved in the day-to-day operations of Yuanda Kuwait and that he has already declared under the Kuwait Incorporation Agreement that all the capital and assets of Yuanda Kuwait belong to Shenyang Yuanda, we consider that we are able to effectively operate and conduct the business of Yuanda Kuwait under the present arrangement. Notwithstanding this, we have undertaken and started to introduce further measures, including using our best efforts to amend the terms of the Kuwait Incorporation Agreement, by entering into supplemental agreements that would include, among others, provisions that the Kuwait Local Partner will not transfer any of its shares in Yuanda Kuwait without our prior written consent, it will vote for any resolutions of Yuanda Kuwait in accordance with our instruction, and if there shall be any change to the Kuwait laws or regulations and/or policies such that a foreign entity becomes legally entitled to hold a majority interest in Yuanda Kuwait, it will promptly transfer its relevant interest in Yuanda Kuwait to the extent permitted by the then applicable laws or regulations to Shenyang Yuanda to enable us to become the majority shareholder in Yuanda Kuwait. These measures are being introduced to better protect the interests of the Company.

The Kuwait Incorporation Agreement has a term of 3 years and will remain valid until March 29, 2012 and may be automatically renewed for a similar period unless and until terminated by both parties with a 90 days' advance written notice.

If the above additional measures cannot be implemented, there will not be any legal consequences to the Company arising solely as a result of our failure to enter into the supplemental agreements to implement these additional measures. However, in order to better protect our interests, we will search for a replacement for our existing local partner who is willing to enter into a cooperation agreement with us that will contain the terms of the abovementioned additional measures. If the arrangement with the Kuwait Local Partner is terminated, we will not be able to contract for any new projects until a new local partner is found to hold a majority interest in the local operating company. As we believe that a local partner who acts as a facilitator for foreign businesses is common and readily available in Kuwait, we do not expect that we would have any significant difficulties in finding a replacement if our arrangement with the local partner with respect to the management of Yuanda Kuwait is terminated. If for any reasons we fail to find a replacement for our existing local partner, we will suspend the operations of Yuanda Kuwait. We will disclose any measures implemented as discussed above and/or the replacement of our existing local partner in the annual reports of our Company in future.

As at December 31, 2010, the net asset value of Yuanda Kuwait was RMB18.5 million. The total contract value of new contracts attributable to our operations in Kuwait during the Track Record Period was RMB195.1 million, representing approximately 0.7% of the total contract value of new contracts of our Group during the Track Record Period. Yuanda Kuwait was established in 2009. The revenue for Yuanda Kuwait for the years ended December 31, 2009 and 2010 were nil and RMB4.9 million, respectively, representing approximately 0% and 0.1% of the total revenue of the Group for the years ended December 31, 2009 and 2010, respectively. Yuanda Kuwait returned a loss of RMB1.7 million and RMB3.4 million for the two years ended December 31, 2009 and 2010, respectively. Under the present circumstances and assuming no material changes to the current market environment, our Directors expect that the profit contribution from Yuanda Kuwait to the Group will be less than 1%. Thus, even if for any reasons we fail to find a replacement local partner and are forced to suspend our operations in Kuwait, our Directors believe that such suspension would not have a material adverse effect on our operation and financial positions.

---

## HISTORY AND REORGANIZATION

---

### *Yuanda Qatar*

Under Qatar law, we are not allowed to own a majority interest in the local operating company. In order to enable us to govern and control the financial and operation of Yuanda Qatar and capture its entire economic interest from its operations, we have entered into the memorandum of association of Yuanda Qatar dated January 20, 2008 (the "Qatar Articles") with Mr. Ahmed Omar Bbhaa Ahmed (the "Qatar Local Partner"), an independent third party, and an agreement dated September 16, 2007 entered into between Shenyang Yuanda and Actrade for Trading & Contracting, a company of which the Qatar Local Partner was the authorized signatory with respect to the governing of the operation of Yuanda Qatar.

Pursuant to the Qatar Articles and the Qatar Incorporation Agreement, Yuanda Qatar was established and held as to 51% by the Qatar Local Partner and as to 49% by Shenyang Yuanda. Pursuant to the Qatar Articles:

- representatives of Shenyang Yuanda are responsible for managing the company during the entire term of its existence;
- profits of the company will be distributed as to 95% to Shenyang Yuanda and as to 5% to the Qatar Local Partner;

The Qatar Articles were supplemented by the Qatar Incorporation Agreement pursuant to which it was agreed that:

- the Qatar Local Partner will facilitate Shenyang Yuanda to conduct business in Qatar;
- instead of receiving dividends from Yuanda Qatar, the Qatar Local Partner will be paid an annual service fee of US\$40,000 plus a scalable commission calculated based on 1% to 5% of the contract value of projects Yuanda Qatar won with the assistance of the Qatar Local Partner;
- the dividends declared by Yuanda Qatar may be used to offset and settle any service fees due or payable to the Qatar Local Partner;
- save for assisting Yuanda Qatar with coordination with the local government authorities, the Qatar Local Partner is not involved in the day-to-day operations of Yuanda Qatar;
- all works in relation to tendering, execution of contracts and collection of proceeds are carried out by Yuanda Qatar under the management of Shenyang Yuanda.

As advised by our legal advisors as to Qatar law, subject to the Qatar Articles, the Qatar Incorporation Agreement is legal, valid, binding and enforceable under Qatar law, and as the Qatar Incorporation Agreement and the Qatar Articles are related to the same subject matter, the Qatar Incorporation Agreement is considered to be an explanatory to the Qatar Articles under Qatar law. Our legal advisors as to Qatar law has further advised that the Qatar Articles is a validly binding and legally enforceable document and constitutes legal, valid, binding and enforceable obligations of the parties thereto with respect to the governance of the affairs of Yuanda Qatar and is in compliance with the relevant laws and regulations of Qatar and the Qatar Incorporation Agreement is enforceable against the Qatar Local Partner.

---

## HISTORY AND REORGANIZATION

---

We entered into this arrangement in Qatar in order to enable us to control and operate Yuanda Qatar and capture the economic interest from its operations, and these are supported by the following terms in the Qatar Articles and the Qatar Incorporation Agreement:

- the representatives from Shenyang Yuanda are entitled to similar responsibilities and authorities in Yuanda Qatar as board members in other subsidiaries of Shenyang Yuanda;
- the representatives from Shenyang Yuanda are responsible for managing Yuanda Qatar during the entire term of its existence and they may not be removed without the approval from Shenyang Yuanda;
- resolutions of the shareholders of Yuanda Qatar will only be valid by approval from a majority of the shareholders holding 75% of the shares in Yuanda Qatar;
- Yuanda Qatar is managed exclusively by Shenyang Yuanda and its representatives for the period of its existence. Shenyang Yuanda and its representatives shall have full and absolute authority and exclusive right to manage and operate the business of Yuanda Qatar. Such powers are irrevocable and the Qatar partner may not intervene in managing the company or bind or commit Yuanda Qatar in any way whatsoever except with prior written consent from Shenyang Yuanda.
- Pursuant to the Qatar Articles, the profits of Yuanda Qatar will be distributed as to 95% to Shenyang Yuanda and as to 5% the Qatar Local Partner, while the dividends declared by Shenyang Yuanda may be used to offset and settle any service fees due or payable under the management of Shenyang Yuanda under the Qatar Incorporation Agreement.

Based on the above, and in accordance with relevant accounting standards, the Group consolidated Yuanda Qatar into its consolidated financial statement as a wholly owned subsidiary during the Track Record Period as set out in the Appendix I to this document and the reporting accountants of the Group confirmed that the consolidation of Yuanda Qatar as a wholly owned subsidiary is in compliance with the relevant accounting standards.

Given that the Qatar Local Partner is not involved in the day-to-day operations of Yuanda Qatar and the Qatar Articles have clearly stipulated that Yuanda Qatar is to be managed by representatives from Shenyang Yuanda and that the Qatar Local Partner cannot unilaterally amend the Qatar Articles, we consider that we are able to effectively operate and conduct the business of Yuanda Qatar under the present arrangement. Notwithstanding this, we have undertaken and started to introduce further measures, including using our best efforts to amend the terms of the Qatar Incorporation Agreement, by entering into supplemental agreements that would include, among others, provisions that the Qatar Local Partner will not transfer any of its shares in Yuanda Qatar without our prior written consent, it will vote for any resolutions of Yuanda Qatar in accordance with our instruction, and if there shall be any change to the Qatar laws or regulations and/or policies such that a foreign entity becomes legally entitled to hold a majority interest in Yuanda Qatar, it will promptly transfer its relevant interest in Yuanda Qatar to the extent permitted by the then applicable laws or regulations to Shenyang Yuanda to enable us to become the majority shareholder in Yuanda Qatar. These measures are being introduced to better protect the interests of the Company.

---

## HISTORY AND REORGANIZATION

---

The Qatar Incorporation Agreement has an irrevocable term of 3 years and will be renewed automatically for a similar period unless and until terminated by both parties giving six months notice in advance. The current terms of the Qatar Incorporation Agreement will remain valid until September 15, 2013.

If the above additional measures cannot be implemented, there will not be any legal consequences to the Company arising solely as result of the failure to enter into the supplemental agreements to implement these measures. However, in order to better protect our interests, we will search for a replacement local partner who is willing to enter into a cooperation agreement with us that will contain the terms of the abovementioned additional measures. If our arrangement with the Qatar Local Partner is terminated, Yuanda Qatar will not be able to contract for any new projects until a new local partner is found to hold a majority interest. As we believe that a local partner who acts as a facilitator for foreign businesses is common and readily available in Qatar, we do not expect that we would have any difficulties in finding a replacement if our arrangement with the local partner with respect to the management of Yuanda Qatar is terminated. If for any reasons we fail to find a replacement local partner, we will suspend the operations of Yuanda Qatar. We will disclose any measures implemented as disclosed above and/or the replacement of the local partner in the future annual reports of our Company.

As at December 31, 2010, the net liabilities of Yuanda Qatar was RMB5.7 million. The total contract value of new contracts attributable to our operations in Qatar during the Track Record Period was RMB311.8 million, representing approximately 1.1% of the total contract value of new contracts of our Group during the Track Record Period. The revenue for Yuanda Qatar for the three years ended December 31, 2008, 2009 and 2010 were nil, RMB9.7 million and RMB77.2 million, representing approximately 0%, 0.1% and 0.8% of the total revenue of the Group for the three years ended December 31, 2008, 2009 and 2010. Yuanda Qatar recorded a loss of RMB0.3 million, RMB5.9 million and RMB4.0 million for the three years ended December 31, 2008, 2009 and 2010, respectively. Under the present circumstances and assuming no material changes to the current market environment, our Directors expect that the profit contribution from Yuanda Qatar to the Group will be less than 1%. Thus, even if for any reasons that we fail to find a replacement local partner and is forced to suspend our operations in Qatar, our Directors believe that such suspension would not have a material adverse effect on our operation and financial positions.

### (a) Establishment of Overseas Shareholding Structure

As part of the Reorganization, the following companies were established:

#### 1. *Best Outlook*

Best Outlook was incorporated on February 11, 2010 in the BVI to hold Mr. Kang's interests in our Company. On February 26, 2010, one share of US\$1.00 was allotted and issued to Mr. Kang.

#### 2. *Neo Pioneer*

Neo Pioneer was incorporated in the BVI on February 25, 2010 as a holding company for Mr. Kang to set aside some of his Shares for the planned share award scheme of our Company. On August 23, 2010, one share of US\$1.00 was allotted and issued to Mr. Kang.



---

## HISTORY AND REORGANIZATION

---

It is the intention of Mr. Kang to set up a share award scheme where he could reward certain of our executives and employees for their contributions to the development of our Group with Shares from his personal interest. As of the Latest Practicable Date, the terms of the share award scheme have not been fixed and no Shares have been granted by Mr. Kang under this planned scheme.

3. *Long Thrive*

Long Thrive was incorporated in the BVI on October 28, 2010 as a holding company to hold the interests of the Transferees in our Company. On November 8, 2010, an aggregate of 20,550 shares of US\$1.00 each were allotted and issued to the Transferees.

4. *Our Company*

Our Company was incorporated on February 26, 2010 in the Cayman Islands to be the ultimate holding company for all of the Group's operating subsidiaries. At the time of its incorporation, one subscriber Share was transferred to Mr. Kang. On April 6, 2010, Mr. Kang transferred the one Share he held in our Company to Best Outlook. After such transfer, Best Outlook became our sole shareholder.

On November 10, 2010, Best Outlook subscribed for an additional 9,999 Shares and our issued share capital was increased to 10,000 Shares of HK\$0.10 each.

5. *Well Galaxy*

Well Galaxy was incorporated in the BVI on February 25, 2010, as a holding company for the Group's interests. On February 26, 2010, one share of US\$1.00 was allotted and issued to our Company.

6. *Yuanda Hong Kong*

Yuanda Hong Kong was incorporated in Hong Kong on March 23, 2010 as an intermediate holding company for the Group's interests. On March 24, 2010, one subscriber share of HK\$1.00 was transferred to Well Galaxy.

**(b) Disposal of Shenyang Viry Steel**

Shenyang Viry Steel and Glass Structure Engineering Co., Ltd. (瀋陽萬端鋼玻結構工程有限公司) ("**Shenyang Viry Steel**") is a Sino-foreign joint venture established by Shenyang Yuanda and Viry SA, on October 10, 2002. Viry S.A. is a French construction firm which is primarily engaged in the construction business in France and other countries. Save for its equity interest in Shenyang Viry Steel, it is independent of and not connected with our Company or any of our connected persons. Shenyang Viry Steel was owned as to 75% by Shenyang Yuanda and as to 25% by Viry SA. Shenyang Viry Steel was primarily engaged in the design, manufacture and installation of steel and aluminum sky light, curtain walls and doors and windows. During the years ended December 31, 2008 and 2009, it recorded losses of approximately RMB3.35 million and RMB1.04 million, respectively. The company had suspended its operations since 2008. On April 14, 2010, we entered into a sale and purchase agreement with Yuanda Group, pursuant to which we transferred

---

## HISTORY AND REORGANIZATION

---

the 75% interest we held in Shenyang Viry Steel to Yuanda Group for a consideration of RMB7.5 million, equivalent to the registered capital contributed by us. The reason for the disposal was that the joint venture partner is no longer actively participating in the joint venture and the company has suspended all operations since 2008. As the dissolution process of the joint venture is time consuming and cumbersome, the Directors are of the view that it would be in our interests to dispose of this company to Yuanda Group so that we can be released from the burden of overseeing the negotiations with the joint venture partner on its dissolution.

**(c) Transfer of Shares by Best Outlook**

As part of the reorganization of Mr. Kang's shareholding structure in our Company as well as to eliminate the arrangements between Mr. Kang and the Transferees in relation to the registered capital in Shenyang Yuanda, on November 11, 2010, Best Outlook transferred 1,791 Shares to Neo Pioneer and 2,068 Shares to Long Thrive. Upon completion of the transfers, our issued share capital was held as to 61.41% by Best Outlook, as to 17.91% by Neo Pioneer and as to 20.68% by Long Thrive.

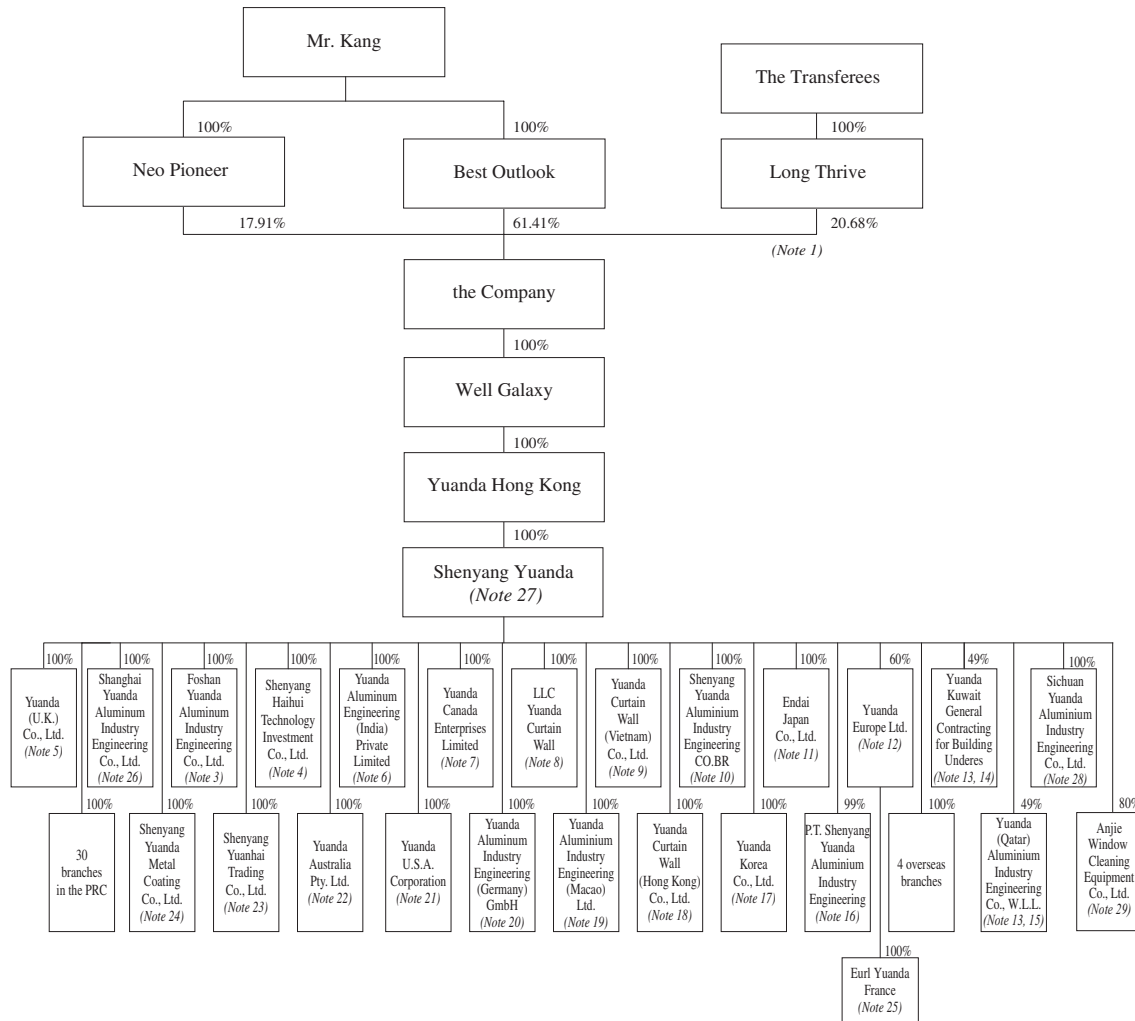
**(d) Restructuring of Shenyang Yuanda**

On November 12, 2010, Yuanda Group and Yuanda Singapore transferred their respective 75% interest and 25% interest in the registered capital of Shenyang Yuanda to Yuanda Hong Kong for an aggregate consideration of RMB1,312,609,500, which was determined with reference to the net asset value of the relevant interests in Shenyang Yuanda as of December 31, 2009.

The transfers above were approved by the Shenyang Economic and Technological Development Zone Commission of Foreign Trade and Economic Cooperation (瀋陽經濟技術開發區對外貿易經濟合作局) on November 13, 2010 and the corporate form of Shenyang Yuanda was converted from a Sino-foreign equity joint venture into a wholly foreign-owned enterprise.

## HISTORY AND REORGANIZATION

After completion of the restructuring of Shenyang Yuanda, we became the ultimate holding company holding all the operating subsidiaries of the Group. The corporate structure of our Group after completion of the Reorganization was as follows:



Notes: For details on our subsidiaries, please refer to the notes on pages 94-96 of this Document.

---

## HISTORY AND REORGANIZATION

---

The transfer of the 20.68% interest in our Company from Best Outlook to Long Thrive was completed on November 11, 2010.

As the transfers of the respective 75% and 25% interests in Shenyang Yuanda by Yuanda Group and Yuanda Singapore to Yuanda Hong Kong have already been approved by the Shenyang Economic and Technological Development Zone Commission of Foreign Trade and Economic Cooperation and registered by the Shenyang Administrative Bureau for Industry and Commerce and Shenyang Yuanda has accordingly obtained the updated certificate of approval and business license, our PRC legal counsel confirms that such transfers were legal and valid.

### *PRC legal compliance*

According to the “Provisions on the Takeover of Domestic Enterprises by Foreign Investors” (the “**M&A Rules**”) jointly issued by MOFCOM, the State-Owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the China Securities Regulatory Commission (“**CSRC**”), SAIC and SAFE on August 8, 2006, effective as of September 8, 2006 and further amended on June 22, 2009, where a domestic natural person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of MOFCOM; and where a domestic natural person holds equity interest in a domestic company through an offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to approval by the CSRC.

As advised by our PRC legal counsel, Jingtian & Gongcheng, the M&A Rules do not apply to us for the following reason:

According to Article 2 of the M&A Rules, “takeover of a domestic enterprise by a foreign investor” is defined as a situation where the purchase of shareholder equity in a domestic-funded enterprise (a “**domestic company**”) is made by foreign investor(s); or the subscription of additional capital during a domestic company capital increment by foreign investor(s) which converts such domestic company into a foreign investment enterprise (“**FIE**”); or the establishment of a FIE by foreign investor(s) used for the purchase of assets of domestic enterprises through negotiations where the use of such assets is for the business operations of the FIE, or the assets from a negotiated asset acquisition in domestic enterprise by foreign investor(s) are used to invest in the establishment of a FIE that will also use the same assets for their business operations.

On the basis that Shenyang Yuanda was established as a Sino-foreign equity joint venture in 1993, before the implementation of the M&A Rules, the legal nature of the transfer to Yuanda Hong Kong of the entire equity interests in Shenyang Yuanda formally held by its domestic and foreign shareholders was a transfer of equity in a FIE. Accordingly, the acquisition of the entire equity interest of Shenyang Yuanda by Yuanda Hong Kong did not constitute a “takeover of a domestic enterprise by a foreign investor” as defined in the M&A Rules, and did not require the approval of MOFCOM. Further, for the same reason, the governmental approval procedure, including the approval by the CSRC, as stated in the M&A Rules, is also not applicable.

---

## HISTORY AND REORGANIZATION

---

### (e) Introduction of Financial Investor

On November 19, 2010, we entered into a subscription agreement with Standard Chartered Private Equity (Mauritius) III Limited (the “**Financial Investor**”), an independent third party, pursuant to which the Financial Investor agreed to subscribe for 685 series A redeemable convertible preference shares (“**Preferred Shares**”) in our Company for an aggregate subscription price of US\$50 million. The Financial Investor is a subsidiary of Standard Chartered plc, an international bank, which is independent of and not connected with us or any of our connected persons. On November 19, 2010, we passed resolutions to redesignate and reclassify our authorized capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each into 3,799,315 ordinary shares of HK\$0.10 each and 685 Preferred Shares of HK\$0.10 each, and we received the proceeds from the Financial Investor in relation to the subscription of the Preferred Shares on November 22, 2010.

The issue of the Preferred Shares to the Financial Investor enabled us to complete the Reorganization. The proceeds from the subscription have been used to fund our purchase of the equity interest of Shenyang Yuanda.

On November 19, 2010, our Controlling Shareholders and Neo Pioneer entered into an investors’ agreement (“**Investors Agreement**”) with the Financial Investor. The Investors Agreement will terminate on the earlier of (a) [●]; (b) the parties agreeing in writing to terminate the Investors Agreement; and (c) liquidation, administration, winding-up, bankruptcy or dissolution of our Company, or in respect of any party, it ceases to hold any interest in the Shares or equivalent shares in our Company. Upon termination of the Investors Agreement, all special rights of the Financial Investor will cease.

A brief summary of the terms of the Preference Shares and the subscription agreement and Investors Agreement are set out below:–

#### *Rights of the Series A Preferred Shares*

The Preferred Shares confer on its holders (the “**Preferred Shareholders**”), on parity with each other and with the holders of the Shares, the right to receive the same rate of dividends payable to the holder of a Share.

In the event of a liquidation, the assets of the Company available for distribution shall be applied in paying the Preferred Shareholders in priority to payment to the holders of any other class of shares of the Company. Preferred Shareholders shall also be entitled to share pari passu with the holders of the ordinary shares of the Company in any surplus assets of the Company existing after the payment as referred above to the Preferred Shareholders. If the assets and funds legally available for payment or distribution among the Preferred Shareholders are insufficient to permit the payment of the full amounts due to such holders, the entire assets and funds of the Company legally available for distribution shall be paid and distributed rateably among the Preferred Shareholders in proportion to the number of Preferred Shares held by each such holder.

The Preferred Shareholders are entitled to appoint one Director to the Board.

---

## HISTORY AND REORGANIZATION

---

### *Conversion of Preferred Shares*

The Preferred Shares shall be converted into fully paid ordinary shares of our Company when (a) the Preferred Shareholder serves a conversion notice to the Company; or (b) [●] in each case, in accordance with the following formula:

$$A = B/C$$

where:

"A" is the number of ordinary shares of the Company converted from each Preferred Share;

"B" is the subscription price per Preferred Share, which is US\$72,992.70; and

"C" is the "**Conversion Price**" effective on the relevant conversion date. The Conversion Price initially is the subscription price per Preferred Share and will be subject to adjustment pursuant to any consolidation or sub-division or other capital reorganisation on the share capital of the Company. If and whenever the Company shall issue any Shares credited as fully paid to its Shareholders, as a bonus issue or otherwise, by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price shall be adjusted accordingly.

The ordinary shares issued upon conversion of the Preferred Shares shall be fully paid and shall rank pari passu in all respects with Shares in issue on the relevant conversion date. Such Shares are not subject to any lock-up.

### *Financial Investor Put Option*

In the event of default by any of Mr. Kang, Best Outlook, Neo Pioneer or any Group Company under any of the documents relating to the subscription of the Preferred Shares, the Investors Agreement or the associated loan facility described in more details below, the Financial Investor shall have the right to exercise an option requiring Mr. Kang, Best Outlook and Neo Pioneer, on a joint and several basis, to purchase all the Preferred Shares held by the Financial Investor (the "**Option Shares**") for an amount equal to a return on the subscription price of the Option Shares calculated at an internal rate of return of 12% per annum from the date of the completion of the subscription to the date on which the put option price is received by the Financial Investor.

### *Earn-out Shares*

Under the Investors Agreement, Best Outlook has provided a profit guarantee in respect of 2009 to the Financial Investor, as the audited accounts of the Group prepared in accordance with IFRS for the year ended December 31, 2009 was not available at the time of the signing of the Investors Agreement. Pursuant to the terms of the Investors Agreement, if the consolidated net profits of the Group before revaluation and other non-recurring income and after deduction of tax, as set out in the audited consolidated accounts of the Group for the year ended December 31, 2009 (the "**2009 NPAT**") is less than RMB662,656,000 (the "**Guaranteed NPAT**"), Best Outlook shall transfer to the Financial Investor, on payment of US\$1.00, such number of Shares (the "**Earn-out**



---

## HISTORY AND REORGANIZATION

---

**Shares**") such that the total percentage of holding of Shares and any securities or obligations which are convertible into or exchangeable for Shares ("**Share Equivalents**") by the Financial Investor in the Company following such transfer shall equal to the total percentage holding of Share Equivalents by the Financial Investor in the Company immediately prior to such transfer multiplying by the following factor:

$$\frac{\text{Guaranteed NPAT}}{2009 \text{ NPAT}}$$

As the 2009 NPAT was RMB647,831,000, which is less than the Guaranteed NPAT of RMB662,656,000, an aggregate of 15 Earn-out Shares would need to be transferred by Best Outlook to the Financial Investor. After completion of the transfer of the Earn-out Shares on March 9, 2011, the Financial Investor is interested in 685 Preferred Shares and 15 Shares, representing approximately 6.55% of the issued share capital of our Company as of the Latest Practicable Date.

### *Consent Matters*

Prior to [●] and as long as the Investors Agreement is still effective, the Company and the Board have provided covenants not to take certain actions without prior consent of the Financial Investor, except for the Reorganization for the purpose of [●]. These matters include, among others:

- any form of reorganization of any company within our Group (a "**Group Company**") which may result in a change of control to such company;
- the liquidation, administration, winding-up, bankruptcy or dissolution of any Group Company which, as of the date of the Investors Agreement or at any time within the 12 months prior to such liquidation, administration, winding-up, bankruptcy or dissolution, contributes to the total revenue of the Group in excess of RMB450 million;
- the incorporation of a new subsidiary or the acquisition of any company or the establishment of any branch or representative office involving a capital commitment or consideration in excess of RMB100 million;
- unless previously arranged, establishment of any joint venture, partnership, or other similar arrangement otherwise than in connection with the principal business of the Group involving a capital commitment or consideration in excess of RMB100 million;
- any change in the share or equity capital of any Group Company;
- cessation of any business operation which contributes to the total revenue of the Group in excess of RMB450 million;

---

## HISTORY AND REORGANIZATION

---

- sale or disposal of any assets or property (other than in the ordinary and usual course of business), of a value per transaction of more than RMB100 million;
- the incurring of new indebtedness in the nature of borrowings of an aggregate amount of more than RMB800 million within a 12-month period;
- carry out any transactions with the Controlling Shareholders or any of their respective associates, of an aggregate amount in excess of RMB25 million within a three-month period; or
- the creation of any charge or other security over any assets or property of any Group Company (other than in relation to the loan facility described in the section “Bridge Loan Facility” below).

### *Information Rights*

We will provide the Financial Investor with the latest financial information of our Group and the management accounts of Shenyang Yuanda and such other information as the Financial Investor may reasonably require.

### **Bridge Loan Facility**

On November 19, 2010, we as borrower, Well Galaxy and Yuanda Hong Kong as guarantors, and Standard Chartered Bank (Hong Kong) Limited (the “**Lender**”) as lender entered into a bridge loan facility agreement (the “**Loan Agreement**”) pursuant to which the Lender made available to us a bridge loan facility in the amount of HK\$820 million (the “**Loan**”) to finance our Reorganization. The Lender is a licensed bank in Hong Kong and is independent of and not connected with us or any of our connected persons.

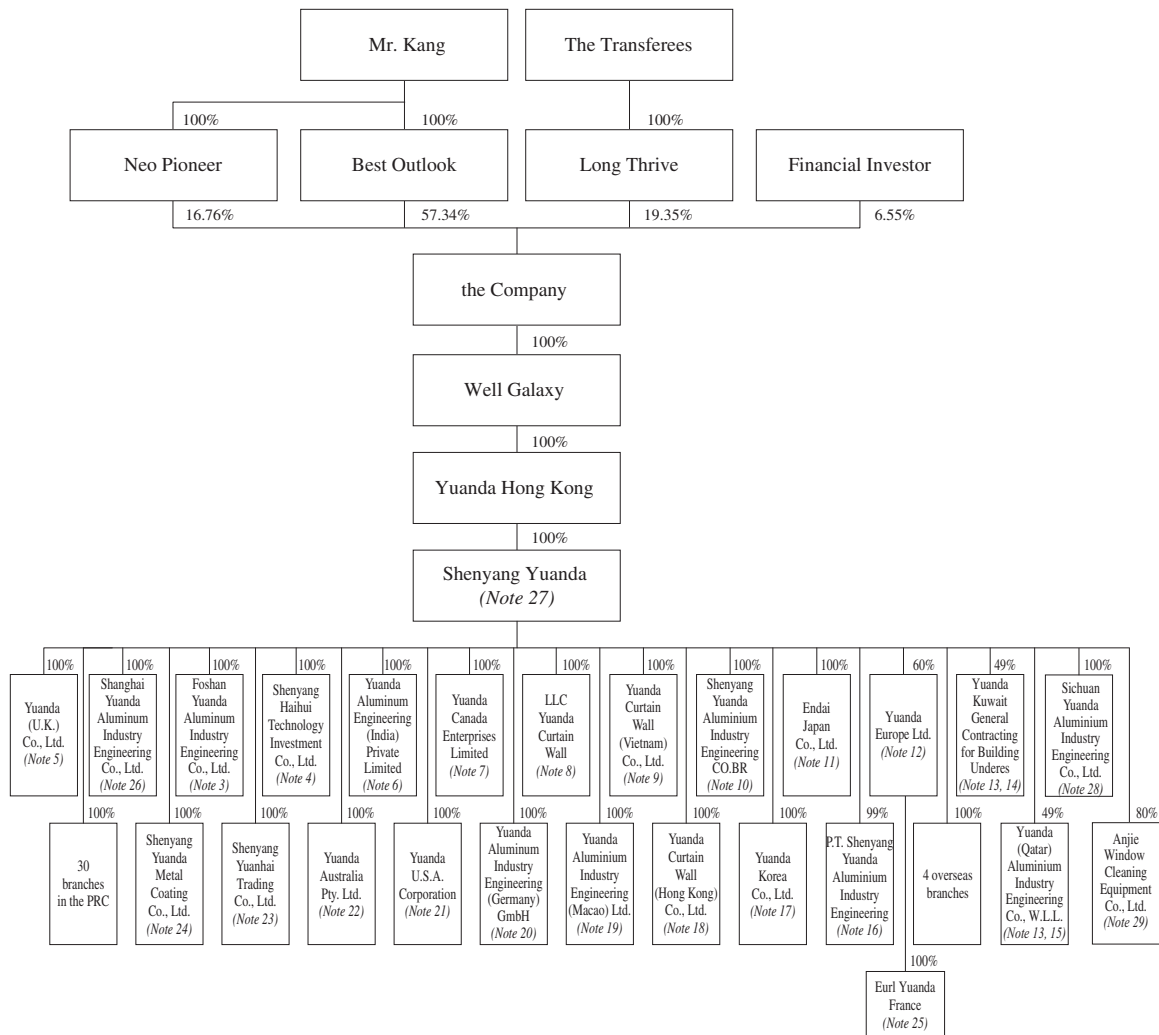
The Loan bears interest at HIBOR plus 2.5% per annum for the period from the date of the Loan Agreement to and including the date falling six months thereafter, and HIBOR plus 3.5% for the period after the date falling six months after the date of the Loan Agreement.

Save for the occurrence of a mandatory prepayment event described below, the Loan is repayable by us in full on the date which is 12 months after the date of the Loan Agreement (the “**Repayment Date**”). If, at any time prior to the Repayment Date, Mr. Kang owns directly or indirectly less than 51% of the issued share capital in our Company, or otherwise ceases to control us, or our Shares are listed on a securities exchange, the Loan shall become immediately repayable.

As security for the Loan, we have granted a charge in respect of our shares in Well Galaxy and Yuanda Hong Kong, the funds deposited in the account opened for the purpose of the Loan Agreement and our rights under loans to our subsidiaries, and each of Best Outlook, Neo Pioneer and Long Thrive have charged their interests in our Company, in favor of the Lender as security for the Loan. Such charges on our Shares will be immediately released upon [●].

## HISTORY AND REORGANIZATION

After completion of the equity investment by the Financial Investor, the corporate structure of our Group was as follows:



Notes: For details on our subsidiaries, please refer to the Notes on pages 94-96 of this Document.

In light of the changes in our shareholding structure due to the investment by the Financial Investor, our current Shareholders who are PRC residents have already applied for the relevant registrations for such changes in accordance with Circular No. 75. The Company’s PRC legal counsel are not aware of any substantial legal impediments arising from such procedures.

### (f) Reorganization of Yuanda (U.K.) Co. Ltd.

As part of our internal reorganization, Shenyang Yuanda transferred its entire interest in Yuanda (U.K.) Co. Ltd. to Yuanda Europe Ltd. on December 31, 2010.