The following is the text of a report, prepared for the purpose of incorporation in this Document, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

[Date]

The Directors
Yuanda China Holdings Limited

[●]

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Yuanda China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2008, 2009 and 2010 (the "Track Record Period"), and the consolidated balance sheets of the Group as at 31 December 2008, 2009 and 2010, together with the notes thereto (the "Financial Information"), for inclusion in the document of the Company dated [●] (the "Document").

The Company was incorporated in the Cayman Islands on 26 February 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 13 November 2010 (the "Reorganisation") as detailed in the section headed "History and Reorganisation" in the Document, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for LLC Yuanda Curtain Wall, Yuanda USA Corporation, Yuanda Canada Enterprises Ltd., Yuanda Aluminium Industry Engineering (Germany) GmbH, Yuanda Korea Co., Ltd., Shenyang Yuanda Aluminium Industry Engineering Co., BR, Well Galaxy Limited, Eurl Yuanda France, Yuanda (Hong Kong) Holdings Limited, Endai Japan Co., Ltd., PT. Shenyang Yuanda Aluminium Industry Engineering and Yuanda Curtain Wall (Singapore) Pte. Ltd., as they either have not carried on any business since the date of incorporation or are investment holding companies and/or not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation/establishment.

Except for Yuanda Aluminium Engineering (India) Private Limited, all companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Track Record Period and the names of the respective auditors are set out in Section C Note 37. The statutory financial statements of these companies were prepared in accordance with Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the "PRC") or the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated.

The directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2008, 2009 and 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Track Record Period, and the state of affairs of the Group as at 31 December 2008, 2009 and 2010.

A BASIS OF PREPARATION

As detailed in the section headed "History and Reorganisation" in the Document, the Company was incorporated in the Cayman Islands on 26 February 2010 as part of the Reorganisation undertook by the Group. Upon completion of the Reorganisation on 13 November 2010, the Company became the holding company of the companies now comprising the Group. The companies taking part in the Reorganisation were controlled by the same ultimate equity shareholder, namely Mr Kang Baohua (the "Controlling Shareholder") during the Track Record Period.

Because the companies now comprising the Group were controlled by the Controlling Shareholder before and after the Reorganisation and, consequently there was a continuation of the risks and benefits to the Controlling Shareholder, and the Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies comprising the Group are consolidated using the book values from the Controlling Shareholder's perspective. The equity interests of equity shareholders other than the Controlling Shareholder in the companies comprising the Group have been presented as non-controlling interests in the Group's Financial Information.

The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Track Record Period, as set out in Section B, include the results of operations of the companies comprising the Group for the Track Record Period (or where the companies were incorporated/established at a date later than 1 January 2008, for the period from their respective incorporation/establishment dates to 31 December 2010) as if the current group structure had been in existence throughout the Track Record Period. The consolidated balance sheets of the Group as at 31 December 2008, 2009 and 2010, as set out in Section B, have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of subsidiary	Place and date of incorporation/establishment	Particulars of registered/issued and paid-up capital	Equity interests attributable to equity shareholders of the Company		Principal activities
			Direct	Indirect	
Shenyang Yuanda Aluminium Industry Engineering Co., Ltd. ("Shenyang Yuanda") 瀋陽遠大鋁業工程有限公司*	The PRC 17 April 1993	Registered and paid-up capital of United States Dollar ("USD")153,906,100	–	100%	Design, procurement, production, sale and installation of curtain wall systems

Name of subsidiary	Place and date of incorporation/establishment	Particulars of registered/issued and paid-up capital	Equity interests attributable to equity shareholders of the Company		Principal activities
			Direct	Indirect	
Shanghai Yuanda Aluminium Industry Engineering Co., Ltd. 上海遠大鋁業工程有限公司**	The PRC 24 March 1998	Registered and paid-up capital of Renminbi ("RMB") 15,000,000	–	100%	Design, procurement, production, sale and installation of curtain wall systems
Shenyang Haihui Technology Investment Co., Ltd. 瀋陽海慧科技投資有限公司**	The PRC 20 April 2000	Registered and paid-up capital of RMB5,000,000	–	100%	Provision of products and services to group companies
Yuanda (UK) Co., Ltd. 遠大英國有限公司***	United Kingdom 30 April 2002	Issued and paid-up capital of British Pound Sterling ("GBP")500,000	–	60%	Design, procurement, assembly, sale and installation of curtain wall systems
Shenyang Yuanda Metal Coating Co., Ltd. 瀋陽遠大金屬噴塗有限公司**	The PRC 19 March 2003	Registered and paid-up capital of RMB7,000,000	–	100%	Plating and coating of metals
Shenyang Yuanhai Trading Co., Ltd. 瀋陽遠海貿易有限公司**	The PRC 9 January 2004	Registered and paid-up capital of RMB1,000,000	–	100%	Trading of sealant
Foshan Yuanda Aluminium Industry Engineering Co., Ltd. 佛山遠大鋁業工程有限公司**	The PRC 9 March 2005	Registered and paid-up capital of RMB20,000,000	–	100%	Provision of products and services to group companies
LLC Yuanda Curtain Wall 遠大幕牆有限公司***	Russian Federation ("Russia") 23 November 2005	Issued and paid-up capital of Russian Ruble 280,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Aluminium Industry Engineering (Macao), Ltd. 遠大鋁業工程(澳門)有限公司***	Macau 22 June 2006	Issued and paid-up capital of Macao Pataca ("MOP")8,028,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Australia Pty Ltd. 遠大澳大利亞有限公司***	Australia 5 September 2006	Issued and paid-up capital of Australian Dollar ("AUD")1,069,291	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems

Name of subsidiary	Place and date of incorporation/establishment	Particulars of registered/issued and paid-up capital	Equity interests attributable to equity shareholders of the Company		Principal activities
			Direct	Indirect	
Yuanda USA Corporation 遠大美國有限公司***	United States of America ("U.S.") 16 May 2007	Issued and paid-up capital of USD1,000,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Qatar Aluminium Industry Engineering Co., W.L.L 遠大鋁業(卡塔爾)工程有限公司***	State of Qatar ("Qatar") 11 February 2008	Issued and paid-up capital of Qatar Riyal ("QAR")200,000	–	100%#	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Canada Enterprises Ltd. 遠大加拿大有限公司***	Canada 15 April 2008	Issued and paid-up capital of USD500,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Aluminium Industry Engineering (Germany) GmbH 遠大鋁業工程(德國)有限公司***	Germany 28 April 2008	Issued and paid-up capital of Euro100,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Aluminium Engineering (India) Private Limited 遠大鋁業工程(印度)私人有限公司***	Republic of India ("India") 28 July 2008	Issued and paid-up capital of Indian Rupee ("INR")1,476,200	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Europe Ltd. 遠大歐洲有限公司***	Switzerland 29 July 2008	Issued and paid-up capital of Swiss Franc ("CHF")1,000,000	–	60%	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Curtain Wall (Hong Kong) Company Limited 遠大幕牆(香港)有限公司***	Hong Kong 14 May 2009	Issued and paid-up capital of Hong Kong Dollar ("HK$")2,000,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Kuwait General Contracting for Buildings Underes 遠大科威特綜合建築承包有限責任公司***	State of Kuwait ("Kuwait") 17 May 2009	Issued and paid-up capital of Kuwaiti Dinar ("KWD")1,000,000	–	100%#	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Curtain Wall (Vietnam) Co., Ltd. 遠大幕牆(越南)有限責任公司***	Socialist Republic of Vietnam ("Vietnam") 29 July 2009	Issued and paid-up capital of USD100,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems

Name of subsidiary	Place and date of incorporation/establishment	Particulars of registered/issued and paid-up capital	Equity interests attributable to equity shareholders of the Company		Principal activities
			Direct	Indirect	
Yuanda Korea Co., Ltd. 遠大韓國有限公司***	Republic of Korea 9 November 2009	Issued and paid-up capital of South Korean Won 684,985,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems
Shenyang Yuanda Aluminium Industry Engineering Co., BR 瀋陽遠大鋁業工程有限公司沙特公司***	Kingdom of Saudi Arabia 21 November 2009	Issued and paid-up capital of Saudi Arabian Riyal 500,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems
Well Galaxy Limited 銀康有限公司***	The British Virgin Islands 25 February 2010	Issued and paid-up capital of USD1	100%	–	Investment holding
Eurl Yuanda France 遠大法國有限公司***	France 18 March 2010	Issued and paid-up capital of Euro20,000	–	60%	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda (Hong Kong) Holdings Limited 遠大(香港)控股有限公司***	Hong Kong 23 March 2010	Issued and paid-up capital of HK$1	–	100%	Investment holding, and design, procurement, assembly, sale and installation of curtain wall systems
Endai Japan Co., Ltd. 遠大日本株式會社***	Japan 28 April 2010	Issued and paid-up capital of Japanese Yen ("JPY")180,000,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems
PT. Shenyang Yuanda Aluminium Industry Engineering 遠大鋁業工程印度尼西亞有限公司***	Republic of Indonesia 9 June 2010	Issued and paid-up capital of USD150,000	–	99%	Design, procurement, assembly, sale and installation of curtain wall systems
Yuanda Curtain Wall (Singapore) Pte. Ltd. 遠大幕牆(新加坡)有限公司***	Republic of Singapore 27 December 2010	Issued and paid-up capital of Singapore Dollar ("SGD")1,950,000	–	100%	Design, procurement, assembly, sale and installation of curtain wall systems

* This company is a wholly foreign owned enterprise established in the PRC.

** These companies are limited liability companies established in the PRC.

*** These companies are limited liability companies incorporated outside of the PRC.

\# The Group, through Shenyang Yuanda, owns 49% equity interests in these companies, where the remaining 51% equity interests are held on trust for Shenyang Yuanda by individuals resided in the respective jurisdictions. In accordance with the respective agreements, these individuals do not have the right to vote or receive dividends declared or participate in the liquidation of these companies. Accordingly, the directors of the Company consider the Group effectively owns 100% equity interests in these companies.

B FINANCIAL INFORMATION

1 CONSOLIDATED INCOME STATEMENTS

(Expressed in RMB)

	Section C Note	Years ended 31 December		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Turnover	*2, 11*	5,911,266	7,062,004	9,260,912
Cost of sales		(4,762,991)	(5,405,315)	(7,186,741)
Gross profit		1,148,275	1,656,689	2,074,171
Other revenue	*3*	19,228	25,753	18,132
Other net income/(loss)	*3*	12,838	(3,548)	119
Selling expenses		(155,905)	(193,610)	(230,054)
Administrative expenses		(532,548)	(613,855)	(776,206)
Profit from operations		491,888	871,429	1,086,162
Finance costs	*4(a)*	(112,941)	(41,889)	(84,805)
Profit before taxation	*4, 11*	378,947	829,540	1,001,357
Income tax	*5(a)*	(54,287)	(181,709)	(214,140)
Profit for the year		324,660	647,831	787,217
Attributable to:				
Equity shareholders of the Company		327,841	660,546	806,132
Non-controlling interests		(3,181)	(12,715)	(18,915)
Profit for the year		324,660	647,831	787,217
Earnings per share				
– Basic and diluted (RMB)	*10*	0.07	0.15	0.18

The accompanying notes form part of the Financial Information. Details of dividends payable to equity shareholders of the Company attributable to the profit during the Track Record Period are set out in Section C Note 28(b).

2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in RMB)

	Section C Note	Years ended 31 December 2008 RMB'000	2009 RMB'000	2010 RMB'000
Profit for the year		324,660	647,831	787,217
Other comprehensive income for the year (after tax and reclassification adjustments)	*9*			
Exchange differences on translation into presentation currency		(14,475)	(8,990)	16,502
Cash flow hedge: net movements in the hedging reserve		–	3,533	10,493
Total comprehensive income for the year		310,185	642,374	814,212
Attributable to:				
Equity shareholders of the Company		313,391	655,634	835,496
Non-controlling interests		(3,206)	(13,260)	(21,284)
Total comprehensive income for the year		310,185	642,374	814,212

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED BALANCE SHEETS

(Expressed in RMB)

	Section C	At 31 December		
	Note	2008	2009	2010
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	*12*	676,413	650,690	774,955
Lease prepayments	*13*	298,280	414,634	614,672
Deferred tax assets	*25(c)*	67,216	93,525	95,006
		1,041,909	1,158,849	1,484,633
Current assets				
Inventories	*14*	241,369	256,530	366,783
Gross amount due from customers for contract work	*15*	1,448,961	1,826,142	2,684,915
Trade and bills receivables	*16*	567,042	843,661	1,231,888
Deposits, prepayments and other receivables	*17*	414,773	510,800	549,839
Amounts due from the Controlling Shareholder and his affiliates	*18*	616,362	181,692	17,395
Cash and cash equivalents	*19*	737,631	705,905	533,723
		4,026,138	4,324,730	5,384,543
Current liabilities				
Trade and bills payables	*20*	1,030,260	1,233,364	1,792,796
Gross amount due to customers for contract work	*15*	1,055,305	1,312,894	883,479
Receipts in advance	*21*	347,901	286,386	165,692
Accrued expenses and other payables	*22*	358,305	421,301	497,546
Amounts due to the Controlling Shareholder and his affiliates	*23*	98,989	301,718	285,297
Bank and other loans	*24(a)*	575,440	669,500	1,827,474
Income tax payable	*25(a)*	58,382	107,040	140,222
Provision for warranties	*26*	22,336	45,647	60,204
		3,546,918	4,377,850	5,652,710
Net current assets/(liabilities)		479,220	(53,120)	(268,167)
Total assets less current liabilities		1,521,129	1,105,729	1,216,466
Non-current liabilities				
Bank loans	*24(b)*	299,000	50,000	–
Redeemable convertible preference shares	*27*	–	–	302,201
Deferred tax liabilities	*25(c)*	280	311	222
Provision for warranties	*26*	28,308	37,707	47,365
		327,588	88,018	349,788
NET ASSETS		1,193,541	1,017,711	866,678

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Expressed in RMB)

	Section C	At 31 December		
	Note	2008	2009	2010
		RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES				
Paid-in/Share capital	*28*	517,431	517,431	1
Reserves	*28*	672,956	510,386	898,148
Total equity attributable to equity shareholders of the Company		1,190,387	1,027,817	898,149
Non-controlling interests		3,154	(10,106)	(31,471)
TOTAL EQUITY		1,193,541	1,017,711	866,678

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Equity attributable to equity shareholders of the Company									
	Paid-in/Share capital	Capital reserve	Other reserve	PRC statutory reserves	Exchange reserve	Hedging reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Section C Note 28(c))	*(Section C Note 28(d)(i))*	*(Section C Note 28(d)(ii))*	*(Section C Note 28(d)(iii))*	*(Section C Note 28(d)(iv))*	*(Section C Note 28(d)(v))*				
At 1 January 2008	517,431	60,658	–	96,597	(3,725)	–	303,475	974,436	33,183	1,007,619
Changes in equity for 2008:										
Profit for the year	–	–	–	–	–	–	327,841	327,841	(3,181)	324,660
Other comprehensive income	–	–	–	–	(14,450)	–	–	(14,450)	(25)	(14,475)
Total comprehensive income	–	–	–	–	(14,450)	–	327,841	313,391	(3,206)	310,185
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	2,584	2,584
Effect on equity arising from the acquisitions of non-controlling interests (Section C Note 29(a))	–	–	12,984	–	–	–	–	12,984	(18,734)	(5,750)
Effect on equity arising from the disposal of subsidiaries under common control (Section C Note 29(c))	–	–	5,377	–	–	–	–	5,377	(10,673)	(5,296)
Appropriation to reserves	–	–	–	49,477	–	–	(49,477)	–	–	–
Dividends approved during the year (Section C Note 28(b))	–	–	–	–	–	–	(115,801)	(115,801)	–	(115,801)
Transactions with equity holders of the Group	–	–	18,361	49,477	–	–	(165,278)	(97,440)	(26,823)	(124,263)
At 31 December 2008	517,431	60,658	18,361	146,074	(18,175)	–	466,038	1,190,387	3,154	1,193,541

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

(Expressed in RMB)

	Equity attributable to equity shareholders of the Company									
	Paid-in/Share capital	Capital reserve	Other reserve	PRC statutory reserves	Exchange reserve	Hedging reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 *(Section C Note 28(c))*	RMB'000 *(Section C Note 28(d)(i))*	RMB'000 *(Section C Note 28(d)(ii))*	RMB'000 *(Section C Note 28(d)(iii))*	RMB'000 *(Section C Note 28(d)(iv))*	RMB'000 *(Section C Note 28(d)(v))*	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	517,431	60,658	18,361	146,074	(18,175)	–	466,038	1,190,387	3,154	1,193,541
Changes in equity for 2009:										
Profit for the year	–	–	–	–	–	–	660,546	660,546	(12,715)	647,831
Other comprehensive income	–	–	–	–	(8,445)	3,533	–	(4,912)	(545)	(5,457)
Total comprehensive income	–	–	–	–	(8,445)	3,533	660,546	655,634	(13,260)	642,374
Appropriation to reserves	–	–	–	67,078	–	–	(67,078)	–	–	–
Dividends approved during the year *(Section C Note 28(b))*	–	–	–	–	–	–	(818,204)	(818,204)	–	(818,204)
Transactions with equity holders of the Group	–	–	–	67,078	–	–	(885,282)	(818,204)	–	(818,204)
At 31 December 2009	517,431	60,658	18,361	213,152	(26,620)	3,533	241,302	1,027,817	(10,106)	1,017,711
At 1 January 2010	517,431	60,658	18,361	213,152	(26,620)	3,533	241,302	1,027,817	(10,106)	1,017,711
Changes in equity for 2010:										
Profit for the year	–	–	–	–	–	–	806,132	806,132	(18,915)	787,217
Other comprehensive income	–	–	–	–	18,871	10,493	–	29,364	(2,369)	26,995
Total comprehensive income	–	–	–	–	18,871	10,493	806,132	835,496	(21,284)	814,212
Effect on equity arising from the disposal of a subsidiary under common control *(Section C Note 29(d))*	–	–	(984)	(840)	–	–	–	(1,824)	(3,181)	(5,005)
Appropriation to reserves	–	–	–	81,071	–	–	(81,071)	–	–	–
Issuance of shares *(Section C Note 28(c))*	1	–	–	–	–	–	–	1	–	1
Issuance of redeemable convertible preference shares *(Section C Note 27)*	–	30,541	–	–	–	–	–	30,541	–	30,541
Capitalisation of reserves and retained profits	588,679	–	–	(82,753)	–	–	(505,926)	–	–	–
Effect on equity arising from the Reorganisation *(Section C Note 28(c) and 28(d)(ii))*	(1,106,110)	(60,658)	175,986	–	–	–	–	(990,782)	–	(990,782)
Effect on equity arising from the transfer of equity interests of a subsidiary within the Group *(Section C Note 29(e))*	–	–	(3,100)	–	–	–	–	(3,100)	3,100	–
Transactions with equity holders of the Group	(517,430)	(30,117)	171,902	(2,522)	–	–	(586,997)	(965,164)	(81)	(965,245)
At 31 December 2010	1	30,541	190,263	210,630	(7,749)	14,026	460,437	898,149	(31,471)	866,678

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Section C	Years ended 31 December		
	Note	2008	2009	2010
		RMB'000	RMB'000	RMB'000
Operating activities				
Profit before taxation		378,947	829,540	1,001,357
Adjustments for:				
Depreciation and amortisation	*4(c)*	59,606	71,633	78,779
Interest income	*4(a)*	(12,645)	(11,586)	(6,784)
Interest expenses and other borrowing costs	*4(a)*	84,887	90,182	86,415
Net (gain)/loss on disposal of property, plant and equipment	*3*	(48)	13,196	1,574
Changes in working capital:				
Increase in inventories		(32,751)	(15,161)	(110,263)
Increase in gross amount due from customers for contract work		(517,418)	(377,181)	(858,773)
Increase in trade and bills receivables		(115,328)	(308,048)	(373,913)
Increase in deposits, prepayments and other receivables		(65,334)	(91,708)	(34,079)
(Increase)/decrease in amounts due from the Controlling shareholder and his affiliates		(39,105)	(6,899)	1,854
Increase in trade and bills payables		201,950	203,104	559,715
Increase/(decrease) in gross amount due to customers for contract work		522,510	257,589	(429,415)
Increase/(decrease) in receipts in advance		243,836	(61,515)	(120,694)
Increase in accrued expenses and other payables		168,908	47,222	58,620
Increase/(decrease) in amounts due to the Controlling shareholder and his affiliates		1,127	38,400	(607)
Increase in provision for warranties	*26*	24,331	32,710	24,215
Cash generated from/(used in) operations		903,473	711,478	(121,999)
PRC income tax paid	*25(a)*	(106,293)	(153,217)	(175,270)
Overseas income tax paid	*25(a)*	(8,809)	(6,898)	(9,372)
Net cash generated from/(used in) operating activities		788,371	551,363	(306,641)

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

(Expressed in RMB)

	Section C Note	2008 RMB'000	2009 RMB'000	2010 RMB'000
Investing activities				
Payments for purchase of property, plant and equipment		(204,153)	(55,644)	(179,320)
Proceeds from disposal of property, plant and equipment		4,232	2,069	9,575
Payments for land use right premiums		(34,298)	(123,224)	(12,808)
Proceeds from disposal of controlling equity interests in subsidiaries under common control, net of cash disposed of		(1,708)	–	(220)
Interest received		8,392	9,241	14,613
Net cash used in investing activities		(227,535)	(167,558)	(168,160)
Financing activities				
Proceeds from new bank and other loans		970,440	610,000	2,095,084
Repayment of bank and other loans		(654,450)	(764,940)	(984,938)
Proceeds from issuance of shares	*28(c)*	–	–	1
Proceeds from issuance of redeemable convertible preference shares	*27*	–	–	332,132
Net increase in advances granted to the Controlling Shareholder and his affiliates *(Note (i))*		(322,131)	(192,277)	(59,842)
Deemed distributions to an affiliate of the Controlling Shareholder		–	–	(990,782)
Dividends paid to an affiliate of the Controlling Shareholder		–	–	(12,060)
Other finance costs paid		(84,064)	(90,753)	(79,164)
Net cash (used in)/generated from financing activities		(90,205)	(437,970)	300,431
Net increase/(decrease) in cash and cash equivalents		470,631	(54,165)	(174,370)
Cash and cash equivalents at the beginning of the year	*19*	292,356	737,631	705,905
Effect of foreign exchange rate changes		(25,356)	22,439	2,188
Cash and cash equivalents at the end of the year	*19*	737,631	705,905	533,723

Note:

(i) Non-cash transactions

Dividend payables to the Controlling Shareholder of RMB86,851,000, RMB593,427,000 and RMB172,015,000 were used to settle the net amount due from the Controlling Shareholder and his affiliates as at 31 December 2008, 2009 and 2010, respectively.

The accompanying notes form part of the Financial Information.

C NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations promulgated by the IASB. Further details of the significant accounting policies adopted by the Group are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new and revised standards or interpretations that are not yet effective for the accounting period ended 31 December 2010. The new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2010 are set out in Section C Note 35.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance.

The accounting policies set out below have been applied consistently to all years presented in the Financial Information.

(b) Basis of preparation of the Financial Information

The Financial Information comprises the Group and has been prepared using the merger basis of accounting as if the Group had been in existence throughout the Track Record Period, as further explained in Section A.

(c) Basis of measurement

The Financial Information is presented in RMB, rounded to the nearest thousand.

The Financial Information is prepared on the historical cost basis except for derivative financial instruments which are stated at their fair value (see Section C Note 1(g)).

(d) Use of estimates and judgements

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Section C Note 34.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Business combinations

Business combinations for entities under common control

Business combinations arising from transfers of equity interests in entities that are under the control of the Controlling Shareholder are accounted for as if the acquisitions had occurred at the beginning of the Track Record Period or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously from the Controlling Shareholder's perspective, any difference between the Group's interest in the carrying value of the assets and liabilities acquired and the cost of transfer of equity interests in the entity is recognised directly in equity.

(f) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those equity interests which would result in the Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative equity interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interest in that subsidiary, with a resulting gain or loss being recognised in the income statement. Any equity interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment loss (see Section C Note 1(l)(ii)), unless the investment is classified as held-for-sale.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss is in accordance with Section C Note 1(h).

(h) Hedging

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to the income statement in the same period or periods during which the hedged forecast transaction affects the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to the income statement immediately.

(i) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Section C Note 1(l)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Section C Note 1(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	20 years
Machinery and equipment	10 years
Motor vehicles and other equipment	5 years

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(j) Research and development expenditure

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

Payment made on the acquisition of land held under an operating lease is stated at cost less accumulated amortisation and impairment losses (see Section C Note 1(l)(ii)). Amortisation is charged to the income statement on a straight-line basis over the period of the lease term.

(l) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(i) Impairment of receivables (continued)

If any such evidence exists, the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material. This assessment is made collectively where receivables carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for receivables with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the receivable's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding receivables directly, except for impairment losses recognised in respect of receivables whose recoveries are considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries (except for those classified as held-for-sale).

If such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(m) Inventories

Inventories record the cost of fixed price construction contracts as well as the cost of some raw materials waiting to be assigned to specific construction contracts. Inventories are carried at the lower of cost and net realisable value. The cost is calculated at acquisition or direct production cost. The cost of inventories includes design costs, raw materials, direct labour, other direct costs and production overheads. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion.

When inventories are assigned to specific construction contracts, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Section C Note 1(l)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Section C Note 1(l)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in Section C Note 1(w)(i). 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 balance sheet date. 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 balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Trade receivable for contract work". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "Receipts in advance for contract work".

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Convertible preference share capital

Convertible preference share capital is classified as equity if it is non-redeemable, or redeemable or convertible only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Convertible preference share capital that can be converted to ordinary share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible preference share capital is measured as fair value less attributable transaction costs. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the convertible preference share capital is converted or redeemed.

If the convertible preference share capital is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible preference share capital is redeemed, the capital reserve is released directly to retained profits.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to defined contribution retirement plans are charged to the income statement when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share-based payment awards granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using either the discount cash flow model or binomial lattice model, taking into account the terms and conditions upon which the share-based payment awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share-based payment awards, the total estimated fair value of the share-based payment awards is spread over the vesting period, taking into account the probability that the share-based payment awards will vest.

During the vesting period, the number of share-based payment awards that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share-based payment awards that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the share-based payment award is exercised or the share-based payment award expires.

(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.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Contract revenue

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 estimated total contract costs for 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 it is probable will be recoverable.

(ii) Sale of raw materials

Other income is recognised when the significant risks and rewards of ownership of the raw materials have been transferred to the customers. Other income excludes value added tax or other sales taxes and is after deduction of any trade discounts. No other income is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of raw materials, or continuing management involvement with the raw materials.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in the income statement over the useful life of the asset by way of reduced depreciation expense.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(z) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 TURNOVER

The principal activities of the Group are the design, procurement, production, sale and installation of curtain wall systems.

Turnover represents contract revenue derived from the design, procurement, production, sale and installation of curtain wall systems.

The Group's customer base is diversified. There was no customer with transactions that exceeded 10% of the Group's turnover for each of the years ended 31 December 2008, 2009 and 2010. Details of concentrations of credit risk arising from the Group's largest customers are set out in Section C Note 31(a).

Further details regarding the Group's principal activities are disclosed in Section C Note 11.

3 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Other revenue			
Government grants	11,967	19,859	15,911
Rental income from operating leases	7,261	5,894	2,221
	19,228	25,753	18,132
Other net income/(loss)			
Net gain from sale of raw materials	12,790	9,648	1,693
Net gain/(loss) on disposal of property, plant and equipment	48	(13,196)	(1,574)
	12,838	(3,548)	119

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Years ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Interest on bank advances and other borrowings wholly repayable within five years	52,784	50,136	45,832
Bank charges and other finance costs	32,103	40,046	40,583
Total borrowing costs	84,887	90,182	86,415
Interest income	(12,645)	(11,586)	(6,784)
Net foreign exchange loss/(gain)	40,699	(35,211)	15,943
Forward foreign exchange contracts: cash flow hedges, reclassified from equity *(Section C Note 9(b))*	–	(1,496)	(10,769)
	112,941	41,889	84,805

No borrowing costs have been capitalised during the Track Record Period.

(b) Staff costs#:

	Years ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Salaries, wages and other benefits	655,425	752,881	935,946
Contributions to defined contribution retirement plans *(Note (i))*	28,592	41,870	53,385
	684,017	794,751	989,331

Note:

(i) The employees of the subsidiaries of the Group established in the PRC (the "PRC subsidiaries") participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby the PRC subsidiaries are required to contribute to the schemes at rates ranging from 10% to 22% of the employees' basic salaries. Employees of the PRC subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement age.

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs#: (continued)

Note: (continued)

The employees of the subsidiaries of the Group established outside of the PRC (the "overseas subsidiaries") participate in defined contribution retirement benefit schemes managed by the respective local government authorities, whereby the overseas subsidiaries are required to contribute to the respective schemes at rates stipulated by the relevant rules and regulations of the respective jurisdictions.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) Other items:

	Years ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Depreciation and amortisation# *(Section C Notes 12 and 13)*	59,606	71,633	78,779
Impairment losses on trade and other receivables *(Section C Notes 16(b) and 17(a))*	13,832	15,883	31,173
Operating lease charges in respect of land, plant and buildings, motor vehicles and other equipment#	32,840	57,361	68,463
Auditors' remuneration – audit services	542	696	786
Research and development costs#	121,438	136,386	200,807
Increase in provision for warranties# *(Section C Note 26)*	27,342	35,697	43,161
Cost of inventories# *(Section C Note 14(b))*	4,762,991	5,405,315	7,186,741

\# Cost of inventories includes RMB370.7 million, RMB427.1 million and RMB558.4 million for each of the years ended 31 December 2008, 2009 and 2010, respectively, relating to staff costs, depreciation and amortisation expenses, operating lease charges, research and development costs and provision for warranties, which amount is also included in the respective total amounts disclosed separately above or in Section C Note 4(b) for each of these types of expenses.

5 INCOME TAX

(a) Income tax in the consolidated income statements represent:

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current taxation *(Section C Note 25(a))*:			
– PRC income tax	78,149	192,927	197,815
– Overseas income tax	8,125	15,846	20,227
	86,274	208,773	218,042
Deferred taxation *(Section C Note 25(b)):*			
– Origination and reversal of temporary differences	(31,987)	(27,064)	(3,902)
	54,287	181,709	214,140

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit before taxation	378,947	829,540	1,001,357
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	101,223	213,276	259,695
Tax effect of non-deductible expenses *(Note (iv))*	5,032	15,795	13,931
Tax effect of unused tax losses not recognised	12,323	15,141	7,352
Tax concessions *(Note (v))*	(64,291)	(62,503)	(66,838)
Income tax	54,287	181,709	214,140

5 INCOME TAX (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)

Notes:

(i) The Company and its subsidiary incorporated in the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(ii) Subsidiaries of the Group incorporated in countries other than the PRC and the British Virgin Islands are subject to income tax rates ranging from 8.5% to 35% during the Track Record Period pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The PRC subsidiaries of the Group are subject to PRC Enterprise Income Tax rate of 25% for each of the years ended 31 December 2008, 2009 and 2010.

(iv) The amounts mainly comprised non-deductible entertainment expenses and other expenses in excess of the tax deductibility allowance under the PRC tax laws and regulations.

(v) One of the Group's PRC subsidiaries is registered as a foreign investment enterprise, and according to the relevant income tax rules and regulations, this subsidiary is entitled to a 100% relief from PRC Enterprise Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the year ended 31 December 2007, on a portion of profits this subsidiary earned due to the re-investment it had made in 2007.

(vi) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which takes effect on 1 January 2008. According to the new tax law, the applicable income tax rate of the PRC subsidiaries of the Group has changed to 25% with effect 1 January 2008; or gradually increase to 25% over a five-year period if the PRC subsidiary was previously enjoying a preferential tax rate of below 25%.

6 DIRECTORS' REMUNERATION

Details of directors' remuneration during the Track Record Period are set out below:

	Year ended 31 December 2008				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr Kang Baohua	–	131	900	12	1,043
Mr Tian Shouliang	–	131	900	12	1,043
Mr Guo Zhongshan	–	131	900	12	1,043
Mr Wang Yijun	–	132	3,600	12	3,744
Mr Si Zuobao	–	156	3,100	20	3,276
Mr Wu Qingguo	–	131	2,682	12	2,825
Mr Wang Lihui	–	21	543	1	565
Mr Wang Deqiang	–	85	135	11	231
Independent non-executive directors					
Mr Poon Chiu Kwok	–	–	–	–	–
Mr Woo Kar Tung, Raymond	–	–	–	–	–
Mr Pang Chung Fai, Benny	–	–	–	–	–
	–	918	12,760	92	13,770

	Year ended 31 December 2009				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr Kang Baohua	–	132	1,553	17	1,702
Mr Tian Shouliang	–	132	957	17	1,106
Mr Guo Zhongshan	–	132	1,814	17	1,963
Mr Wang Yijun	–	133	1,757	17	1,907
Mr Si Zuobao	–	161	2,988	25	3,174
Mr Wu Qingguo	–	132	2,644	17	2,793
Mr Wang Lihui	–	–	–	–	–
Mr Wang Deqiang	–	30	262	5	297
Independent non-executive directors					
Mr Poon Chiu Kwok	–	–	–	–	–
Mr Woo Kar Tung, Raymond	–	–	–	–	–
Mr Pang Chung Fai, Benny	–	–	–	–	–
	–	852	11,975	115	12,942

6 DIRECTORS' REMUNERATION (CONTINUED)

	Year ended 31 December 2010				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr Kang Baohua	–	–	–	–	–
Mr Tian Shouliang	–	132	1,600	20	1,752
Mr Guo Zhongshan	–	132	1,500	20	1,652
Mr Wang Yijun	–	132	1,500	20	1,652
Mr Si Zuobao	–	160	3,556	28	3,744
Mr Wu Qingguo	–	131	2,653	20	2,804
Mr Wang Lihui	–	–	–	–	–
Mr Wang Deqiang	–	87	324	15	426
Independent non-executive directors					
Mr Poon Chiu Kwok	–	–	–	–	–
Mr Woo Kar Tung, Raymond	–	–	–	–	–
Mr Pang Chung Fai, Benny	–	–	–	–	–
	–	774	11,133	123	12,030

There were no amounts paid during the Track Record Period to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, the emoluments of 2, 2 and 2 directors for each of the years ended 31 December 2008, 2009 and 2010, respectively, are disclosed in Section C Note 6. The aggregate of the emoluments in respect of the individuals who are not directors are as follows:

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	3,046	2,338	2,056
Discretionary bonuses	9,833	8,711	4,981
Retirement scheme contributions	923	565	215
	13,802	11,614	7,252

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	Years ended 31 December		
	2008	2009	2010
HK$2,000,001 – HK$2,500,000	–	–	1
HK$2,500,001 – HK$3,000,000	–	1	1
HK$3,000,001 – HK$3,500,000	–	–	1
HK$4,500,001 – HK$5,000,000	2	–	–
HK$5,000,001 – HK$5,500,000	–	2	–
HK$5,500,001 – HK$6,000,000	1	–	–

No emoluments were paid or payable to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

8 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company for each of the years ended 31 December 2008, 2009 and 2010 includes a loss of RMBNil, RMBNil and RMB6.3 million, respectively, which have been dealt with in the financial statements of the Company (see Section E Note (c)(ii)).

9 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Exchange differences on translation into presentation currency (before and after tax)	(14,475)	(8,990)	16,502
Cash flow hedge: net movements in the hedging reserve			
– Before tax amount	–	4,319	12,825
– Tax expense	–	(786)	(2,332)
– Net of tax amount	–	3,533	10,493
Other comprehensive income	(14,475)	(5,457)	26,995

(b) Reclassification adjustments relating to components of other comprehensive income

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the year	–	5,815	23,594
Reclassification adjustments for amounts transferred to the consolidated income statements *(Section C Note 4(a))*	–	(1,496)	(10,769)
Net deferred tax charged to the consolidated statements of comprehensive income *(Section C Note 25(b))*	–	(786)	(2,332)
Net movements in the hedging reserve during the year recognised in the consolidated statements of comprehensive income	–	3,533	10,493

10 BASIC AND DILUTED EARNINGS PER SHARE

The basic earnings per share for each of the years ended 31 December 2008, 2009 and 2010 are calculated based on the profit attributable to equity shareholders of the Company of RMB327.8 million, RMB660.5 million and RMB806.1 million, respectively, and the 4,500,000,000 ordinary shares in issue and issuable, comprising 10,000 shares in issue as at the date of the Document and 4,499,990,000 shares to be issued, as if the shares had been outstanding throughout the Track Record Period.

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding during the Track Record Period.

11 SEGMENT REPORTING

The Group manages its businesses by geographical locations of the construction contracts. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments: Northeast China, North China, East China, West China, South China and Overseas. No operating segments have been aggregated to form the following reportable segments.

- Northeast China: comprised construction contracts carried out in the northeastern region of the PRC, which includes Liaoning, Jilin, Heilongjiang, Shandong, Henan and Inner Mongolia provinces;
- North China: comprised construction contracts carried out in the northern region of the PRC, which includes Hebei and Shanxi provinces, Beijing and Tianjin;
- East China: comprised construction contracts carried out in the eastern region of the PRC, which includes Jiangsu, Zhejiang, Anhui and Jiangxi provinces, and Shanghai;
- West China: comprised construction contracts carried out in the western and northwestern regions of the PRC, which include Sichuan, Yunnan, Guizhou, Hubei, Shaanxi, Ningxia, Gansu, Qinghai and Xinjiang provinces, and Chongqing;
- South China: comprised construction contracts carried out in the southern region of the PRC, which includes Guangdong, Hunan, Fujian, Hainan and Guangxi provinces; and
- Overseas: comprised construction contracts carried out outside of the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of certain property, plant and equipment and lease prepayments, deferred tax assets and other corporate assets. Segment liabilities include gross amount due to customers for contract work, trade and bills payables, receipts in advance, accrued expenses and other payables and provision for warranties managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest income and finance costs, and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' remuneration and other head office or corporate administration costs.

11 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue, interest income, finance costs related to each segment, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. No significant inter-segment sales have occurred during the Track Record Period.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the years ended 31 December 2008, 2009 and 2010 is set out below.

	Year ended 31 December 2008						
	Northeast China	North China	East China	West China	South China	Overseas	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers and reportable segment revenue	949,106	748,847	1,336,950	576,906	335,930	1,963,527	5,911,266
Reportable segment profit/(loss) (adjusted EBITDA)	146,588	130,267	184,825	66,930	(3,770)	31,178	556,018
Interest income	281	473	393	82	41	3,143	4,413
Finance costs	891	866	1,227	575	284	27,521	31,364
Depreciation and amortisation	4,475	9,330	5,772	3,250	3,647	22,137	48,611
Reportable segment assets	669,834	501,735	693,085	398,015	273,711	1,684,417	4,220,797
Additions to non-current segment assets during the year	3,126	2,721	11,921	2,194	727	123,113	143,802
Reportable segment liabilities	416,361	284,601	446,179	227,360	195,623	1,378,775	2,948,899

11 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

	Year ended 31 December 2009						
	Northeast China	North China	East China	West China	South China	Overseas	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers and reportable segment revenue	964,735	724,110	1,704,120	584,221	358,681	2,726,137	7,062,004
Reportable segment profit (adjusted EBITDA)	134,685	123,509	169,537	72,022	2,242	446,515	948,510
Interest income	241	419	556	50	29	4,636	5,931
Finance costs	1,405	859	2,121	895	573	33,582	39,435
Depreciation and amortisation	4,761	10,214	8,563	3,685	4,256	29,830	61,309
Reportable segment assets	738,976	616,019	1,055,433	466,841	258,265	1,934,906	5,070,440
Additions to non-current segment assets during the year	5,413	7,460	75,234	979	569	100,919	190,574
Reportable segment liabilities	400,897	349,092	766,331	236,254	202,261	1,453,725	3,408,560

	Year ended 31 December 2010						
	Northeast China	North China	East China	West China	South China	Overseas	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers and reportable segment revenue	1,230,962	1,051,480	2,085,631	870,868	736,353	3,285,618	9,260,912
Reportable segment profit (adjusted EBITDA)	138,161	134,650	286,496	104,675	34,057	497,422	1,195,461
Interest income	236	528	644	62	83	4,667	6,220
Finance costs	1,559	663	2,200	1,278	828	32,702	39,230
Depreciation and amortisation	5,254	11,161	12,050	3,800	4,470	28,835	65,570
Reportable segment assets	1,095,640	864,616	1,289,633	524,467	435,188	2,119,555	6,329,099
Additions to non-current segment assets during the year	12,094	21,055	47,717	2,004	8,672	10,324	101,866
Reportable segment liabilities	566,601	460,005	718,641	308,028	323,622	1,169,197	3,546,094

11 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenues, profit, assets and liabilities

	Years ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Revenue			
Reportable segment revenue and consolidated turnover	5,911,266	7,062,004	9,260,912
Profit			
Reportable segment profit	556,018	948,510	1,195,461
Depreciation and amortisation	(59,606)	(71,633)	(78,779)
Finance costs	(112,941)	(41,889)	(84,805)
Unallocated head office and corporate expenses	(4,524)	(5,448)	(30,520)
Consolidated profit before taxation	378,947	829,540	1,001,357

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Assets			
Reportable segment assets	4,220,797	5,070,440	6,329,099
Property, plant and equipment	127,788	81,409	191,858
Lease prepayments	82,456	86,076	263,465
Deferred tax assets	67,216	93,525	95,006
Amounts due from the Controlling Shareholder and his affiliates	616,362	181,692	17,395
Unallocated head office and corporate assets	202,656	160,633	181,466
Elimination of receivables between segments, and segments and head office	(249,228)	(190,196)	(209,113)
Consolidated total assets	5,068,047	5,483,579	6,869,176

11 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenues, profit, assets and liabilities (continued)

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Liabilities			
Reportable segment liabilities	2,948,899	3,408,560	3,546,094
Amounts due to the Controlling Shareholder and his affiliates	98,989	301,718	285,297
Bank and other loans	874,440	719,500	1,827,474
Income tax payable	58,382	107,040	140,222
Redeemable convertible preference shares	–	–	302,201
Deferred tax liabilities	280	311	222
Unallocated head office and corporate liabilities	142,744	118,935	110,101
Elimination of payables between segments, and segments and head office	(249,228)	(190,196)	(209,113)
Consolidated total liabilities	3,874,506	4,465,868	6,002,498

(c) Geographic information

The following table sets out information about the geographical location of the Group's (i) revenue from external customers and (ii) property, plant and equipment and lease prepayments (the "specified non-current assets"). The geographical location of customers is based on the location at which the construction contracts are carried out. The geographical location of the specified non-current assets is based on the segment to which they are allocated.

11 SEGMENT REPORTING (CONTINUED)

(c) Geographic information (continued)

(i) The Group's revenue from external customers:

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
The PRC (excluding Hong Kong and Macau) (Place of domicile)	3,947,739	4,335,867	5,975,294
United Arab Emirates	467,085	843,117	1,021,649
Australia	290,115	589,846	791,382
United Kingdom	335,218	200,109	85,571
U.S.	229,469	177,340	86,466
Germany	82,696	251,134	91,703
Russia	148,425	114,557	318,094
India	3,710	153,826	65,675
Japan	27,274	27,685	15,150
Kuwait	83,232	28,871	108,966
Kingdom of Jordan	8,186	40,002	123,055
Macau	151,443	21,027	2,676
Republic of Kazakhstan	47,292	2,126	85
Vietnam	–	6,628	158,517
Qatar	–	41,206	103,903
Switzerland	–	–	91,398
Others	89,382	228,663	221,328
	1,963,527	2,726,137	3,285,618
	5,911,266	7,062,004	9,260,912

(ii) The Group's specified non-current assets:

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Northeast China	35,198	34,062	41,009
North China	64,646	61,017	70,960
East China	50,557	117,428	153,095
West China	19,249	18,035	16,239
South China	52,036	49,246	53,449
Overseas	542,763	618,051	599,552
Head office and corporate assets	210,244	167,485	455,323
	974,693	1,065,324	1,389,627

12 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Motor vehicles and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2008	347,288	222,756	102,815	118,757	791,616
Additions	–	101,041	29,968	57,707	188,716
Transfer in/(out)	30,927	4,344	–	(35,271)	–
Decrease through disposal of subsidiaries under common control	–	(11,378)	(849)	(68,742)	(80,969)
Disposals	–	(47)	(6,417)	–	(6,464)
At 31 December 2008	378,215	316,716	125,517	72,451	892,899
Accumulated depreciation:					
At 1 January 2008	(53,203)	(74,110)	(37,641)	–	(164,954)
Charge for the year	(15,602)	(20,793)	(18,055)	–	(54,450)
Decrease through disposal of subsidiaries under common control	–	535	103	–	638
Written back on disposals	–	41	2,239	–	2,280
At 31 December 2008	(68,805)	(94,327)	(53,354)	–	(216,486)
Net book value:					
At 31 December 2008	309,410	222,389	72,163	72,451	676,413

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant and buildings	Machinery and equipment	Motor vehicles and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2009	378,215	316,716	125,517	72,451	892,899
Additions	–	10,939	18,541	42,509	71,989
Transfer in/(out)	39,647	8,296	–	(47,943)	–
Disposals	–	(53,662)	(9,013)	–	(62,675)
At 31 December 2009	417,862	282,289	135,045	67,017	902,213
Accumulated depreciation:					
At 1 January 2009	(68,805)	(94,327)	(53,354)	–	(216,486)
Charge for the year	(17,462)	(27,404)	(19,897)	–	(64,763)
Written back on disposals	–	24,098	5,628	–	29,726
At 31 December 2009	(86,267)	(97,633)	(67,623)	–	(251,523)
Net book value:					
At 31 December 2009	331,595	184,656	67,422	67,017	650,690
Cost:					
At 1 January 2010	417,862	282,289	135,045	67,017	902,213
Additions	104,981	34,037	25,396	36,402	200,816
Transfer in/(out)	75,736	44	562	(76,342)	–
Decrease through disposal of a subsidiary under common control	(7,500)	(886)	(477)	–	(8,863)
Disposals	(1,086)	(4,850)	(1,693)	–	(7,629)
At 31 December 2010	589,993	310,634	158,833	27,077	1,086,537
Accumulated depreciation:					
At 1 January 2010	(86,267)	(97,633)	(67,623)	–	(251,523)
Charge for the year	(22,980)	(24,813)	(21,371)	–	(69,164)
Decrease through disposal of a subsidiary under common control	2,509	792	430	–	3,731
Written back on disposals	325	3,637	1,412	–	5,374
At 31 December 2010	(106,413)	(118,017)	(87,152)	–	(311,582)
Net book value:					
At 31 December 2010	483,580	192,617	71,681	27,077	774,955

At 31 December 2008, 2009 and 2010, property certificates of certain properties with an aggregate net book value of RMB23.1 million, RMB24.0 million and RMB166.6 million, respectively, are yet to be obtained. The Controlling Shareholder has undertaken to procure the obtaining of the title documents for the above mentioned properties. If title documents could not be obtained, the Controlling Shareholder agreed to indemnify the Group for all the losses and damages arising therefrom.

13 LEASE PREPAYMENTS

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost:			
At the beginning of the year	306,397	307,397	430,621
Additions	34,298	123,224	209,653
Decrease through disposal of a subsidiary under common control	(33,298)	–	–
At the end of the year	307,397	430,621	640,274
Accumulated amortisation:			
At the beginning of the year	(3,961)	(9,117)	(15,987)
Charge for the year	(5,156)	(6,870)	(9,615)
At the end of the year	(9,117)	(15,987)	(25,602)
Net book value:			
At the end of the year	298,280	414,634	614,672

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 31 December 2008, 2009 and 2010, land use right certificates of certain land use rights with an aggregate carrying value of RMB33.6 million, RMB27.5 million and RMB212.1 million, respectively, are yet to be obtained. The Controlling Shareholder has undertaken to procure the obtaining of the title documents for the above mentioned land use rights. If title documents could not be obtained, the Controlling Shareholder agreed to indemnify the Group for all the losses and damages arising therefrom.

14 INVENTORIES

(a) Inventories in the consolidated balance sheets comprise:

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Raw materials	246,453	265,436	382,143
Less: write down of inventories	(5,084)	(8,906)	(15,360)
	241,369	256,530	366,783

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated income statements during the Track Record Period is as follows:

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories used in construction contracts	4,757,907	5,401,493	7,180,287
Write down of inventories	5,084	3,822	6,454
	4,762,991	5,405,315	7,186,741

15 GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses in connection with construction contracts in progress at year end	9,661,403	12,658,161	14,525,992
Less: progress billings	(9,267,747)	(12,144,913)	(12,724,556)
	393,656	513,248	1,801,436
Gross amount due from customers for contract work *(Notes (i) and (ii))*	1,448,961	1,826,142	2,684,915
Gross amount due to customers for contract work *(Note (iii))*	(1,055,305)	(1,312,894)	(883,479)
	393,656	513,248	1,801,436

Notes:

(i) Except for amounts of RMB30.1 million, RMB40.1 million and RMB60.4 million as at 31 December 2008, 2009 and 2010, respectively, all of the remaining gross amount due from customers for contract work are expected to be recovered within one year.

(ii) Included in the gross amount due from customers for contract work are amounts of RMB17.2 million, RMB23.9 million and RMB58.9 million as at 31 December 2008, 2009 and 2010, respectively, due from affiliates of the Controlling Shareholder.

(iii) All of the gross amount due to customers for contract work are expected to be recognised as revenue within one year.

16 TRADE AND BILLS RECEIVABLES

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivable for contract work due from:			
–Third parties	615,819	885,367	1,297,751
–An affiliate of the Controlling Shareholder	–	9,175	22,111
	615,819	894,542	1,319,862
Bills receivable for contract work	9,918	20,500	20,320
Trade receivable for sale of raw materials:			
–Third parties	6,284	2,413	1,645
–An affiliate of the Controlling Shareholder	8,291	9,151	2,717
	14,575	11,564	4,362
	640,312	926,606	1,344,544
Less: allowance for doubtful debts *(Section C Note 16(b))*	(73,270)	(82,945)	(112,656)
	567,042	843,661	1,231,888

16 TRADE AND BILLS RECEIVABLES (CONTINUED)

The amounts of retentions receivable from customers included in "trade and bills receivables" (net of allowance for doubtful debts) are RMB289.7 million, RMB262.4 million and RMB247.6 million as at 31 December 2008, 2009 and 2010, respectively.

Except for retentions receivable (net of allowance for doubtful debts) of RMB110.4 million, RMB92.4 million and RMB114.4 million as at 31 December 2008, 2009 and 2010, respectively, all of the remaining trade and bills receivables are expected to be recovered within one year.

(a) Ageing analysis

Included in trade and bills receivables are debtors (net of allowance for doubtful debts) with the following ageing analysis as at 31 December 2008, 2009 and 2010:

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 month	144,562	276,575	452,640
More than 1 month but less than 3 months	56,313	133,333	244,390
More than 3 months but less than 6 months	76,118	132,421	247,111
More than 6 months but less than 1 year	109,092	120,383	118,442
More than 1 year but less than 2 years	95,668	103,240	103,159
More than 2 years but less than 3 years	85,289	77,709	66,146
	567,042	843,661	1,231,888

Receivables that were past due but not impaired relate to a wide range of customers for whom there was no recent history of default and had a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Details on the Group's credit policy are set out in Section C Note 31(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see Section C Note 1(l)(i)).

The movements in the allowance for doubtful debts account during the Track Record Period are as follows:

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At the beginning of the year	65,194	73,270	82,945
Impairment loss recognised	9,884	15,883	31,173
Uncollectible amounts written off	(1,808)	(6,208)	(1,462)
At the end of the year	73,270	82,945	112,656

At 31 December 2008, 2009 and 2010, the Group's trade and bills receivables of RMB363.3 million, RMB384.3 million and RMB400.4 million, respectively, are individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management of the Group assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB73.3 million, RMB82.9 million and RMB112.7 million, respectively, are recognised. The Group does not hold any collateral over these balances.

17 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Prepayment for purchase of inventories *(Note (i))*	160,212	204,502	194,960
Prepayment and deposits for operating leases	35,987	33,323	22,636
Prepayment for costs incurred in connection with the proposed [●] *(Note (ii))*	–	–	7,759
Deposits for construction contracts' bidding and performance *(Note (iii))*	123,188	170,598	188,930
Deposits for purchase of forward foreign exchange and aluminium contracts	51,614	32,960	56,356
Advances to staff	31,829	33,424	32,291
Advances to third parties	8,082	4,098	4,774
Derivative financial instruments held as cash flow hedging instruments – forward foreign exchange contracts *(Section C Note 31(e))*	–	6,086	25,363
Other derivatives – forward aluminium contracts *(Section C Note 31(e))*	–	22,518	7,408
Amounts due from non-controlling interests of the Group	2,585	2,637	5,026
Others	5,224	4,602	8,284
	418,721	514,748	553,787
Less: allowance for doubtful debts *(Section C Note 17(a))*	(3,948)	(3,948)	(3,948)
	414,773	510,800	549,839

Notes:

(i) Included in the balances are prepayments of RMB2.7 million, RMB10.8 million and RMB14.0 million as at 31 December 2008, 2009 and 2010, respectively, made with affiliates of the Controlling Shareholder.

(ii) [●]

(iii) The balances represented deposits placed with customers for contracts bidding and performance of contracts in progress. The deposits will be released to the Group upon the completion of the related bidding and contract work, where applicable.

17 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Except for amounts of RMBNil, RMB2.0 million and RMB2.1 million as at 31 December 2008, 2009 and 2010, respectively, all of the remaining deposits, prepayments and other receivables are expected to be recovered or recognised as expense within one year.

(a) Impairment of deposits, prepayments and other receivables

Impairment losses in respect of deposits, prepayments and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against deposits, prepayments and other receivables directly (see Section C Note 1(l)(i)).

The movements in the allowance for doubtful debts account during the Track Record Period are as follows:

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At the beginning of the year	–	3,948	3,948
Impairment loss recognised	3,948	–	–
At the end of the year	3,948	3,948	3,948

At 31 December 2008, 2009 and 2010, the Group's deposits, prepayments and other receivables of RMB3.9 million, RMB3.9 million and RMB3.9 million, respectively, are individually determined to be impaired. The individually impaired deposits, prepayments and other receivables related to debtors that were in financial difficulties. Consequently, specific allowances for doubtful debts of RMB3.9 million, RMB3.9 million and RMB3.9 million, respectively, are recognised. The Group does not hold any collateral over these balances.

18 AMOUNTS DUE FROM THE CONTROLLING SHAREHOLDER AND HIS AFFILIATES

The amounts are unsecured. Except for amounts of RMB171.0 million, RMB36.6 million and RMBNil at 31 December 2008, 2009 and 2010, respectively, which bear interest at 6.67%, 5.30% and nil per annum and are repayable within one year, all of the remaining balances are non-interest bearing and have no fixed terms of repayment. The Controlling Shareholder has undertaken to repay the amount due to the Group.

19 CASH AND CASH EQUIVALENTS

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	737,631	705,905	533,723

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

20 TRADE AND BILLS PAYABLES

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payable for purchase of inventories:			
– Third parties	756,626	775,833	1,121,789
– Affiliates of the Controlling Shareholder	22,168	37,413	68,356
	778,794	813,246	1,190,145
Trade payable to sub-contractors	48,966	93,208	92,739
Bills payable	202,500	326,910	509,912
Financial liabilities measured at amortised cost	1,030,260	1,233,364	1,792,796

All of the trade and bills payables are expected to be settled within one year.

Included in trade and bills payables are creditors with the following ageing analysis as at 31 December 2008, 2009 and 2010.

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Due within 1 month or on demand	835,760	946,454	1,526,376
Due after 1 month but within 3 months	81,900	98,200	81,100
Due after 3 months	112,600	188,710	185,320
	1,030,260	1,233,364	1,792,796

21 RECEIPTS IN ADVANCE

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Receipts in advance for contract work *(Note (i))*	341,019	254,308	163,014
Receipts in advance for sale of raw materials:			
–Third parties	6,495	1,303	–
–An affiliate of the Controlling Shareholder	387	30,775	2,678
	6,882	32,078	2,678
	347,901	286,386	165,692

Note:

(i) The balances as at 31 December 2008, 2009 and 2010 represented advances received from customers for which the related construction work have not commenced as at the respective balance sheet dates.

All of the receipts in advance are expected to be recognised as revenue within one year.

22 ACCRUED EXPENSES AND OTHER PAYABLES

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Payable for staff related costs	210,393	246,749	297,954
Payable for miscellaneous taxes	48,115	68,810	62,114
Payable for transportation and insurance expenses	19,627	26,540	21,295
Payable for interest expenses	1,781	1,210	3,541
Payable for costs incurred in connection with the proposed [●]	–	–	14,445
Payable for construction and purchase of property, plant and equipment	34,759	51,104	60,137
Deposits from sub-contractors	11,387	15,558	19,665
Others	11,648	10,672	8,070
Financial liabilities measured at amortised costs	337,710	420,643	487,221
Derivative financial instruments held as cash flow hedging instruments – forward foreign exchange contracts *(Section C Note 31(e))*	–	658	4,825
Other derivatives – forward aluminium contracts *(Section C Note 31(e))*	20,595	–	–
Provision for outstanding legal claim *(Section C Note 33(b)(v))*	–	–	5,500
	358,305	421,301	497,546

Except for amounts of RMBNil, RMBNil and RMB2.0 million as at 31 December 2008, 2009 and 2010, respectively, all of the accrued expenses and other payables are expected to be settled or recognised in the income statement within one year.

23 AMOUNTS DUE TO THE CONTROLLING SHAREHOLDER AND HIS AFFILIATES

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The Group has undertaken to repay the amounts due to the Controlling Shareholder and his affiliates.

24 BANK AND OTHER LOANS

(a) The Group's short-term bank and other loans are analysed as follows:

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Bank loans	375,000	280,000	1,677,489
Loans from other financial institutions	80,940	80,000	99,985
	455,940	360,000	1,777,474
Add: current portion of long-term bank loans	119,500	309,500	50,000
	575,440	669,500	1,827,474

As 31 December 2008, 2009 and 2010, the Group's short-term bank and other loans (excluding the current portion of long-term bank loans) are secured as follows:

	2008	2009	2010
Bank loans:			
– secured by property, plant and equipment and land use rights of the Group *(Note (i))*	100,000	100,000	400,000
– jointly secured by property, plant and equipment of the Group and affiliates of the Controlling Shareholder *(Note (i))*	54,000	–	–
– jointly secured by the equity interests in and loans to certain subsidiaries of the Group, the funds deposited in the account opened for the purpose of this loan and portion of the Company's shares *(Note (ii))*	–	–	690,592
– secured by property, plant and equipment and land use rights of affiliates of the Controlling Shareholder	21,000	–	–
– guaranteed by affiliates of the Controlling Shareholder	200,000	180,000	–
– unguaranteed and unsecured	–	–	586,897
	375,000	280,000	1,677,489
Loans from other financial institutions:			
– unguaranteed and unsecured	80,940	80,000	99,985
	455,940	360,000	1,777,474

Notes:

(i) At 31 December 2008, 2009 and 2010, the aggregate carrying values of the secured property, plant and equipment and land use rights of the Group are RMB191.6 million, RMB333.8 million and RMB423.2 million, respectively.

(ii) The bank loan is repayable on 19 November 2011 or immediately repayable upon the occurrence of an initial public offering of the Company and listing of and permission to deal in the Company's shares on an internationally recognised securities exchange, in which the market capitalisation upon listing shall not be less than USD1,000.0 million.

24 BANK AND OTHER LOANS (CONTINUED)

(b) The Group's long-term bank loans are analysed as follows:

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Bank loans:			
– secured by property, plant and equipment and land use rights of the Group and guaranteed by an affiliate of the Controlling Shareholder *(Note (i))*	398,500	359,500	50,000
– guaranteed by an affiliate of the Controlling Shareholder	20,000	–	–
	418,500	359,500	50,000
Less: current portion of long-term bank loans	(119,500)	(309,500)	(50,000)
	299,000	50,000	–

Note:

(i) The loan balance as at 31 December 2010 has been repaid in January 2011, and accordingly, the guarantee from an affiliate of the Controlling Shareholder has been released at the same time.

The Group's long-term bank loans are repayable as follows:

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 year or on demand	119,500	309,500	50,000
After 1 year but within 2 years	299,000	50,000	–
	418,500	359,500	50,000

At 31 December 2008, 2009 and 2010, the aggregate carrying values of the secured property, plant and equipment and land use rights are RMB345.8 million, RMB532.4 million and RMB35.3 million, respectively.

All of the non-current interest-bearing borrowings are carried at amortised cost, and are not expected to be settled within one year.

At 31 December 2008, 2009 and 2010, the Group's banking facilities amounted to RMB200.0 million, RMB150.0 million and RMB600.0 million, were utilised to the extent of RMB200.0 million, RMBNil and RMB285.0 million, respectively.

(c) None of the Group's bank and other loans is subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions.

Details of the Group's management of liquidity risk are set out in Section C Note 31(b).

25 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

(a) Movements of current taxation in the consolidated balance sheets are as follows:

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Income tax payable at 1 January	86,520	58,382	107,040
Provision for income tax on the estimated taxable profits for the year *(Section C Note 5(a))*	86,274	208,773	218,042
Charged/(credited) to reserves	690	–	(218)
Income tax paid during the year	(115,102)	(160,115)	(184,642)
Income tax payable at 31 December	58,382	107,040	140,222

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated balance sheets and the movements during the Track Record Period are as follows:

Deferred tax arising from:	Unused tax losses	Depreciation allowances in excess of the related depreciation, and government grants and related depreciation	Write down of inventories	Impairment losses on trade and other receivables	Provision for warranties and legal claims	Remeasurement of the fair value of derivative financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	–	15,744	–	14,611	4,594	–	34,949
Credited to the consolidated income statements *(Section C Note 5(a))*	5,419	13,722	1,273	2,437	5,390	3,746	31,987
At 31 December 2008	5,419	29,466	1,273	17,048	9,984	3,746	66,936
Credited/(charged) to the consolidated income statements *(Section C Note 5(a))*	10,356	12,828	955	2,667	8,300	(8,042)	27,064
Charged to reserves *(Section C Note 9(b))*	–	–	–	–	–	(786)	(786)
At 31 December 2009	15,775	42,294	2,228	19,715	18,284	(5,082)	93,214
(Charged)/credited to the consolidated income statements *(Section C Note 5(a))*	(11,459)	(4,762)	1,614	8,043	8,134	2,332	3,902
Charged to reserves *(Section C Note 9(b))*	–	–	–	–	–	(2,332)	(2,332)
At 31 December 2010	4,316	37,532	3,842	27,758	26,418	(5,082)	94,784

25 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS (CONTINUED)

(c) Reconciliation of deferred tax assets and liabilities recognised in the consolidated balance sheets:

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Deferred tax assets recognised on the consolidated balance sheets	67,216	93,525	95,006
Deferred tax liabilities recognised on the consolidated balance sheets	(280)	(311)	(222)
	66,936	93,214	94,784

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in Section C Note 1(u), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB60.2 million, RMB122.3 million and RMB169.8 million at 31 December 2008, 2009 and 2010, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The cumulative tax losses of RMB169.8 million at 31 December 2010 will expire on or before 31 December 2015.

(e) Deferred tax liabilities not recognised

At 31 December 2010, temporary differences relating to the retained profits of the Group's PRC subsidiaries amounted to RMB648.6 million, of which no deferred tax liabilities in respect of the tax that would be payable on the distribution of these profits was provided as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

26 PROVISION FOR WARRANTIES

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At the beginning of the year	26,313	50,644	83,354
Additional provisions made	27,342	35,697	43,161
Provisions utilised	(3,011)	(2,987)	(18,946)
At the end of the year	50,644	83,354	107,569
Less: amounts included under current liabilities at year end	(22,336)	(45,647)	(60,204)
	28,308	37,707	47,365

Under the terms of the Group's construction contracts with its customers, the Group will rectify any defects arising within one to ten years of the date of completion of the construction contracts, depending on the terms negotiated with the customers. Provision is therefore made for the best estimate of the expected settlement under these construction contracts in respect of construction contracts completed within one to ten years prior to each balance sheet date. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

27 REDEEMABLE CONVERTIBLE PREFERENCE SHARES

	RMB'000
At 1 January 2010	
Proceeds from issuance of redeemable convertible preference shares, net of transaction costs	332,132
Less: amount classified as equity component	(30,541)
Amount classified as liability component	301,591
Accrued finance charges for the year	1,348
Exchange differences on translation into presentation currency	(738)
At 31 December 2010	302,201

Pursuant to a subscription agreement entered into between the Company and Standard Chartered Private Equity (Mauritius) III Limited (the "Preference Shareholder"), the Company issued 685 redeemable convertible Series A preference shares (the "Preference Shares") to the Preference Shareholder for an aggregate subscription price of USD50.0 million on 19 November 2010.

The Preference Shareholder has the right to receive the same rate of dividends as the equity shareholders of the Company. Dividends on the Preference Shares are discretionary.

The Preference Shares are redeemable at the option of the Preference Shareholder if certain events occurred in respect of the Controlling Shareholder and other shareholders of the Company, the Company, and any subsidiaries of the Group.

The Preference Shares are convertible into fully paid ordinary shares of the Company at the option of the Preference Shareholder at any time or automatically converted into fully paid ordinary shares of the Company upon the occurrence of an initial public offering of the Company and listing of and permission to deal in the Company's shares on all internationally recognised securities exchange, in which the market capitalisation upon listing shall not be less than USD1,000.0 million. The conversion basis is one preference share to one ordinary share of the Company.

The Preference Shares are accounted for as compound financial instruments and have been recognised in accordance with the accounting policy adopted for convertible preference share capital in Section C Note 1(r).

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Track Record Period are set out in Section E Note (c).

(b) Dividends

Dividends to the equity shareholders of the Company attributable to each of the year during the Track Record Period are as follows:

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Dividends approved	115,801	818,204	–

The directors of the Company consider that the dividends to the equity shareholders of the Company during the Track Record Period are not indicative of the future dividend policy of the Company.

(c) Paid-in/Share capital

For the purpose of the Financial Information, the paid-in capital of the Group as at 1 January 2008 and 31 December 2008 and 2009 represented the paid-in capital of Shenyang Yuanda. The share capital of the Group at 31 December 2010 represented the amount of issued and paid-up capital of the Company, comprising 1 share and 9,999 shares at HK$0.1 issued on 26 February 2010 and 10 November 2010, respectively.

Pursuant to the Reorganisation completed on 13 November 2010, the Company, via a wholly owned subsidiary, acquired 100% equity interests in Shenyang Yuanda. The Company became the holding company of the companies now comprising the Group and accordingly, the paid-in capital of Shenyang Yuanda was eliminated when preparing the consolidated financial information of the Group from that date.

28 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve at 31 December 2008 and 2009 comprise the grant date fair value of the share-based payment awards granted to employees of the Group in periods prior to 1 January 2008 that has been recognised in accordance with the accounting policy adopted for share-based payment awards in Section C Note 1(t)(ii).

The capital reserve at 31 December 2010 comprises the amount allocated to the unexercised equity component of the Preference Shares (Section C Note 27) recognised in accordance with the accounting policy adopted for convertible preference share capital in Section C Note 1(r).

(ii) Other reserve

The other reserve at 31 December 2008, 2009 and 2010 represented (i) the aggregate amount of non-controlling interests acquired by the Group in excess of the total considerations paid; (ii) the surplus/deficit of the carrying values of the controlling equity interests in subsidiaries under common control disposed of over the considerations received; and (iii) the difference between the carrying values of the controlling equity interests in subsidiaries acquired and the considerations paid under the Reorganisation.

(iii) PRC statutory reserves

In accordance with the articles of association of the PRC subsidiaries of the Group, the PRC subsidiaries are required to set up certain statutory reserves, which are non-distributable. The appropriation to these reserves are at discretion of the directors of the PRC subsidiaries. The PRC statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(iv) Exchange reserve

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Section C Note 1(x).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in Section C Note 1(h).

(e) Distributable reserves

The Company was incorporated on 26 February 2010 and has not carried on any business since the date of its incorporation save for the Reorganisation. Accordingly, there is no reserve available for distribution to the equity shareholders of the Company at 31 December 2010.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

28 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management (continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines adjusted net debt as total debt (which includes bank and other loans and trade and bills payables) less cash and cash equivalents. Adjusted capital comprises all components of equity other than amounts recognised in equity relating to cash flow hedges.

During the Track Record Period, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at an acceptable level. The adjusted net debt-to-capital ratio increased significantly for the year ended 31 December 2010 which was mainly attributable to the completion of the Reorganisation. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 31 December 2008, 2009 and 2010 was as follows:

	At 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Current liabilities:			
Trade and bills payables	1,030,260	1,233,364	1,792,796
Bank and other loans	575,440	669,500	1,827,474
	1,605,700	1,902,864	3,620,270
Non-current liabilities:			
Bank loans	299,000	50,000	–
Redeemable convertible preference shares	–	–	302,201
	299,000	50,000	302,201
Total debt	1,904,700	1,952,864	3,922,471
Less: cash and cash equivalents	(737,631)	(705,905)	(533,723)
Adjusted net debt	1,167,069	1,246,959	3,388,748
Total equity	1,193,541	1,017,711	866,678
Less: hedging reserve	–	(3,533)	(14,026)
Adjusted capital	1,193,541	1,014,178	852,652
Adjusted net debt-to-capital ratio	98%	123%	397%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29 ACQUISITIONS OF NON-CONTROLLING INTERESTS, ACQUISITION AND DISPOSAL OF SUBSIDIARIES, AND TRANSFER OF EQUITY INTERESTS IN A SUBSIDIARY WITHIN THE GROUP

(a) Pursuant to the respective equity transfer agreements entered into between Shenyang Yuanda, a wholly-owned subsidiary of the Group, and the then non-controlling equity holders of Foshan Yuanda Aluminium Industry Engineering Co., Ltd. ("Foshan Yuanda"), Shenyang Anjie Window Cleaner Equipment Co., Ltd. ("Anjie"), Shenyang Yuanda Metal Coating Co., Ltd. ("Yuanda Coating"), Shenyang Yuanhai Trading Co., Ltd. ("Yuanhai"), Shenyang Haihui Technology Investment Co., Ltd. ("Haihui") and Shanghai Yuanda Aluminium Industry Engineering Co., Ltd. ("Shanghai Yuanda") on 1 March 2008, 15 April 2008, 16 April 2008, 17 April 2008, 17 April 2008, and 20 May 2008, respectively, Shenyang Yuanda acquired all of the remaining non-controlling interests in Foshan Yuanda, Anjie, Yuanda Coating, Yuanhai, Haihui and Shanghai Yuanda for a total consideration of RMB5.8 million, where the considerations were determined by reference to the respective portions of paid-in capital acquired. The aggregate non-controlling interests acquired amounted to RMB18.8 million.

(b) Pursuant to an equity transfer agreement entered into between Shenyang Yuanda and the then equity shareholders of Yuanda Aluminium Industry Engineering (Macao), Ltd. ("Yuanda Macao"), Shenyang Yuanda acquired 100% equity interests in Yuanda Macao for a total consideration of MOP30,000 on 11 June 2008, where the consideration was determined by reference to the paid-up capital acquired.

As Yuanda Macao was controlled by the Controlling Shareholder before and after the above acquisition, the acquisition was accounted for as business combination under common control. The results of operations of Yuanda Macao were included in the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group at the beginning of the Track Record Period, and the state of affairs of Yuanda Macao were included in the consolidated balance sheets of the Group as at 31 December 2008, 2009 and 2010.

(c) Pursuant to the equity transfer agreements entered into between Shenyang Yuanda and an affiliate of the Controlling Shareholder, Shenyang Yuanda disposed of its 90% equity interests in Shenyang Yuanda Qiancheng Rencai Information Consulting Co., Ltd. and its 75% equity interests in Shenyang Yuanda Electrical Equipment Co., Ltd. to an affiliate of the Controlling Shareholder on 7 March 2008 and 19 May 2008, respectively, for a total consideration of RMB38.4 million, where the considerations were determined by reference to the respective portions of paid-in capital disposed of. The carrying value of the net assets disposed of amounted to RMB32.3 million. The above disposals were accounted for as transactions under common control, and accordingly, the resulting surplus of RMB5.4 million (net of tax) in respect of considerations received over the carrying value of the net assets disposed of was accounted for in equity as contributions from the Controlling Shareholder.

(d) Pursuant to an equity transfer agreement entered into between Shenyang Yuanda and an affiliate of the Controlling Shareholder, Shenyang Yuanda disposed of its 75% equity interests in Shenyang Viry Steel and Glass Structure Engineering Co., Ltd. to an affiliate of the Controlling Shareholder on 13 May 2010 for a consideration of RMB7.5 million, where the consideration was determined by reference to the portion of paid-in capital disposed of. The carrying value of the net assets disposed of amounted to RMB8.7 million. The above disposal was accounted for as a transaction under common control, and accordingly, the resulting deficit of RMB1.0 million (net of tax) in respect of the carrying value of the net assets disposed of over the consideration received was accounted for in equity as a distribution to the Controlling Shareholder.

(e) Pursuant to an equity transfer agreement between Shenyang Yuanda, Yuanda Europe Ltd. and Yuanda (UK) Co., Ltd., Shenyang Yuanda transferred its 100% equity interests in Yuanda (UK) Co., Ltd. to Yuanda Europe Ltd., a 60% owned subsidiary of the Group, on 31 December 2010. The non-controlling portion of the equity interests transferred amounted to RMB3.1 million, and has been accounted for in equity as an increase in non-controlling interests.

As detailed in the section headed "History and Reorganisation" in the Document, the disposals of subsidiaries mentioned in Section C Notes 29(c) and 29(d) are carried out for the purpose to rationalise the Group's structure. In addition, the directors of the Company consider the businesses carried out by the subsidiaries disposed of are insignificant to the Group's business, and do not constitute as a separate major line of business or geographical area of operations, both individually and in aggregate. Accordingly, the disposals of these subsidiaries are not regarded as discontinued operations during the Track Record Period.

30 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

The material related party transactions entered into by the Group during the Track Record Period and the balances due from/(to) related parties at the respective balance sheet dates are set out below.

(a) Transactions with the Controlling Shareholder and his affiliates

	Note	Years ended 31 December 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Interest income	*(vii)*	6,835	5,244	–
Interest expenses	*(vii)*	3,539	10,413	–
Rental income from operating leases	*(i)*	7,261	5,894	2,221
Operating lease expenses	*(vii)*	571	–	1,899
Revenue from contract work	*(ii)*	4,402	63,313	88,523
Sale of raw materials	*(vii)*	33,624	43,513	54,899
Purchase of raw materials	*(iii)*	132,730	264,564	365,662
Disposal of property, plant and equipment	*(vii)*	–	17,684	–
Purchase of property, plant and equipment and land use rights	*(iv), (vii)*	–	–	267,910
Net increase/(decrease) in non-interest bearing advances granted to related parties	*(v), (vii)*	71,529	(283,078)	(98,035)
Net increase/(decrease) in interest bearing advances granted to related parties	*(vi), (vii)*	107,740	(134,370)	(36,630)
Net decrease in non-interest bearing advances received from related parties	*(v), (vii)*	(56,011)	(16,298)	(22,492)

Further details on guarantees provided by related parties for the Group's bank loans, acquisitions of non-controlling interests from related parties, acquisition of a subsidiary from related parties and disposal of subsidiaries to related parties are disclosed in Section C Notes 24, 29(a), 29(b), and 29(c) and 29(d), respectively.

30 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Balances due from/(to) the Controlling Shareholder and his affiliates

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Gross amount due from the Controlling Shareholder and his affiliates for contract work	17,191	23,890	58,949
Trade receivables	8,291	18,326	24,828
Prepayments	2,734	10,840	14,020
Amounts due from the Controlling Shareholder and his affiliates*	616,362	181,692	17,395
Trade payables	22,168	37,413	68,356
Receipts in advance	387	30,775	2,678
Amounts due to the Controlling Shareholder and his affiliates#	98,989	301,718	285,297

* As disclosed in Section C Note 18, the Controlling Shareholder has undertaken to repay the amount due to the Group.

\# As disclosed in Section C Note 23, the Group has undertaken to repay the amounts due to the Controlling Shareholder and his affiliates.

Further details on the above balances are set out in Section C Notes 15, 16, 17, 18, 20, 21 and 23.

(c) Transactions with non-controlling interests of the Group

		Years ended 31 December		
	Note	2008	2009	2010
		RMB'000	RMB'000	RMB'000
Net increase in non-interest bearing advances granted to related parties	*(v)*	2,585	–	2,204

(d) Balances due from non-controlling interests of the Group

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Other receivables	2,585	2,637	5,026

Further details on the above balances are set out in Section C Note 17.

30 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Notes:

(i) Included in the rental income from operating leases are amounts of RMB2.0 million, RMB0.9 million and RMB1.6 million for each of the years ended 31 December 2008, 2009 and 2010, respectively, which relate to transactions that are expected to continue. The remaining amounts relate to transactions that the directors of the Company do not expect to be continued.

(ii) Included in the revenue from contract work are amounts of RMB4.4 million, RMB42.6 million and RMB66.3 million for each of the years ended 31 December 2008, 2009 and 2010, respectively, which relate to transactions that are expected to continue. The remaining amounts relate to transactions that the directors of the Company do not expect to be continued.

(iii) Included in the purchase of raw materials are amounts of RMB125.1 million, RMB250.7 million and RMB337.2 million for each of the years ended 31 December 2008, 2009 and 2010, respectively, which relate to transactions that are expected to continue. The remaining amounts relate to transactions that the directors of the Company do not expect to be continued.

(iv) The consideration for the purchase of the property, plant and equipment and land use rights was determined by reference to the carrying amounts of those property, plant and equipment and land use rights at the Controlling Shareholder's perspective as at the procurement date.

(v) The advances are unsecured and have no fixed terms of repayment.

(vi) The advances are unsecured, bearing interest ranging from 5.30% to 7.56% during the Track Record Period and have no fixed terms of repayment, except for amounts of RMB171.0 million, RMB36.6 million and RMBNil at 31 December 2008, 2009 and 2010, respectively, which are repayable within one year.

(vii) The directors of the Company do not expect these transactions to be continued.

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Section C Note 6 and certain of the highest paid employees of the Group as disclosed in Section C Note 7, is as follows:

	Years ended 31 December		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Short-term employee benefits	20,240	21,539	17,877
Retirement scheme contributions	449	418	314
	20,689	21,957	18,191

The directors of the Company consider that the transactions entered into with related parties during the Track Record Period were conducted on normal commercial terms.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to gross amount due from customers for contract work, trade and other receivables and derivative financial instruments. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

As mentioned in Section C Note 18, the Controlling Shareholder has undertaken to repay the amounts due to the Group. Accordingly, the management of the Group expect the amounts due from the Controlling Shareholder and his affiliates are with minimal credit risk.

In respect of the gross amount due from customers for contract work and the remaining trade and other receivables other than derivative financial instruments, individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers.

Transactions involving derivative financial instruments are entered into with either banks or recognised futures exchange in the PRC, and with whom the Group has signed netting agreements. Given the high credit standing of the banks and futures exchange in the PRC, the management of the Group does not expect any counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2008, 2009 and 2010, 2.2%, 5.8% and 3.7% of the total gross amount due from customers for contract work and trade and other receivables (excluding the amounts due from the Controlling Shareholder and his affiliates), respectively, were due from the Group's largest debtor; and 8.7%, 11.4% and 8.6% of the total gross amount due from customers for contract work and trade and other receivables (excluding the amounts due from the Controlling Shareholder and his affiliates), respectively, were due from the Group's five largest debtors.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheets after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from gross amount due from customers for contract work and trade and other receivables are set out in Section C Notes 15, 16, 17 and 18.

(b) Liquidity risk

Individual operating entities within the Group are responsible for the short term investment of their own cash surpluses and the raising of financings are centrally managed by the head office of the Group to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at 31 December 2008, 2009 and 2010 of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the respective balance sheet dates) and the earliest date the Group can be required to pay:

	At 31 December 2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	1,030,260	–	–	–	1,030,260	1,030,260
Accrued expenses and other payables	358,305	–	–	–	358,305	358,305
Amounts due to the Controlling Shareholder and his affiliates	98,989	–	–	–	98,989	98,989
Bank and other loans	613,188	305,569	–	–	918,757	874,440
	2,100,742	305,569	–	–	2,406,311	2,361,994

	At 31 December 2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	1,233,364	–	–	–	1,233,364	1,233,364
Accrued expenses and other payables	420,643	–	–	–	420,643	420,643
Amounts due to the Controlling Shareholder and his affiliates	301,718	–	–	–	301,718	301,718
Bank and other loans	686,316	50,148	–	–	736,464	719,500
	2,642,041	50,148	–	–	2,692,189	2,675,225

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

	At 31 December 2009 Contractual undiscounted cash (outflow)/inflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Derivatives settled gross:					
Forward foreign exchange contracts held as cash flow hedging instruments *(Section C Note 31(d)(i))*:					
– outflow	(642,038)	(116,103)	(62,004)	–	(820,145)
– inflow	644,572	116,931	63,133	–	824,636
Other forward foreign exchange contracts *(Section C Note 31(d)(ii))*:					
– outflow	(175,946)	(3,066)	(1,958)	–	(180,970)
– inflow	176,823	3,094	1,990	–	181,907

	At 31 December 2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	1,792,796	–	–	–	1,792,796	1,792,796
Accrued expenses and other payables	492,721	–	–	–	492,721	492,721
Amounts due to the Controlling Shareholder and his affiliates	285,297	–	–	–	285,297	285,297
Bank and other loans	1,867,652	–	–	–	1,867,652	1,827,474
Redeemable convertible preference shares	–	331,135	–	–	331,135	302,201
	4,438,466	331,135	–	–	4,769,601	4,700,489

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

	At 31 December 2010 Contractual undiscounted cash (outflow)/inflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Derivatives settled gross:					
Forward foreign exchange contracts held as cash flow hedging instruments *(Section C Note 31(d)(i))*:					
– outflow	(1,090,704)	(172,553)	(12,977)	–	(1,276,234)
– inflow	1,107,771	173,532	12,055	–	1,293,358
Other forward foreign exchange contracts *(Section C Note 31(d)(ii))*:					
– outflow	(247,817)	(1,309)	–	–	(249,126)
– inflow	251,212	1,328	–	–	252,540

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group adopts a policy where it will negotiate with banks and financial institutions and attempt to maintain a relatively higher level of fixed rate borrowings during times when the economy is growing, in a view that interest rates will generally increase during these periods. In contrast, the Group will negotiate with banks and financial institutions and attempt to maintain a relatively lower level of fixed rate borrowings when the economy is recessing, in a view that interest rates will generally decrease during these periods.

(i) Interest rate profile

The following table details the interest rate profile of the Group as at 31 December 2008, 2009 and 2010:

	At 31 December 2008		At 31 December 2009		At 31 December 2010	
	Effective interest rate		Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate borrowings:						
Bank and other loans	7.05%	355,940	5.23%	260,000	5.31%	786,882
Variable rate borrowings:						
Bank and other loans	6.15%	518,500	4.81%	459,500	3.57%	1,040,592
Total borrowings		874,440		719,500		1,827,474
Fixed rate borrowings as a percentage of total borrowings		41%		36%		43%

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2008, 2009 and 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB4.6 million, RMB3.8 million and RMB8.6 million, respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits assuming that the change in interest rates had occurred at the respective balance sheet dates and had been applied to re-measure those non-derivative financial instruments held by the Group which expose the Group to cash flow interest rate risk at the respective balance sheet dates. The impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rates. The sensitivity analysis is performed on the same basis for the Track Record Period.

(d) Currency risk

The Group is exposed to currency risk primarily through revenue from contract work and purchases of imported materials which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD, Euro, SGD, AUD, GBP, CHF, KWD, Bahraini Dinar ("BHD"), JPY, QAR, Canadian Dollar ("CAD"), United Arab Emirates Dirham ("AED") and HK$.

A significant portion of the Group's business is overseas construction contracts, and these contracts are generally settled in currencies other than RMB. Given the significant fluctuations of foreign currencies against RMB during the global economic crisis in 2008, the Group commenced the use of forward foreign exchange contracts during the year ended 31 December 2009 in a view to minimise its exposure to currency risk. The Group's management believes that RMB will appreciate against most foreign currencies in the foreseeable future, accordingly, the Group will continue to increase the use of forward foreign exchange contracts to hedge its foreign currency exposure.

(i) Forecast transactions

The Group hedges portion of its estimated foreign currency exposure in respect of highly probable forecast revenue from construction contracts.

The Group uses forward foreign exchange contracts to hedge its currency risk and classifies these as cash flow hedges. At 31 December 2009 and 2010, RMB644.6 million and RMB1,107.8 million, respectively, of the forward foreign exchange contracts have maturities of less than one year after the balance sheet dates, and RMB180.0 million and RMB185.6 million, respectively, of the forward foreign exchange contracts have maturities of more than one year after the balance sheet dates.

At 31 December 2009 and 2010, the Group had forward foreign exchange contracts hedging forecast transactions with a net fair value of RMB4.5 million and RMB17.1 million, respectively, recognised as derivative financial instruments.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Recognised assets and liabilities

Changes in the fair value of forward foreign exchange contracts that economically hedge monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements (see Section C Note 4(a)). At 31 December 2009 and 2010, the net fair value of forward foreign exchange contracts used by the Group as economic hedges of monetary assets and liabilities denominated in foreign currencies was RMB0.9 million and RMB3.4 million, respectively, recognised as derivative financial instruments.

In respect of the remaining receivables and payables denominated in currencies other than the functional currency of the entity to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(iii) Exposure to currency risk

The following table details the Group's exposure at 31 December 2008, 2009 and 2010 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the respective year end dates. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	At 31 December 2008						
	USD	Euro	SGD	AUD	GBP	CHF	BHD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross amount due from customers for contract work	39,916	11,027	13,390	–	–	–	513
Trade and bills receivables	305,482	29,115	28,170	21,722	51,170	–	1,215
Deposits, prepayments and other receivables	4,343	–	8,925	–	9,386	16,156	–
Cash and cash equivalents	12,085	5	–	3,507	35	–	–
Trade and bills payables	(29,837)	–	–	–	–	–	–
Accrued expenses and other payables	(13,713)	–	–	–	–	–	–
Gross exposure arising from recognised assets and liabilities	318,276	40,147	50,485	25,229	60,591	16,156	1,728

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iii) Exposure to currency risk (continued)

	At 31 December 2009								
	USD	Euro	SGD	AUD	GBP	CHF	KWD	BHD	JPY
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross amount due from customers for contract work	29,662	57,817	17,224	8,344	–	–	–	192	2,837
Trade and bills receivables	418,906	71,564	–	82,125	42,394	–	–	–	–
Deposits, prepayments and other receivables	7,939	–	9,857	–	10,429	43,849	3,591	–	–
Cash and cash equivalents	71,596	5,075	1,793	21,901	18,459	–	–	–	–
Trade and bills payables	(32,105)	–	–	–	–	–	–	–	–
Accrued expenses and other payables	(2,914)	–	–	–	–	–	–	–	–
Gross exposure arising from recognised assets and liabilities	493,084	134,456	28,874	112,370	71,282	43,849	3,591	192	2,837
Notional amounts of forward foreign exchange contracts used as economic hedges	(151,966)	(5,896)	–	–	(24,146)	–	–	–	–
Net exposure arising from recognised assets and liabilities	341,118	128,560	28,874	112,370	47,136	43,849	3,591	192	2,837

	At 31 December 2010											
	USD	Euro	SGD	AUD	GBP	CHF	KWD	BHD	QAR	CAD	AED	HK$
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross amount due from customers for contract work	82,467	2,462	40,145	6,823	–	–	10,439	8,466	–	–	–	–
Trade and bills receivables	485,373	161,210	51,775	144,658	30,110	3,909	–	14	–	7,777	45,156	–
Deposits, prepayments and other receivables	–	–	–	–	9,707	53,980	3,532	–	1,819	–	–	–
Cash and cash equivalents	6,411	14,147	22,155	6,948	–	–	–	–	–	1,641	–	7,375
Trade and bills payables	(4,187)	(32,678)	–	–	–	–	–	–	–	–	–	–
Accrued expenses and other payables	(12,403)	(45)	–	–	–	–	–	–	–	–	–	–
Gross exposure arising from recognised assets and liabilities	557,661	145,096	114,075	158,429	39,817	57,889	13,971	8,480	1,819	9,418	45,156	7,375
Notional amounts of forward foreign exchange contracts used as economic hedges	(243,204)	–	–	–	–	(4,144)	–	–	–	(2,896)	–	–
Net exposure arising from recognised assets and liabilities	314,457	145,096	114,075	158,429	39,817	53,745	13,971	8,480	1,819	6,522	45,156	7,375

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at 31 December 2008, 2009 and 2010 had changed at those dates, assuming all other risk variables remained constant.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iv) Sensitivity analysis (continued)

	At 31 December 2008		At 31 December 2009		At 31 December 2010	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits
		RMB'000		RMB'000		RMB'000
USD	5%	14,209	5%	13,988	5%	12,735
	(5%)	(14,209)	(5%)	(13,988)	(5%)	(12,735)
Euro	30%	10,674	20%	20,936	20%	23,888
	(30%)	(10,674)	(20%)	(20,936)	(20%)	(23,888)
SGD	15%	6,712	10%	2,362	10%	9,395
	(15%)	(6,712)	(10%)	(2,362)	(10%)	(9,395)
AUD	60%	13,416	45%	41,370	20%	25,923
	(60%)	(13,416)	(45%)	(41,370)	(20%)	(25,923)
GBP	45%	24,165	25%	9,641	15%	4,886
	(45%)	(24,165)	(25%)	(9,641)	(15%)	(4,886)
CHF	30%	4,296	20%	7,175	15%	6,766
	(30%)	(4,296)	(20%)	(7,175)	(15%)	(6,766)
KWD	–	–	5%	147	10%	1,143
	–	–	(5%)	(147)	(10%)	(1,143)
BHD	5%	77	5%	8	5%	347
	(5%)	(77)	(5%)	(8)	(5%)	(347)
JPY	–	–	15%	348	–	–
	–	–	(15%)	(348)	–	–
QAR	–	–	–	–	5%	74
	–	–	–	–	(5%)	(74)
CAD	–	–	–	–	10%	536
	–	–	–	–	(10%)	(536)
AED	–	–	–	–	5%	1,847
	–	–	–	–	(5%)	(1,847)
HK$...............	–	–	–	–	5%	302
	–	–	–	–	(5%)	(302)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the respective balance sheet dates for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at 31 December 2008, 2009 and 2010, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The sensitivity analysis is performed on the same basis for 31 December 2008, 2009 and 2010.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2008, 2009 and 2010 in accordance with the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The Group's financial instruments carried at fair value at 31 December 2008, 2009 and 2010 are all measured under Level 1.

	Level 1		
	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets			
Derivative financial instruments:			
– Forward foreign exchange contracts	–	6,086	25,363
– Forward aluminium contracts	–	22,518	7,408
	–	28,604	32,771
Liabilities			
Derivative financial instruments:			
– Forward foreign exchange contracts	–	658	4,825
– Forward aluminium contracts	20,595	–	–
	20,595	658	4,825

(ii) Fair values of financial instruments carried at other than fair value

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2008, 2009 and 2010.

(iii) Estimation of fair values

The fair values of forward foreign exchange contracts and forward aluminium contracts are determined based on market prices at the respective balance sheet dates.

32 COMMITMENTS

(a) Capital commitments outstanding at each balance sheet date not provided for in the Financial Information were as follows:

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Commitments in respect of land and buildings, and machinery and equipment			
– Contracted for	8,219	11,833	35,821
– Authorised but not contracted for	45,366	26,048	82,605
	53,585	37,881	118,426

(b) At each balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 year	10,289	18,436	12,957
After 1 year but within 5 years	3,365	2,470	6,736
After 5 years	3,178	3,093	3,947
	16,832	23,999	23,640

The Group leases certain land, plant and buildings, motor vehicles and other equipment under operating leases. Except for the lease of land for a period of 50 years, the remaining leases typically run for an initial period of 1 to 10 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent lease rentals.

33 CONTINGENT LIABILITIES

(a) Guarantees issued

At each balance sheet date, the Group has issued the following guarantees:

	At 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Guarantees for construction contracts' bidding, performance and retentions	1,617,706	1,836,052	2,221,102

As at each balance sheet date, the directors of the Company do not consider it probable that a claim in excess of the provision for warranties provided by the Group will be made against the Group under any of the guarantees. The maximum liability of the Group at each balance sheet date under the guarantees issued is as the amounts disclosed above.

(b) Contingent liabilities in respect of legal claims

(i) In December 2009, Shenyang Yuanda and Yuanda Aluminium Engineering (India) Private Limited ("Yuanda India"), both wholly owned subsidiaries of the Group, jointly received a notice that they are being sued by a former sub-contractor in India in respect of Shenyang Yuanda's and Yuanda India's non-performance of the terms as stipulated in the sub-contractor agreement entered into between Shenyang Yuanda and this former sub-contractor. Shenyang Yuanda has also made a counterclaim against this sub-contractor for non-performance of the sub-contractor agreement. As at the date of this Financial Information, the above lawsuit is under reviewed before the Arbitral Tribunal of New Delhi in India. If Shenyang Yuanda and Yuanda India are found to be liable, the total expected monetary compensation may amount to approximately INR1,410.8 million (equivalent to approximately RMB211.1 million) with interest. Both Shenyang Yuanda and Yuanda India continue to deny any liability in respect of the non-performance of the terms of the sub-contract agreement and, based on legal advice, the directors of the Company do not believe it is probable that the arbitration tribunal will find against Shenyang Yuanda and Yuanda India. No provision has therefore been made in respect of this claim.

(ii) In April 2009, Shenyang Yuanda received a notice that it is being sued by a construction agent in Kuwait in respect of damages arose from the termination of the agency agreement entered into between Shenyang Yuanda and this former agent. As at the date of this Financial Information, the above lawsuit is under reviewed before the Court of First Instance in Kuwait. If Shenyang Yuanda is found to be liable, the total expected monetary compensation may amount to approximately KWD11.2 million (equivalent to approximately RMB263.3 million). Shenyang Yuanda continues to deny any liability in respect of the claim and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Shenyang Yuanda. No provision has therefore been made in respect of this claim.

33 CONTINGENT LIABILITIES (CONTINUED)

(b) Contingent liabilities in respect of legal claims (continued)

(iii) In June 2010, Yuanda Aluminium Industry Engineering (Germany) GmbH ("Yuanda Germany") filed a lawsuit against a customer in respect of its non-payment of Euro2.0 million in respect of the work carried out on this customer by Yuanda Germany. In September 2010, this customer filed a counterclaim against Yuanda Germany for non-performance of the construction contract. As at the date of this Financial Information, the above lawsuit is under reviewed before the district court of Wiesbaden in Germany. If Yuanda Germany is found to be liable, the total expected monetary compensation may amount to approximately Euro6.1 million (equivalent to approximately RMB53.7 million). Yuanda Germany continues to deny any liability in respect of the counterclaim and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Yuanda Germany. No provision has therefore been made in respect of this claim.

(iv) In September 2010, Yuanda USA Corporation ("Yuanda USA") received a notice that it is being sued by a former sub-contractor in respect of Yuanda USA's non-payment of the additional costs incurred by the sub-contractor arising from the sub-contractor agreement entered into between Yuanda USA and this former sub-contractor. Yuanda USA has also made a counterclaim against this sub-contractor for non-performance of the sub-contractor agreement. As at the date of this Financial Information, the above lawsuit is under reviewed before an arbitrator. If Yuanda USA is found to be liable, the total expected monetary compensation may amount to approximately USD2.0 million (equivalent to approximately RMB13.2 million). Yuanda USA continues to deny any liability in respect of the claim and, based on legal advice, the directors of the Company do not believe it probable that the arbitrator will find against Yuanda USA. No provision has therefore been made in respect of this claim.

(v) In addition to the lawsuits and arbitrations mentioned in Section C Notes 33(b)(i) to 33(b)(iv), certain subsidiaries of the Group are named defendant on other lawsuits or arbitrations in respect of construction work carried out by them. The directors of the Company consider the amounts of claim involved in these lawsuits and arbitrations are insignificant to the Group, both individually and in aggregate. As at the date of this Financial Information, the above lawsuits and arbitrations are under reviewed before courts or arbitrators. If these subsidiaries are found to be liable, the total expected monetary compensation may amount to approximately RMB11.5 million, of which RMB5.5 million has already been provided for a lawsuit by the Group as at 31 December 2010 (see Section C Note 22). The lawsuit that related to the provision has been settled in March 2011. The Directors of the Company consider that the provision was the best estimate of expected monetary compensation in relation to this lawsuit as at 31 December 2010. Based on legal advice, the directors of the Company do not believe it is probable that the courts or arbitrators will find against these subsidiaries of the Group on the remaining lawsuits and arbitrations.

34 ACCOUNTING JUDGEMENTS AND ESTIMATES

Section C Note 31 contains information about the assumptions and the risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Construction contracts

As explained in the accounting policies set out in Section C Notes 1(p) and 1(w)(i), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the gross amount due from customers for contract work as disclosed in Section C Note 15 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

34 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Provision for warranties

As explained in Section C Note 26, the Group makes provisions under the warranties it gives on construction of curtain wall systems contracts, taking into account the Group's recent claim experience. As the curtain wall systems required by the customers become more complex, it is probable that the recent claim experience is not indicative of future claims that it will receive in respect of past construction of curtain wall systems. Any increase or decrease in the provision would affect the income statement in future years.

(c) Impairment of receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the assessment of recoverability of individual receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(d) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Section C Note 1(l)(ii). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(e) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

35 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING 1 JANUARY 2010

As at the date of the Financial Information, the IASB has issued the following new standards, amendments to standards and interpretations which are not yet effective for the accounting period beginning 1 January 2010 and which have not been adopted in the Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IAS 32, *Financial instruments: Presentation – Classification of rights issues*	1 February 2010
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters*	1 July 2010
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Revised IAS 24, *Related party disclosures*	1 January 2011
Amendments to IFRIC 14, IAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*	1 January 2011
Amendments to IFRS 7, *Financial instruments: Disclosures- Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
IFRS 9, *Financial instruments (2009)* Basis for conclusions on IFRS 9 (2009) Amendments to other IFRSs and guidance on IFRS 9 (2009)	1 January 2013
IFRS 9, *Financial instruments (2010)* Basis for conclusions on IFRS 9 (2010) Implementation guidance on IFRS 9 (2010)	1 January 2013

The Group is in the process of making an assessment of what the impact of these new standards, amendments to standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

36 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company as at 31 December 2010 to be Best Outlook Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

37 STATUTORY AUDIT

The financial statements of the companies now comprising the Group which are subject to audit during the Track Record Period were audited by the following auditors:

Name of company	Financial year/period	Name of auditors (Note)
Shenyang Yuanda Aluminium Industry Engineering Co., Ltd. 瀋陽遠大鋁業工程有限公司	Years ended 31 December 2008, 2009 and 2010	Shenyang Gongxin Certified Public Accountants (i) 瀋陽公信會計師事務所
Shanghai Yuanda Aluminium Industry Engineering Co., Ltd. 上海遠大鋁業工程有限公司	Years ended 31 December 2008, 2009 and 2010	Liaoning Zhongputian Certified Public Accountants (i) 遼寧中普天會計師事務所
Shenyang Haihui Technology Investment Co., Ltd. 瀋陽海慧科技投資有限公司	Years ended 31 December 2008, 2009 and 2010	Liaoning Zhongputian Certified Public Accountants (i) 遼寧中普天會計師事務所
Yuanda (UK) Co., Ltd. 遠大英國有限公司	Years ended 31 December 2008, 2009 and 2010	Carter Backer Winter LLP Certified Public Accountants
Shenyang Yuanda Metal Coating Co., Ltd. 瀋陽遠大金屬噴塗有限公司	Years ended 31 December 2008, 2009 and 2010	Liaoning Zhongputian Certified Public Accountants (i) 遼寧中普天會計師事務所
Shenyang Yuanhai Trading Co., Ltd. 瀋陽遠海貿易有限公司	Years ended 31 December 2008, 2009 and 2010	Liaoning Zhongputian Certified Public Accountants (i) 遼寧中普天會計師事務所
Foshan Yuanda Aluminium Industry Engineering Co., Ltd. 佛山遠大鋁業工程有限公司	Year ended 31 December 2008	Foshan Hongxin Certified Public Accountants (i) 佛山市弘信會計師事務所
	Years ended 31 December 2009 and 2010	Foshan Liwei Certified Public Accounts Co., Ltd. (i) 佛山立為會計師事務所有限公司
Yuanda Aluminium Industry Engineering (Macao), Ltd. 遠大鋁業工程(澳門)有限公司	Years ended 31 December 2008, 2009 and 2010	Wong Wai Pan Registered Auditor 黃慧斌澳門註冊核數師
Yuanda Australia Pty Ltd. 遠大澳大利亞有限公司	Years ended 31 December 2008, 2009 and 2010	Crofts Chartered Accountants and Business Advisors

37 STATUTORY AUDIT (CONTINUED)

Name of company	Financial year/period	Name of auditors (Note)
Yuanda Qatar Aluminium Industry Engineering Co., W.L.L 遠大鋁業(卡塔爾)工程有限公司	Period from 11 February 2008 (date of incorporation) to 30 June 2009	Talal Abu-Ghazaleh & Co. International
	Period from 1 July 2009 to 31 December 2009	Talal Abu-Ghazaleh & Co. International
	Year ended 31 December 2010	Talal Abu-Ghazaleh & Co. International
Yuanda Aluminium Engineering (India) Private Limited 遠大鋁業工程(印度)私人有限公司	Period from 28 July 2008 (date of incorporation) to 31 March 2009	Ruchi Anand & Associates Chartered Accountants
	Year ended 31 March 2010	Ruchi Anand & Associates Chartered Accountants
Yuanda Europe Ltd. 遠大歐洲有限公司	Period from 29 July 2008 (date of incorporation) to 31 December 2008	Buchhaltungs Und Revisions-AG Accounting and Auditing Ltd.
	Years ended 31 December 2009 and 2010	Buchhaltungs Und Revisions-AG Accounting and Auditing Ltd.
Yuanda Curtain Wall (Hong Kong) Company Limited 遠大幕墻(香港)有限公司	Period from 14 May 2009 (date of incorporation) to 31 December 2009	Lee Sek Chiu & Hui Certified Public Accountants 李石趙許會計師樓
	Year ended 31 December 2010	Oriental Link CPA Limited 華盈會計師事務所有限公司
Yuanda Kuwait General Contracting for Buildings Underes 遠大科威特綜合建築承包有限責任公司	Period from 17 May 2009 (date of incorporation) to 31 December 2010	AL-Ahmad and Co. Certified Accountants Al-Dar Audit Bureau
Yuanda Curtain Wall (Vietnam) Co., Ltd. 遠大幕墻(越南)有限責任公司	Period from 29 July 2009 (date of incorporation) to 31 December 2009	IFC-ACA Group-Kreston International
	Year ended 31 December 2010	IFC-ACA Group-Kreston International

Note:

(i) The English translation of the names are for reference only. The official names of these accounting firms are in Chinese.

D SUBSEQUENT EVENTS

(a) Establishment of an associate

On 24 August 2010, Shenyang Yuanda has entered into a memorandum of understanding (the "MOU") with a third party in the establishment of a glass manufacturing company. Pursuant to the MOU, which is subject to further negotiation between Shenyang Yuanda and this third party and the finalisation of the related agreement, Shenyang Yuanda will obtain 49% equity interests in this new company through contribution of RMB36.8 million in the form of land use rights, production plant and equipment, and cash.

As at the date of this Financial Information, the above transaction has yet to be completed.

E BALANCE SHEET OF THE COMPANY

The Company's balance sheet at 31 December 2010 is as follows:

	At 31 December 2010
	RMB'000
Non-current assets	
Investment in a subsidiary	1
Current assets	
Prepayments and other receivables *(Section E Note(a))*	984,484
Cash and cash equivalents	35,593
	1,020,077
Current liabilities	
Accrued expenses and other payables	2,718
Bank loan *(Section E Note (b))*	690,592
	693,310
Net current assets	326,767
Total assets less current liabilities	326,768
Non-current liabilities	
Redeemable convertible preference shares *(Section C Note 27)*	302,201
Net assets	24,567
Capital and reserves	
Share capital *(Section E Note (c))*	1
Reserves *(Section E Note (c))*	24,566
Total equity	24,567

Notes:

(a) ***Prepayments and other receivables***

	At 31 December 2010
	RMB'000
Amounts due from a subsidiary	984,457
Prepayments	27
	984,484

The amounts due from a subsidiary are unsecured, non-interest bearing and have no fixed terms of repayment.

(b) ***Bank loan***

The bank loan is jointly secured by the equity interests in and loans to certain subsidiaries of the Group, the funds deposited in the account opened for the purpose of this loan and portion of the Company's shares.

The bank loan is repayable on 19 November 2011 or immediately repayable upon the occurrence of an initial public offering of the Company and listing of and permission to deal in the Company's shares on an internationally recognised securities exchange, in which the market capitalisation upon listing shall not be less than USD1,000.0 million.

(c) ***Capital and reserves***

(i) *Share capital*

The Company was incorporated on 26 February 2010 and has not carried out any business since the date of its incorporation save for the Reorganisation.

On the date of incorporation, the Company's authorised share capital is HK$380,000, comprising 3,800,000 ordinary shares of HK$0.1 each. The Company issued 1 ordinary share at par on the date of its incorporation and 9,999 ordinary shares at par on 10 November 2010, and the shares issued have been fully paid.

On 19 November 2010, the directors of the Company passed resolutions to redesignate and reclassify the Company's authorised share capital of 3,800,000 ordinary shares into 3,799,315 ordinary shares and 685 preferred shares of HK$0.1 each.

(ii) Movements in components of equity

	Share capital	Capital reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Section E Note (c)(i))	*(Section C Note 28(d)(i))*	*(Section C Note 28(d)(iv))*		
At 26 February 2010 (date of incorporation)	–	–	–	–	–
Changes in equity for 2010:					
Loss for the period	–	–	–	(6,254)	(6,254)
Other comprehensive income	–	–	279	–	279
Total comprehensive income	–	–	279	(6,254)	(5,975)
Issuance of shares *(Section E Note (c)(i))*	1	–	–	–	1
Issuance of redeemable convertible preference shares *(Section C Note 27)*	–	30,541	–	–	30,541
Transactions with equity shareholders of the Company	1	30,541	–	–	30,542
At 31 December 2010	1	30,541	279	(6,254)	24,567

F SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2010.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong