*You should read the following discussion and analysis of our financial conditions and our results of operations together with our audited consolidated financial statements as at and for the three years ended 31 December 2007 and the six months ended 30 June 2008 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus (collectively the "**Financial Statements**"). The Accountants' Report has been prepared in accordance with IFRS issued by IASB. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the sections headed "Risk Factors" and "Forward-Looking Statements".*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a professional building engineering company engaging principally in the design, fabrication and installation of conventional curtain walls. We also engage in the design, fabrication and installation of thin-film BIPV systems. Our BIPV system has been recognized as one that is advanced in the PRC, according to the Certificate of Science and Technological Achievement (科學技術成果鑒定證書) granted to us by the Science and Technology Bureau of the Guangdong Province (廣東省科學技術廳) in November 2007. The certificate was granted to us after the certification committee considered various factors relating to our BIPV system including the technology involved, system specifications, system quality, customer evaluation, economic and social benefits, testing result, production process and the result of novelty assessment. Our BIPV system involves (i) the integration of photovoltaic technology into the architectural design of buildings and structures and (ii) conversion of solar energy into electricity for use. In addition, we also engage in the production and sale of solar-power products. Leveraging on our track record and wide spectrum of experiences from our curtain wall business, we will further strengthen and develop our renewable energy business in respect of BIPV systems and solar-power products. In the long run, we aspire and strive to grow into an enterprise with a focus on renewable energy business.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

The level of PRC government spending in public work related conventional curtain wall and BIPV engineering projects

A substantial segment of our business in terms of revenue is public work related curtain wall and BIPV engineering projects, which account for approximately 32.4%, 44.3% and 47.5% and 45.7%, respectively of our revenue for each of the three years ended 31 December 2007 and the six months ended 30 June 2008. Our business depends therefore to a certain extent on the level of PRC government spending on infrastructure related public works projects.

The future growth of the public work construction industry in China depends primarily upon the continuous availability of public work projects. The nature, extent and timing of these projects will, however, be determined by an interplay of a variety of factors, including the PRC government's spending on public work and the general conditions and prospects of China's economy. Since the majority of the funding for public work projects in China comes from governmental budgets, implementation of the projects relies to a significant degree on the PRC government's public policy on spending. Changes in public policy or governmental budgets may therefore have an impact on our business operations, financial condition and results of operations.

The PRC government's spending on public work has historically been vulnerable to China's economic growth and direction. A significant decrease in spending on public work in China could reduce the number and/or value of available public work projects and thus reduce the market demand for our core business. In the event that there is a reduction in the level of PRC government spending in public work as a result of change of government policies, this will adversely affect our profitability and future growth in revenue.

The level of investment in conventional curtain wall and BIPV engineering projects in respect of commercial and industrial buildings

A significant portion of our revenue is derived from conventional curtain wall and BIPV engineering projects in respect of commercial and industrial buildings, which account for approximately 48.2%, 39.9%, 38.0% and 39.2%, respectively of our revenue for each of the three years ended 31 December 2007 and the six months ended 30 June 2008. Our business therefore depends to a certain extent on the level of investment in commercial and industrial property projects by the state-owned and private sectors. In the event that there is an economic downturn which adversely affects the commercial and industrial property sectors are adversely affected by an economic downturn, our business, financial condition and results of operation, our profitability and future growth in revenue may be adversely affected.

Pricing of our projects

The majority of our revenue in the Track Record Period is derived from our engineering project based business, mainly from curtain wall engineering projects. The contract price for our curtain wall engineering projects and BIPV projects is based on our estimated project costs plus a mark-up margin. In relation to some of the projects that we wish to undertake to enhance our corporate profile, we may submit a lower tender price with a lower profit margin in order to remain competitive in the tendering process. The lower profit margin will affect our profitability. For example, in 2006, we submitted lower tender prices for a number of large commercial and industry property related curtain wall engineering projects. As a result, our profit margins in 2006 for commercial and industry property related curtain wall engineering projects were affected.

Change in our subcontracting and materials costs

Our subcontracting costs and material costs represent a significant portion of our cost of sales in the Track Record Period. Our ability to control and manage our subcontracting and materials cost will enhance our profitability. In addition, our contract price is based on our estimated project costs (which mainly include subcontracting costs and material costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers but the actual subcontracting costs and material costs will not be determined until after we have entered into agreements with our customers. Any fluctuations in the subcontracting and material costs during this period will affect our profitability.

Taxation

Like every company, our profitability is affected by the level of taxation on our income. For instance, on 16 March 2007 the National People Congress approved the New CIT Law, which became effective from 1 January 2008. According to the New CIT Law, the CIT for both domestic and foreign invested enterprises will be unified at 25%. However, there will be a transitional period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises subject to on-going CIT rates lower than 25% may continue to enjoy such lower CIT rate within five years after the effective date of the New CIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard rate for a fixed term may continue to enjoy such treatment until the fixed term expires. Upon the expiry of the existing preferential tax treatments, our PRC subsidiaries will be subject to a higher CIT rate and our financial performance will be adversely affected.

Recent global economic developments and credit crunch

The recent global economic developments and credit crunch has adversely affected the global economy. Under such deteriorating global economy and with the continual weak economic sentiment, the investment in residential, commercial and industrial property sectors may decrease and there may be delay or suspension with respect to construction, engineering or BIPV projects. As such, these factors may affect our profitability and revenue growth. Moreover, banks have been tightening credit which may aggravate the interest expenses on our bank borrowings, or banks may even reduce the amount of or discontinue the banking facilities. If the economic downturn and the weak economic sentiment continue, our business, financial condition and results of operations may be adversely affected.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations as included in this prospectus is based on the Financial Statements prepared in accordance with the principal accounting policies set forth in Note 2 to the Accountants' Report set out in Appendix I to this prospectus, which conform with IFRS. Accounting methods, assumptions and estimates that underlie the preparation of the Financial Statements affect our financial condition and results of operations reported. Such assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. Results may differ under different assumptions or conditions.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our Financial Statements. We believe that the following accounting policies involve the most significant accounting judgments and estimates used in the preparation of our Financial Statements.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(c) from the rendering of services, when the relevant services are rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Trade receivables and impairment of financial assets

Our Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are write off when there is no realistic prosper of future recovery.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that our Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured. The amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. A provision for impairment is made for available-for-sale equity investments where there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. Impairment losses on equity instrument classified as available-for-sale are not reversed through the consolidated income statement.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value (5% of cost) over its estimated useful life. The estimated useful lives are as follows:

Buildings	50 years
Machinery	5-10 years
Motor vehicles	5 years
Office equipment and furniture	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised, is the difference between the net disposal proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses. Cost comprises the direct costs of construction during the period of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. Construction in progress is not depreciated until completed and ready for use.

Convertible loans

The component of convertible loans that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On receipt of convertible loans, the fair value of the liability component is determined using a market rate for an equivalent non-convertible loan; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible loans based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditures incurred on projects to develop new products is capitalised and deferred only when our Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

PRINCIPAL INCOME STATEMENT ITEMS

Revenue

Our business can be broadly divided into engineering projects, sales of materials and other services.

Our engineering project business refers to our conventional curtain wall business and BIPV business. With respect to conventional curtain wall projects, such business includes the design, fabrication and installation of curtain walls. With respect to BIPV projects, such business includes the design, fabrication and installation of BIPV systems.

We also sell curtain wall materials and solar-power products.

Our other service business refers to the undertaking of design work relating to curtain wall engineering at our customers' request.

The following table sets out our revenue from business segments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2005		2006		2007		2007		2008	
	(RMB million)	%	*(RMB million)*	%	*(RMB million)*	%	*(RMB million)*	%	*(RMB million)*	%
Engineering Projects										
1. Conventional Curtain Walls										
– *Public work*	114.6	32.4	184.0	44.3	274.7	45.4	103.1	39.5	144.7	38.6
– *Commercial and industrial buildings*	170.5	48.2	165.4	39.9	210.3	34.8	109.0	41.7	146.2	39.0
– *High-end residential buildings*	23.8	6.7	24.1	5.8	13.7	2.3	2.4	0.9	9.2	2.5
	308.9	87.3	373.5	90.0	498.7	82.5	214.5	82.1	300.1	80.1
2. BIPV										
– *Public work*	–	–	–	–	12.7	2.1	7.3	2.8	26.6	7.1
– *Commercial and industrial buildings*	–	–	–	–	19.5	3.2	3.3	1.3	0.9	0.2
	–	–	–	–	32.2	5.3	10.6	4.1	27.5	7.3
Sub-total	308.9	87.3	373.5	90.0	530.9	87.8	225.1	86.2	327.6	87.4
Sales of materials										
1. Curtain wall materials	44.0	12.5	40.4	9.7	67.0	11.0	35.8	13.7	42.9	11.5
2. Solar-power products	–	–	–	–	5.8	1.0	–	–	3.1	0.8
Sub-total	44.0	12.5	40.4	9.7	72.8	12.0	35.8	13.7	46.0	12.3
Other services	0.8	0.2	1.1	0.3	1.0	0.2	0.2	0.1	1.0	0.3
Total	353.7	100.0	415.0	100.0	604.7	100.0	261.1	100.0	374.6	100.0

The revenue derived from our conventional curtain wall business is construction contract revenue. Our construction contract revenue in our conventional curtain wall business is mainly derived from public work related curtain wall engineering projects and commercial and industrial building projects. Our construction contract revenue increased from 2005 to 2007, mainly due to the increase in revenue in public work related curtain wall engineering projects and commercial and industrial building projects. Our construction contract revenue from public work related curtain wall engineering projects increased from RMB114.6 million in 2005 to RMB274.7 million in 2007, representing a CAGR of 54.8%, due to the new contracts we entered in this period, such as the work on Anqing Broadcast and Television Center (安慶廣播電視中心), Inner Mongolia Wulanqiate Theater (內蒙古烏蘭洽特大劇院), Wuchang Railway Station (武昌火車站) and Yancheng Railway Station (鹽城火車站). Our contract revenue from commercial and industrial building projects increased from RMB170.5 million in 2005 to RMB210.3 million in 2007, representing a CAGR of 11.1%, due to the new contracts we entered in this period, such as the work on Dongguan Central Fortune Plaza (東莞中環財富廣場), Beijing Yuanyang Guanghua International, Block C and D Main Body Curtain Wall Project (北京遠洋光華國際C、D座主體部位幕牆工程), Beijing 21st Century Building (北京二十一世紀大廈).

Our construction contract revenue from conventional curtain wall projects increased by 40.0% from RMB214.5 million for the six months ended 30 June 2007 to RMB300.1 million for the six months ended 30 June 2008, mainly due to the increase in revenue in public work related curtain wall engineering projects. Our construction contract revenue from public work related curtain wall engineering projects increased by 40.3% from RMB103.1 million for the six months ended 30 June 2007 to RMB144.7 million for the six months ended 30 June 2008, mainly due to (i) the new contracts we entered in the second half of 2007 and the first half of 2008, such as the work on the Kunming City Government Administrative Office Building Construction Project – Curtain Wall Construction (2nd Phase) (昆明市市級黨政機關辦公用房 建設項目的建築幕牆施工(第二標段)), Nujiang Jiangzhou Autonomous Perfecture Administration Centre Headquarters (怒江江州級行政中心建設指揮部) and Nanjing Information Engineering University (南京信息工程大學) and (ii) there were more public work related curtain wall engineering projects in the second half of 2007.

Our Group has no uniform minimum percentage of completion to start recognizing revenue and profit on construction contracts.

Our Group recognizes revenue and contract costs associated with the fixed price construction contract when the outcome of a construction contract can be estimated reliably, i.e. when all the following conditions are satisfied according to IAS11:

- Total contract revenue can be measured reliably;
- It is probable that the economic benefits associated with the contract will flow to the entity;
- Both the contract costs to complete the contract and the stage of contract completion at the balance sheet date can be measured reliably; and
- The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

In relation to construction contracts, we normally receive progress payments from our customers with reference to the value of the works finished. We will submit the work progress report to our customers. The work progress will then be verified and certified by our customers and the authorised persons engaged by our customers such as the architects, engineers and surveyors and we will issue bills to our customers and request for progress payments. It is our practice to recognise revenue from construction contracts upon the work progress being verified and certified by our customers or authorised persons engage by our customers.

Our BIPV business began to generate revenue in 2007 from projects such as Curtain Wall Project of National Olympic Sports Center Stadium (國際奧林匹克體育中心體育場幕牆工程), Green Corridor of Yuehai Park of Weihai City (威海市悦海公園綠色長廊), Weihai Tianan Property Limited, Guanyinshan International Commercial Operation Centre A1 Block Curtain Wall Project (觀音山國際商務營運中心啓動區A1地塊幕牆工程). The revenue generated from our BIPV business increased by 159.4% from RMB10.6 million for the six months ended 30 June 2007 to RMB27.5 million for the six months ended 30 June 2008. The majority revenue of BIPV project in 2007 was generated from projects in the second half of 2007.

Our solar-power product business also began to generate revenue in the second half of 2007 of RMB5.8 million from the sale of solar home system. For the six months ended 30 June 2008, the revenue generated from our solar-power product business amounts to RMB3.1 million.

Cost of sales

Our cost of sales comprise of material costs, subcontracting costs and manufacturing overheads. Subcontracting costs include the costs of our subcontractors. Manufacturing overheads represent utility charges, such as those relating to power and water supply, and testing and inspection charges.

The following table sets forth the breakdown on our cost of sales of our business segments during the Track Record Period:

	Year ended 31 December			**Six months ended 30 June**	
	2005	**2006**	**2007**	**2007**	**2008**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
Engineering Projects					
1. Conventional Curtain Walls					
– Public work	93.9	152.3	226.7	85.3	117.1
– Commercial and industrial buildings	141.8	139.4	176.2	90.3	120.2
– High-end residential buildings	19.5	20.4	11.5	2.1	7.7
Sub-total	255.2	312.1	414.4	177.7	245.0
2. BIPV					
– Public work	–	–	7.9	4.5	16.9
– Commercial and industrial buildings	–	–	12.1	2.0	0.6
Sub-total	–	–	20.0	6.5	17.5
Sales of materials					
1. Curtain wall materials	35.3	32.8	54.3	28.9	33.9
2. Solar-power products	–	–	4.1	–	2.1
Sub-total	35.3	32.8	58.4	28.9	36.0
Total	290.5	344.9	492.8	213.1	298.5

Gross profit and gross profit margin

During the Track Record Period, the gross profit and gross profit margin of our engineering projects, and sales of materials are set out in the following tables:

Gross profit

	Year ended 31 December						Six months ended 30 June			
	2005		2006		2007		2007		2008	
	(RMB million)	*(%)*	*(RMB million)*	*(%)*	*(RMB million)*	*(%)*	*(RMB million)*	*%*	*(RMB million)*	*%*
Engineering Projects										
Conventional Curtain Walls	53.7	85.0	61.4	87.6	84.3	75.3	36.8	76.8	55.1	72.4
BIPV	–	–	–	–	12.2	10.9	4.1	8.5	10.0	13.2
Sales of materials										
Curtain wall materials	8.7	13.9	7.6	10.8	12.7	11.3	6.9	14.3	9.0	11.8
Solar-power products	–	–	–	–	1.7	1.5	–	–	1.0	1.2

Gross profit margin

	Year ended 31 December			Six months ended 30 June	
	2005	2006	2007	2007	2008
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
Engineering Projects					
Conventional Curtain Walls	17.4	16.4	16.9	17.2	18.4
BIPV	–	–	37.9	38.7	36.4
Sales of materials					
Curtain wall materials	19.8	18.8	19.0	19.3	21.0
Solar-power products	–	–	29.3	–	32.3
Overall gross profit margin	17.9	16.9	18.5	18.4	20.3

The gross profit margin of our conventional curtain wall engineering projects remained stable in the Track Record Period between 16.4% to 18.4%.

The gross profit margin of our BIPV engineering projects and sale of solar-power products are significantly higher than that of our conventional curtain wall engineering projects. Our Directors believe that this is because these businesses require a higher level of technical expertise and that the level of competition is less intense that than of the conventional curtain wall engineering projects. In 2007, the gross profit margin of our BIPV engineering projects and sale of solar-power product are 37.9% and 29.3% respectively. As the contribution of revenue generated from our BIPV engineering projects and sale of solar-power products was not significant in 2007, the higher gross profit margin of these two businesses only slightly improves our overall gross margin in 2007. The overall gross profit margin for the six months ended 30 June 2008 increased slightly to 20.3% due to the increase in contribution of revenue generated from BIPV projects. The gross profit margin of our BIPV engineering projects and sale of solar power products for the six months ended 30 June 2008 remained stable at 36.4% and 32.3% respectively.

Other income and gains

Our other income and gains mainly consist of interest income and gains on disposal of property, plant and equipment.

Selling and distribution costs

Our selling and distribution costs mainly include staff costs, office expenses, travelling expenses, project development and advertising expenses, entertainment and others.

The following table sets out the breakdown of our selling and distribution costs during the Track Record Period:

	Year ended 31 December			**Six months ended 30 June**	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Staff costs	899	850	1,287	478	946
Office expenses	577	397	920	547	750
Travelling expenses	631	962	1,322	794	538
Project development and advertising expenses	141	298	593	23	574
Entertainment	1,863	2,582	2,558	1,063	1,456
Others *(Note)*	747	974	944	398	1,273
Total	4,858	6,063	7,624	3,303	5,537

Note: Others include consumable expenses, rental expenses and miscellaneous expenses.

Administrative expenses

Our administrative expenses mainly include staff costs, office expenses, depreciation, professional fees, research and development expenses, impairment of trade and other receivables and others.

The following table sets out the breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Staff costs	5,309	6,395	10,128	4,572	5,857
Office expenses	990	946	1,616	658	1,096
Depreciation	906	896	971	378	489
Professional fees	3,729	843	7,318	2,266	565
Research and development expenses	5,950	234	578	206	506
Impairment of trade and other receivables	200	100	357	–	–
Others *(Note)*	2,144	2,321	3,054	1,027	3,464
Total	19,228	11,735	24,022	9,107	11,977

Note: Others include entertainment expenses, travelling expenses, consumable expenses, staff benefits and miscellaneous expenses.

Other expenses

Other expenses include bank handling charges, exchange loss and other expenses.

Finance costs

Our finance costs mainly include interests expenses on bank borrowings, convertible loans and other borrowings.

Income tax

During the Track Record Period, our income tax expenses were RMB7,000, nil, RMB8.2 million and RMB5.5 million, respectively for each of the three years ended 31 December 2007 and the six months ended 30 June 2008.

During the Track Record Period, our subsidiaries comprising our Group were subject to different income tax rates and enjoy certain tax exemption in the PRC.

In accordance with the "Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises", the Company's PRC subsidiaries, Zhuhai Singyes and Singyes Renewable Energy, are subject to the CIT as follows:

Zhuhai Singyes

Zhuhai Singyes was subject to the CIT at a rate of 15% during the Relevant Periods, which is the preferential tax rate for enterprises in the Zhuhai Special Economic Zone. Pursuant to the documents "Zhu Xiang Guo Shui Han [2006] No. 2" issued by the Zhuhai Xiangzhou District Branch of the State Tax Bureau dated 6 January 2006, Zhuhai Singyes, as a production enterprise with foreign investment established in Zhuhai Special Economic Zone and its first profitable year was 2005, is entitled to a full exemption from CIT for the first two years and a 50% deduction in CIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. The first profitable year of Zhuhai Singyes was 2005. Therefore, Zhuhai Singyes was exempted from CIT for 2005 and 2006 and subject to CIT at a reduced rate of 7.5% (half of 15%) for 2007.

Singyes Renewable Energy

Singyes Renewable Energy was established in October 2007 and subject to the CIT at a rate of 15% for 2007, which is the preferential tax rate for enterprises in the Zhuhai Special Economic Zone. Singyes Renewable Energy was not subject to CIT in 2007 due to its accumulated losses.

On 16 March 2007, the National People's Congress approved the New CIT Law, which became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

In accordance with "Guo Fa [2007] No. 39" promulgated on 26 December 2007:

(a) from 1 January 2008, for enterprises that enjoy a preferential tax rate of 15%, the tax rate will be transitioned to 25% over five years at rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; and

(b) from 1 January 2008, the enterprises that originally enjoyed the preference of regular tax reduction and exemption, will continue to enjoy the original preference in accordance with the preferential measures and terms stipulated by the original tax law, administrative regulations and relevant documents until the expiration of the preference.

In this connection, Zhuhai Singyes will enjoy the preferential tax rates of 9% in 2008, 10% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and Singyes Renewable Energy will be subject to the CIT at the rate of 25% starting 2008.

During the three years ended 31 December 2007, we engaged certain subcontractors which had delayed in providing their invoices to us. Without obtaining the relevant invoices on time before the tax filing, our Group was unable to treat such expenses as deductible expenses in that year. The amount of income tax arising as a result of these expenses increased significantly from RMB385,000 in 2006 to RMB3,920,000 in 2007 because there were more purchases without obtaining invoices on time which was in line with our expanding business. Substantially all of the delayed invoices were received after the deadline for their tax filing, but the Company would not be able to claim tax deduction on these delayed invoices.

Since Innofast Investments was incorporated in Hong Kong, the applicable Hong Kong profits tax was 17.5% during the Track Record Period.

Our Company was incorporated in Bermuda as an exempted company and is not subject to any corporate income tax in Bermuda.

Minority interests

Pursuant to the "Profits Transfer Agreement" entered into between Innofast Investments and Mr. Liu and Mr. Sun, if in any financial year the distributable profits exceeds RMB100,000, Mr. Liu and Mr. Sun are entitled, in aggregate, to RMB100,000 and Innofast Investments will be entitled to the remaining balance; and if the distributable profits does not exceed RMB100,000, such profits will be shared by all parties in proportion to their respective equity interests in Zhuhai Singyes.

Since in all financial years of the Track Record Period, the distributable profits exceeded RMB100,000, and accordingly Mr. Liu and Mr. Sun were entitled to a maximum aggregate of RMB100,000 per year.

Pursuant to the resolution of the board of directors of Zhuhai Singyes on 19 December 2008, the net profits of Zhuhai Singyes for the year ending 31 December 2008, after appropriations to the reserve fund and the enterprise expansion fund and fixed annual return of RMB100,000 to Mr. Liu Hongwei and Mr. Sun Jinli, will be used for the business development of Zhuhai Singyes and will not be distributed to its shareholders.

Results of operations

The following table summarises the consolidated income statement date from the Financial Statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus. The financial information contained herein and in the Accountants' Report in the Appendix I to this prospectus is prepared in accordance with IFRS.

	Year ended 31 December			**Six months ended 30 June**	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	353,659	414,969	604,688	261,105	374,571
Cost of sales	(290,461)	(344,886)	(492,764)	(213,085)	(298,482)
Gross profit	63,198	70,083	111,924	48,020	76,089
Other income and gains	151	108	408	30	457
Selling and distribution costs	(4,858)	(6,063)	(7,624)	(3,303)	(5,537)
Administrative expenses	(19,228)	(11,735)	(24,022)	(9,107)	(11,977)
Other expenses	(88)	(224)	(650)	(246)	(577)
Finance costs	(1,794)	(1,988)	(1,396)	(857)	(776)
Profit before tax	37,381	50,181	78,640	34,537	57,679
Income tax	(7)	–	(8,244)	(3,795)	(5,515)
Profit for the year/period	37,374	50,181	70,396	30,742	52,164
Attributable to:					
Equity holders of the Company	37,274	50,081	70,296	30,692	52,114
Minority interests	100	100	100	50	50
	37,374	50,181	70,396	30,742	52,164
Dividends	–	–	–	–	–
Earnings per share attributable to equity holders of the Company:					
Basic	RMB31.06	RMB41.73	RMB54.14	RMB25.39	RMB35.67
Diluted	RMB26.74	RMB35.63	RMB48.38	RMB21.69	N/A

Period to period comparison of results of operations

Six months ended 30 June 2008 compared to six months ended 30 June 2007

Revenue

Our revenue increased by approximately RMB113.5 million, or approximately 43.5% from approximately RMB261.1 million for the six months ended 30 June 2007 to approximately RMB374.6 million for the six months ended 30 June 2008. Such increase was primarily attributable to the substantial increase in revenue recognised from the inclusion of new public work related curtain wall engineering projects for the six months ended 30 June 2008, such as the work on the Kunming City Government Administrative Office Building Construction Project – Curtain Wall Construction (2nd Phase) (昆明市市級黨政機關辦公用房建設項目的建築幕牆施工(第二標段)), Nujiang Jiangzhou Autonomous Perfecture Administration Centre Headquarters (怒江江州級行政中心建設指揮部) and Nanjing Information Engineering University (南京信息工程大學), and the increase in the revenue generated from our BIPV business. The revenue from public work related curtain wall engineering projects for the six months ended 30 June 2008 was approximately RMB144.7 million, amounted to approximately 40.3% increase from approximately RMB103.1 million for the six months ended 30 June 2007. The revenue generated from our BIPV business increased by 159.4% from RMB10.6 million for 2007 to RMB27.5 million for the six months ended 30 June 2008.

For the six months ended 30 June 2008, RMB11.8 million of our revenue was derived from overseas market.

In addition, the increase in revenue was also attributable to an increase in the sales of curtain wall materials of approximately RMB7.1 million, or approximately 19.8% from approximately RMB35.8 million for six months ended 30 June 2007 to approximately RMB42.9 million for the six months ended 30 June 2008.

Furthermore, our sale of solar-power products contributed approximately RMB3.1 million of revenue for the six months ended 30 June 2008.

Cost of sales

Our total cost of sales increased by approximately RMB85.4 million, or approximately 40.1% from approximately RMB213.1 million for the six months ended 30 June 2007 to approximately RMB298.5 million for the six months ended 30 June 2008. The increase in the cost of sales was in line with the increase in the total revenue.

The cost of sales relating to conventional curtain wall engineering projects increased by approximately RMB67.3 million, or approximately 37.9% from approximately RMB177.7 million for the six months ended 30 June 2007 to approximately RMB245.0 million for the six months ended 30 June 2008.

The cost of sales relating to BIPV projects increased by 169.2% from RMB6.5 million for the six months ended 30 June 2007 to RMB17.5 million for the six months ended 30 June 2008.

The costs of sales relating to sale of curtain wall materials increased by approximately RMB5.0 million, or approximately 17.3% from approximately RMB28.9 million for the six months ended 30 June 2007 to approximately RMB33.9 million for the six months ended 30 June 2008.

Gross profit and gross profit margin

Gross profit increased by approximately RMB28.1 million, or approximately 58.5% from approximately RMB48.0 million for the six months ended 30 June 2007 to approximately RMB76.1 million for the six months ended 30 June 2008.

The gross profit margin for the six months ended 30 June 2007 was approximately 18.4%, whereas the gross profit margin for the six months ended 30 June 2008 increased slightly to 20.3%. This was mainly attributable to the increase in contribution of revenue generated from the BIPV engineering projects, which are of higher gross profit margin, accounted for 7.3% of the revenue of our Group for the six months ended 30 June 2008.

Other income and gains

Other income and gains increased by approximately RMB427,000, from approximately RMB30,000 for the six months ended 30 June 2007 to approximately RMB457,000 for the six months ended 30 June 2008. Such increase was primarily attributable to the increase in interest income as a result of the increase in our Group's cash balance.

Selling and distribution costs

Selling and distribution costs increased by approximately RMB2.2 million, or approximately 66.7% from approximately RMB3.3 million for the six months ended 30 June 2007 to approximately RMB5.5 million for the six months ended 30 June 2008. The increase was mainly due to the increase in staff costs of approximately RMB468,000, increase in project development and advertising expenses of approximately RMB551,000, increase in entertainment expenses of approximately RMB393,000 and increase in consumable expenses of approximately RMB409,000, due to business growth, and the increase in rental expenses mainly with respect to the provision of accommodation for staffs located outside Zhuhai in the six months ended 30 June 2008.

Administrative expenses

Administrative expenses increased by approximately RMB2.9 million, or approximately 31.9% from approximately RMB9.1 million for the six months ended 30 June 2007 to approximately RMB12.0 million for the six months ended 30 June 2008. The increase was mainly due to the combined effect of (1) increase in our staff costs of approximately RMB1.3 million from approximately RMB4.6 million for the six months ended 30 June 2007 to approximately RMB5.9 million for the six months ended 30 June 2008; and (2) the increase in office expenses of approximately RMB438,000, the increase in traveling expenses of approximately RMB619,000, mainly due to business growth and the decrease in professional fees of approximately RMB1.7 million. The profession fees incurred by our Group was significantly higher in 2007 as it incurred approximately RMB1.9 million professional fees for the US$8 million loan transaction.

Other expenses

Other expenses increased by approximately RMB331,000 from approximately RMB246,000 for the six months ended 30 June 2007 to approximately RMB577,000 for the six months ended 30 June 2008, mainly due to the increase in bank charges.

Finance costs

Finance costs decreased slightly by approximately RMB81,000, or approximately 9.5% from approximately RMB857,000 for the six months ended 30 June 2007 to approximately RMB776,000 for the six months ended 30 June 2008 primarily due to the decrease in interest on convertible loans.

Income tax

The effective tax rate of our Group decreased from approximately 11.0% for the six months ended 30 June 2007 to approximately 9.6% for the six month ended 30 June 2008, mainly due to the decrease in income tax liability arising from expenses that are not deductible for income tax purpose from approximately RMB2.2 million for the six months ended 30 June 2007 to approximately RMB613,000 for the six months ended 30 June 2008, which was partially offset by the increase in corporate income tax rates for Zhuhai Singyes from 7.5% in 2007 to 9% in 2008.

Profits attributable to equity holders of our Company

Based on the above factors, profit attributable to equity holders of our Company increased by approximately RMB21.4 million, or approximately 69.7% from approximately RMB30.7 million for the six months ended 30 June 2007 to approximately RMB52.1 million for the six months ended 30 June 2008. Net profit margin increased from 11.8% for the six months ended 30 June 2007 to 13.9% for the six months ended 30 June 2008.

Profits attributable to minority interests

Mr. Liu and Mr. Sun were entitled in aggregate in the sum of RMB50,000 of the distributable profits in Zhuhai Singyes pursuant to the Profit Transfer Agreement for the six months ended 30 June 2007 and 30 June 2008.

Year ended 31 December 2007 compared to year ended 31 December 2006

Revenue

Our revenue increased by approximately RMB189.7 million, or approximately 45.7% from approximately RMB415.0 million for the year ended 31 December 2006 to approximately RMB604.7 million for the year ended 31 December 2007. Such increase was primarily attributable to the substantial increase in revenue recognised from the inclusion of new conventional curtain wall engineering projects for the year ended 31 December 2007, such as Yuanyang Guanghua International Block C and D Main Body Curtain Wall Project (北京遠洋光華國際C、D座主體部位幕牆工程) in Beijing, Sun Palace Building Windows and Curtain Wall Supply and installation First Phase project (太陽宮第一期樓外窗及幕牆供貨及安裝工程) in Beijing and Jiugang Staff Cultural Activities Centre (酒鋼職工文化活動中心) in Jiugong, Gongsu province. The revenue from conventional curtain wall engineering projects for the year ended 31 December 2007 was approximately RMB498.7 million, amounted to approximately 33.5% increase from approximately RMB373.5 million for the year ended 31 December 2006.

Also, the increase in revenue was also attributable to an increase in the sales of curtain wall materials of approximately RMB26.6 million, or approximately 65.8% from approximately RMB40.4 million for the year ended 31 December 2006 to approximately RMB67.0 million for the year ended 31 December 2007.

Furthermore, our Group commenced our BIPV engineering projects and sale of solar-power products in the year ended 31 December 2007 and each of these businesses contributed approximately RMB32.2 million and RMB5.8 million of revenue respectively.

Cost of sales

Our total cost of sales increased by approximately RMB147.9 million, or approximately 42.9% from approximately RMB344.9 million for the year ended 31 December 2006 to approximately RMB492.8 million for the year ended 31 December 2007. The increase in the cost of sales was in line with the increase in the total revenue.

The cost of sales relating to conventional curtain wall engineering projects increased by approximately RMB102.3 million, or approximately 32.8% from approximately RMB312.1 million for the year ended 31 December 2006 to approximately RMB414.4 million for the year ended 31 December 2007.

The costs of sales relating to sale of curtain wall materials increased by approximately RMB21.5 million, or approximately 65.5% from approximately RMB32.8 million for the year ended 31 December 2006 to approximately RMB54.3 million for the year ended 31 December 2007.

Gross profit and gross profit margin

Gross profit increased by approximately RMB41.8 million, or approximately 59.6% from approximately RMB70.1 million for the year ended 31 December 2006 to approximately RMB111.9 million for the year ended 31 December 2007.

The gross profit margin for 2006 was approximately 16.9%, whereas the gross profit margin for 2007 increased slightly to 18.5%. This was mainly attributable to the higher gross profit margin of approximately 37.9% from the BIPV engineering projects which commenced in 2007.

Other income and gains

Other income and gains increased by approximately RMB300,000, from approximately RMB108,000 for the year ended 31 December 2006 to approximately RMB408,000 for the year ended 31 December 2007. Such increase was primarily attributable to the increase in interest income and gain on disposal of items of property, plant and equipment.

Selling and distribution costs

Selling and distribution costs increased by approximately RMB1.5 million, or approximately 24.6% from approximately RMB6.1 million for the year ended 31 December 2006 to approximately RMB7.6 million for the year ended 31 December 2007. The increase was mainly due to the increase in staff costs of approximately RMB0.4 million, office expenses of approximately RMB0.5 million, travelling expenses of approximately RMB0.4 million, and project development and advertising expenses of approximately RMB0.3 million due to business growth.

Administrative expenses

Administrative expenses increased by approximately RMB12.3 million, or approximately 105.1% from approximately RMB11.7 million for the year ended 31 December 2006 to approximately RMB24.0 million for the year ended 31 December 2007. The increase was mainly due to (1) a substantial increase in our staff costs of approximately RMB3.7 million from approximately RMB6.4 million for the year ended 2006 to approximately RMB10.1 million for the year ended 31 December 2007; and (2) a substantial increase in the professional fees of approximately RMB6.5 million, from approximately RMB0.8 million for the year ended 31 December 2006 to approximately RMB7.3 million for the year ended 31 December 2007. The increase in staff costs was primarily attributable to the increase in the number of staff in our photovoltaic department and design department. The increase in professional fees was primarily due to the professional fees amounting to approximately RMB4.5 million incurred for the US$8 million (equivalent to approximately RMB55.7 million) loan transaction.

Other expenses

Other expenses increased by approximately RMB426,000 from approximately RMB224,000 for the year ended 31 December 2006 to approximately RMB650,000 for the year ended 31 December 2007, mainly due to the increase in bank handling charges and exchange loss.

Finance costs

Finance costs decreased by approximately RMB0.6 million, or approximately 30.0% from approximately RMB2.0 million for the year ended 31 December 2006 to approximately RMB1.4 million for the year ended 31 December 2007 primarily due to the amount of interest of approximately RMB1.4 million that has been waived and a decrease in interest payment on convertible loan after the conversion of such convertible loan taking place in July 2007 but was partially offset by the additional interest payable on bank borrowings and other borrowings.

Income tax

Zhuhai Singyes is subject to the CIT at a rate of 15% in 2006 and 2007, which is the preferential tax rate for enterprises in the Zhuhai Special Economic Zone. Pursuant to the documents "Zhu Xiang Guo Shui Han [2006] No. 2" issued by the Zhuhai Xiangzhou District Branch of the State Tax Bureau dated 6 January 2006, Zhuhai Singyes, as a foreign investment enterprise, is entitled to a full exemption from CIT for the first two years and a 50% deduction in CIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. The first profitable year of Zhuhai Singyes was 2005. Therefore, Zhuhai Singyes was exempted from CIT for 2006 and subject to CIT at a rate of 7.5% for 2007.

Singyes Renewable Energy was established in October 2007 and subject to the CIT at a rate of 15% for 2007, which is the preferential tax rate for enterprises in the Zhuhai Special Economic Zone. Singyes Renewable Energy was not subject to CIT in 2007 due to accumulated losses.

The effective tax rate of our Group for the year ended 31 December 2007 was approximately 10.5% whereas no provision for PRC income has been made for the year ended 31 December 2006. In 2006, such reduction is mainly attributable to the tax concessions enjoyed by Zhuhai Singyes since its net profit was exempted from income tax in the PRC for its second profit-making year.

Profits attributable to equity holders of our Company

Based on the above factors, profit attributable to equity holders of our Company increased by approximately RMB20.2 million, or approximately 40.3% from approximately RMB50.1 million for the year ended 31 December 2006 to approximately RMB70.3 million for the year ended 31 December 2007. Net profit margin remained stable and decreased slightly from 12.1% for the year ended 31 December 2006 to 11.6% for the year ended 31 December 2007.

Profits attributable to minority interests

Mr. Liu and Mr. Sun were entitled in aggregate in the sum of RMB100,000 of the distributable profits in Zhuhai Singyes pursuant to the Profit Transfer Agreement in both 2006 and 2007.

Year ended 31 December 2006 compared to year ended 31 December 2005

Revenue

Our revenue increased by approximately RMB61.3 million, or approximately 17.3% from approximately RMB353.7 million for the year ended 31 December 2005 to approximately RMB415.0 million for the year ended 31 December 2006.

Such increase was primarily attributable to the revenue recognised from the new conventional curtain wall engineering projects for the year ended 31 December 2006, including several large projects such as Anqing Broadcast and Television Center (安慶廣播電視中心), Inner Mongolia Wulanqiate Theater (內蒙古烏蘭洽特大劇院), Beijing Yuanyang Guanghua International Block C and D Main Body Curtain Wall Project (北京遠洋光華國際C、D座主體部位幕牆工程) and Beijing 21st Century Building (北京二十一世紀大廈). The revenue from curtain wall engineering projects for the year ended 31 December 2006 was approximately RMB373.5 million, amounted to approximately 20.9% increase from approximately RMB308.9 million for the year ended 31 December 2005.

Such increase was partially offset by a 8.2% decrease in our sales of curtain wall materials from approximately RMB44.0 million for the year ended 31 December 2005 to approximately RMB40.4 million for the year ended 31 December 2006.

Cost of sales

Our total cost of sales increased by approximately RMB54.4 million, or approximately 18.7% from approximately RMB290.5 million for the year ended 31 December 2005 to approximately RMB344.9 million for the year ended 31 December 2006. The increase in cost of sales was in line with the increase in revenue during the year.

The costs of sales relating to conventional curtain wall engineering projects increased by approximately RMB56.9 million, or approximately 22.3% from approximately RMB255.2 million for the year ended 31 December 2005 to approximately RMB312.1 million for the year ended 31 December 2006.

The costs of sales relating to sale of curtain wall materials decreased by approximately RMB2.5 million, or approximately 7.1% from approximately RMB35.3 million for the year ended 31 December 2005 to approximately RMB32.8 million for the year ended 31 December 2006 which was in line with the corresponding decrease in the revenue from sale of curtain wall materials.

Gross profit and gross profit margin

Gross profits increased by approximately RMB6.9 million, or approximately 10.9% from approximately RMB63.2 million for the year ended 31 December 2005 to approximately RMB70.1 million for the year ended 31 December 2006.

The gross profit margin for 2005 was approximately 17.9%, whereas the gross profit margin for 2006 was reduced slightly to 16.9%. This was mainly attributable to a slight decrease in the gross profit margin of the conventional curtain wall business as we undertook several large commercial and industry related curtain wall engineering projects in 2006 with lower gross profit margins. For those projects, we submitted lower tender prices in order to remain competitive in the tendering process.

Other income and gains

Other income and gains remained stable and amounted to RMB108,000 and RMB151,000 for 2006 and 2005 respectively.

Selling and distribution costs

Selling and distribution costs increased by approximately RMB1.2 million, or approximately 24.5% from approximately RMB4.9 million for the year ended 31 December 2005 to approximately RMB6.1 million for the year ended 31 December 2006. The increase was mainly due to the increase in travelling expenses of approximately RMB0.3 million, and entertainment of approximately RMB0.7 million as a result of the increased sales and marketing efforts in 2006.

Administrative expenses

Administrative expenses decreased by approximately RMB7.5 million, or approximately 39.1% from approximately RMB19.2 million for the year ended 31 December 2005 to approximately RMB11.7 million for the year ended 31 December 2006. The decrease was mainly due to (1) a decrease in our research and development expense of approximately RMB5.8 million, from approximately RMB6.0 million for the year ended 31 December 2005 to approximately RMB0.2 million for the year ended 31 December 2006; and (2) the decrease in the professional fees of approximately RMB2.9 million, or from approximately RMB3.7 million for the year ended 31 December 2005 to approximately RMB0.8 million for the year ended 31 December 2006 was mainly attributable to the professional fees in connection with the listing application to the Singapore Stock Exchange in 2005. The substantial research and development expenses related to the expenditure on researching BIPV that was completed in 2005.

Other expenses

Other expenses remained stable and amounted to RMB88,000 and RMB224,000 for the years ended 31 December 2005 and 2006 respectively.

Finance costs

Finance costs remained stable and amounted to RMB1.8 million and RMB2.0 million for the years ended 31 December 2005 and 2006 respectively.

Income tax

As 2005 was the first CIT exemption year for Zhuhai Singyes, no provision for CIT has been made in respect of the estimated assessable profit of Zhuhai Singyes for 2005 and 2006. Income tax of our Group of RMB7,000 for the year ended 31 December 2005 was related to the tax expenses of Innofast Investments. During the year ended 31 December 2005, Innofast Investments received HK$50,000 management consulting income from Zhuhai Singyes which was subject to Hong Kong profit tax.

Profits attributable to equity holders of our Company

Based on the above factors, profit attributable to equity holders of our Company increased by approximately RMB12.8 million, or approximately 34.3% from approximately RMB37.3 million for the year ended 31 December 2005 to approximately RMB50.1 million for the year ended 31 December 2006. Net profit margin increased from 10.5% for the year ended 31 December 2005 to 12.1% for the year ended 31 December 2006 as a result of significant decrease in administrative expenses in 2006.

Profits attributable to minority interests

Mr. Liu and Mr. Sun were entitled in aggregate in the sum of RMB100,000 of the distributable profits in Zhuhai Singyes pursuant to the Profit Transfer Agreement in both 2005 and 2006.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

During the Track Record Period, our Group financed our operations and growth mainly through a combination of cash from operations and external borrowings and our Group applied our cash mainly to finance our operations capital expenditure and our borrowings. Our Directors are not aware of any material change to the sources of cash of our Group and the use of cash by our Group in the Track Record Period. The following table is a summary of our cash flow statements during the Track Record Period:

	Year Ended			Six months ended 30 June	
	31 December 2005	**31 December 2006**	**31 December 2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Net cash inflow/(outflow) from operating activities	2,378	18,685	492	(6,506)	39,815
Net cash inflow/(outflow) from investing activities	(6,326)	(6,945)	(49,355)	(4,747)	927
Net cash inflow/(outflow) from financing activities	3,792	(3,977)	62,248	(633)	(16,398)
Cash and cash equivalents at the beginning of the year/period	21,031	20,864	28,758	28,758	42,628
Cash and cash equivalents at the end of the year/period	20,864	28,758	42,628	16,869	65,915

Net cash inflow/(outflow) from operating activities

Our major operating cash flows are derived mainly from revenue from curtain wall engineering projects undertaken by us, and to a lesser extent, the sale of curtain wall materials.

Net cash inflow from operating activities for the year ended 31 December 2005 amounted to approximately RMB2.4 million, while our Group's profit before tax for the same period was approximately RMB37.4 million. The difference of approximately RMB35 million was primarily attributable to the combined effect of the increase in construction contracts of approximately RMB13.7 million mainly due to the increase in the value of curtain wall engineering projects on hand which were still in progress as at 31 December 2005, the decrease in other payables and accruals of approximately RMB25.7 million partially due to the settlement of more business tax at the end of 2005 and the fewer amount of deposits we required our subcontractors to pay and the income tax paid of approximately RMB4.8 million for 2003 and 2004 *(Note 1)*, and partially offset by the increase in trade payables of approximately RMB8.2 million mainly due to our business growth.

Net cash inflow from operating activities for the year ended 31 December 2006 amounted to approximately RMB18.7 million, while our Group's profit before tax for the same period was approximately RMB50.2 million. The difference of approximately RMB31.5 million was primarily attributable to the combined effect of the increase in construction contracts of approximately RMB8.6 million mainly due to the increase in the value of curtain wall projects on hand which were still in progress as at 31 December 2006, the increase in trade receivables of approximately RMB27.8 million mainly due to our business growth, the decrease in trade payables of approximately RMB11.8 million and income tax paid of approximately RMB4.0 million for 2003 *(Note 1)* and partially offset by the decrease in prepayments, deposits and other receivables of approximately RMB12.4 million mainly due to the fact that since 2006, we made fewer prepayments to our subcontractors since 2006, increase in other payables and accruals of approximately RMB3.5 million. The decrease in trade payables was due to the settlement of subcontractors' fee near the year end of 2006 to allow our subcontractors to make timely payment of the wages to their workers, so as to ensure that the progress of the project will not be affected. The decrease in prepayments, deposits and other receivables was due to the substantial decrease in prepayments to subcontractors from 2005 to 2006 since the beginning of 2006 onwards, there were fewer subcontractors that required prepayment from us, as we managed to reach agreements with more subcontractors to accept progress payment of their fees instead of prepayments, which can be as high as 5% to 30% of the total contract value. The increase in

Note 1: Pursuant to the "Notice regarding Zhuhai City Government enhancing the management of tax payment by construction and installation business in Zhuhai City" Zhu Fu [2000] No.16, since 2000, Zhuhai Singyes, as a domestic company was subject to CIT based on 2% of its revenue and it made tax provisions for each year accordingly. Since Zhuhai Singyes had only demanded final payments in 2005 and 2006 of certain projects completed in 2003 and 2004 after the parties to such projects have, through substantial negotiations, finalised the revenue amounts, payments of the relevant 2% of the total CIT obligation of such projects were only determined thereafter and payment made to and accepted by Zhuhai tax authority in 2005 and 2006. The said notice no longer applies to Zhuhai Singyes after late 2004 when Zhuhai Singyes changed its legal status from a domestic company to a foreign investment enterprise.

other payables and accruals was primarily due to the substantial increase in business tax payable and value added tax payable as a result of the increase in business growth and partially offset by decrease in advance from customers.

Net cash inflow from operating activities for the year ended 31 December 2007 amounted to approximately RMB0.5 million, while our Group's profit before tax for the same period was approximately RMB78.6 million. The difference of approximately RMB78.1 million was primarily attributable to the combined effect of a substantial increase in trade receivables of approximately RMB104.9 million mainly due to our business growth, the increase in prepayment, deposits and other receivables of approximately RMB7.8 million mainly due to the increase in the amount of performance guarantee deposits made to our customers for some of the major projects before the end of 2007 (such as Luo Gang District 110 Social United Action Commend Centre project (蘿崗區110社會聯動指揮中心幕牆工程) and Inner Mongolia University New District Phase I Aluminum Alloy Poor and Window Project (內蒙古大學新校區一期BT項目鋁合金門窗工程) which accounted for a substantial increase in deposit of approximately RMB4.2 million and RMB2.0 million respectively), and partially offset by the increase in other payables and accruals of approximately RMB19.3 million mainly due to the increase in the business tax and VAT as a result of our business growth and the decrease in construction contracts of approximately RMB 13.0 million, mainly due to the completion of a number of curtain wall projects before the end of 2007 such as of Wuchang Railway Station Exterior Decoration Project (武昌火車站站房外裝飾工程) and Jingang Staff Cultural Activity Centre (酒鋼職工文化活動中心).

Net cash inflow from operating activities for the six months ended 30 June 2008 amounted to approximately RMB39.8 million, while our Group's profit before tax for the same period was approximately RMB57.7 million. The difference of approximately RMB17.9 million was primarily attributable to the combined effect of the increase in construction contracts of approximately RMB41.7 million, mainly due to the receivable from the projects that were under progress as at 30 June 2008, such as the Beijing Guohai Square External Wall Curtain Wall Design, Supply and Installation Project (北京國海廣場外立面幕牆設計、供應及安裝工程A座、D座公寓及裙房), Guanyinshan International Commercial Operation Centre A1 Block Curtain Wall project (觀音山國際商務營運中心啓動區A1地塊幕牆工程) and Kunming City Government Administrative Office Building Construction Project – Curtain Wall Construction (2nd Phase) (昆明市市級黨政機關辦公用房建設項目的建築幕牆施工(第二標段)), the increase in trade payables of approximately RMB18.4 million due to business growth, increase in the amount of income tax paid of approximately RMB9.3 million due to the increase in net profits and the CIT rate and the decrease in the trade receivables of RMB11.9 million, mainly due to the collection of trade receivables in a number of major projects in June 2008.

Net cash outflow from operating activities for the six months ended 30 June 2007 amounted to approximately RMB6.5 million, while our Group's profit before tax for the same period was approximately RMB34.5 million. The difference of approximately RMB41.0 million was primarily attributable to the combined effect of (i) the increase in construction contracts of approximately RMB37.2 million, mainly due to the receivable from the projects that were under progress as at 30 June 2007, such as Jiugang Staff Cultural Activity Centre (酒鋼職工文化活動中心) and Sun Palace Building Windows and curtain walls supply and installation First Phase Project (太陽宮項目第一期樓外窗及幕牆供貨及安裝工程), (ii) the increase in trade receivable of approximately RMB16.3 million, mainly due to business growth, (iii) increase in prepayments, deposits and other receivables of approximately RMB52.9 million, mainly due to an increase in prepayments to our subcontractors to speed up the progress of a number of projects, which was partially offset by (i) increase in trade payables of approximately RMB29.6 million, mainly due to the increase in subcontracting fees and costs of materials payable as at 30 June 2008 and (ii) increase in other payables and accruals of approximately RMB34.0 million, mainly due to the increase in advance from customers in to projects such as Wuchang Railway Station Exterior Decoration Project (武昌火車站站房外裝飾工程) and Wulanqiate Museum (烏蘭洽特博物館).

Net cash inflow/(outflow) from investing activities

Net cash outflow from investing activities for the year ended 31 December 2005 amounted to approximately RMB6.3 million, which was primarily attributable to the purchase of property, plant and equipment of approximately RMB4.4 million and an increase in pledged deposits of approximately RMB2.0 million.

Net cash outflow from investing activities for the year ended 31 December 2006 amounted to approximately RMB6.9 million, which was primarily attributable to the purchase of property, plant and equipment of approximately RMB8.9 million, and partially offset by a decrease in pledged deposits of approximately RMB1.9 million.

Net cash outflow from investing activities for the year ended 31 December 2007 amounted to approximately RMB49.4 million, which was primarily attributable to the purchase of property, plant and equipment of approximately RMB20.8 million, payment of approximately RMB9.5 million for investment in Weihai China and an increase in pledged deposits of approximately RMB19.3 million. The significant increase in the balance of property, plant and equipment as at 31 December 2007 was mainly due to the significant increase in construction in progress of RMB19.7 million, which included the expansion of the existing production line by the construction of a new factory premises of 2,761.44 sq.m. involving a total cost of approximately RMB7.7 million and the construction of a BIPV production line involving a total capital investment of approximately RMB12 million.

Net cash inflow from investing activities for six months ended 30 June 2008 amounted to approximately RMB927,000, which was primarily attributable to the combined effect of purchase of property, plant and equipment of approximately RMB18.7 million, and decrease in pledged deposits of approximately RMB19.3 million as a result of the repayment of bank and other borrowings of our Group.

Net cash outflow from investing activities for the six months ended 30 June 2007 amounted to approximately RMB4.7 million, which was primarily attributable to the purchase of property, plant and equipment of approximately RMB830,000, and increase in pledged deposits of approximately RMB3.9 million as a result of the increase in the amount of performance guarantee deposits we made to our customers.

Net cash inflow/(outflow) from financing activities

Net cash inflow from financing activities for the year ended 31 December 2005 amounted to approximately RMB3.8 million, which was the difference between the repayment of approximately RMB6.5 million and approximately RMB1.0 million of interest paid and proceeds from bank and other borrowings of approximately RMB11.2 million.

Net cash outflow from financing activities for the year ended 31 December 2006 amounted to approximately RMB4.0 million, which was the difference between the repayment of bank and other borrowings of approximately RMB8.9 million, approximately RMB2.4 million of interest paid, repayment of convertible loans of approximately RMB2.6 million and proceeds from bank and other borrowings of approximately RMB10.0 million.

Net cash inflow from financing activities for the year ended 31 December 2007 amounted to approximately RMB62.2 million, which was the difference between the repayment of bank and other borrowings of approximately RMB22.7 million and approximately RMB1.5 million of interest paid and proceeds from bank and other borrowings of approximately RMB86.4 million.

Net cash outflow from financing activities for the six months ended 30 June 2008 amounted to approximately RMB16.4 million, which was the difference between the repayment of bank and other borrowings of approximately RMB18.0 million, payment of approximately RMB7.9 million of listing expenses and approximately RMB0.5 million of interest paid and partially offset by the proceeds from bank and other borrowings of approximately RMB10.0 million.

Net cash outflow from financing activities for the six months ended 30 June 2007 amounted to approximately RMB633,000, representing the amount of interest paid for the six months ended 30 June 2007.

MAJOR FINANCIAL RATIOS

Set forth below are the major financial ratios:

		As of or for the years ended 31 December			As of or for the six months ended 30 June
	Note	**2005**	**2006**	**2007**	**2008**
Trade receivables turnover (days)	*1*	152	142	138	133
Trade payables turnover (days)	*2*	31	24	12	15
Gearing ratio (%)	*3*	14.0%	11.6%	18.0%	2.0%
Current ratio	*4*	3.0	4.2	4.2	4.0

Notes:

1. Trade receivables turnover is calculated based on the average of the beginning and ending balance of trade receivables, net of impairment, for the year/period divided by revenue during the year/period and multiplied by the number of days during the year/period.

2. Trade payables turnover is calculated based on the average of the beginning and ending balance of trade payables for the year divided by cost of sales during the year/period and multiplied by the number of days during the year/period.

3. Gearing ratio is calculated based on the total borrowings as a percentage of total assets as at the end of respective years/period multiplied by 100%.

4. Current ratio is calculated by dividing current assets with current liabilities at the end of the respective year/period.

Trade receivables turnover

The majority of our Group's revenues are generated through curtain wall engineering project contracts and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. Our Group does not have a standardised and universal credit period granted to project contract customers. The credit period of individual project contract customers is considered on a case-by-case basis and set out in the project contracts, as appropriate. In the event that a project contract does not specify the credit period, the usual practice of our Group is to allow a credit period of 30 to 150 days. We receive payments from our customers in the form of advance payment and progress payment and the return of retention money. For some of the projects, our customers may pay an advance payment of 5% to 30% of the total contract sum to us at the beginning of the projects. Our customers usually retains 3% to 5% of the total contract sum of the projects as retention money. The remaining balance will mainly be in the form of progress payment to be billed based on the progress of the projects. For sales of curtain wall materials, a credit period ranging from three to six months may be granted to large customers. Revenues from small and new customers are normally expected to be settled shortly after provision of services or delivery of goods. No credit period is set by our Group for small and new customers. The provision for impairment of trade receivable is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that our Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible. During the Track Record Period, our trade receivables mainly arose from construction contracts. Our Directors are of the view that the provisioning of trade receivables is adequate for our Group's business.

Our trade receivables turnover days decreased from 152 days for the year ended 31 December 2005 to 142 days for the year ended 31 December 2006, further decreased to 138 days for the year ended 31 December 2007 and further decreased to 133 days for the six months ended 30 June 2008.

We have implemented a formal trade receivable management system since 2005. Under the trade receivable management system, project managers are given the responsibility to collect payments from the customers. The performance of project managers in collecting payments from customers will be taken into account in their respective annual performance appraisal. The implementation of the formal trade receivable management system led to enhanced efforts in collecting trade receivables from our customers.

The impairment of trade and other receivables during the Track Record Period amounted to approximately RMB0.2 million, RMB0.1 million, RMB0.4 million and nil respectively. There was no material provision for impairment of trade and other receivables in 2005, 2006, 2007 and the six months ended 30 June 2008.

The table below sets out an ageing analysis of our trade receivables as of the balance sheet dates indicated.

	As at 31 December			As at 30 June
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within three months	74,171	77,850	164,132	140,271
Three to six months	50,558	24,952	68,536	33,795
Six months to one year	21,845	36,470	14,434	74,292
One to two years	1,304	36,306	24,041	15,548
Two to three years	2	120	9,410	4,611
More than three years	–	–	53	169
	147,880	175,698	280,606	268,686

During the Track Record Period, our Group did not have any disputes with its customers on settlement of trade receivables. During the Track Record Period, our Group did not have any great difficulties in collecting receivables from the main contractors of its construction projects.

As at 30 November 2008, approximately 80.2% of the trade receivables outstanding as at 30 June 2008 has been settled.

Trade payables turnover

Our trade payables are derived primarily from payables relating to the purchase of materials and subcontractor fees. The trade payables are interest-free and are normally settled within six months. The credit period granted by our suppliers and subcontractors on a case-by-case basis. In the event that the credit period is not specified in the contract the usual practice of our suppliers and subcontractors is to allow a credit period of 30-180 days and 30 days respectively.

Our trade payables turnover has been decreasing from 31 days for the year ended 31 December 2005, to approximately 24 days for the year ended 31 December 2006, 12 days for the year ended 31 December 2007 and remained stable at 15 days for the six months ended 30 June 2008 primarily due to the short credit term granted by our subcontractors. It is our practice to settle the subcontractors' fee in a short period of time to allow our subcontractors to make timely payment of the wages of their workers, so as to ensure that the progress of the project will not be affected. In addition, a shorter trade payable turnover days can allow our Company to secure a lower cost of raw materials from the suppliers. At the year end of 2007, several customers requested to accelerate the work progress of the projects, we then settled a total sum of RMB25.3 million to three subcontractors for projects including Guanyinshan International Commercial Operation Centre A1 Block Curtain Wall Project (觀音山國際商務營運中心啓動區A1地塊幕牆工程), Kailin International Building Exterior Decoration Project (楷林國際大廈外立面裝修工程) and Tianjin Railway Station Exterior Decoration Project (天津火車站站外裝飾工程). This has further led to the decrease of the trade payable turnover days from 2006 to 2007.

The table below sets out an ageing analysis of our trade payables as of the balance sheet dates indicated.

	As at 31 December			As at 30 June
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within three months	11,179	5,425	8,254	21,241
Three to six months	8,997	2,805	2,048	3,595
Six months to one year	6,529	2,608	1,478	2,423
One to two years	846	4,971	1,957	1,753
Two to three years	937	146	1,177	1,577
Over three years	120	882	876	1,606
	28,608	16,837	15,790	32,195

Our Directors confirm that there were no material disputes with our suppliers and subcontractors during the Track Record Period.

Gearing ratio

As at 31 December 2005, 2006, 2007 and 30 June 2008, our total interest bearing borrowings and convertible loans amounted to approximately RMB32.3 million, RMB30.5 million, RMB76.4 million and RMB10.0 million respectively and our gearing ratio, calculated as the total borrowings as a percentage of total assets was approximately 14.0%, 11.6%, 18.0% and 2.0% respectively.

The gearing ratio decreased from 14.0% as at 31 December 2005 to 11.6% as at 31 December 2006 due to repayment of convertible loans. As at 31 December 2007, the gearing ratio increased to 18.0%, primarily due to the increase in other borrowings of US$8.0

million (equivalent to approximately RMB55.7 million) loan obtained by our Company in 2007. As at 30 June 2008, the gearing ratio decreased significantly to 2.0%, mainly due to the repayment of the RMB8.0 million bank loans and the settlement of other borrowings of US$8.0 million.

Current ratio

As at 31 December 2005, 2006, 2007 and 30 June 2008, our current ratio was approximately 3.0, 4.2, 4.2 and 4.0 respectively. The improvement in the current ratio from 3.0 as at 31 December 2005 to 4.2 as at 31 December 2006 was primarily due to the combined effect of the increase in cash and cash equivalents, construction contracts, trade receivables and a decrease in trade payables. The current ratio remained stable at 4.2 in 2006 and 2007. The current ratio as at 30 June 2008 slightly decreased to 4.0, primarily due to the increase in trade payables and other payables and accruals.

Available-for-sale equity investment

During the year ended 31 December 2007, our Group acquired an available for sale investment, Weihai China, 13% of its registered capital for a consideration of US$1.3 million determined by reference to the registered capital of Weihai China. The acquisition was completed on 29 February 2008. The principal activity of Weihai China is manufacture of thin-film CIGS PV Panels and a-Si PV Panels, research and development of PV Application Systems including BIPV, PV water pumping, PV sea water desalination, PV desert renovation and PV water purification system.

It is our policy not to engage in any short-term investment such as trading of securities. Our long term investment proposal would require approval of the Board. A feasibility study and analysis on financial impact need to be presented to the Board for approval. Our Directors will consider each investment proposal on a case-by-case basis and consider a number of factors in relation to the proposed investment such as its relevance to our business plan and estimated investment return. We will comply with the applicable Listing Rules regarding reporting, announcement and shareholders' approval requirements for our future investment.

Prepayments, deposits and other receivables

The following table sets forth the breakdown of our prepayments, deposits and other receivables as of the balance sheet dates indicated.

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to subcontractors and suppliers	14,890	4,728	5,130	6,039
Deposits	7,959	5,803	12,291	14,457
Other receivables *(Note)*	1,243	1,014	1,596	14,411
Tax charges receivable from subcontractors	–	–	–	3,618
Total	24,092	11,545	19,017	38,525

Note: As at 31 December 2005, 2006 and 2007, Other receivables mainly include cash advances to staff for travelling expenses. As at 30 June 2008, it mainly includes prepayment of listing expenses.

Prepayments, deposits and other receivables decreased by approximately RMB12.6 million, or approximately 52.3% from approximately RMB24.1 million as at 31 December 2005 to approximately RMB11.5 million as at 31 December 2006. Such decrease was primarily due to the substantial decrease of prepayment to subcontractors of approximately RMB10.2 million and the decrease in the deposit of bonds for tendering and performance of approximately RMB2.2 million as at 31 December 2006. The substantial decrease in prepayments to subcontractors from 2005 to 2006 is due to the fact that from the beginning of 2006 onwards, there were fewer subcontractors that required prepayment from us, as we managed to reach agreements with more subcontractors to accept progress payment of their fees instead of prepayments, which can be as high as 5% to 30% of the total contract value.

Prepayments, deposits and other receivables increased by approximately RMB7.5 million, or approximately 65.2% from approximately RMB11.5 million as at 31 December 2006 to approximately RMB19.0 million as at 31 December 2007. Such increase was primarily due to the substantial increase of approximately RMB4.2 million in deposit for the Guangzhou Luo Gang District 110 Social United Action Command Centre project (蘿崗區110社會聯動指揮中心幕牆工程) as at 31 December 2007.

Prepayments, deposits and other receivables increased by approximately RMB19.5 million, or approximately 102.6% from approximately RMB19.0 million as at 31 December 2007 to approximately RMB38.5 million as at 30 June 2008. Such increase was primarily due to the prepayment of listing expenses of approximately RMB11.9 million included in other receivables and the amount of tax charges receivable from subcontractors of approximately RMB3.6 million as at 30 June 2008. To the best knowledge of our Directors, our subcontractors are Independent Third Parties.

The tax charges receivable from subcontractors represents the amount of business tax paid by us on behalf of the subcontractors as at 30 June 2008. During the three years ended 31 December 2007, we engaged some subcontractors for our projects in which certain subcontractors had delayed in providing their invoices to us. Without obtaining the relevant invoices on time before the deadline of tax filing, our Group was unable to treat such subcontracting payment as deductible expenses for tax purpose in that year. To address this issue, we have decided to issue invoices on behalf of some of the subcontractors who did not provide us with invoices on time during the six months ended 30 June 2008. The subcontractors involved have regular business relationships with us. By issuing these invoices, we will be primarily liable to pay corresponding business tax to the PRC government on behalf of these subcontractors but we have reached an agreement with those subcontractors to reimburse us the entire amount of such business tax. As at 31 October 2008, we have received all of the business tax reimbursements from our subcontractors outstanding as at 30 June 2008. The present intention of our Group is to continue to issue invoices on behalf of some of the subcontractors but we will deduct such business tax from our progress payment to those subcontractors in the relevant projects in the future.

Inventories

Inventories mainly represent raw materials such as glass, aluminum panels, granite panels and steel panels for our conventional curtain wall business and PV panels, batteries and inverters for our BIPV and solar-power product businesses. It is our Group's policy to maintain minimal inventories such that we often require our suppliers to deliver the raw materials directly to the work sites if no fabrication or processing is required. For materials which need to be processed at our fabrication plant in Zhuhai, we generally maintain a short processing period of about a week in accordance with our minimal-inventory policy. According to our Group's accounting treatment on inventories, inventories would be recognised at cost to the costs of sales (cost of construction contracts and design services and cost of inventories sold) once it is used. Therefore, our inventories balance remained at a low level and had no significant fluctuation over the Track Record Period. As at 30 November 2008, all inventories at 30 June 2008 have been utilized.

Amounts due from Directors

We make advances to our Directors to cover their travelling expenses. Such advances were drawn from our Group's petty cash in accordance with its petty cash policy. As at 31 December 2005, 2006 and 2007 and 30 June 2008, the balance of advances to Directors was RMB250,000, RMB90,000, RMB89,000 and RMB49,000 respectively. As at the Latest Practicable Date, the balance as at 30 June 2008 has been fully settled. We will continue this arrangement with our Directors after the Listing. As advised by our PRC legal advisors, such advances to Directors are travelling expenses that are paid in advance and as such do not constitute money lending activities of our Group.

Other payables and accruals

The following table sets forth the breakdown of our other payables and accruals as of the balance sheet dates indicated.

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	5,043	3,103	8,643	16,177
Tax and surcharge payables	7,765	11,784	26,918	30,309
Accrued expenses	2,135	2,488	4,741	7,458
Other payables *(Note)*	7,326	6,717	4,064	4,658
Total	22,269	24,092	44,366	58,602

Note: Other payables include deposit received from subcontractors, payables for the purchase of fixed assets, housing fund payables and miscellaneous payables for projects.

Other payables and accruals increased by approximately RMB1.8 million, or approximately 8.1% from approximately RMB22.3 million as at 31 December 2005 to approximately RMB24.1 million as at 31 December 2006. Such increase was primarily due to the combined effect of the substantial increase of approximately RMB4.0 million in business tax and value added tax payable as at 31 December 2006 as a result of business growth and the decrease of advance from customers of approximately RMB1.9 million as at 31 December 2006.

Other payables and accruals increased by approximately RMB20.3 million, or approximately 84.2% from approximately RMB24.1 million as at 31 December 2006 to approximately RMB44.4 million as at 31 December 2007. Such increase was primarily due to the substantial increase of approximately RMB15.1 million in business tax payable as a result of the increase in revenue and increase of approximately RMB5.5 million in advance from customers with respect to the Guangzhou Luo Gang District 110 Social United Action Command Centre projects (蘿崗區110社會聯動指揮中心幕牆工程) as at 31 December 2007.

Other payables and accruals increased by approximately RMB14.2 million, or approximately 32.0% from approximately RMB44.4 million as at 31 December 2007 to approximately RMB58.6 million as at 30 June 2008. Such increase was primarily due to the increase in advance from customers of approximately RMB7.5 million with respect to the Guangzhou Luo Gang District 110 Social United Action Command Centre projects (蘿崗區110社會聯動指揮中心幕牆工程) and Guiyang Jinma Building project (貴陽金馬大廈項目), the increase in tax and surcharge payables of approximately RMB3.4 million mainly with respect to the amount of business tax to be paid by us on behalf of our subcontractors and the increase in accrued expenses of RMB2.7 million.

Bank borrowings

The Group has bank borrowings of RMB10 million as at the Latest Practicable Date, from Shenzhen Development Bank Zhuhai Branch which are secured by mortgages over the parcel of land and the industrial building of our Group located at No.8 Hongda Road, Namping Science and Technology Park, Zhuhai City, Guangdong Province, the PRC (the "**Property**"). Pursuant to the agreement of bank borrowings, our Group cannot freely transfer or remortgage the Property (save for under ordinary and usual course of business) without the consent of the Bank. Our Directors consider that the bank borrowings are in the ordinary and usual course of business and the terms are in normal commercial terms and fair and reasonable. Our Directors consider that the bank borrowings would not cause any material impact to our Group's ability to undertake any additional debt or equity financing. As at 31 October 2008, our Group has another unused conditional banking facilities of RMB10.0 million, the use of which is subject to the bank's further approval.

Other borrowings

As at 31 December 2005 and 2006, our Group has other borrowings of US$340,000 (equivalent to approximately RMB2,744,000) and US$340,000 (equivalent to approximately RMB2,655,000) respectively, which are unsecured, bear interest at 6.5% per annum and are repayable on demand, which were fully repaid in 2007. The lender of the loan is an Independent Third Party. The proceeds of the loan were mainly used for our working capital of our Group.

The balance of other borrowings as at 31 December 2007 increased significantly because of the US$8.0 million (equivalent to approximately RMB55.7 million) Senior Loans. As at 31 December 2007, both our Group and our Company have obtained Senior Loans for US$8.0 million (equivalent to approximately RMB55.7 million) from Senior Lenders. The Senior Loans were guaranteed by Strong Eagle, one of our Controlling Shareholders and bear interest at 3% per annum.

The proceeds from the Senior Loans were mainly applied to (i) the working capital of our Group; and (ii) our Group's acquisition of 13% interest in Weihai China.

As advised by our PRC legal advisors, the above borrowings are not subject to PRC law as the parties of the borrowings are neither PRC companies nor PRC natural person and the said borrowings did not take place in the PRC.

Details of the Senior Loans are set out in item (h) of the paragraph "Our Company" under the sub-section headed "Corporate Development of Our Group" of the section headed "History, Reorganisation and Group Structure" of this prospectus.

As at 30 June 2008, the balance of other borrowings of our Group was nil.

Our Directors confirm that our Group may enter into legal financial arrangements with terms that our Directors consider appropriate after the Listing.

DIRECTORS' OPINION ON THE SUFFICIENCY OF OUR WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Other than the risk factors set out in the section headed "Risk Factors" in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

NET CURRENT ASSETS AND INDEBTEDNESS

Net current assets as at 31 October 2008

As at 31 October 2008, being the latest practicable date for the preparation of the working capital sufficiency statement in this prospectus, we had net current assets of approximately RMB359.3 million, comprising current assets of approximately RMB466.8 million and current liabilities of approximately RMB107.5 million. The following table sets out the composition of our unaudited current assets and liabilities as at 31 October 2008:

	RMB'000 *(unaudited)*
Current assets	
Inventories	905
Construction contracts	40,237
Trade receivables	306,824
Prepayments, deposits and other receivables	46,775
Amounts due from directors	49
Pledged deposits	500
Cash and cash equivalents	71,481
	466,771
Current liabilities	
Trade payables	34,359
Construction contract	365
Other payables and accruals	51,902
Interest-bearing bank and other borrowings	10,000
Tax payable	10,823
	107,449
Net current assets	359,322

Our Directors consider that there are no material adverse changes in our Group's net current assets position as at 31 October 2008 as compared with our Group on 30 June 2008.

Indebtedness

As at 31 October 2008, being the latest practicable date for the purpose of this statement prior to the printing of this prospectus, we have total borrowings of approximately RMB10.0 million which are secured by our land and buildings.

Our Directors confirm that, taking into consideration the financial resources available to us as at 31 October 2008, including banking facilities and other internal resources, we have sufficient working capital for our requirements as at 31 October 2008, including funds necessary to meet our contractual obligations, maintain our operations and complete our existing projects that were under progress as at 31 October 2008. Other than the risk factors set out in the section headed "Risk Factors" in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity as at 31 October 2008, including those that may materially and adversely affect our future cash requirements associated with trends known to our Group. As at 31 October 2008, our Directors are not aware of any change in the applicable legal and regulatory requirements that would have a material adverse impact on our Group's liquidity.

Cash flows

Our Group has financed our operations and growth mainly through a combination of cash from operations and external borrowings and we applied our cash mainly to finance our operations and capital expenditures and to repay our borrowings. As at 31 October 2008, save as disclosed in the section headed "Future Plan and Use of Proceeds" in this prospectus, our Directors are not aware any material change to the sources of cash of our Group and the use of cash by our Group. Our Directors are of the view that as at the Latest Practicable Date, the recent global economic downturn had no material adverse effect on the liquidity position of our Group.

Capital Expenditures

During the Track Record Period, we incurred capital expenditure mainly for the purchase of property, plant and equipment. Our capital expenditures were approximately RMB4.6 million, RMB7.6 million, RMB20.7 million and RMB18.7 million for 2005, 2006 and 2007 and for the six months ended 30 June 2008 respectively. We have incurred RMB860,000 of capital expenditures for the four months ended 31 October 2008. We plan to use approximately HK$9.8 million for purchasing equipment for the processing of ancillary parts in BIPV systems (assuming that the Offer Price is the mid-point of the indicative range of the Offer Price) and we believe that such budget will be sufficient for such purpose in 2009. We currently intend to finance the purchase of such equipment after 2009 through our internal resources and/or external borrowings.

We anticipate that the funds needed to finance the capital expenditures will be financed by cash generated from our operations and bank borrowings, as well as net proceeds from the Global Offering. If necessary, we may raise additional funds on terms that are acceptable to us.

Our current plan with respect to future capital expenditures may be subject to change based on the implementation of our business plan, including potential acquisitions, the progress of our capital projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures.

Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, financial condition and cash flows, economic, political and other conditions in the PRC, Hong Kong and other jurisdictions in which we operate.

Capital commitments

The Group had the following capital commitments as at 31 December 2005, 2006 and 2007 and 30 June 2008:

	31 December			30 June
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	5,066	217	4,428	4,428

As at 31 October 2008, our Group's capital commitments are approximately RMB4.4 million.

Operating lease commitments – Group as lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms of one or two years. As at each of the balance sheet dates during the Relevant Periods, our Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December			30 June
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	143	20	139	141
After one year but not more than five years	–	–	85	67
	143	20	224	208

OFF-BALANCE SHEET TRANSACTIONS

As at the Latest Practicable Date, we have not entered into any material off-balance sheet transactions.

Contingent liabilities

As at 31 October 2008, we had no significant contingent liabilities.

Disclaimers

Save as disclosed in the paragraphs headed "Bank Borrowings" and "Contingent liabilities" of this section, and apart from intra-group liabilities, we did not have, at the close of business on 31 October 2008, any outstanding loan capital issued and outstanding or agreed to be issued loans, or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has been no material change in indebtedness, commitments and contingent liabilities of our Group since 31 October 2008.

MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, which primarily consist of interest rate risk, foreign currency risk, credit risk, and liquidity risk.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to the our interest bearing bank and other borrowings. All these interest bearing bank and other borrowings were obtained at fixed interest rates, which have exposed us to fair value interest rate risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The interest rates and terms of repayments of borrowings are disclosed in note 26 in section II to the Accountants' Report set out in Appendix I to this prospectus.

Our Directors do not anticipate any significant impact resulting from the changes in interest rates because all of our borrowings as at 30 June 2008 were at fixed interest rates.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of our business transacted in RMB, the aforesaid currency is defined as our functional currency. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government

As a result of its significant business operations in the PRC, our Group's revenue and expenses are mainly denominated in RMB and the financial assets and liabilities are also mainly denominated in RMB. The effect of the fluctuation in the exchange rate of RMB against foreign currencies on our results of operations is therefore not significant and we have not entered into any hedging transactions in order to reduce our Group's exposure to foreign currency risk in this regard.

Credit risk

The carrying amounts of cash and cash equivalents, pledged deposits, trade and other receivables, investments and other financial assets represent our maximum exposure to credit risk in relation to financial assets. Substantially all of our cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality.

We trade only with recognised and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. Moreover, as our exposure is spread over a diversified portfolio of customers, there is no significant concentration of credit risk.

Liquidity risk

We monitor its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

Our liquidity is primarily dependent on its ability to maintain a balance between continuity of funding and through the settlement from customers and the payment to vendors.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS

As at the Latest Practicable Date, we own two parcels of land, which are located in Guangdong province in the PRC with an aggregate site area of approximately 11,986 sq.m. and the industry building erected thereon and under construction with a gross floor area of approximately 6,646.05 sq.m. and 3,809.44 sq.m. upon completion respectively. A parcel of land located in the Guangdong province in the PRC with a planned gross floor area of approximately 3,532.9 sq.m. is contracted to be acquired by our Group.

As at the Latest Practicable Date, we leased six properties located in the PRC with an aggregate gross floor area of 1,197.36 sq.m. For more details of our properties, please refer to the valuation report as set out in Appendix IV in this prospectus.

For more details of defects in the legal title of our properties, please refer to the paragraph headed "Property Interests" of the section headed "Business" in this prospectus.

The table below shows the reconciliation of aggregate amounts of land and buildings from our Group's audited consolidated balance sheet as at 30 June 2008 to the unaudited net book value of our Group's property interests as at 31 October 2008.

	RMB'000
Net book value as at 30 June 2008	
– Buildings	9,918
– Construction in progress	11,869
– Prepaid lease payments	844
Total	22,631
Movements for the four months ended 31 October 2008	
– Depreciation and amortisation	(77)
Net Book Value as at 31 October 2008	22,554
Valuation surplus as at 31 October 2008	3,675
Valuation as at 31 October 2008 per Appendix IV to this prospect	26,229

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2008

The unaudited pro forma forecast earnings per Share of our Group for the year ending 31 December 2008 has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2008. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial results of our Group.

Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2008 *(Note 1)*	not less than RMB95.8 million (HK$107.3 million)
Unaudited pro forma forecast earnings per Share for the year ending 31 December 2008 *(Note 2)*	not less than RMB0.22 (equivalent to HK$0.25)

Notes:

1. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.

   The forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2008 is based on the audited consolidated results of our Group for the six months ended 30 June 2008, the unaudited consolidated results of our Group for the four months ended 31 October 2008, and a forecast of the consolidated results of our Group for the remaining two months ending 31 December 2008.

2. The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2008 and on the assumptions that our Company had been listed since 1 January 2008, a total of 428,000,000 Shares were in issue during the year ending 31 December 2008. The unaudited pro forma forecast earnings per Share for the year ending 31 December 2008 is converted into Hong Kong dollars at an exchange rate of HK$1.12 to RMB1.00.

DIVIDEND POLICY

Subject to the Bermuda Companies Act, shareholders in general meeting may from time to time declare a dividend or other distribution but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Subject to the Bermuda Companies Act, our Directors may also from time to time declare a dividend or other distribution.

We have not declared or paid any dividends to our Shareholders since our incorporation. Considering our financial position, our Directors currently intend, subject to certain limitations, and in the absence of any circumstances which might reduce the amount available for distribution whether by losses or otherwise, to distribute to the Shareholders approximately 30% of the current year net profit available for distribution to the Shareholders for the financial year starting from 1 January 2009. For subsequent years, our Directors may declare dividends, if any, after taking into account, amongst other things, our results of operations, cashflows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, the Memorandum of Association and the Bye-laws, the Bermuda Companies Act, applicable laws and regulations and such other factors which our Directors may deem relevant.

There can be no assurance that dividends will be paid in the future or as to the timing of any dividends that are to be paid in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 24 October 2003 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 30 June 2008.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out here to illustrate the effect of the Global Offering on our net tangible assets as of 30 June 2008 as if it had taken place on 30 June 2008.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as of 30 June 2008 or any future date following the Global Offering. It is prepared based on our net assets as of 30 June 2008 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report in Appendix I to this prospectus.

	Audited net tangible assets attributable to equity holders of our Company as at 30 June 2008	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**	**Unaudited pro forma adjusted net tangible assets per Share**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*(HK$ equivalent)*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK1.00 per Share	380,580	24,075	404,655	0.95	1.06
Based on an Offer Price of HK$1.20 per Share	380,580	34,361	414,941	0.97	1.09

Notes:

1. The audited consolidated net tangible assets of our Group as at 30 June 2008 has been extracted without adjustment from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$1.00 or HK$1.20 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and related expenses payable by our Company. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.12 to RMB1.00.

3. The unaudited pro forma adjusted net tangible assets per Share is calculated based on 428,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering.

4. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.12 to RMB1.00.

5. Our Group's property interests as at 31 October 2008 have been valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV "Property Valuation". The above unaudited pro forma adjusted net tangible assets do not take into account the surplus attributable to our Group arising from the revaluation of our Group's property interests amounting to approximately RMB3.7 million. The revaluation surplus will not be incorporated in our Group's financial statements for the year ending 31 December 2008. If the valuation surplus was recorded in our Group's financial statements, additional depreciation/ amortisation of approximately RMB74,000 would be charged against the consolidated income statement for the year ending 31 December 2008.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since 30 June 2008, the end of the period reported in the Accountants' Report set out in Appendix I to this prospectus, and there has been no event since 30 June 2008 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.