OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account of Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), Messrs. Luo Su, Luo Riming and Liao Yuqing will be our Controlling Shareholders holding 70% of the issued share capital of our Company.

Apart from the connected transactions and the possible connected transactions as set out in the section headed "Connected transactions" in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after the Listing.

INFORMATION ON OTHER COMPANIES OWNED BY OUR CONTROLLING SHAREHOLDERS

Our Group was originated from the restructuring of the Predecessor Entities, namely, Xingfa Group, Xingfa Innovation and Foshan Xingfa in which our Controlling Shareholders have interests since 1999. Immediately following the completion of the Reorganisation, apart from our Group, our Controlling Shareholders remain interested in the following companies whose businesses are related to that of our Group:

1. Xingfa Group

Xingfa Group is a limited liability company established in the PRC and owned as to 46% by Mr. Luo Su, as to 33% by Mr. Luo Riming and as to 21% by Mr. Liao Yuqing. Messrs. Luo Su, Luo Riming and Liao Yuqing are our executive Directors and Controlling Shareholders.

During the Track Record Period, Xingfa Group was principally engaged in the Aluminium Profile Business. After the Reorganisation and at present, the principal businesses of Xingfa Group include trading of aluminium ingots and leasing of certain land and premises and production machinery to our Group.

2. Xingfa Innovation

Xingfa Innovation is a joint stock company with limited liability established in the PRC and owned as to 91.3% by Xingfa Group and as to 8.7% by three Independent Third Parties. During the Track Record Period, Xingfa Innovation was principally engaged in the Aluminium Profile Business. After the Reorganisation and at present, the principal businesses of Xingfa Innovation include trading of aluminium ingots and leasing of certain land and premises and production machinery to our Group. The principal assets of Xingfa Innovation include 16 units of machinery and equipment in relation to the production of aluminium profiles which are leased to our Group pursuant to the Second Machinery Lease Agreement and 3 industrial buildings, 3 warehouses, an exhibition hall, Levels 1 to 5 of an 8-storey office building and various structures situated at Nanzhuang Town, Chancheng District, Foshan City, Guangdong Province which are leased to our Group pursuant to one of the Chancheng Lease Agreements.

3. Xinggao Aluminium

Xinggao Aluminium is a limited liability company established in the PRC and owned as to 46% by Mr. Luo Zhiyong (the son of Mr. Luo Su), 33% by Mr. Luo Riming and 21% by Mr. Liao Yuqing. Xinggao Aluminium is not currently carrying on any business other than holding the land and premises comprising the Sanshui Factory which is leased to our Group pursuant to the Sanshui Lease Agreement and an aluminium extruder of an annual designed extrusion capacity of approximately 24,000 tonnes which is leased to our Group pursuant to the Third Machinery Lease Agreement.

4. Leahin Coating

Leahin Coating is a sino-foreign equity joint venture established in the PRC and owned as to 51% by Xingfa Group and as to 49% by an Independent Third Party. The principal business of Leahin Coating is the production and sale of paint materials for use in the surface finishing process.

Leahin Coating has been supplying paint materials to our Group during the Track Record Period and will continue to supply paint materials to our Group after Listing. Please refer to the section headed "Connected transactions" for details.

5. Xingfa Curtain Wall

Xingfa Curtain Wall is a limited liability company established in the PRC and owned as to 46% by Mr. Luo Su, as to 33% by Mr. Luo Riming and as to 21% by Mr. Liao Yuqing. Messrs. Luo Su, Luo Riming and Liao Yuqing are our executive Directors and Controlling Shareholders. Xingfa Curtain Wall is principally engaged in the design and installation of curtain wall, door and window projects. Xingfa Curtain Wall became our connected person when Messrs. Luo Su, Luo Riming and Liao Yuqing purchased the entire equity interests in Xingfa Curtain Wall on 22 December 2006.

Xingfa Curtain Wall has purchased construction materials from our Group during the Track Record Period and will continue to purchase construction materials from our Group after Listing. Please refer to the section headed "Connected transactions" for details.

6. Hang Fat

Hang Fat is a limited liability company incorporated in Hong Kong on 30 May 1990.

In 1999, our Controlling Shareholders acquired from 南海市南莊鎮經濟發展總公司(Nanhai Nanzhuang Economic Development Company) 100% equity interests in and, where appropriate, all assets owned by Xingfa Group (then known as 廣東興發鋁型材廠 (Guangdong Xingfa Aluminium Profiles Factory)), Xingfa Innovation (then known as 南海廣發鋁型材廠 (Nanhai Guangfa Aluminium Profiles Factory) and Foshan Xingfa (then known as 南海興發鋁型材有限公司 (Nanhai Xingfa

Aluminium Profiles Co., Ltd.)) and Hang Fat at an aggregate consideration of RMB30.00 million. The consideration was determined by 南海市南莊鎮經濟發展總公司 (Nanhai Nanzhuang Economic Development Company) and our Controlling Shareholders after arm's length negotiation.

The issued share capital of Hang Fat is HK$1,000,000 divided into 1,000,000 shares of HK$1.00 each, all of which were beneficially owned by our Controlling Shareholders before 5 March 2008.

During the Track Record Period and up to 5 March 2008, Hang Fat was beneficially owned as to 46% by Mr. Luo Su, as to 33% by Mr. Luo Riming and as to 21% by Mr. Liao Yuqing. During the Track Record Period, Hang Fat was one of our suppliers of aluminium ingots and acted as our Group's distributor in the region of Hong Kong and Macau. Hang Fat has always been operated and supervised by Mr. Law Yung Koon, an Independent Third Party, since 1999. In order to formalise the relationships between our distributors and us, and in view of the high administrative costs in the region of Hong Kong and Macau and the relatively low margin of the sales to customers in this region, Messrs. Luo Su, Luo Riming and Liao Yuqing sold their entire interests in Hang Fat to Mr. Law Yung Koon, an Independent Third Party on 5 March 2008 at an aggregate consideration of HK$4,142,000 which was determined with reference to the audited net asset value of Hang Fat as at 31 March 2007.

Each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with our business.

Reasons for not transferring certain land and premises and production machinery owned by the Predecessor Entities to our Group

Since 28 July 2007, our Group has leased certain land and premises and production machinery with a carrying value of approximately RMB82.50 million as at 31 July 2007 owned by the Predecessor Entities, particulars of which are as follows:

(a) 102 units of machinery and equipment in relation to the production of aluminium profiles owned by Xingfa Group;

(b) 16 units of machinery and equipment in relation to the production of aluminium profiles owned by Xingfa Innovation;

(c) 12 industrial buildings, a dormitory, a research building and various structures with a total gross floor area of approximately 45,518.86 sq.m. comprised in our Chancheng Factory owned by Xingfa Group; and

(d) 3 industrial buildings, 3 warehouses, an exhibition hall, Levels 1 to 5 of an 8-storey office building and various structures with a total gross floor area of approximately 29,840.65 sq.m. comprised in our Chancheng Factory owned by Xingfa Innovation.

In formulating our Group's structure for the Listing, our Directors have considered various factors and decided that it is not in the best interest of our Group to acquire, but to lease, the land and premises and production machinery mentioned above from the Predecessor Entities. The principal reasons are summarised as follows:

1. Taking into consideration of our Group's working capital position, it is beneficial to our Group to control its capital expenditures by leasing the production machinery instead of acquiring them before Listing.

2. The land on which the Chancheng Factory is erected was sold to an Independent Third Party in December 2006 in line with the Chancheng local government's zoning policy and it is our plan to relocate our production operation to the Sanshui Factory by the end of 2009.

3. Our legal adviser as to PRC law is of the view that the purchase of machinery and equipment as well as land and premises by Xingfa Aluminium from Xingfa Group and Xingfa Innovation before and after Listing should not be governed by the Acquisition Regulations because the Acquisition Regulations only apply to foreign invested enterprise established after 8 September 2006 for the purpose of acquiring domestic companies/assets. Since Xingfa Aluminium was established before the Acquisition Regulations becoming effective on 8 September 2006 and the purchase of domestic assets is the ordinary business activity of Xingfa Aluminium, the purchase of machinery and equipment as well as land and premises before and after Listing should not be subject to the Acquisition Regulations. However, there may still be possibility that the PRC governmental authority may request such purchase be approved by the Ministry of Commerce of the PRC because the amount of assets and value involved in the purchase are relatively large and that Xingfa Group and Xingfa Innovation are related parties of our Group. In light of the uncertainty in the interpretation of the Acquisition Regulations, the Directors consider that it is hard to ascertain the exact time required for obtaining such approval but our Group has immediate need to maintain our business operation.

Our Directors considered that our Group's business operation will not be adversely affected by leasing the land and premises and production machinery and decided to lease the land and premises and production machinery from the Predecessor Entities.

Reasons for not including Xingfa Group and Xingfa Innovation in our Group

Our Directors decided that it is not in the best interest of our Group to include Xingfa Group and Xingfa Innovation in our Group for the purpose of the Listing for the following reasons:

1. The business scope of Xingfa Group after the Reorganisation is trading of aluminium ingots which is not the principal activity of our Group.

2. Xingfa Group is the holding company of Xingfa Innovation and Leahin Coating. The principal business of Leahin Coating, which is the production and sale of paint materials for use in the surface finishing process, is not the principal business activity of our Group.

3. Prior to December 2007, approximately 25.77% interest of Xingfa Innovation were held by seven Independent Third Parties. One of these seven shareholders is a state-owned enterprise. Any transfer of shares owned by a state-owned enterprise will be a time-consuming process as such transfer will be required to go through the various procedures and approval processes in respect of disposal of state-owned assets. Accordingly, our Controlling Shareholders have not proposed to the other shareholders of Xingfa Innovation for the transfer of the entire equity interest in Xingfa Innovation to Xingfa Aluminium. As an alternative, the shareholders of Xingfa Innovation passed an unanimous resolution in March 2006 to approve the scaling down of the business operation of Xingfa Innovation and that such business operation will be taken up by the proposed listed group in connection with the Reorganisation, and the cessation of the business operation of Xingfa Innovation upon completion of the Reorganisation.

Taking into account of the above reasons and in order to concentrate on the core business of our Group, we have not included the entities of Xingfa Group and Xingfa Innovation as members of our Group.

Reasons for not including Hang Fat in our Group

Although Hang Fat was the holding company of Foshan Xingfa before December 2006 when Foshan Xingfa was merged with Xingfa Aluminium and had acted as our Group's distributor in the region of Hong Kong and Macau and was one of our suppliers of aluminium ingots during the Track Record Period, our Directors decided not to include Hang Fat in our Group for the following reasons:

1. Hang Fat has always been operated and supervised by Mr. Law Yung Koon, an Independent Third Party.

2. The general and administrative costs in the region of Hong Kong and Macau are relatively high and so the margin of sales to customers in these areas are relatively low.

3. With a view to standardising the relationships between our distributors and us, our Group should not have any shareholding relationship with any of our distributors, including Hang Fat which our Controlling Shareholders were interested before 5 March 2008.

In view of the above reasons, Hang Fat was not included in our Group.

For illustration purposes only, the following table sets out certain key audited figures of Hang Fat for the four years ended 31 March 2007:

	For the year ended 31 March			
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	46,393	43,476	94,262	122,438
Gross profit	3,249	3,719	5,226	9,213
Net profit	274	425	319	482

	As at 31 March			
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets	3,085	3,436	3,711	4,142

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Group is capable of carrying on our business independently of and does not place undue reliance on the other companies owned by our Controlling Shareholders but not included in our Group ("**Excluded Group**"), taking into consideration the following factors:

1. Management team:

Each of Messrs. Luo Su, Luo Riming and Liao Yuqing, all being executive Directors, has more than 15 years of experience in the aluminium profile industry. Each of the executive Directors has entered into a service contract with our Company for a term of three years. In addition, the senior management team of our Company is experienced in the research and development, manufacture and sale of aluminium profiles. As at the Latest Practicable Date, none of Messrs. Luo Su, Luo Riming and Liao Yuqing was a director of Xingfa Group, Xingfa Innovation, Xinggao Aluminium, Leahin Coating and Xingfa Curtain Wall, each of which will have continuing connected transactions with our Group after Listing.

2. Sale of product and source of supply:

Currently, our Group negotiates and concludes sales contracts independently from the Excluded Group. Our Group has its own team of sales and marketing staff which is headed by Mr. Liao Yuqing, our executive Director. Our Group has appointed our own distributors for the sale of our products. In addition, our Group has its own procurement department which sources raw material from different domestic and overseas suppliers. Other than Hang Fat (which was a connected person of our Group during the Track Record Period), none of our Controlling Shareholders and Directors nor their respective associates has been a major supplier or major customer of our Group during the Track Record Period. During the Track Record Period, the purchase of aluminium ingots from Hang Fat only accounted for approximately 4.5%, 5.7% and 1.9% of our Group's total cost of sales. For the same periods, the sales of our Group's products to Hang Fat only accounted for approximately 2.1%, 2.1% and 4.1% of our Group's total sales respectively. On 5 March 2008, our Controlling Shareholders sold their entire interests in Hang Fat to Mr. Law Yung Koon, an Independent Third Party. As such, we will not be reliant on the Excluded Group in the procurement of our raw materials and/or the sale of our products.

Leahin Coating has been supplying paint materials to our Group. For the three years ended 31 December 2005, 2006 and 2007, our Group purchased paint materials from Leahin Coating amounting to approximately RMB9.18 million, RMB16.89 million and RMB13.63 million, representing approximately 0.8%, 1.0% and 0.7% of our Group's total cost of sales during the Track Record Period respectively.

On 29 February 2008, our Group and Leahin Coating entered into the Master Paint Materials Purchase Agreement, details of which are set out in the section headed "Connected transactions" in this prospectus. The annual cap amount for the purchase for the three years ending 31 December 2008, 2009 and 2010 is RMB25.00 million, RMB35.00 million and RMB50.00 million respectively. It is expected that the annual purchase of our Group from Leahin Coating for each of the three years ended 31 December 2010 will not exceed 5% of the Group's total cost of sales of that current year.

Xingfa Curtain Wall has been purchasing construction materials from our Group. For the three years ended 31 December 2007, our Group sold construction materials to Xingfa Curtain Wall for approximately RMB6.91 million, RMB3.17 million and RMB14.41 million, representing approximately 0.5%, 0.2% and 0.7% of our Group's total turnover during the Track Record Period respectively.

On 29 February 2008, our Group and Xingfa Curtain Wall entered into the Master Supply Agreement, details of which are set out in the section headed "Connected transaction" in this prospectus. The annual cap amount for the sale for the three years ending 31 December 2008, 2009 and 2010 is RMB50.00 million, RMB70.00 million and RMB100.00 million respectively. It is expected that the annual amount of sale of our Group to Xingfa Curtain Wall for each of the three years ended 31 December 2010 will not exceed 5% of the Group's total turnover of that current year.

3. Production premises:

Our production facilities are currently situated at the Chancheng Factory which is leased from Xingfa Group and Xingfa Innovation and at the Sanshui Factory which is leased from Xinggao Aluminium.

Negotiation for the proposed sale of the Chancheng Land commenced in June 2006 in line with the local government zoning policies. Accordingly, our Controlling Shareholders did not transfer the land and premises comprising the Chancheng Factory to Xingfa Aluminium for the purpose of the Reorganisation. Having considered the uncertainty as described below, our Group has not purchased these land and premises prior to Listing but leases the Chancheng Factory from the Excluded Group in the meantime so that the business operation will not be interrupted. Our legal adviser as to PRC law is of the view that the acquisition of the Chancheng Factory and the Sanshui Factory by Xingfa Aluminium should not be governed by the Acquisition Regulations because the Acquisition Regulations only apply to foreign invested enterprise established after 8 September 2006 for the purpose of acquiring domestic companies/assets. Xingfa Aluminium was established before the Acquisition Regulations becoming effective on 8 September 2006 and such purchase is the ordinary business activity of Xingfa Aluminium. Therefore, such purchase before and after Listing should not be governed by the Acquisition Regulations. However, there may still be possibility that the PRC governmental authority may request such purchase be approved by the Ministry of Commerce of the PRC because the amount of assets and value involved in the purchase are relatively large and that the sellers of these assets are related parties of our Group.

The Directors understand that other land and premises are readily available in Sanshui, Foshan region. Given that it is the plan of our Group to relocate its business operation in the Chancheng Factory to the Sanshui Factory by the end of 2009, the Directors consider that it is not commercially justified and not in the interests of our Group to relocate the business operation in the Chancheng Factory to another location during the interim period.

It is our Group's intention to purchase the Sanshui Factory from Xinggao Aluminium shortly after Listing and part of the net proceeds from the New Issue will be used for such purposes. Our Group will engage professional property valuers to perform the valuation of the Sanshui Factory which will form the basis of consideration of the sale and purchase of the Sanshui Factory shortly after Listing. It is expected that our Group will enter into the conditional sale and purchase agreement to purchase the Sanshui Factory within three months after Listing. Since such acquisition will be a connected transaction for the Company after Listing, it will be subject to reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. After obtaining the approval from independent shareholders of our Company, the sale and purchase agreement will be filed with the relevant land governmental authority in the PRC and the titles to the Sanshui Factory will be passed to our Group upon the new title documents are issued to our Group. It is expected that the whole process will be completed within nine months after the Listing. The expected completion time for the proposed acquisition of Sanshui Factory of nine months is longer than the proposed acquisition of machineries and equipment as mentioned below as it will take longer time to complete the filing procedures with the relevant land government authority in the PRC.

Should there be any change of PRC laws which hinders our Group in purchasing the Sanshui Factory or if independent Shareholders' approval for the acquisition of the Sanshui Factory could not be obtained, our Group will continue to lease the Sanshui Factory from Xinggao Aluminium at the fair market rental at the time of signing the new lease agreement for Sanshui Factory. In the event that our Group does not renew the Sanshui Lease Agreement with Xinggao Aluminium for whatever reasons upon its expiry and our Group is unable to continue to occupy the Sanshui Factory, the Directors consider that there will be other available production facilities in Sanshui, Foshan region to rent for replacement. On 12 December 2007, 佛山市三水中心科技工業園發展有限公司 (Foshan Sanshui Centre Science and Technology Industrial Park Development Co., Ltd.), the developer and management company of Sanshui Foshan technology and industrial development zone, has signed a memorandum of understanding with Xingfa Aluminium pursuant to which 佛山市三水中心科技工業園發展有限公司 (Foshan Sanshui Centre Science and Technology Industrial Park Development Co., Ltd.) agreed to lease about 1,000 mu (equivalent to approximately 666,667 sq.m.) of land to Xingfa Aluminium within 5 years from the date of memorandum of understanding if there is production needs for Xingfa Aluminium. The lease term is subject to negotiation depending on the needs of Xingfa Aluminium. However, 佛山市三水中心科技工業園發展有限公司 (Foshan Sanshui Centre Science and Technology Industrial Park Development Co., Ltd.) agreed that the lease term could be not less than 10 years. The Directors are of the view that 1,000 mu (equivalent to approximately 666,667 sq.m.) of land is sufficient to house our production facilities in the event that Xinggao Aluminium does not renew the lease of the Sanshui Factory with the Group upon expiry of the Sanshui Lease Agreement. In addition, our Group has also appointed certain designated staff to monitor the supply of other land and premises in Sanshui, Foshan region, and will maintain and regularly update a register of possible land and premises for relocation if needed. Based on the foregoing, the Directors believe that our Group's operation will not be materially affected if our Group fails to purchase or renew the lease of the Sanshui Factory.

Upon the completion of the relocation and the acquisition of the Sanshui Factory, our Group will own the Sanshui Factory and will no longer be required to lease production premises from the Excluded Group. Our legal adviser as to PRC law confirms that if our Group acquires the Sanshui Factory from Xinggao Aluminium after Listing, such acquisition will not be subject to the Acquisition Regulations but there may still be possibility that the PRC governmental authority may request such purchase be approved by the Ministry of Commerce of the PRC because the amount of assets and value involved in the purchase are relatively large and that the seller of the Sanshui Factory is a related party of our Group.

The consideration for the purchase of the Sanshui Factory will be determined by reference to the valuation of the Sanshui Factory. The capital value of the production premises at the Sanshui Factory had it been completed as at 31 August 2007 and the current market value of the land use rights on which the Sanshui Factory is constructed as at 31 August 2007 would have been valued at approximately RMB40.24 million and RMB159 million respectively based on the valuation performed by Jones Lang LaSalle Sallmanns Limited, an independent valuer. Approximately RMB108.14 million of the consideration will be satisfied by net proceeds from the New Issue. The remainder of the consideration will be funded by internally generated resources, debt financing or equity financing.

If there is any progress or material change of the acquisition plan, our Company will issue a separate announcement to notify the public on any changes in accordance with the Listing Rules.

For the Chancheng Lease Agreements, Xingfa Innovation and Xingfa Group have obtained the land use right certificates of the Chancheng Land. Xingfa Innovation and Xingfa Group have also obtained building ownership certificates for over 85% of the gross floor area of the buildings and structures in the Chancheng Factory. Only four buildings with the gross floor area of approximately 6,422 sq.m. which are temporary structures are without building ownership certificates.

For the Sanshui Lease Agreement, Xinggao Aluminium has obtained the land use right certificates for the land on which the Sanshui Factory is being built. Xinggao Aluminium has also obtained building ownership certificates for over 88% of the gross floor area of the buildings in the Sanshui Factory which have been leased to our Group. Xinggao Aluminium is in the course of obtaining the building ownership certificates for the remaining buildings.

Our Company's legal adviser as to PRC law has confirmed that each of the Chancheng Lease Agreements and the Sanshui Lease Agreement (other than the part without building ownership certificates) is legal and valid. As such, our Group's right to use the Chancheng Factory and the Sanshui Factory is protected. Moreover, none of the Chancheng Lease Agreements and Sanshui Lease Agreement can be unilaterally terminated by the relevant landlord.

Therefore, our Directors consider that the risk that our Group is unable to use the Chancheng Factory and the Sanshui Factory during the respective term of the Chancheng Lease Agreements and the Sanshui Lease Agreement is extremely low given the fact that such lease agreements are legally enforceable against the landlords. The Directors consider that there will be other available production facilities in Sanshui, Foshan region for rent in such an extreme case that our Group is forced to vacate the Chancheng Factory and the Sanshui Factory. Our Directors estimate that the relocation of core production facilities can be completed within six months and the estimated relocation cost should our Company be forced to relocate would be approximately RMB30 million to RMB40 million. Based on our Directors' estimation, the loss of profit attributable to Shareholders for such six month period would be approximately RMB60 million. Our Directors consider that such estimated relocation cost and loss of profit, if accrued in any given financial year, would have significant adverse impact on our profit and cash position and our business operation may be adversely affected.

Our Controlling Shareholders have agreed to undertake that in the event that our Group is being evicted from the Sanshui Factory or the Chancheng Factory prior to the expiry of the terms of the relevant lease agreements, they will indemnify our Group from any losses (including the relocation costs and the loss of profits) arising from the relocation.

On such basis, our Directors consider that we will not be reliant on the Excluded Group in the leasing of the production premises.

4. Production facilities:

The machineries and equipment leased from the Excluded Group mainly include aluminium extruders, smelters, coating machineries, mould production machineries and other production accessories. Except aluminium extruders are principal production facilities, the rest of these leased machinery and equipment are only ancillary production machineries and equipment. Among the total four aluminium extruders leased from the Excluded Group, except an aluminium extruder which was purchased in May 2007, the remaining three aluminium extruders were in use for over 10 years and the productivity and efficiency of these aluminium extruders are low and our Group has to incur repair and maintenance cost from time to time for operating these aluminium extruders.

In light of the fact that only an aluminium extruder was newly purchased, the productivity and efficiency of the remaining three aluminium extruders are low and the rest of the leased machineries and equipment are only ancillary to our core production processing, our Directors consider that the revenue or profit contribution from the machineries and equipment leased from the Excluded Group during the Track Record Period were insignificant. Our Directors estimate that the monthly revenue generated from these machinery and equipment amounted to approximately RMB9.57 million. In this connection, the estimated revenue generated from these machinery and equipment amounted to approximately RMB114.82 million, RMB114.82 million and RMB114.82 million, representing approximately 8.8%, 6.2% and 5.3% of our Group's total turnover during the Track Record Period respectively. Further, the estimated profit contribution from these leased machinery and equipment during the Track Record Period would amount to approximately RMB2.17 million, RMB3.67 million and RMB6.35 million, respectively, and represent approximately 8.4%, 6.1% and 2.2% of our Group's profit during the Track Record Period respectively. On this basis, our Directors are of the view that these machineries and equipment are insignificant to our Group.

Although these leased machineries and equipment form part of our production lines and the net book value of the machineries and equipment leased by our Group pursuant to the First Machinery Lease Agreement and the Second Machinery Lease Agreement accounted for approximately 15.0% of the value of total plant and machinery of our Group as at 31 December 2007, our Directors' are of the view that these machineries and equipments are not crucial to our Group as our Group's operation will not be materially affected by these leased machineries and equipment on the basis that these leased machineries and equipment are not tailor-made to our Group and they are readily available in the market. The Sponsor concurs with our Directors' view in this regard.

In addition, our legal adviser as to PRC law is of the view that the acquisition of these leased machineries and equipment should not be governed by the Acquisition Regulations because the provisions of Acquisition Regulations as to acquiring domestic assets only apply to foreign invested enterprise established after 8 September 2006. Xingfa Aluminium was established before the Acquisition Regulations becoming effective on 8 September 2006 and such purchase is the ordinary business activity of Xingfa Aluminium. Therefore, such purchase should not be governed by the Acquisition Regulations. However, there may still be possibility that the PRC governmental authority may request such purchase be approved by the Ministry of Commerce of the PRC because the amount of assets and value involved in the purchase are relatively large and that the seller of these assets are related parties of our Group. Having considered the uncertainty in the interpretation of the Acquisition Regulations, our Group has not purchased these machineries and equipment prior to the Listing but leases them from the Excluded Group.

Although our Group leases from Xingfa Group, Xingfa Innovation and Xinggao Aluminium certain machineries and equipment, our Directors consider that we do not place undue reliance on the Excluded Group since (i) the machineries and equipment that we currently lease from the Excluded Group are not tailor-made to our Group's business and are readily available in the market; (ii) we are able to procure machinery with comparable functions in the open market; and (iii) the revenue and profit contribution from these leased machineries and equipment during the Track Record Period were insignificant. In addition, it is one of the future plans of our Group to, depending on the valuation on such machinery and equipment to be conducted, utilise approximately RMB12.01 million from the net proceeds from the New Issue to purchase such production machinery from these companies.

Our Group will engage professional valuers to perform the valuation of the leased machineries and equipment which will form the basis of consideration of the sale and purchase of leased machineries and equipment shortly after Listing. It is expected that our Group will enter into the sale and purchase agreement to purchase the leased machineries and equipment within three months after Listing. Since such acquisition will be a connected transaction for the Company pursuant to the Listing Rules after Listing, it will be subject to reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. After obtaining the approval from independent shareholders of our Company, completion of the conditional sale and purchase will take place and such machineries and equipment will become owned by our Group. It is expected that the whole process will be completed within six months after Listing.

5. Financial resources:

As at the Latest Practicable Date, all amounts due from/to related parties (other than those which are revenue in nature) had been fully settled. As at 31 December 2007, certain bank loans and facilities of our Group were secured by corporate guarantee from certain companies owned by our Controlling Shareholders and personal guarantee by our Controlling Shareholders. Our Directors have confirmed that these guarantees will be released prior to Listing.

6. Patent:

We owned all registered patents in the PRC which are significant to our Group's business. Such registered patents relate primarily to technologies, know-how and products. Once registered, a patent in the PRC is valid for 20 years for invention and is valid for 10 years for utility model and design from the date of the patent application.

Our Directors consider that we are not reliant on the Excluded Group in this respect.

NON-COMPETITION UNDERTAKING

Each of Messrs. Luo Su, Luo Riming and Liao Yuqing has under the Deed of Non-competition undertaken and covenanted with our Company that for so long as they and/or their respective associates, directly or indirectly, whether individually or taken together, remain our Controlling Shareholders of our Company, each of them will not, and will procure his associates not to directly or indirectly (whether as an investor, shareholder, partner, agent or otherwise or whether for profit, reward or otherwise) engage or otherwise be interested in the design, manufacture and sale of aluminium profiles (other than through our Group).